BMP HOLDING AG

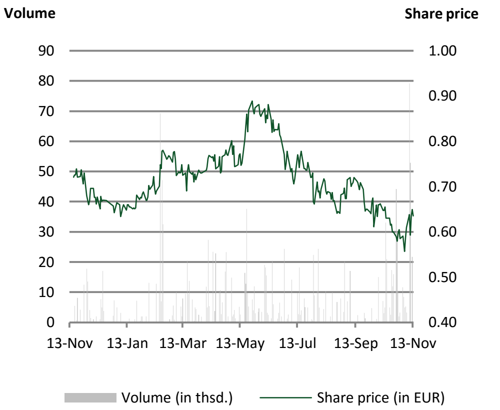
Recommendation:	Buy
Price target:	1.40 Euro
Upside potential:	+117 percent

Share data

Share price	0.64 Euro (XETRA)
Number of shares (in m)	20.70
Market cap. (in EUR m)	13.3
Enterprise Value (in EUR m)	8.8
Code	BTBA
ISIN	DE0003304200

Performance

52 week high (in EUR)	0.90
52 week low (in EUR)	0.54
3 m relative to CDAX	-7.8%
6 m relative to CDAX	-12.8%



Shareholder structure

Free float	64.2%
Oliver Borrmann	15.3%
Carin Pepper	10.0%
Roland Berger SC	7.5%
Peter R. Ackermann	3.0%

Calender

Q3 results	30 November 2015
AGM 2016	06 July 2016

Changes in estimates

	2015e	2016e	2017e
Sales (old)	**5,0**	**18,7**	**24,0**
Δ in %	-	-	-
EBIT (old)	**-1,1**	**0,2**	**0,8**
Δ in %	-	-	-
EPS (old)	**-0,01**	**0,01**	**0,03**
Δ in %	-	-	-

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Publication

Study	16 November 2015

montega

bmp shares likely to awaken soon

bmp Holding AG has been known as investment company specialised in media and marketing services. Driven by regulatory changes, the management board decided in early 2015 to adjust the business model and establish a group of companies in the field of sleeping worlds. This step was implemented in April 2015 with the acquisition of a majority interest in sleepz. A few days ago, the second company was acquired. Matratzen Union is a highly profitable group of companies, which will be fully consolidated from December 2015.

e-commerce remains one of the structural growth markets and is expected to increase by just over 22% (source: Statista) in 2016. The **market for mattresses and sleeping requirements** has a volume of EUR 10bn in Germany alone. At present, only some 3.5% are bought online. We should see a gradual shift to the internet over the next few years. Consequently, there is an enormous growth potential. bmp is expected to benefit from this development and increase revenues to over EUR 30m by 2018e at a **CAGR of 34%**. We assume that the Group will generate a normal market margin of 6%. bmp expects to break even as early as 2016. This would mean that the company would manage the balancing act between growth and profitability, a requirement which particularly e-commerce companies are facing.

The **news flow** should remain positive. We foresee dynamic growth as well as additional acquisitions. There are visible consolidation tendencies in the market, since it is becoming increasingly difficult for smaller, financially weak suppliers in particular to meet the requirements of modern e-commerce (professional online marketing, RTC of the shop). bmp intends to play an active role in the market's consolidation process. Given that the company has capital market access to the capital market and in view of the remaining portfolio's value (venture capital investments will be gradually sold), further acquisitions are very likely in our view.

In terms of valuation the shares offer a lot of upside. The book value of the remaining portfolio alone amounts to some EUR 19m, which exceeds the current market capitalisation. Based on our planning, the e-commerce activities have a fair value of just over EUR 10m, which is made plausible by a peer group comparison.

Conclusion: bmp has tapped an attractive business segment by acquiring a majority interest in sleepz. The acquisition of Matratzen Union Group underlines management's ambitions in the market's consolidation phase. Both companies are strongly growing. Matratzen Union is already very profitable. The current valuation does not adequately reflect the value of the VC portfolio (discontinued operation) and the investments in the sleeping worlds segment. Our PT is EUR 1.40 (previously: EUR 1.30) with an unchanged buy rating.

