

05 January 2012

DAX index	6,113
Market cap. (€mn / \$mn)	71.2 / 92.1
Free float (€mn / %)	12.2 / 17.2
12 Month High / Low (€)	21.35 / 18.29
Daily trading volume	3,000
Trading statement 2012	14-March-2012
Bloomberg / Reuters	ECK GR / ECKG.DE

31/12 (€mn)	2009	2010	2011e	2012e
Net sales	87.2	90.1	86.8	89.5
Gross profit	43.0	45.5	45.0	46.8
EBITDA	13.3	16.9	15.8	17.7
EBIT	9.8	13.7	12.9	14.6
Net income	2.2	6.4	8.4	7.5

(€)	2009	2010	2011e	2012e
EPS	0.61	1.74	2.27	2.04
CFPS	2.69	3.53	3.73	4.14
BVPS	7.39	8.79	13.29	12.82
Dividend	0.35	0.35	0.35	0.40

(%)	2009	2010	2011e	2012e
Gross margin	49.3	50.5	51.8	52.3
EBITDA margin	15.3	18.7	18.2	19.8
EBIT margin	11.2	15.2	14.8	16.3
Dividend yield	3.1	2.4	1.8	2.1

(x)	2009	2010	2011e	2012e
P/E	18.5	8.3	8.6	9.4
P/E rel. DAX	1.3	0.6	0.7	0.7
P/CF	4.2	4.1	5.2	4.7
EV/sales	1.07	1.07	1.34	1.31
EV/EBITDA	7.0	5.7	7.4	6.7
EV/EBIT	9.5	7.0	9.0	8.0

Main Shareholders %

INTRO GmbH	49.2
HRW Verwaltungs GmbH	25.7
Ost-West AG	5.0

Performance (%)

	-1M	-3M	-12M
Absolute	-6.8	1.4	0.7
Relative to DAX	-7.1	-10.6	12.4



Source: Capital IQ

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Christmas not as bad as feared

Ludwig Beck remains a good value small cap, in our view. Although the stock has outperformed the DAX Index by 12.4% LTM, it remains inexpensive at 9.4x 2012e P/E and 6.3x EV/EBITDA, based on our estimates, with mid-teens earnings growth 2011e-13e. The company's strong financial position and ~€6mn of 2011e free cash flow generation warrant a premium to the German stationary retail as well. We reiterate our Buy rating and increase our price target to €28.50 from €23.50 (+48.0% vs. yesterday's closing price).

Release of 2011 trading statement

Ludwig Beck reported gross sales of €103.3mn in 2011e (LFL +1.7% vs. 2010). This is slightly below management guidance of LFL gross revenue growth between 3% and 4%. Management said that adverse weather conditions in the fourth quarter were responsible for this. Notwithstanding the shortfall in revenue growth, management is comfortable with earnings guidance and expects to reach the upper end of its upgraded 2011 earnings forecast of EBT between €9mn and €11mn.

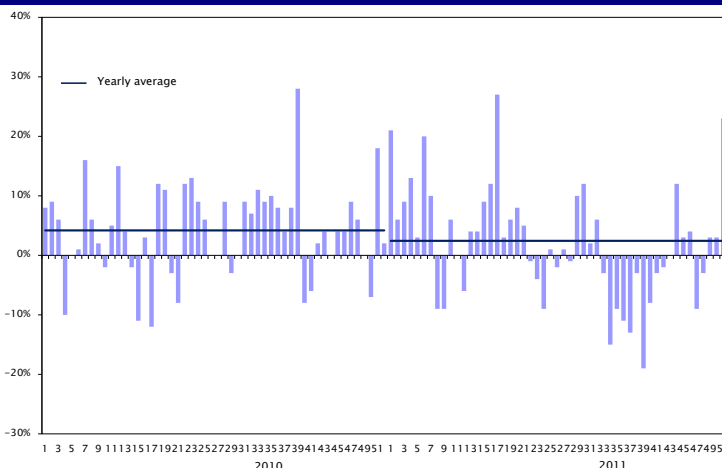
Trading statement		2011	eViscardi
Gross sales	€mn	103.3	105.2
YoY	%	-3.6%	-1.9%
LFL YoY	%	1.7%	3.6%

