

## DR HÖNLE AG

GERMANY / INDUSTRIAL EQUIPMENT

Primary exchange: Frankfurt  
 Bloomberg symbol: HNL GR  
 ISIN: DE0005157101

### Q3 RESULTS

<b>RATING:</b>	<b>Buy</b>
<b>PRICE TARGET:</b>	<b>€11.00</b>
<b>RETURN POTENTIAL:</b>	<b>26.9%</b>
<b>RISK RATING:</b>	<b>High</b>

### COMPANY SETS PACE TO MEET FY 2007/08 FORECASTS

Hönle reported Q3 results earlier today that were in-line with our forecasts. Revenue and EBIT saw y-o-y growth of 136.3% and 49.9% respectively. Nine month results put the company well on course to meet our FY forecasts.

**Sales and profits primed to meet our FY guidance** As expected, Q3 saw a substantial jump in sales and EBIT. Revenues came in at €14.9m, representing y-o-y growth of 136.3%. EBIT was 49.9% higher than last year at €1.4m. After nine months revenues and EBIT were €32.9m and €4.8m respectively. We feel the company is well positioned to reach our FY revenue forecast of €48m and could surpass our FY EBIT forecast of €6.1. Hönle tends to experience a strong Q4 and we expect the same again this year.

**Working capital discipline showing no negative effects** Given the three acquisitions that were made this year, there was some uncertainty regarding how the company would manage its investments in working capital. We calculate that working capital-to-sales ratio stood at 26.0% after 9-months (assuming an annualised sales volume of c. €44m). After the same period last year, the working capital-to-sales ratio stood at 26.9% (assuming an annualised sales volume c. €25.5m).

**Digital inkjet fulfilling promise** Revenues in the company's core inks and coatings business (58% of revenues as of 9 months 2007/08) continues to benefit from the rise in demand for UV digital inkjet printing applications. The UV-inkjet sector is the fastest growing sub-sector in the printing industry. UV-inkjet equipment is expected to grow at a CAGR of 20% until 2010, faster than any other printing sub-segment.

**Price Target adjustment** As mentioned in our Q3 preview on August 11, recent rises in interest rates and the overall market environment have necessitated a rise in our WACC estimate. This leads us to a slight reduction in our price target from €11.85 to €11.00. Despite this, we reiterate our Buy recommendation, especially given the highly attractive dividend yield of c. 4.6% and the stable outlook for future dividend payouts.

### FINANCIAL HISTORY & PROJECTIONS

	FY 05/06	FY 06/07	FY 07/08E	FY 08/09E	FY 09/10E	FY 10/11E
Revenue (€m)	23.69	26.25	47.99	66.75	73.23	80.23
Y-o-y growth	3.8%	10.8%	82.8%	39.1%	9.7%	9.6%
EBIT (€m)	3.43	4.34	6.05	7.41	9.46	11.18
EBIT margin	14.5%	16.5%	12.6%	11.1%	12.9%	13.9%
Net income (€m)	2.79	3.01	4.71	5.22	6.61	7.84
EPS (diluted) (€)	0.51	0.56	0.85	0.95	1.20	1.42
P/E (x)	17.1	15.5	10.2	9.2	7.2	6.1
DPS (€)	0.29	0.28	0.40	0.40	0.40	0.40
Yield	3.3%	3.3%	4.6%	4.6%	4.6%	4.6%

### RISKS

The main risks to our price target include acquisition integration, vertical integration of customers, weak global demand, bargaining power, CAPEX volatility and working capital discipline.

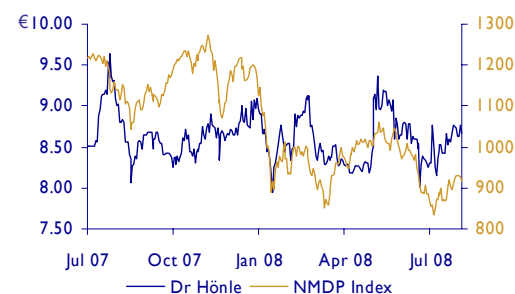
### COMPANY PROFILE

Dr Hönle AG develops, manufactures and markets various types of UV-equipment for industrial applications. The company's products are used to dry inks and lacquers, apply adhesives, simulate sunlight and sterilise surfaces. Dr Hönle operates throughout Europe, Asia and North America. As of 30 June 2008, the company had 297 employees.

### TRADING DATA

Closing price (13.08.08)	€8.67
Shares outstanding	5.51m
Market capitalisation	€47.80m
52-week range	€7.95 / 9.37
Av. vol. (12 months)	8,884

### STOCK OVERVIEW



### COMPANY DATA (as of 30 June 2008)

Liquid assets	€7.85m
Current assets	€31.94m
Intangible assets (incl. goodwill)	€8.93m
Total assets	€48.31m
Current liabilities	€13.23m
Shareholders' equity (incl. minorities)	€30.96m

### SHAREHOLDERS

Supervisory and Man. Board	11%
Pro Beam AG & Co KGaA	8%
Dr Hönle AG	6%
Scherzer & Co AG	5%
Free float	70%



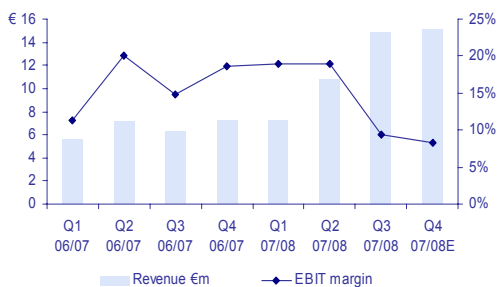
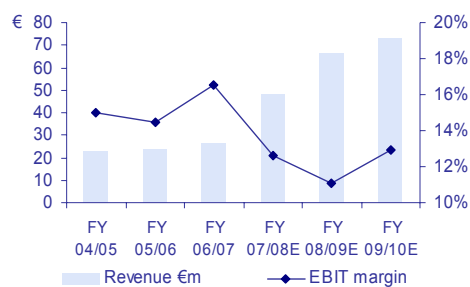
### Q3 ACTUAL VS FORECASTED

All figures in €m	Q3 E	Q3 A	difference	% difference
Total sales	14.25	14.85	0.60	4.2%
EBIT	1.27	1.39	0.12	9.7%
Margin (%)	8.9%	9.4%	-	-
Net income	0.95	1.03	0.08	8.1%
EPS diluted (€)	0.17	0.19	0.02	10.3%

Table 1

Source: Dr Hönle, First Berlin

### FULL YEAR AND QUARTERLY SALES AND EBIT MARGIN RESULTS AND ESTIMATES



Charts 1 & 2

Dr Hönle, First Berlin

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	4 June 2007	€8.66	Buy	€10.25	-	-
2...6	↓	↓	↓	↓	↓	↓
7	13 May 2008	€8.51	Buy	€11.85	€9.15	7.5%
8	16 May 2008	€8.95	Buy	€11.85	€9.37	4.7%
9	11 August 2008	€8.63	Buy	€11.85	€8.77	1.6%
10	Today	€8.67	Buy	€11.00	-	-

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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