

Report

Equities | China | Manufacturing
July 30th, 2013

China Specialty Glass AG

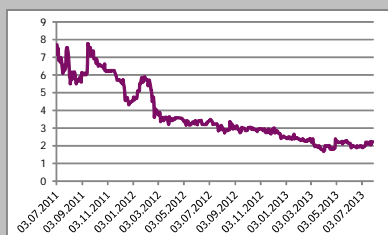


Rating: Buy
Risk: High
Price: EUR 2.26
Fair Value: EUR 7.50
Sector: Manufacturing
Reuters: 8GSG.DE
Bloomberg: 8GSG GR
Home Page: www.csg-ag.de
Fiscal ,Year End: December

Trading Data:

High –Low 52w (EUR): 3.14 – 1-62
Market Cap (in EUR m): 33.2
Shares Outst. (in m): 17.7
Free Float: 15%

Price Chart:



Financial Calendar:

August 30th, 2013: H1 2013

Date and time of Prices:

July 30th, 2013, 09:30 CET

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Attention is drawn to the disclaimer and
other information on page 24

Glass for China

China Specialty Glass AG reported its detailed 2012 results. Sales grew by a very strong 47.9% to EUR 113.7m (2011: EUR 76.9m). Strongest growth contributor was construction glass with an annual growth rate of 115% to EUR 21.5m compared to 2011. Automotive security glass grew by 30% to EUR 45.5m; bank security glass gained 45.9% to EUR 46.7m.

2012 gross profit margins were at a very satisfying 45.6% - stable compared to 2011, which we see as very positive. Profit before taxes suffered heavily from the initial recognition of a convertible loan. EBT margin decreased from 31.8% in 2011 to 23.5% in 2012.

Our fair value per share is EUR 7.5, which is equal to a total company value of EUR 132.4m.

Main Points

- The new construction site in Chengdu should be operative later in 2013 and will help to expand the business to the Northern and Western part of China.
- Company is active on developing new types of glasses, which should support future growth. New 2012 products were an intruder resistant glass as well as integrated security products for ATM stations, border patrol stations as well as jewelry counters.
- Major risks lay in possible wage increases and in a general slowdown of the Chinese economy, that would lead to a lower demand for China Specialty Glass products.

Financials

For 2013 we expect a sales growth of 29.8% to EUR 147.6m compared to 2012. 2013 net profit should be EUR 26.57m, equal to a net profit margin of 18%. For 2014 we calculate with a sales growth of 15.2% to EUR 170.1m and a net margin of 16.2%.

Valuation

To calculate the company value we have used a DCF model and combined it with a peer group analysis. Due to the high risk exposure of the company, we have used a WACC of 15.0%, when calculating the fair DCF value.

(in EUR m)	2010	2011	2012	2013E	2014E
Sales	69.56	76.88	113.70	147.63	170.10
Growth rates		10.5%	47.9%	29.8%	15.2%
EBIT Margins	37.5%	31.8%	23.5%	27.6%	25.0%
Net Profit	22.11	20.81	16.34	26.57	27.63
EPS		1.28	0.92	1.50	1.56
P/Sales			0.36	0.28	0.24
P/E			2.5	1.5	1.5
P/B			0.41	0.35	0.29

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SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • The company has a dominant market position in its segment. • High efficiency and high technology standards lead to above average margins. • New production site will make vertical expansion possible. • Diversified customer base makes the company independent from a single client. 	<ul style="list-style-type: none"> • General wage increases might put pressure on profit margins. • Business model is capital intensive as machines are expensive. • Order visibility is low in general. • Company is dependent on pricing development of flat glass.
Opportunities	Risks
<ul style="list-style-type: none"> • Company is investing quite substantially in research of developing new products. • The company plans to expand into new regions in China and also - in the long-run - abroad. • We expect the company to expand vertically into new markets. 	<ul style="list-style-type: none"> • The competitive environment is increasing, internationally as well as in China. • New construction or renovation of bank branches might slow down, reducing the demand for security glass. • Economic slowdown in China would generally decrease product demand.

Short to Mid-term Catalysts

We expect news-flow to increase in the next couple of months as the company puts more emphasis on Investors Relations.

Plant opening should increase capacity.

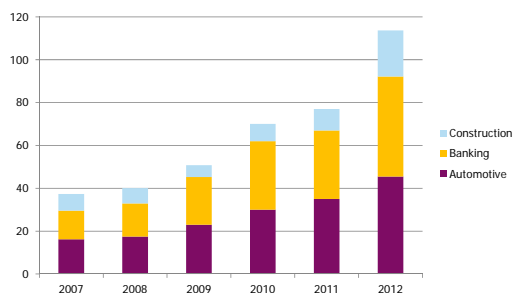
Latest Developments

2012 in Detail

China Specialty Glass published very good 2012 results on the sales side but disappointed on the profit side due to extraordinary charges.