Sources: Ludwig Beck, VISCARDI

Favourable consumer spending in the last two weeks 2011

TW-Testclub, the leading German retail panel, reported strong figures for the last two weeks of the year. While revenues declined -13% and -5% in September and October,

TW Testclub, 01/2010-12/2011



Sources: TW Testclub, Viscardi

Please note the additional information at the end of this report.

respectively, and increased only slightly in November, December sentiment improved substantially in week 51 and 52, with revenues up 23% and 19%, respectively. Therefore, it is fair to conclude that Christmas trading has not been as bad as originally feared, in our view. For the full year, we calculate an increase of approximately 2.4%.

Change in our 2011e and 2012e estimates

Based on the management’s guidance, we think it is realistic to expect 2011e and 2012e gross revenues of €103.3mn and €106.4mn, respectively, net revenues of €86.8mn and €89.5mn, respectively, and EBT of €10.8mn and €12.2mn, respectively. In addition to that, we expect the following key operational data:

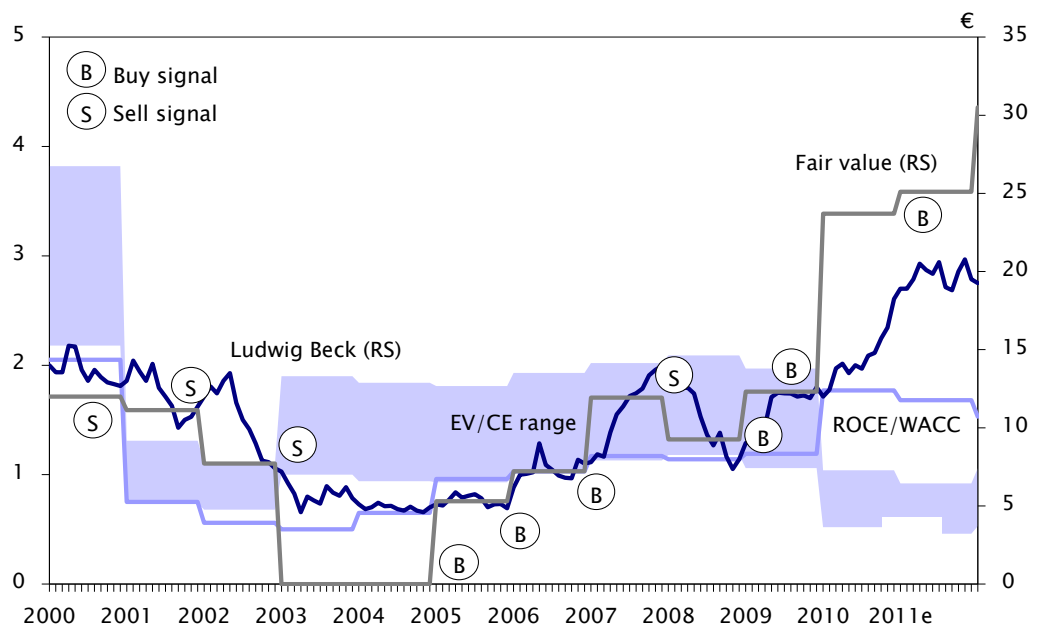
Key operational assumptions									
		2005	2006	2007	2008	2009	2010	2011e	2012e
LFL sales YoY	%	3.1%	1.7%	3.2%	1.8%	1.8%	5.3%	1.7%	3.0%
Change in gross margins YoY	%	0.3%	0.6%	-0.1%	0.9%	1.3%	1.1%	1.3%	0.5%
Number of stores at y/e		11	11	11	9	9	5	4	4
LFL costs YoY	%	-4.6%	-0.6%	-2.6%	0.4%	-1.2%	-3.0%	-0.1%	0.4%

Sources: Ludwig Beck, VISCARDI

Maintaining Buy rating, upgrading PT to €28.50 from €23.50

The trading statement reinforces our positive stance on Ludwig Beck: (i) **Earnings momentum** – this is the eight consecutive increase to Ludwig Beck’s pre-tax profits; (ii) **Revenue momentum** – Ludwig Beck is beginning to reap the benefits of multi-year investment in its Munich headquarter (“Stammhaus”) through strong organic revenue growth (LFL revenue growth substantially exceeded retail markets); (iii) Ludwig Beck has made good margin advances in 2011 but there is still room for **further improvements**, in our view, fuelling further growth potential.

