

# YOUBISHENG Green Paper AG

June 02, 2014



## Information Analysis

### Analysts

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### Evaluation result

**BUY**

(previous: BUY)

### Fair value

**€12.97**

(previous: €14.36)

**BankM Research on Bloomberg, Thomson/Reuters, Factset, CapitalIQ and www.BankM.de**

## Committed for Expansion - irrespective of Financing Structure

As a result of the persisting capacity limitation in combination with selling price reductions top line slightly declined by 1.3% (constant currency, cc) compared to 1Q13. Again, the high-margin, value-added products (double-sided and anti-counterfeit testliner) were prioritized regarding the allocation of in-house resources, whereby profitability of sales was optimized. This resulted in a slightly improved gross profit margin (+0.4 pts.).

Management explicitly adheres to its expansion plans which will triple production capacity and thus will capture the continuing demand for packaging paper as a function of private home-market consumption. This commitment - in our view - clearly reflects the visionary, entrepreneurial attitude of the Company's decision makers. Despite the postponement of the envisaged corporate bond, the successful placement of which would have accelerated the expansion plans, internal financing through the strong operating cash flow is a valid option for management, albeit time frame of completion will be extended.

Even in the scenario of a prolonged time frame for the expansion we perceive the Company's stock as clearly undervalued; this actually holds also true for a stand-alone scenario, i.e. hypothetically neglecting any expansion plans. However, share price significantly came down immediately upon management's statement of the postponement of the bond issue, a reaction which we perceive as immoderate, especially in light of the Company's highly profitable operations.

For 2014, management guides stable sales revenues and an EBIT margin of at least 22%.

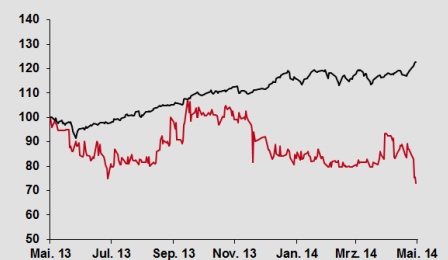
**We calculate a fair value of €12.97 per share and confirm our Buy rating. Considering the sentiment of Chinese companies listed in the Prime Standard, we expect a short to mid-term trading target of €4.38.**

### Key data / Earnings

Year	Sales (€ m)	EBITDA (€ m)	EBIT (€ m)	EBT (€ m)	Net Profit (€ m)	EPS (€)	EBIT-Margin	Net-Margin
2012a	98.6	25.6	23.8	23.9	17.7	1.73	24.1%	18.0%
2013a	96.0	25.7	23.8	23.3	17.2	1.68	24.8%	17.9%
2014e	93.1	24.5	22.4	22.4	16.8	1.64	24.0%	18.0%
2015e	93.1	24.5	21.3	21.3	15.9	1.56	22.8%	17.1%
2016e	93.3	24.6	21.3	21.3	16.0	1.57	22.9%	17.2%
2017e	93.4	24.7	21.4	21.4	16.1	1.57	22.9%	17.2%

Source: YOUBISHENG Green Paper AG, BankM Research

Sector	Paper & Forest		
WKN	A1KRLR		
ISIN	DE000A1KRLR0		
Bloomberg/Reuters	YB1 GY/YB1.XE		
Accounting standard	IFRS		
Financial year	Dec 31		
Financial reporting 2Q14	August 27, 2014		
Market segment	Regulated Market		
Transparency standard	Prime Standard		
<b>Financial ratios</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>
EV/Sales	0.0	0.0	0.0
EV/EBITDA	0.1	0.1	0.1
EV/EBIT	0.2	0.2	0.2
P/E adj.	2.1	2.2	2.2
Price/Bookvalue	0.4	0.3	0.3
Price/FCF	1.9	1.1	1.8
ROE (in %)	18.5	14.9	13.0
Dividend yield (in %)	0.0	0.0	0.0
<b>Number of shares outs. (in '000)</b>	10,218		
<b>MarketCap / EV (in € m)</b>	35.11 / 3.45		
<b>Free float (in %)</b>	9.5		
<b>Ø daily trading vol. (3M, in €)</b>	10,264		
<b>12M high / low (in €; closing)</b>	5.00 / 3.40		
<b>Price May 30, 2014 (in €; closing)</b>	3.40		
<b>Performance</b>	<b>1M</b>	<b>6M</b>	<b>12M</b>
absolute (in %)	-21.7	-26.2	-26.9
relative (in %)	-24.9	-32.3	-40.4
<b>Benchmark index</b>	SDAX		