Sales increased by a strong 47.9% to EUR 113.7 compared to last year. Especially strong was construction glass, where sales increased by 115% from EUR 9.6m in 2011 to EUR 21.5m in 2012. Second largest growth contributor was Bank security glass with a 2012 growth rate of 45.9% to EUR 46.7m. Automotive glass grew by 30% to EUR 45.5m.

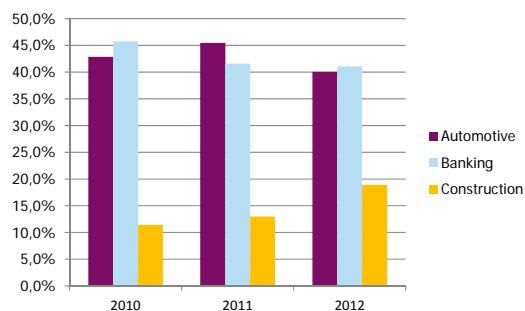
Sales Growth by Segment in %



Source: CSG AG

Due to the fasted growth of Construction glass the sales allocation moves towards that segment. In 2012 construction glass was responsible for 18.9% of sales, automotive glass for 40% and finally banking glass for 41.1% of total sales.

Sales Allocation by Segment



Source: CSG AG

China Specialty Glass AG

Profits disappointed due to extraordinary costs in 2012. Gross margins were with 45.6% still very satisfying (Fiscal Year 2011: 45.7%). EBIT margins came down substantially to 23.5% in 2012 compared to 31.8% in 2011. Although operating business was still very strong and profitability is high in general, margins came down in 2012. Reason for the weak margins were one offs due to an initial recognition of a convertible loan. In April 2012 China Specialty Glass AG has entered two loan agreements with the Shanghai and Singapore Branch of Credit Suisse AG with a face amount of EUR 24m and EUR 9.6m. The one-off effect resulted from losses arising from the initial recognition of a convertible loan as well as the convertible components due to the fact that the interest rate of the loan is higher than the current market rate. CSG has reflected this valuation difference in their financial statements according to IFRS. It has no negative cash effect though.

Margins Development in %

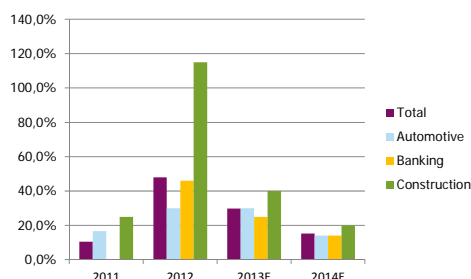
	2011	2011	2012
Gross Margins	45.2%	45.7%	45.6%
EBIT Margins	37.5%	31.8%	23.5%
EBT Margins	37.5%	31.6%	20.6%
Net Margins	31.8%	27.1%	14.4%

Source: CSG AG

Financials – The future

We expect the company to continue its above average growth in the future due to ongoing high demand for CSG products. For 2013 we calculate with a sales growth of 29.8% to EUR 163.9m. The company guidance is 40%. We find that too aggressive and like to take a more conservative view. Growth is expected to be above average in all segments but construction glass should continue its very strong performance. For 2014 we expect sales growth to be 15.2% totaling in EUR 170.1m.

Sales Growth Rate by Segment

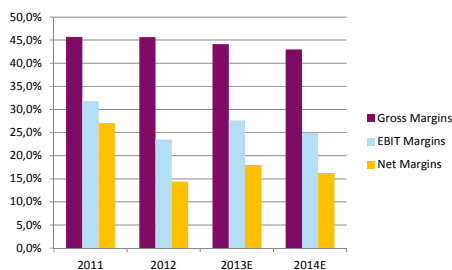


Source: VEM Aktienbank

China Specialty Glass AG

On the profit side we expect the company to come back closer to its historical margins, as 2012 profits were dampened by one-offs. Due to higher labor as well as administration costs we expect 2013 and 2014 margins though to be lower than margins in 2011. For 2013 we calculate with an operating profit margin of 27.6%, which is equal to an operating profit of EUR 40.8m. In 2014 EBIT margins should come down to 25% or EUR 42,46m.