Economic profit model, fair value and share price



Sources: Capital IQ, VISCARDI

Ludwig Beck offers a solid, low risk investment case based on (i) a strong balance sheet, (ii) high barriers to entry in the Munich high-end fashion retail market, (iii) strong corporate governance, (iv) average annual organic growth of ~3-4% 2011e-13e. The company's goal is to further improve profitability of the flagship store. At 9.4x 2012e P/E, we think the market has not factored in sufficient premium for its fundamental strengths.

The shares are up +0.7% vs. the DAX -11.7% LTM. Notwithstanding the outperformance, the stock remains inexpensive at 9.4x 2012e P/E and 6.7x EV/EBITDA, based on our estimates, with mid-teens earnings growth. We retain a Buy rating, as we see 48.0% upside to our adjusted economic profit derived 12-month price target of €28.50.

Downsides and upsides to our target price

Key downside risks to our TP include the cyclical nature of retail trade and a dependence on German retail trade, in particular the Munich region, with its exposure to the automotive industry and to financials.

Company description

Founded 1861, Ludwig Beck is one of the leading retailers in Munich, offering an unusual range of selected fashion and designer brands, international cosmetics, classical music and jazz and a large lingerie and haberdashery department. Ludwig Beck unites the benefits of department store and specialist retailers, offering the range of a department store and the advisory services of a specialist retailer. Its merchandise is focused on the middle and higher price segment. In some lines of goods, Ludwig Beck is the market leader not only in Germany but also in Europe, e.g. in hosiery, buttons, haberdashery and swimwear as well as in its niche of classical music and jazz CDs.

Profit and loss account, 2005–12e

		2005	2006	2007	2008	2009	2010	2011e	2012e
Gross sales	€mn	101.7	101.3	103.5	102.6	103.7	107.2	103.3	106.4
VAT	€mn	-14.0	-13.9	-16.5	-16.4	-16.5	-17.1	-16.5	-16.9
Net sales	€mn	87.7	87.4	87.0	86.2	87.2	90.1	86.8	89.5
YoY	%	1.2%	-0.3%	-0.5%	-0.9%	1.2%	3.3%	-3.6%	3.0%
Material expenses	€mn	-46.7	-46.1	-46.0	-44.8	-44.2	-44.6	-41.9	-42.7
<i>in % of total net sales</i>	%	-53.3%	-52.7%	-52.9%	-52.0%	-50.7%	-49.5%	-48.2%	-47.7%
Gross profit	€mn	41.0	41.3	41.0	41.4	43.0	45.5	45.0	46.8
<i>in % of total net sales</i>	%	46.7%	47.3%	47.1%	48.0%	49.3%	50.5%	51.8%	52.3%
Other operating income	€mn	2.6	3.0	2.6	3.3	3.0	3.5	3.1	3.2
<i>in % of total net sales</i>	%	3.0%	3.4%	3.0%	3.8%	3.4%	3.9%	3.6%	3.6%
Personnel expenses	€mn	-17.6	-17.4	-17.2	-16.9	-16.8	-17.0	-17.7	-17.6
<i>in % of total net sales</i>	%	-20.0%	-20.0%	-19.7%	-19.7%	-19.3%	-18.9%	-20.4%	-19.7%
Depreciations	€mn	-3.8	-3.4	-3.8	-4.1	-3.5	-3.1	-3.0	-3.1
<i>in % of total net sales</i>	%	-4.3%	-3.9%	-4.4%	-4.7%	-4.1%	-3.5%	-3.4%	-3.4%
Own work capitalized	€mn	0.0	0.1	0.2	0.2	0.1	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.1%	0.2%	0.3%	0.1%	0.0%	0.0%	0.0%
Other operating expenses	€mn	-16.5	-16.8	-15.7	-15.7	-15.9	-15.1	-14.5	-14.7
<i>in % of total net sales</i>	%	-18.8%	-19.2%	-18.0%	-18.3%	-18.3%	-16.7%	-16.7%	-16.4%
EBIT	€mn	5.8	6.8	7.2	8.1	9.8	13.7	12.9	14.6
<i>in % of total net sales</i>	%	6.6%	7.7%	8.2%	9.4%	11.2%	15.2%	14.8%	16.3%
YoY	%	76.0%	17.7%	6.0%	13.5%	20.1%	40.5%	-6.2%	13.5%
Financial result	€mn	-4.0	-3.7	-3.3	-3.1	-2.7	-3.2	-2.2	-1.8
Minorities	€mn	-0.6	-0.5	-0.7	-0.6	-0.7	-0.6	0.1	-0.5
EBT	€mn	1.2	2.5	3.1	4.4	6.4	9.9	10.8	12.2
YoY	%	n/a	111.2%	23.4%	42.8%	43.5%	55.2%	9.1%	13.3%
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes	€mn	-0.6	-1.1	-0.5	-1.7	-4.1	-3.5	-2.4	-4.7
<i>in % of EBT</i>	%	-47.3%	-44.7%	-16.9%	-38.9%	-64.9%	-35.0%	-22.5%	-38.5%
Net income after minorities	€mn	0.6	1.4	2.6	2.7	2.2	6.4	8.4	7.5
YoY	%	n/a	121.7%	85.3%	4.9%	-17.6%	187.8%	30.0%	-10.0%
Number of shares	mn	3.360	3.360	3.388	3.695	3.695	3.695	3.695	3.695
EPS	€	0.19	0.42	0.76	0.73	0.61	1.74	2.27	2.04

