

**Eichhof**

Reuters: EIN.S

Price: CHF 2160

**Hold****PT: CHF 2200**

(CHF)	2006A	2007A	2008E	2009E
EPS	102	118	107	107
JCF Cons. EPS	102	118	123	142
P / E	21.3	18.3	20.1	20.1
EV / EBITDA	13.2	12.1	11.5	NA
P / B	3.1	3.0	2.9	2.9
Div. Yield (%)	3.7	4.2	4.2	4.2

Source: Vontobel Equity Research

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<b>EICHHOF: 1H07/08 RESULT</b>		
(in CHF mn)	1H07/08E	1H07/08
<b>Net sales</b>	<b>137.0</b>	<b>134.1</b>
- change (%)	1.6	-0.5
<b>EBIT</b>	<b>7.7</b>	<b>5.1</b>
- margin (%)	5.6	3.8
- change (in bp)	+40bp	-140bp
<b>Net profit</b>	<b>5.4</b>	<b>2.3</b>
- change (%)	-20	-67
<b>EPS (in CHF)</b>	<b>35</b>	<b>15</b>

Source: Eichhof, Vontobel Research

**Sales and margins down at colour metrics, financial result significantly lower y-o-y****FACTS:**

The Eichhof Group recorded 1H07/08 sales of CHF 134.1 mn (-0.5%), with the top line in the drinks division up 5.2% to CHF 94.0 mn, whereas sales were down 15% to CHF 37.7 mn (in local currencies: -6%) at colour metrics. The real estate division saw rental income rise from CHF 1.1 mn to CHF 2.4 mn, due to the acquisition of two properties. EBIT was down 28% y-o-y, with margins squeezed in both the drinks (margin: -140bp to 3.8%) and colour metrics (margin: -160bp to 3.7%) divisions. The fall in net profit (CHF 2.3 mn; -67%) was even steeper, as the financial result also made a negative impact here. For the full year, sales are expected to come in around the year-earlier level, with net profit slightly lower y-o-y. The focus of attention at the moment, however, is on Heineken's bid for the drinks division, on which the general meeting will take a decision on 23 June.

**COMMENT:**

Sales growth came in slightly below our expectations (E: CHF 137 mn). We expected EBIT and net profit to fall, but the decline in the Beverages division came as a surprise. The increase in manufacturing costs had a stronger negative impact than expected, and the price increase implemented on 1.1.08 could not yet compensate for this in the first half of the year. The colour metrics segment was affected by negative trends in the textile industry and the weak dollar, and the introduction of new software (delays in delivery) and the expansion of production capacities also led to additional costs. At CHF -2.3 mn the financial result was substantially below the previous year (CHF 1.6 mn), reflecting the impact of the stock market performance. We will revise our estimates downwards, whereby the group figures are no longer significant due to the spin-off/takeover offer.

**CONCLUSION:**

The H1 figures undershot expectations, while for the moment attention centres on Heineken's takeover offer for the drinks division. A decision on breaking up the company is to be taken at the general meeting on 23 June, and CHF 1,657 in cash per share is being offered, to be paid between July and September. The real estate division will also be divested, which will make Eichhof a pure play in colour metrics. On our estimates, P/E 09E following the spin-off would be 11x, a level at which we would not advise investing, given the weak demand from the textile industry.