Margins Development



Source: VEM Aktienbank

Growth Drivers

Expansion in China

The company still has a lot of room to expand. Currently, China Specialty Glass AG is mainly active in South-East China. We expect this to change over the next periods. The combination of hiring new sales representatives and opening a new production site further north will enable the company to expand to areas in the Western, Central as well as Eastern part of China. Additionally - but more in the long-run - we see the potential that China Specialty Glass AG will expand to areas outside China. Targets will be neighboring Asian countries.

Expansion Plan (China)



Source: China Specialty Glass AG

China Specialty Glass AG

Increase in Production Capacity and Efficiency

The company has built a new production site in Chengdu in the Sichuan Province. This facility will not only substantially increase the capacity of China Specialty Glass AG, but will also help the firm to get more efficient due to very modern facilities.

New Production Facility in Chengdu, Sichuan



Source: China Specialty Glass AG

New Product Development

The company is increasingly focusing on Research & Development in order to launch new and high margin products.

We expect electronic-controlled color changing glass for the construction segment to gain a higher importance in the future. Additionally, the company works continuously on new intruder resistant glass products for the automotive industry.

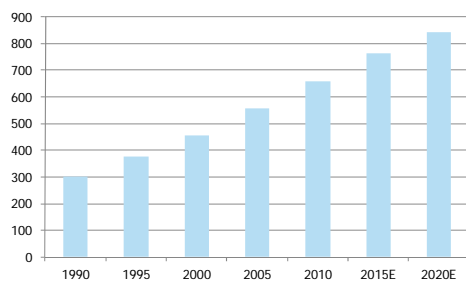
Ongoing construction Activities

The company success for its building as well as banking products is dependent on construction activities in China. Historically, growth has been very strong.

Although this strong historic construction growth might not be sustainable in the long run, the urbanization trend in China will continue leading to construction growth. It is expected that 762m Chinese will live in urban areas by 2015.

China Specialty Glass AG

Chinese living in Urban Areas in m



Source: United Nations

China Specialty Glass AG

Valuation

We calculate the fair value of China Specialty Glass AG by combining a Discounted Cash Flow Model with a Peer group analysis.

We have weighted the peer group analysis with 50% and the DCF Model with 50%. The combination of the two analysis methods resulted in a fair value of EUR 132.4m, which is equal to a value of EUR 7.5 per share.

Our recommendation is a speculative BUY.

Blended Valuation of China Specialty Glass AG

Method in EUR	Fair Value m	Fair Value per share	Weight	Blended m	Blended per share
Peer Group Analysis	128.6	7.3	50%	132.4	7.5
DCF Model	136.2	7.7	50%		

Source: VEM Aktienbank AG

Discounted Cash flow Model

We have used the Free Cash Flow to Equity (FCFE) in order to calculate the DCF value of the equity of China Specialty Glass AG. We calculate with a long-term growth rate of 2.5%. Due to the high risk of the company our WACC is 15%. Using the DCF method our fair value of the company is EUR 136.1m, which corresponds to value per share of EUR 7.7.

DCF Model

(in EUR m)	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Net Income	16.34	26.57	27.63	31.30	33.40	38.75	24.18	25.15
(+) Depreciation and Amortisation	1.45	3.62	5.01	6.47	8.02	8.86	9.21	9.58
(-) Cash flow from working capital	-	(14.92)	(5.63)	(4.78)	(4.82)	(5.11)	(5.31)	(5.52)
(-) Capital Expenditure	(10.64)	(24.48)	(26.93)	(29.62)	(32.58)	(17.72)	(18.42)	(19.16)
(-) Net Debt repayments	-	-	-	-	-	-	-	-
FCFE	7.15	(9.21)	0.09	3.38	4.01	24.79	9.66	10.04
FCFE adjusted for valuation date	7.15	(9.21)	0.09	3.38	4.01	24.79	9.66	10.04
PV of cash flows	7.15	(8.67)	0.07	2.40	2.49	13.34	4.52	4.09
Sum of PV - First Phase	(3.71)							
Sum of PV - Second Phase	21.95							
Terminal Value growth Rate	2.5%							
Terminal Value	82.37							
PV of Terminal Value	33.53							
PV of FCFE	51.76							
(+) Cash	84.41							
Target Value	136.18							

China Specialty Glass AG

Summary of DCF Valuation	Value	% of Total
PV of First Stage	(3.71)	-2.7%
PV Second Stage	21.95	16.1%
PV of Terminal Value	33.53	24.6%
Cash	84.41	62.0%
Target Price	136.18	100.0%

Cost of Equity	
Cost of Equity	15.00%
Beta	1.45
Risk Premium	7.0%
Risk Free rate	3.0%

Source: VEM Aktienbank AG

Sensitivity Analysis

Our sensitivity analysis shows valuations under various assumptions.