Source: Ludwig Beck, VISCARDI

Profit and loss account (Quarterly statement), 2011e

		Q1/11	Q2/11	H1/11	Q3/11	9M/11	Q4/11e	2011e
Gross sales	€mn	22.0	23.0	45.0	24.6	69.6	33.7	103.3
VAT	€mn	-3.5	-3.7	-7.2	-3.9	-11.1	-5.4	-16.5
Net sales	€mn	18.5	19.3	37.8	20.7	58.5	28.3	86.8
<i>YoY</i>	%	-1.6%	-1.5%	-1.6%	-9.6%	-4.6%	-1.6%	-3.6%
Material expenses	€mn	-9.4	-9.1	-18.5	-10.4	-28.9	-13.0	-41.9
<i>in % of total net sales</i>	%	-50.8%	-47.2%	-49.0%	-50.2%	-49.4%	-45.8%	-48.2%
Gross profit	€mn	9.1	10.2	19.3	10.3	29.6	15.4	45.0
<i>in % of total net sales</i>	%	49.2%	52.8%	51.0%	49.8%	50.6%	54.2%	51.8%
Other operating income	€mn	0.8	0.6	1.4	0.9	2.3	0.8	3.1
<i>in % of total net sales</i>	%	4.3%	3.1%	3.7%	4.3%	3.9%	3.0%	3.6%
Personnel expenses	€mn	-4.0	-4.4	-8.4	-4.0	-12.4	-5.3	-17.7
<i>in % of total net sales</i>	%	-21.6%	-22.8%	-22.2%	-19.3%	-21.2%	-18.8%	-20.4%
Depreciations	€mn	-0.7	-0.8	-1.5	-0.7	-2.2	-0.8	-3.0
<i>in % of total net sales</i>	%	-3.8%	-4.1%	-4.0%	-3.4%	-3.8%	-2.7%	-3.4%
Own work capitalized	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	€mn	-4.4	-3.2	-7.6	-3.5	-11.1	-3.4	-14.5
<i>in % of total net sales</i>	%	-23.8%	-16.6%	-20.1%	-16.9%	-19.0%	-12.1%	-16.7%
EBIT	€mn	0.8	2.4	3.2	3.0	6.2	6.7	12.9
<i>in % of total net sales</i>	%	4.3%	12.4%	8.4%	14.5%	10.6%	23.6%	14.8%
<i>YoY</i>	%	-17.5%	12.2%	2.9%	-14.0%	-6.1%	-6.3%	-6.2%
Financial result	€mn	-0.4	-0.5	-0.9	-0.7	-1.5	-0.7	-2.2
Minorities	€mn	-0.2	-0.1	-0.3	0.6	0.3	-0.2	0.1
EBT	€mn	0.2	1.8	2.0	3.0	5.0	5.8	10.8
<i>YoY</i>	%	17.6%	38.5%	36.1%	9.6%	19.1%	1.8%	9.1%
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes	€mn	-0.1	-0.6	-0.7	-1.9	-2.6	0.2	-2.4
<i>in % of EBT</i>	%	-38.5%	-33.2%	-33.7%	-64.6%	-52.0%	2.8%	-22.5%
Net income after minorities	€mn	0.1	1.2	1.4	1.0	2.4	6.0	8.4
<i>YoY</i>	%	75.7%	44.8%	47.1%	-41.1%	-11.0%	59.6%	30.0%
Number of shares	mn	3.695	3.695	3.695	3.695	3.695	3.695	3.695
EPS	€	0.03	0.33	0.37	0.28	0.65	1.62	2.27