FY end: 31.12.	2014	2015e	2016e	2017e	2018e
Sales	0.1	5.0	18.7	24.0	30.1
Growth yoy	-91.2%	5410.8%	272.8%	28.3%	25.6%
EBITDA	-0.4	-1.0	0.4	1.0	1.7
EBIT	-0.4	-1.1	0.2	0.8	1.4
Net income	-0.3	-0.3	0.2	0.6	1.0
Gross profit margin	-8.1%	32.0%	33.3%	33.8%	34.5%
EBITDA margin	-456.6%	-20.0%	2.3%	4.3%	5.5%
EBIT margin	-459.9%	-21.1%	1.3%	3.3%	4.5%
Net Debt	1.0	4.4	3.7	2.5	1.1
Net Debt/EBITDA	-2.4	-4.4	8.6	2.5	0.6
ROCE	-2.2%	-4.7%	1.0%	3.4%	5.9%
EPS	-0.01	-0.01	0.01	0.03	0.05
FCF per share	0.00	-0.29	0.03	0.05	0.07
Dividend	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales	97.1	1.8	0.5	0.4	0.3
EV/EBITDA	n.m.	n.m.	20.5	8.6	5.3
EV/EBIT	n.m.	n.m.	36.3	11.2	6.5
PER	n.m.	n.m.	64.4	21.5	12.9
P/B	0.7	0.7	0.7	0.7	0.6

Source: Company data, Montega, CapitalIQ   Figures in EUR m, EPS in EUR, Price: 0.64

INHALTSVERZEICHNIS

INVESTMENT CASE

Berlin-based bmp Holding AG is an e-commerce group focused on the field of sleeping worlds. bmp has three investments in this market segment: sleepz GmbH, Matratzen Union group (composed of Matratzen Union GmbH, Markenschlaf GmbH, Ecom Union GmbH and Denkvertrieb GnbH) and Grafenfels Manufaktur GmbH.

sleepz GmbH develops and implements holistic e-commerce concepts in the sleeping requirements trading segment. The company operates the online shops "perfekt-schlafen.de" (one of the largest independent shops for sleeping worlds in Germany with over 150,000 customers), "matratzendiscount24.de", "schoene-traeume.de", "forliving.de" and "einfach-schlafen.de". sleepz has its own multichannel software solution, which is able to control all national and international marketplaces, while also being the interface to logistics and production.

Source: bmp Holding

The newly founded **Grafenfels Manufaktur GmbH** is the owner of the "Grafenfels" brand. The company has five individual product groups (gold, green, red, blue, and white), which address different customer groups. The company's own mattress brand is sold via www. grafenfels.de, and initially also via the shops of sleepz and MU. It is planned to win additional retailers in the course of 2016.

Matratzen Union Gruppe (MU) operates several online shops. **Matratzen Union** and **Markenschlaf** are – like sleepz - online retailers for sleeping requirements. They are focused on best-selling mattresses of well-known manufacturers such as Schlaraffia. Box spring beds are another core product. **Ecom Union**, the fully owned subsidiary, has a shop for outlet merchandise – onletto.de – in the field of furniture and decoration. The company purchases its product via MHK as purchasing association. This is a network of more than 2,000 retail partners in the furniture sector. **Denkvertrieb GmbH** is the group's service company and is in charge of online marketing and IT for Matratzen Union, Markenschlaf and Ecom Union.

Market about to see significant surge in growth, competition still low

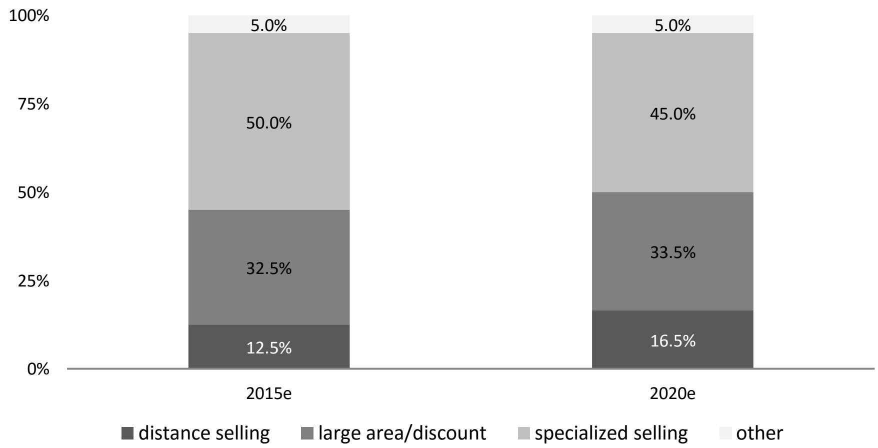
bmp is active in an attractive market with strong momentum. E-commerce grew by 25% in 2014 (source: Statista). The topic of sleep is increasingly gaining in importance as furnishing theme in Germany. This can be put down to several factors:

- People are less active nowadays, back problems as the number one disease become an everyday problem, which can be alleviated by better beds
- The demographic change leads to higher demands on beds, and ergonomic features become more important as well
- The health consciousness among the population is growing, the bed becomes a lifestyle product and a focal point of the living concept

The **online proportion of products around the topic of sleep is still comparatively low** (c. 3.5%; source: Statista, GfK). Yet, these products are very well suited for online sale:

- A mattress is of non-perishable nature and has no seasonality
- The products are sold on a high price, so the shopping basket is large
- Margins are attractive and remissions are low
- They have standard sizes (and not individual sizes like clothing or shoes)

Market share of sleeping furniture by distribution channel



Source: Titze, bmp Holding

As the chart above shows, it is assumed that the proportion of distance selling (includes mail order, TV shopping and online retail) will significantly increase over the years to come with e-commerce expected to grow at double-digit rates. Optimistic assumptions imply growth rates between 30% and 50% p.a. The market potential is >EUR 1bn by 2020 in Germany alone (source: Statista, GfK).

The **sector is expected to see a consolidation process** in the next few years. This is due to smaller online retailers increasingly reaching their limits in terms of structural growth (problems to finance the working capital and establish the necessary IT structure and/or warehouse capacities). Furthermore, the growing technological requirements are a big challenge for smaller market participants. For instance, customers expect websites, which work reliably on all end devices and operating systems. This requires continuous investments in the own shop. The basic conditions in marketing are also becoming more competitive, triggering consolidation tendencies in the market. Suppliers like sleepz and MU have teams which are exclusively responsible for the efficient control of the marketing budgets. Small e-commerce suppliers are lacking these professional structures and inevitably fall behind in competition. The constant consolidation in the market is a logic consequence.

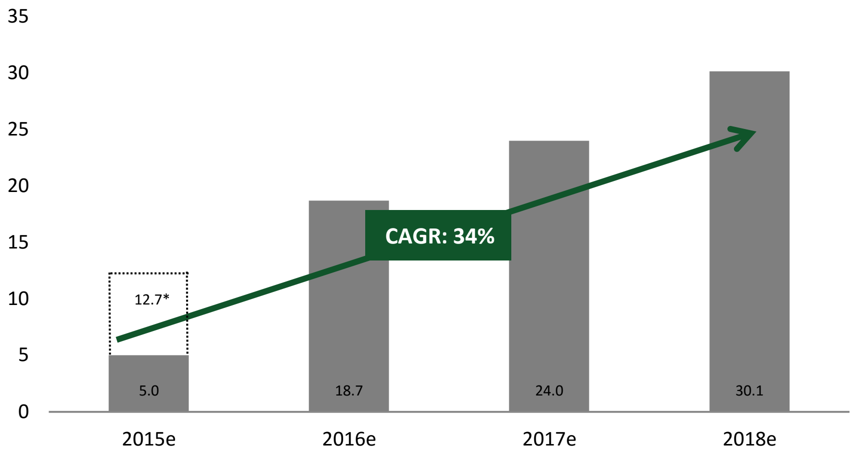
Double-digit growth rates over the next few years

In H1 2015, revenues of sleepz were consolidated for the first time. From December 2015, MU will also contribute to bmp's revenues. Both companies are already growing at double-digit rates (MON 2015e 19% and 14% respectively). However, we assume that growth will accelerate in the next few years. This is attributable to the following aspects in particular:

- **Additional liquidity:** Growth of both companies was limited due to restricted financial opportunities. Thanks to the injection of borrowed capital, for instance, MU will increase inventories which is likely to accelerate growth.
- **Expansion of the product offering:** Particularly MU has access to top mattress brands, which should also be included in sleepz' product range in the future. This is likely to significantly drive growth.
- **New own brand:** Grafenfels provides the group with an emotional product, the inclusion of which should trigger additional growth.
- **Pooling of marketing activities:** Both sleepz and MU have teams controlling the marketing activities. We believe the customer acquisition will be even more efficient when activities are pooled and experience exchanged.