YOUBISHENG Green Paper AG (red/grey), Performance since IPO vs. SDAX (black).  
Source: Bloomberg

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This document has been prepared due to a service agreement with the respective issuer. BankM – Repräsentanz der biw AG acted as Sole Bookrunner and as Joint Lead Manager for the IPO, is the designated sponsor of the company's stock and in this function as a designated sponsor regularly holds a trading stock or long or short positions in the company's stock. Equity investments generally involve high risks. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Investors may lose some or all of the money invested. Investors make their decisions at their own risk. biw Bank für Investments und Wertpapiere AG, Willich, is responsible for the preparation of this document.

## YOUBISHENG´s Stock and Valuation

### *Performance of the share*

Year-to-date, YOUBISHENG´s stock came down by 15.8% from €4.04 (XETRA close Jan 2, 2014) to €3.40 (XETRA close May 30, 2014). At the same time the benchmark SDAX increased by 9.1%. Based on daily stock price returns since beginning of the year, the annualized volatility is at 45.6% with a mean daily trading volume of 2,150 pieces.

### *Valuation*

Based on the Q1 results we have adjusted our DCF and multiple analysis. We have not factored-in capital expenditure for and cash flows from the envisaged expansion since the actual time of completion of the project depends on the financing scheme.

**We calculate a fair value of €12.97 per share and reiterate our “Buy” rating.**

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# YOUBISHENG Green Paper AG

June 02, 2014

Tables - 3/9 -

## Tables

### Profit & Loss Account

Fiscal Year 31.12 (IFRS)		2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
	in € '000							
<b>Total Sales</b>		<b>98,563</b>	<b>96,025</b>	<b>93,067</b>	<b>93,135</b>	<b>93,273</b>	<b>93,411</b>	
	<i>Growth Rate (in %)</i>	6.9	-2.6	-3.1	0.1	0.1	0.1	-0.7
Cost of sales		71,818	69,621	67,913	69,078	69,137	69,193	
<b>Gross Profit</b>		<b>26,745</b>	<b>26,404</b>	<b>25,154</b>	<b>24,058</b>	<b>24,136</b>	<b>24,218</b>	
	<i>Growth Rate (in %)</i>	16.0	-1.3	-4.7	-4.4	0.3	0.3	-2.1
Selling and Marketing Expenses		754	770	800	800	800	800	
General and Administration Expenses		2,247	1,878	2,000	2,000	2,000	2,000	
Net Other Income		29	58	0	0	0	0	
Other income		77	58	0	0	0	0	
Other expenses		48	0	0	0	0	0	
<b>EBIT</b>		<b>23,773</b>	<b>23,814</b>	<b>22,354</b>	<b>21,258</b>	<b>21,336</b>	<b>21,418</b>	
	<i>Growth Rate (in %)</i>	14.5	0.2	-6.1	-4.9	0.4	0.4	-2.6
Net financial result		156	-505	0	0	0	0	
<b>EBT</b>		<b>23,929</b>	<b>23,309</b>	<b>22,354</b>	<b>21,258</b>	<b>21,336</b>	<b>21,418</b>	
	<i>Growth Rate (in %)</i>	14.8	-2.6	-4.1	-4.9	0.4	0.4	-2.1
Taxes on Income (Exp./Inc.-)		6,236	6,118	5,589	5,314	5,334	5,355	
<b>Net profit</b>		<b>17,693</b>	<b>17,191</b>	<b>16,766</b>	<b>15,943</b>	<b>16,002</b>	<b>16,064</b>	
	<i>Growth Rate (in %)</i>	15.6	-2.8	-2.5	-4.9	0.4	0.4	-1.7
<i>For information purposes</i>								
Depreciation and Amortization		1,870	1,882	2,103	3,245	3,265	3,285	
EBITDA		25,643	25,696	24,457	24,503	24,601	24,703	
No. of Shares (Ø outstanding)		10,218	10,218	10,218	10,218	10,218	10,218	
Net Profit / Share (EPS)		1.73	1.68	1.64	1.56	1.57	1.57	