Company Value in EUR m							Value per Share in EUR						
Lt. Growth Rate	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	Lt. Growth Rate	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC							WACC						
9.0%	190.1	195.3	201.3	208.2	216.3	225.8	9.0%	10.7	11.0	11.4	11.8	12.2	12.8
9.5%	183.1	187.6	192.7	198.6	205.3	213.2	9.5%	10.3	10.6	10.9	11.2	11.6	12.0
10.0%	176.9	180.8	185.2	190.2	195.9	202.5	10.0%	10.0	10.2	10.5	10.7	11.1	11.4
10.5%	171.3	174.7	178.6	182.8	187.7	193.3	10.5%	9.7	9.9	10.1	10.3	10.6	10.9
11.0%	166.3	169.3	172.7	176.4	180.6	185.3	11.0%	9.4	9.6	9.8	10.0	10.2	10.5
11.5%	161.8	164.5	167.4	170.6	174.3	178.4	11.5%	9.1	9.3	9.5	9.6	9.8	10.1
12.0%	157.7	160.1	162.6	165.5	168.7	172.2	12.0%	8.9	9.0	9.2	9.3	9.5	9.7
12.5%	154.0	156.1	158.3	160.9	163.7	166.8	12.5%	8.7	8.8	8.9	9.1	9.2	9.4
13.0%	150.5	152.4	154.4	156.7	159.2	161.9	13.0%	8.5	8.6	8.7	8.9	9.0	9.1
13.5%	147.4	149.1	150.9	152.9	155.1	157.5	13.5%	8.3	8.4	8.5	8.6	8.8	8.9
14.0%	144.5	146.0	147.6	149.4	151.4	153.5	14.0%	8.2	8.2	8.3	8.4	8.6	8.7
14.5%	141.8	143.2	144.6	146.2	148.0	149.9	14.5%	8.0	8.1	8.2	8.3	8.4	8.5
15.0%	139.3	140.5	141.9	143.3	144.9	146.6	15.0%	7.9	7.9	8.0	8.1	8.2	8.3
15.5%	137.0	138.1	139.3	140.6	142.0	143.6	15.5%	7.7	7.8	7.9	7.9	8.0	8.1
16.0%	134.8	135.8	136.9	138.1	139.4	140.8	16.0%	7.6	7.7	7.7	7.8	7.9	8.0

Source: Reuters, VEM Aktienbank AG

Peer Group Analysis

In our peer group we have decided to include mainly Chinese companies selling glass related products. We have chosen as well one German company: Gerresheimer AG.

We have used the Price to Earnings Ratios and the EV to EBITDA ratios of the companies to compare China Specialty Glass AG with its Peer Group. As companies trading at Chinese stock markets tend to be valued higher than the ones trading at the German Stock Exchange, we have included a 60% discount to the fair peer valuations when calculating a fair price for the stock of China Specialty Glass AG.

Under a peer group analysis China Specialty Glass AG has a fair value of EUR 128.6m, equal to a value per share of EUR 7.3.

China Specialty Glass AG

Valuation of China Specialty Glass AG via a Peer Group Analysis

in EUR m	2013E	2014E
P/E	424.4	364.7
EV/EBITDA	238.2	232.9
Average	331.3	298.8
Weight	70%	30%
Discount	60%	
Total	Total	Per share
	128.6	7.3

Source: VEM Aktienbank AG

Valuation of selected companies of the Peer Group

Company	Country	2013E				2014E			
		P/E	P/S	EV/EBIT	EV/EBITDA	P/E	P/S	EV/EBIT	EV/EBITDA
CSG Holding	CHN	19.8	1.6	16.7		14.6	1.3	11.3	
Fuyao Glass Industry	CHN	8.5	1.3	7.3	5.4	7.6	1.2	6.5	4.9
Gerresheimer	D	16.0	1.1	13.0	7.7	13.2	1.0	11.0	6.8
Shandong Jinjing Science and Technology	CHN	39.6	0.9	10.6	4.7	39.6	1.0	12.8	3.3
Average		21.4	1.1	10.3	5.9	20.2	1.0	10.1	5.0
Median		16.0	1.1	10.6	5.4	13.2	1.0	11.0	4.9