Source: Ludwig Beck, VISCARDI

Profit and loss account (Quarterly statement), 2012e

		Q1/12e	Q2/12e	H1/12e	Q3/12e	9M/12e	Q4/12e	2012e
Gross sales	€mn	22.7	23.7	46.4	25.3	71.7	34.7	106.4
VAT	€mn	-3.6	-3.8	-7.4	-4.0	-11.4	-5.5	-16.9
Net sales	€mn	19.1	19.9	39.0	21.3	60.3	29.2	89.5
YoY	%	3.0%	3.2%	3.1%	2.9%	3.1%	3.0%	3.0%
Material expenses	€mn	-9.6	-9.3	-18.9	-10.6	-29.5	-13.2	-42.7
<i>in % of total net sales</i>	%	-50.3%	-46.7%	-48.5%	-49.7%	-48.9%	-45.3%	-47.7%
Gross profit	€mn	9.5	10.6	20.1	10.7	30.8	16.0	46.8
<i>in % of total net sales</i>	%	49.7%	53.3%	51.5%	50.3%	51.1%	54.7%	52.3%
Other operating income	€mn	0.8	0.6	1.4	0.9	2.4	0.9	3.2
<i>in % of total net sales</i>	%	4.3%	3.1%	3.7%	4.4%	3.9%	3.0%	3.6%
Personnel expenses	€mn	-4.2	-4.6	-8.7	-4.2	-12.9	-4.7	-17.6
<i>in % of total net sales</i>	%	-21.8%	-23.0%	-22.4%	-19.5%	-21.4%	-16.2%	-19.7%
Depreciations	€mn	-0.7	-0.8	-1.5	-0.7	-2.3	-0.8	-3.1
<i>in % of total net sales</i>	%	-3.8%	-4.1%	-4.0%	-3.4%	-3.8%	-2.7%	-3.4%
Own work capitalized	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	€mn	-4.4	-3.2	-7.7	-3.5	-11.2	-3.5	-14.7
<i>in % of total net sales</i>	%	-23.3%	-16.2%	-19.7%	-16.6%	-18.6%	-11.9%	-16.4%
EBIT	€mn	1.0	2.6	3.6	3.2	6.8	7.8	14.6
<i>in % of total net sales</i>	%	5.1%	13.0%	9.1%	15.2%	11.3%	26.8%	16.3%
YoY	%	21.3%	8.0%	11.4%	7.5%	9.5%	17.2%	13.5%
Financial result	€mn	-0.5	-0.5	-1.0	-0.5	-1.4	-0.4	-1.8
Minorities	€mn	-0.2	-0.1	-0.2	-0.2	-0.4	-0.2	-0.5
EBT	€mn	0.3	2.0	2.3	2.6	5.0	7.3	12.2
YoY	%	56.8%	10.2%	14.8%	-11.6%	-0.8%	25.5%	13.3%
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes	€mn	-0.1	-0.8	-0.9	-1.0	-1.9	-2.8	-4.7
<i>in % of EBT</i>	%	-38.5%	-38.5%	-38.5%	-38.5%	-38.5%	-38.5%	-38.5%
Net income after minorities	€mn	0.2	1.2	1.4	1.6	3.0	4.5	7.5
YoY	%	56.8%	1.4%	6.5%	53.7%	27.1%	-24.9%	-10.0%
Number of shares	mn	3.695	3.695	3.695	3.695	3.695	3.695	3.695
EPS	€	0.05	0.34	0.39	0.44	0.83	1.21	2.04