Source: YOUBISHENG Green Paper AG, BankM Research

### Profit & Loss Margins

	in %	2012a	2013a	2014e	2015e	2016e	2017e
Gross Profit Margin		27.1	27.5	27.0	25.8	25.9	25.9
EBITDA Margin		26.0	26.8	26.3	26.3	26.4	26.4
EBIT Margin		24.1	24.8	24.0	22.8	22.9	22.9
EBT Margin		24.3	24.3	24.0	22.8	22.9	22.9
Net Profit Margin		18.0	17.9	18.0	17.1	17.2	17.2

Source: YOUBISHENG Green Paper AG, BankM Research

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## Cash Flow Statement

Fiscal Year 31.12 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
in € '000							
<b>Earnings before Taxes</b>	<b>23,929</b>	<b>23,308</b>	<b>22,354</b>	<b>21,258</b>	<b>21,336</b>	<b>21,418</b>	
+ Depreciation and Amortization	1,870	1,882	2,103	3,245	3,265	3,285	
- Income Taxes paid	6,228	5,513	6,284	5,383	5,329	5,349	
<b>= Cash Earnings</b>	<b>19,571</b>	<b>19,677</b>	<b>18,173</b>	<b>19,120</b>	<b>19,272</b>	<b>19,355</b>	
<i>Growth Rate (in %)</i>	8.5	0.5	-7.6	5.2	0.8	0.4	-0.4
+ Other cash / non-cash items (tax provision, financial result)	800	-186	0	0	0	0	
- Chg. in net Working Capital	1,342	9,516	-239	-12,064	11	11	
<b>= Operating Cash Flow</b>	<b>19,029</b>	<b>9,975</b>	<b>18,411</b>	<b>31,185</b>	<b>19,260</b>	<b>19,342</b>	
<i>Growth Rate (in %)</i>	9.8	-47.6	84.6	69.4	-38.2	0.4	18.0
- Capex	1,257	23,552	200	200	200	200	
<b>= Free Cash Flow</b>	<b>17,772</b>	<b>-13,577</b>	<b>18,211</b>	<b>30,985</b>	<b>19,060</b>	<b>19,142</b>	
<i>Growth Rate (in %)</i>	3.2	-176.4	-234.1	70.1	-38.5	0.4	n.a.
+ Other net Items	156	-540	0	0	0	0	
- Dividends (previous year)	0	0	0	0	0	0	
+ Increase in share capital (net)	0	0	0	0	0	0	
+ Bank Loans	-858	-1,065	0	0	0	0	
+ Increase in related party borrowings	0	550	0	0	0	0	
<b>= Incr. in Cash (+)/Decr. in Cash (-)</b>	<b>17,070</b>	<b>-14,632</b>	<b>18,211</b>	<b>30,985</b>	<b>19,060</b>	<b>19,142</b>	