Source: Reuters, VEM Aktienbank AG

Operational Figures of selected companies of the Peer Group

in local currency m	Country	2012				2013E				2014E			
		Growth	Earnings	Sales	Margin	Growth	Earnings	Sales	Margin	Growth	Earnings	Sales	Margin
					EBIT				EBIT				EBITDA
					EBITDA				EBIT				EBITDA
CSG Holding	CHN	-74,1%		-15,2%	12,2%		100,0%	13,2%	13,2%		35,7%	22,4%	
Fuyao Glass Industry	CHN	8,6%		9,7%	22,3%		-3,4%	6,6%	20,5%		10,6%	10,1%	21,2%
Gerresheimer	D	7,9%		10,0%	11,2%		10,6%	7,0%	11,3%		21,0%	6,0%	12,6%
Shandong Jinjing Science and Technology	CHN	-41,7%		20,3%	14,3%		-42,9%	20,1%	12,2%		0,0%	-9,6%	11,2%
Average		-24,8%		6,2%	15,0%		16,1%	11,7%	14,3%		16,8%	7,2%	15,0%
					27,3%				24,9%				30,4%

Source: Reuters, VEM Aktienbank AG

Description of Peer Group Companies

CSG Holding (Market Cap: RMB 14379m)

The company is engaged in the manufacture and sale of glass, as well as solar energy industry. The company's flat glass segment primarily provides float glass, special glass, quartz sands and others; the engineering glass segment mainly provides environmental protection and energy-saving low emissivity coated glass; the fine glass segment mainly offers colored filters, screening glass and others; the solar energy segment mainly offers high purity polysilicon materials, as well as solar batteries and modules.

China Specialty Glass AG

The company distributes its products in domestic markets and to overseas markets, including Hong Kong, Europe, North America and Australia.

Fuyao Glass Industry (Market Cap: RMB 14401m)

The company is principally engaged in manufacture and distribution of automotive, decoration and industrial glass.

The company also provides glass installation and after-sales services. The company provides float glass, including ultra thin glass, thin glass, transparent glass and color glass, as well as glass plastic binding assemblies, plastic and rubber products, among others. It distributes its products in domestic and to overseas markets, including North America and Asia-Pacific region. Through its subsidiaries, the Company is involved in the manufacture and distribution of automotive glass, float glass and specialty glass, among others.

Gerresheimer AG (Market Cap: EUR 1359m)

Gerresheimer AG is a Germany-based holding company and manufacturer of specialty products made of glass and plastic for the pharmaceutical and healthcare industries. The Company operates four business divisions: Tubular Glass, Molded Glass, Plastic Systems, and Life Science Research.

The Tubular Glass division produces glass tubes converted to primary packaging. The Molded Glass division produces glass primary packaging for pharmaceuticals, cosmetics products and specialty beverages and foods. The Plastic Systems division produces customer-specific plastic systems for pharmaceuticals, diagnostics and medical technologies, and plastic containers mainly as primary packaging for pharmaceuticals and healthcare. The Life Science Research division is focused primarily on specific tubular glass products and paste mould products for research and development in the pharmaceutical and life sciences industry and for general laboratory use and offers beakers, bottles and flasks, among others.

Shandong Jinjing Science & Technology Stock (Market Cap: RMB 4509m)

The company is principally engaged in the manufacture and distribution of glass products and pure caustic soda products.

The Company provides glass products, including float glass, super white glass, power-saving glass, solar energy glass and color glass products, among others, as well as pure caustic soda. The Company distributes its products in domestic and overseas markets.

China Specialty Glass AG

Profile: Unbreakable

Overview

China Specialty Glass - a company focusing on the production and distribution of specialty glass in China - is a German AG headquartered in Munich. The German entity was founded in 2010 and went public in July 2011. China Specialty Glass AG is listed at the German Prime Standard at the Frankfurt Stock Exchange.

The operational entity of the group is Guangzhou Hing Wah Glass Industry Co. Ltd. and was founded in 1994. It is a 100% daughter of Hing Wah Holdings (Hong Kong) Ltd., which is fully owned by the German entity. The Chinese headquarter and main production site is in Guangzhou/China in South China.

Company structure



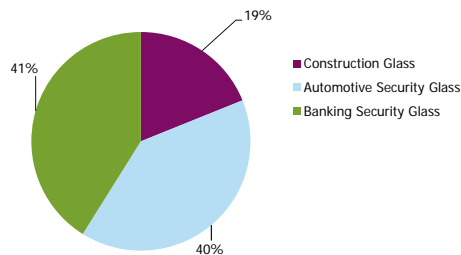
Source: China Specialty Glass AG

The company is focusing on producing specialty glass in two categories:

- Security glass for the banking and automotive industry
- High quality glass for the construction industry

China Specialty Glass AG

Sales allocation by product group in 2012



Source: China Specialty Glass AG

Segments

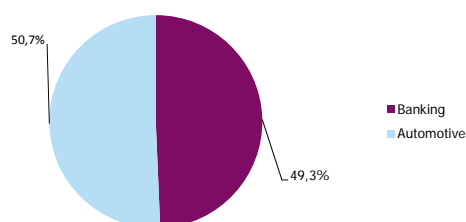
Security Glass

The majority of sales – 81% of total sales in 2012 – is still generated with security glass. 2012 total security glass sales were EUR 92.2m, a growth of 37.6% compared to 2011. Main characteristics of the security glass are its bullet-proof and intruder resistance.