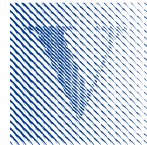
Source: Ludwig Beck, VISCARDI

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Investment Recommendations (12 months):

Date	Target Price	Investment Recommendation	Conflict of Interest (Key)
05/01/2012	28.50	Buy	1, 4
24/10/2011	23.50	Buy	1, 4
20/07/2011	23.50	Buy	1, 4
16/03/2011	23.50	Buy	1, 4
12/01/2011	23.50	Buy	1, 4

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- holds a more than 5% interest in the capital stock of the issuer that is the subject of the analysis,
- has been a member of a syndicate that has underwritten the issuer's securities in the previous 12 months,
- is serving as a liquidity provider for the issuer's securities on the basis of an existing designated sponsorship contract,
- has been providing investment banking services for the issuer analysed during the last 12 months for which a compensation has been or will be paid,
- is party to an agreement with the issuer that is the subject of the analysis relating to the production of the recommendation,
- or any of its affiliates are regularly trading securities issued by the issuer analysed or securities based on these issues,
- or the analyst covering the issue has other significant financial interests with respect to the issuer that is the subject of this analysis, for example holding a seat on the company's boards.

Key 1: The analysed company actively provided information material for preparation of this publication.

Key 2: This publication has been customized to the issuer and has been modified afterwards before publication. Thereby the analysed company has not been provided with a publication or draft of publication which provided for an investment recommendation.

Key 3a: The analysed company owns more than 5% of the capital stock of VISCARDI and/or a company affiliated with VISCARDI.

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Key 5: VISCARDI has acted as Lead Manager or Co-Lead Manager in an offering of shares of the issuer and has underwritten shares of the issuer within twelve months preceding publication.

Key 6: VISCARDI and/or a company affiliated with it and/or the author of this publication acquired shares of the analysed company free of charge or for a consideration below the stated target price and before the shares' public offering.

Key 7: VISCARDI and/or a company affiliated with it was subject to an agreement on services in connection with investment banking transactions with the analysed company in the last 12 months or within the same period received consideration on basis of such an agreement.

Key 8: VISCARDI and/or a company affiliated with it has concluded an agreement on the preparation of this publication with the analysed company.

Key 9: VISCARDI and/or a company affiliated with it receives commission earnings arising from commercial activities from the analysed company.

Key 10: VISCARDI and/or a company affiliated with it is regularly trading securities issued by the analysed company or one of its affiliates.

Key 11: A member of the managing board of VISCARDI and/or the author of this publication is member of the supervisory board of the analysed company.

Investment Recommendations (12 months investment period)

Buy: We expect a stock to rise by at least 20% and outperform the benchmark by over 10%.

Hold: We expect a stock to move within 10% of the benchmark.

Sell: We expect a stock to fall by at least 20% and underperform the benchmark.

The benchmark for the stocks analysed in this publication is the DAX.

An overview on the allocation of VISCARDI's investment recommendations is available under <http://www.viscardi.com/research/researchdisclaimer.html>.

Statements according to Section 34b of the German Securities Trading Act and Ordinance on the Analysis of Financial Instruments**Sources of information**

The information contained in this publication is derived from carefully selected public sources we believe are reasonable, particularly from providers of financial data, the issuers' own publications as well as other public media.

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For the preparation of this publication VISCARDI has used methods of fundamental share analysis as well as quantitative/statistical methods and models (inter alia historical valuation approaches, asset-based evaluation methods or sum-of-the-parts methods, discount models or the Economic profit approach, multiple-based models or peer-group comparisons). Valuation models are dependent on macroeconomic factors, such as exchange rates, interest rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment and political developments affect the valuation of companies.

The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Consequently, our recommendations and price targets derived from the models might change accordingly. The investment ratings related to a 12-month period are subject to market conditions and can only represent a snapshot. The ratings might in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward.

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