Source: YOUBISHENG Green Paper AG, BankM Research

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# YOUBISHENG Green Paper AG

June 02, 2014

Tables - 5/9 -

## Balance Sheet

Fiscal Year 31.12 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e
in € '000						
<b>Assets</b>						
Tangible Assets	12,795	22,295	20,734	17,953	15,152	12,331
Intangible Assets	660	12,553	12,289	12,026	11,762	11,499
Deferred Tax	43	79	0	0	0	0
<b>Total Fixed Assets</b>	<b>13,498</b>	<b>34,927</b>	<b>33,024</b>	<b>29,979</b>	<b>26,914</b>	<b>23,830</b>
Inventories	2,342	1,891	1,833	1,834	1,837	1,840
Accounts Receivable & Prepaymts.	22,251	22,836	22,133	22,149	22,182	22,214
Other Current Assets	2,587	14,484	14,484	2,414	2,414	2,414
Total Liquid Funds	47,154	33,436	51,647	82,632	101,692	120,834
<b>Total Current Assets</b>	<b>74,334</b>	<b>72,647</b>	<b>90,096</b>	<b>109,029</b>	<b>128,124</b>	<b>147,302</b>
<b>Balance Sheet Total</b>	<b>87,832</b>	<b>107,574</b>	<b>123,120</b>	<b>139,007</b>	<b>155,038</b>	<b>171,132</b>
<b>Shareholder's Equity / Liabilities</b>						
Subscribed Capital	10,218	10,218	10,218	10,218	10,218	10,218
Share Premium	-5,685	-5,685	-5,685	-5,685	-5,685	-5,685
Retained Earnings and other Reserves	59,512	77,635	94,401	110,344	126,346	142,409
<b>Shareholders Equity</b>	<b>64,045</b>	<b>82,168</b>	<b>98,933</b>	<b>114,876</b>	<b>130,879</b>	<b>146,942</b>
<b>Long Term Liabilities</b>	<b>336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>t/o NPV of outstanding installments for land use rights</i>	251	0	0	0	0	0
<i>t/o Deferred Tax</i>	85	0	0	0	0	0
<b>ST Liab. &lt; 1 year</b>	<b>23,451</b>	<b>25,406</b>	<b>24,187</b>	<b>24,131</b>	<b>24,160</b>	<b>24,189</b>
<i>t/o Acc. Payable &amp; Prepaymts.</i>	14,465	16,980	16,457	16,469	16,493	16,518
<i>t/o Bank Loans</i>	5,990	4,925	4,925	4,925	4,925	4,925
<i>t/o Tax Payable</i>	1,447	2,093	1,397	1,329	1,334	1,339
<i>t/o Other current Liabilities</i>	1,549	1,408	1,408	1,408	1,408	1,408
<b>Total Liabilities</b>	<b>23,787</b>	<b>25,406</b>	<b>24,187</b>	<b>24,131</b>	<b>24,160</b>	<b>24,189</b>
<b>Balance Sheet Total</b>	<b>87,832</b>	<b>107,574</b>	<b>123,120</b>	<b>139,007</b>	<b>155,038</b>	<b>171,132</b>

Source: YOUBISHENG Green Paper AG, BankM Research

## Balance Sheet Ratios

in % of Total Assets	2012a	2013a	2014e	2015e	2016e	2017e
Total Fixed Assets	15.4	32.5	26.8	21.6	17.4	13.9
Total Current Assets	84.6	67.5	73.2	78.4	82.6	86.1
Inventories	2.7	1.8	1.5	1.3	1.2	1.1
Trade receivables	25.3	21.2	18.0	15.9	14.3	13.0
Total liquid funds	53.7	31.1	41.9	59.4	65.6	70.6
Shareholders Equity	72.9	76.4	80.4	82.6	84.4	85.9
Long Term Liabilities	0.4	0.0	0.0	0.0	0.0	0.0
Short Term Liabilities	26.7	23.6	19.6	17.4	15.6	14.1
Total Liabilities	27.1	23.6	19.6	17.4	15.6	14.1

Source: YOUBISHENG Green Paper AG, BankM Research

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## Key Ratios

	2010a	2011a	2012a	2013a	2014e	2015e	2016e	2017e
Return on Assets (in %)	34.2	25.8	21.9	17.6	14.5	12.2	10.9	9.8
Return on Equity (in %)	59.3	41.7	31.8	23.5	18.5	14.9	13.0	11.6
Gross Profit Margin (in %)	25.1	25.0	27.1	27.5	27.0	25.8	25.9	25.9
EBIT Margin (in %)	23.4	22.5	24.1	24.8	24.0	22.8	22.9	22.9
Net Profit Margin (in %)	20.5	16.6	18.0	17.9	18.0	17.1	17.2	17.2
Current Ratio	1.65	2.36	3.17	2.86	3.72	4.52	5.30	6.09
Quick Ratio	1.47	2.17	2.96	2.21	3.05	4.34	5.13	5.91
Financial Leverage	1.74	1.55	1.37	1.31	1.24	1.21	1.18	1.16
Gearing	0.74	0.55	0.37	0.31	0.24	0.21	0.18	0.16
Interest Coverage Ratio	1,138.94	741.68	1,080.59	37.27	n.a.	n.a.	n.a.	n.a.
Earnings per Share	0.41	2.41	1.73	1.68	1.64	1.56	1.57	1.57
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF per Share	0.40	2.71	1.74	-1.33	1.78	3.03	1.87	1.87
Book Value per Share	0.70	7.45	6.27	8.04	9.68	11.24	12.81	14.38
Days Sales Outstanding	85.31	81.34	84.71	85.69	88.18	86.77	86.74	86.74
Days in Inventory	17.72	17.28	15.64	11.10	10.01	9.69	9.69	9.70
Days in Payables	69.27	87.30	78.80	82.43	89.85	86.99	87.01	87.07
Cash Conversion Cycle	33.76	11.32	21.55	14.36	8.33	9.47	9.42	9.37
Total Asset Turnover	1.67	1.26	1.12	0.89	0.76	0.67	0.60	0.55
Working Capital to Sales	0.28	0.31	0.28	0.41	0.41	0.28	0.28	0.28
CAPEX to Sales	0.04	0.00	0.01	0.25	0.00	0.00	0.00	0.00
Depreciation/Sales	0.04	0.02	0.02	0.02	0.02	0.03	0.04	0.04
Tax Rate (in %)	12.7	26.5	26.1	26.2	25.0	25.0	25.0	25.0
Number of Employees	307	303	302	302	302	302	302	302
Sales/Employee in \$ '000	245.3	304.3	326.4	318.0	308.2	308.4	308.9	309.3
Net Profit/Employee in \$ '000	50.4	50.5	58.6	56.9	55.5	52.8	53.0	53.2