The glass is sold to the banking and to the automotive industry in China. Automotive contributed to 49.3% of total 2011 sales, banking to 50.7%. Allocation has been relatively stable over the last years. But bank security glass is growing faster. The glass is mainly used as separation glass for service counters and indoor separation walls.

Top customers in the automotive industry are Chinese manufacturers like DIMA, Double Star and others. Clients of the final product are mainly banks (e.g. money transporters), police departments or wealthy private clients.

Sales allocation 2012 of Security Glass

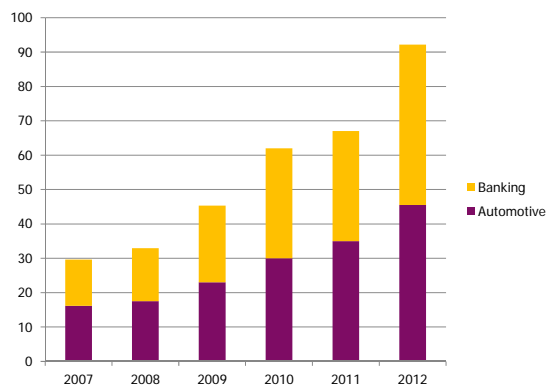


Source: China Specialty Glass AG

China Specialty Glass AG

Security glass sales in general have been characterized by above average growth in last couple of years. Five Year annual growth rate was 26.3%.

Security Glass Sales Development in EUR m



Source: China Specialty Glass AG

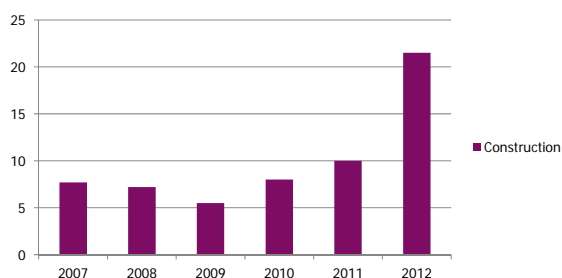
Construction Glass

In 2012 18.9% of sales were generated by construction glass, equal to EUR 21.5m in total sales.

2012 sales of construction glass grew by 117% compared to 2011, showing the high and increasing demand for this product. The company sells several kinds of specialty glasses to the construction industry: *tempered glass*, which is tougher and consequently safer than normal glass, *laminated glass*, which holds together when shattered, *fire resistant glass* and *electric controlled color changing glass*.

The products are used as windows, doors, separation walls or glass furniture etc.

Construction Glass Sales Development



Source: China Specialty Glass AG

China Specialty Glass AG

The Production Process

The production process involves several phases.
It starts with normal flat glass, which is purchased by Chinese Specialty Glass AG.

Phases of the Production Process



Source: China Specialty Glass AG

The first three processes are obligatory for all manufactured specialty glasses:

- Shaping – the flat glass is cut to its demanded shape and size.
- Edge Smoothing – Glass edges are smoothened.
- Cleaning: a cleaning machine removes all the dust and dirt from the surface of the glass.

The next phases depend on which end product is going to be finally produced:

- Polycarbonate Coating: glass is coated with polycarbonate to make it more resistant against high temperature and physical impact.
- Terminal/Chemical Tempering: glass is heated and then cooled down to make it tougher.
- Head Bending: glass is bended to its designated form.
- Resin Injection: a fire resistant chemical resin is injected between glass layers.

Images from the Guangzhou Production Factory



China Specialty Glass AG



Source: Raimund Saier, VEM Aktienbank

The Management

The management of China Specialty Glass AG is characterized by long-term experience and a deep knowledge of the Chinese glass industry.

Nang Heung Sze is the Chief Executive Officer of the company. He is the founder and head of Hing Glass Industry Co. in Guangzhou, which is the operative unit of China Specialty Glass AG. He has more than 25 years of experience in the production of security glass as well as the management of related companies. Nang Heung Sze holds several degrees; among them is an honorary doctor from the Hong Kong Academy of Science.