These drivers should enable bmp to boost revenues to EUR 30.1m by 2018. The table below shows the expected development.

Sales Development
(in EUR m)



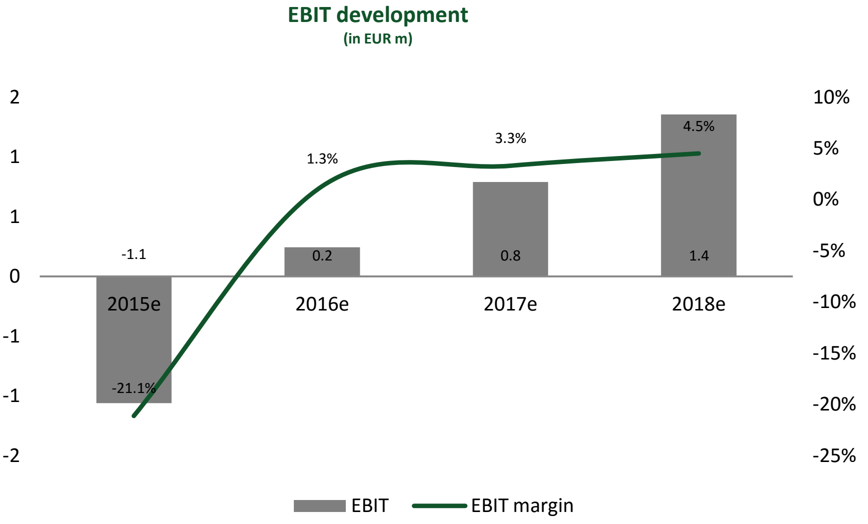
Source: Montega, bmp Holding * pro forma sales representation sleepz and MU in 2015e

The CAGR of 34% is at the lower end of the market estimates and the projected revenues are well below the company's guidance for 2016 (revenues EUR 25 to 40m). However, our estimates do not reflect inorganic growth, which has to be included as well. If bmp makes progress in selling the venture capital investments of the discontinued operation, additional acquisitions will be very likely in our view. In this case, guidance and medium-term revenue plan of EUR 100m should be achievable in indicative terms.

Balancing act between growth and profitability - Break-even already in 2016

In 2015, bmp will report a negative EBIT of c. EUR 1.1m. This is also due to expansion and the ongoing development of sleepz' business model. The company invested in the development of its own brand "Matratzenheld" in the current financial year, advertising activities were significantly expanded and the first local sales area was opened in Berlin. Furthermore, the product development of Grafenfeld had also burdened earnings.

Matratzen Union Group, which will be consolidated from December 2015, is already profitable. The impact of this acquisition on bmp's figures will become visible from 2016 onwards. Against this background, we consider the "black zero", which the company has guided for, as achievable. We assume an increase in the margin to 4.5% by 2018. In the long-term bmp is expected to generate a margin of 5-6%, which is usual in the market. The chart below shows the expected earnings development.



Source: Montega

The gradual increase in earnings is the result of:

- A gross margin increase by 2.5pp due to improved purchasing conditions and the launch of the own brands"Matratzenheld" and "Grafenfels"
- Synergies in marketing between sleepz and MU
- The decline in the personnel cost ratio from currently 17% to 9% by 2018e
- A fixed costs degression of the other operating expenses

All valuation methods signal significant undervaluation

The share offers considerable upside in valuation terms. The book value of the discontinued operation alone amounts to some EUR 19m, which exceeds the current market valuation. bmp has attractive venture capital investments, namely brand eins (one of the leading economic magazines), iversity (the leading European platform for online courses), castaclip (video platform) and komoot (app for route planning), which are of value in our view and should be turned into successful exits in the next years. Based on our planning, the e-commerce activities have a fair value of some EUR 10m, which is made plausible by a peer group comparison.