Source: YOUBISHENG Green Paper AG, BankM Research

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Equity investments generally involve high risks. Investors may lose some or all of the money invested. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Past performance is no guarantee for future results. Investors make their decisions at their own risk.

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I. Information about author, company held accountable, regulatory authority:

**Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG, Willich, Germany.**

**Authors: Dr. Roger Becker, CEFA und David Szabadvari, CEFA, CIA, Analysts**

Regulatory authority for biw Bank für Investments und Wertpapiere AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analyzed instrument is YOUBISHENG Green Paper AG.

**Notice according to sec. 4 §. 4 N<sup>o</sup> 4 FinAnV (previous publications regarding the issuer at least within the last 12 months):**

Analyst	Date	Evaluation result	Fair value
Dr. Roger Becker	June 16, 2011	Buy	€ 12.30
Dr. Roger Becker	November 21, 2011	Buy	€ 15.75
Dr. Roger Becker, David Szabadvari	June 12, 2012	Buy	€ 14.85
Dr. Roger Becker, David Szabadvari	September 18, 2012	Buy	€ 14.60
Dr. Roger Becker, David Szabadvari	December 6, 2012	Buy	€ 14.60
Dr. Roger Becker, David Szabadvari	September 27, 2013	Buy	€ 15.82
Dr. Roger Becker, David Szabadvari	December 12, 2013	Buy	€ 13.53
Dr. Roger Becker, David Szabadvari	May 16, 2014	Buy	€ 14.36

### II. Additional Information:

#### 1. Sources of information:

Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer before publication according to DVFA Standards to ensure the accuracy of the information provided. This resulted in no textual changes.

#### 2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

**BUY:** The calculated fair value of the company's stock is at least 15 % higher than the current market price at the time of the compilation of this document.

**NEUTRAL:** The calculated fair value of the company's stock lies between -15% and +15 % of the current market price at the time of the compilation of this document.

**SELL:** The calculated fair value of the company's stock is at least 15 % lower than the current market price at the time of the compilation of this document.

The following valuation methods are being used: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, historical valuation approaches, discount models (DCF, DDM), break-up value and sum-of-the-parts-approaches, asset-based evaluation methods or a combination of the above. The used valuation models depend on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Additionally, market sentiment affects 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. Rendered evaluation results and fair values derived from the models might therefore change respectively. The evaluation results in general relate to a 12-month horizon. However, evaluation results are subject to changing market conditions and represent only the situation at a given point of time. The evaluation results and fair value prices may in fact be achieved more quickly or slowly than expected by the analysts. Also, the evaluation results and fair value prices might need to be revised upward or downward.

#### 3. Date of first publication of this document:

**June 2, 2014**

#### 4. Date and time of prices of the instruments quoted in this document:

**Closing prices as of May 30, 2014**

#### 5. Updates:

**A specific date or time for an update of this document has not been set. The information given in this document reflects the author's judgement on the date of this publication and is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the company covered. It is in the sole responsibility of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG to decide on a potential update of this document.**



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