China Specialty Glass AG

Chun Li Shi is the Chief Operating Officer and General Manager of Hing Wah Glass Industry Co since 2001. Prior to that, he has worked in leading positions for several security glass companies and other related industries. Chun Li Shi holds a Management Diploma from the Management Development Institute in Singapore and a MBA from the Hong Kong Open University.

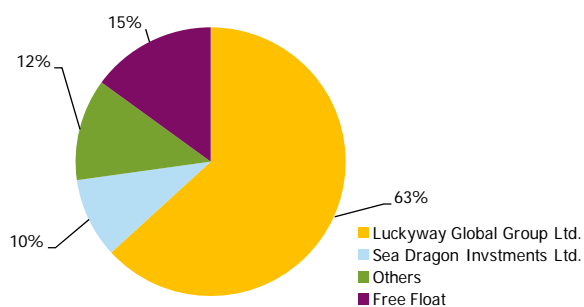
The Equity Structure

The company is listed at the Prime Standard of the Frankfurt Stock Exchange. The successful IPO was in July 2011.

Major shareholder is Luckyway Global Group Ltd. with a share of 63.2%, which is in the hands of the CEO Nang Heung Sze.

15% of total shares are free float.

Shareholding structure



Source: China Specialty Glass AG

The Risk Factors

Although we believe in the long-term future success of China Specialty Glass AG, the company is exposed to certain risks, which might jeopardize the future growth potential of the company:

- An **economic downturn** might have a negative effect on the Chinese construction industry as well as on car sales and consequently the demand for specialty glass in China.
- We see an **expansion risk** as the company plans expanding to so far not exposed regions.
- China shifts slowly away from being a low wage and low production costs country. Consequently, China Specialty Glass' margins might come under pressure, when the company will be faced by **increasing wages**.
- Currently, the new construction facility is not finished yet. Any additional **opening delays** might lead to a cancelation of orders and therefore to a sales slowdown.

China Specialty Glass AG

Appendix – Financial Reports

Profit and Loss Statement

in EUR m	2010	2011	2012	2013E	2014E
Sales	69.56	76.88	113.70	147.63	170.10
Growth in %		10.5%	47.9%	29.8%	15.2%
Others	0.00	0.00	0.00	0.00	0.00
Growth in %					
Total	69.56	76.88	113.70	147.63	170.10
Growth in %		10.5%	47.9%	29.8%	15.2%
Costs of Goods Sold	-38.11	-41.75	-61.82	-82.48	-97.02
in % of Sales	0.55	0.54	0.54	0.56	0.57
Gross Profit	31.45	35.13	51.88	65.14	73.08
Gross Margins	45.2%	45.7%	45.6%	44.1%	43.0%
Selling & Distribution Expenses	-2.28	-3.17	-5.42	-8.86	-11.06
in % of Sales	3.3%	4.1%	4.8%	6.0%	6.5%
Administration Costs	-1.24	-5.70	-5.26	-10.33	-12.76
in % of Sales	1.8%	7.4%	4.6%	7.0%	7.5%
Research & Development	-1.88	-1.91	-2.52	-5.17	-6.80
in % of Sales	2.7%	2.5%	2.2%	3.5%	4.0%
Extraordinary Expenses	0.00	-1.96	-12.41	0.00	0.00
Other operating Income	0.00	2.05	0.43	0.00	0.00
in % of Sales	0.0%	-2.7%	-0.4%	0.0%	0.0%
EBIT	26.05	24.46	26.71	40.78	42.47
EBIT Margins	37.5%	31.8%	23.5%	27.6%	25.0%
Depreciation	0.02	0.02	1.45	3.62	5.01
EBITDA	26.07	24.47	28.16	44.40	47.48
EBITDA Margins	37.5%	31.8%	24.8%	30.1%	27.9%
Financial Income	0.06	-0.16	-3.33	-3.26	-3.42
EBT	26.11	24.30	23.38	37.53	39.04
EBT Margins	37.5%	31.6%	20.6%	25.4%	23.0%
Taxes	-4.01	-3.49	-7.04	-11.26	-11.71
Tax rate	15.3%	14.3%	30.1%	30.0%	30.0%
Net Profit	22.11	20.81	16.34	26.57	27.63
Net Margins	31.8%	27.1%	14.4%	18.0%	16.2%
Dividends	0.00	0.00	0.00	0.00	0.00
Currency Differences	3.57	6.07	-0.50	0.00	0.00
Net Profit (after currency)	25.68	26.88	15.85	26.57	27.63
Net profit growth		4.7%	-41.0%	67.7%	4.0%
EPS		1.28	0.92	1.50	1.56
Number of Shares in m		16.24	17.70	17.70	17.70