News flow driven by sale of investments and strong growth of the subsidiaries

Despite these traceable values and the growth opportunities in e-commerce, the shares are still trading below their book value. By acquiring a majority interest in MU, bmp has already contributed to a good news flow. The shares hardly reacted to it. We believe this is due to the disposal of the venture capital business (discontinued operation).

The exit of one of the three large venture capital investments, brand eins, iversity or castaclip, should reduce uncertainty on the value of the investments. Additionally, this would significantly enhance the financial scope. bmp plans further acquisitions, however, these are hardly possible at the moment without an exit or an external acquisition financing.

Alongside the sale of venture capital investments, the operating development of the three subsidiaries, sleepz, MU, and Grafenfels, will drive the news flow. The revenues and earnings potential will become fully visible from 2016 onwards. With an increase in revenues by c. EUR 13.7m to EUR 18.7m (MONe) bmp will expand into new revenue dimensions.

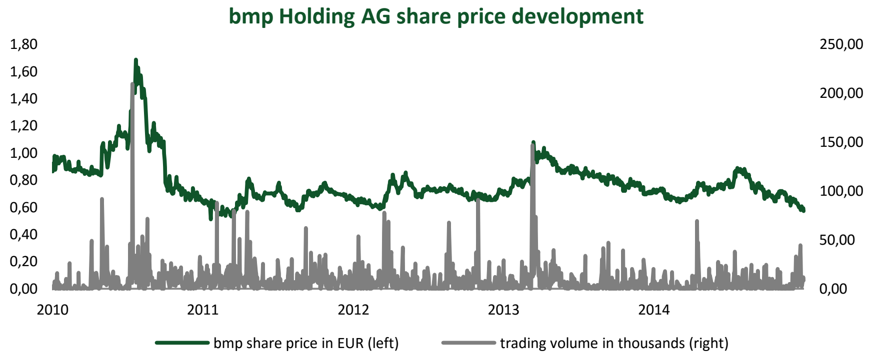
Conclusion: Realignment consistent, market attractive

bmp has tapped an attractive business segment by acquiring a majority interest in sleepz. The acquisition of Matratzen Union Group underlines the ambitions in a market consolidation phase. Both companies are strongly growing. MU is already very profitable. The strategic realignment makes sense and we believe the growth prospects are enormous. bmp should generate revenues of EUR 18.7m in FY 2016 and achieve balanced earnings. However, this is not reflected in the current valuation.

Our PT is EUR 1.40 (based on DCF value e-commerce activities + book value of the discontinued operation) with an unchanged buy rating.

TIMING AND SENTIMENT

The price of the bmp shares has moved largely sideways since several years in a range between EUR 0.60 and EUR 1.00 Euro. The fluctuations of the past were often related to larger exits.



Source: CapitalIQ

The trading volume increased sharply in connection with speculations on successful disposals of venture capital investments, but each time significantly declined thereafter. Like many investment companies, bmp suffered from the problem that the shares are only suited for specialised investors and a valuation of the company is difficult because of the many venture capital investments. Additionally, there was no regular news flow since bmp was in the process of building up an investment portfolio and the regular holding period is between 5 and 8 years.

The realignment of the business model should lead to new kinds of investors for bmp. In the future, the company will be valued on the basis of the sales and earnings development of the subsidiaries. windeln.de and zalando were two online retailers which recently took the bold step of going public, so there should be great interest in these kinds of business models. The continued offline/online shift and the resultant dynamic growth of e-commerce are evidence of this as well.

News flow expected to be positive

bmp's Q2 figures also included revenues of sleepz for the first time. Given that the company has been consolidated only from May 2015 and is still at the beginning of its growth path, revenues of just under EUR 1m were comparatively low. However, this should not hide the fact that sleepz is expected to generate revenues of some EUR 6.2m in FY 2015, thus growing by some 19% yoy. The pace of growth should even accelerate through the inclusion in the group. As a result, sleepz will post earnings in double-digit millions already 5 years after its foundation.