Source: China Specialty Glass AG, VEM Aktienbank AG

China Specialty Glass AG

Balance Sheet

(in EUR m)	2010	2011	2012	2013E	2014E
Assets					
Fixed Assets	3.76	45.59	54.33	75.19	97.10
Intangible Assets	0.01	0.01	0.00	0.00	0.00
Other Lt. Assets	3.92	3.00	1.90	1.90	1.90
Long Term Assets	7.70	48.61	56.22	77.08	99.00
Inventories	1.59	2.43	2.40	2.26	2.92
Trade Receivables from Operations	12.73	15.52	23.82	40.45	46.60
Others	0.44	0.59	1.09	0.48	0.48
Cash	37.91	56.57	84.41	75.20	75.29
Current Assets	52.67	75.12	111.72	118.38	125.29
TOTAL	60.37	123.72	167.94	195.47	224.29
Liabilities and Stockholder´s Equity					
Equity	49.81	99.03	114.85	140.81	168.44
Subscribed Capital	15.05	17.70	17.70	17.70	17.70
Capital Reserves	-	19.74	23.90	23.30	23.30
Retained Earnings	30.52	51.27	64.15	90.72	118.35
Foreign currency Translation	4.25	10.31	9.09	9.09	9.09
Liabilities	10.56	24.69	53.10	54.67	55.86
Long-term Financial Liabilities	1.81	15.81	41.29	41.29	41.29
Long-term Trade Liabilities	5.00	8.04	9.11	11.30	12.49
Short term Liabilities from Companies	2.44	-	1.24	1.24	1.24
Taxes	1.31	0.85	1.47	0.85	0.85
TOTAL	60.37	123.72	167.95	195.48	224.31

Source: China Specialty Glass AG, VEM Aktienbank AG

Cash flow Statement

(in EUR m)	2010	2011	2012	2013E	2014E
Net Income				26.57	27.63
Depreciation				3.62	5.01
Changes in Provisions				0.00	0.00
Changes in Receivables and other assets				-16.49	-6.82
Changes in Liabilities and others				1.57	1.19
Cash flow from Operating Activities	18.50	8.44	29.22	15.27	27.02
Purchase of intangible Assets and Fixed Assets	-0.78	-25.24	-10.64	-24.48	-26.93
Cash flow from investing Activities	-0.78	-25.24	-10.64	-24.48	-26.93
Cash Proceeds from equity sources				0.00	0.00
Dividends				0.00	0.00
Changes of Bank Liabilities				0.00	0.00
Cash flow from Financing Activities	0.85	32.62	12.18	0.00	0.00
Cash flow for the Year	18.57	15.83	30.75	-9.21	0.09
Cash Balance at the Beginning of the Year	16.81	37.91	56.57	84.41	75.20
Effects of currency translations	2.53	2.83	-2.91		
Cash Balance at the End of the Year	37.91	56.57	84.41	75.20	75.29

Source: China Specialty Glass AG, VEM Aktienbank AG

China Specialty Glass AG

Key Figures

	2011	2012	2013E	2014E
Growth				
Sales	10.5%	47.9%	29.8%	15.2%
EBITDA	-6.1%	15.0%	57.7%	6.9%
EBIT	-6.1%	9.2%	52.7%	4.1%
Net Profit	-5.9%	-21.5%	62.6%	4.0%
Margins				
Gross Margin	45.7%	45.6%	44.1%	43.0%
EBITDA Margin	31.8%	24.8%	30.1%	27.9%
EBIT Margin	31.8%	23.5%	27.6%	25.0%
EBT Margin	31.6%	20.6%	25.4%	23.0%
Net Margin	27.1%	14.4%	18.0%	16.2%
Balance Sheet Ratios				
ROE		14.2%	18.9%	16.4%
ROIC		9.7%	13.6%	12.3%
ROCE		16.0%	21.0%	19.0%
Equity Ratio		68.4%	72.0%	75.1%
Per Share				
EPS		0.92	1.50	1.56
Book Value		5.59	6.49	7.96
Market Measures				
P/Sales		0.4	0.3	0.2
P/Earnings		2.5	1.5	1.5
P/Book value		0.4	0.4	0.3
Dividend Yield		0.0%	0.0%	0.0%

Source: VEM Aktienbank AG

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<u>Date of publication</u>	<u>Share Price at this date</u>	<u>Recommendation</u>	<u>New Fair Value (at date of publication)</u>
20.08.2012	EUR 2.80	BUY	EUR 6.80

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China Specialty Glass AG	3 – 5 – 11 – 13

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Additional important information:

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