Valuation leaves room for rise in share prices

bmp is valued at some EUR 13.0m. The book value of the discontinued operation alone amounts to EUR 19.0m and thus is only some EUR 6.0m above the current market capitalisation. The activities of sleepz and MU are not factored in by the market at present, which we cannot comprehend in view of the good revenues development. We currently do not see a scenario, in which the venture capital investments of the discontinued operation can be disposed of at a fair price, especially since there is no time pressure anymore due to the realignment of the business model, and bmp has always been able to reach at least the book value in all the disposals done so far.

Current mispricing is a good entry point

We recommend investors to use the current valuation to buy shares. From 2016, the momentum of the e-commerce subsidiaries should become visible. We also believe – unlike the market – in a successful sale of the participations of the discontinued operation. This will significantly impact both the operating development and the share price development.

SWOT

The positioning on the e-commerce growth market is very attractive. The company occupies a particularly attractive niche and has clearly visible strengths:

Strengths

- Focus on a growth market with high margin level
- Good access to leading mattress manufacturers
- Large range of mattresses and exclusive products ("Matratzenheld", "Schlafschatz", "Wolkenwunder")
- Extensive marketing know-how within the group
- Clear first-mover advantages in a market with comparatively encrusted structures (sale mainly takes place in small local stores in bad locations)
- Management has many years of experience in investment business (M&A, management of subsidiaries)
- Financial strength and access to stock exchange in connection with experience in the consolidation of markets

Despite the attractive niche and the good growth prospects the business model has also weaknesses, which are:

Weaknesses

- Financial power is lower than that of established suppliers, but sleeping worlds often are only a part of the product range there
- Young company and small team, which may reach its limits because of rapid growth
- Dependency on individual persons in the subsidiaries
- Dependency on mattress manufacturers, which may start their own online activities
- No long-term track record with the new business model yet

E-commerce is a huge growth market. Sleeping worlds, however, are still at the beginning of this development when it comes to changes in the consumer behaviour. This may lead to vast opportunities:

Opportunities

- Further shift of product purchases into the internet
- Demographic change and increasing importance of the health/sleeping comfort topic
- No clear online leader in this category
- Breaking up the encrusted structures in stationary retail
- No real brand awareness
- Liquidity inflow from the sale of participation of the discontinued operation – disclose the mispricing (the book value of the discontinued operation exceeds bmp's market cap)
- High loss carryforwards (EUR 80m), which can be used as soon as profits are generated

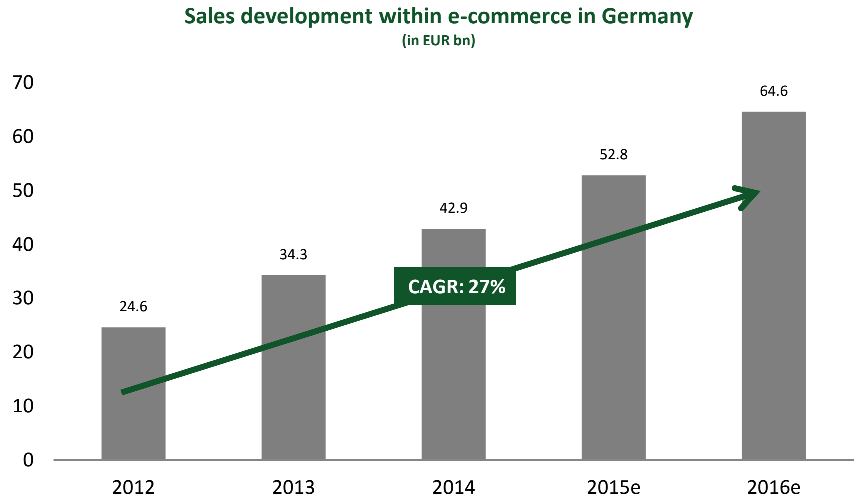
As is known, barriers to market entry are low in the internet, which entails risks:

Risks

- Entry of financially stronger providers with similar positioning
- Increase in price competition
- A significant increase in customer acquisition costs, which may slow down growth
- No acceptance of the new brands (“Matratzenheld” and “Grafenfels”)
- Delay in the sale of the remaining participations, which may limit the financial power

MARKET AND COMPETITION

From today's perspective, the spread of the internet in the 90s has fundamentally changed sales and distribution in retail. E-commerce, the sale of merchandise via the sales channels of the "world wide web" with the help of web shops, has evolved into an alternative to stationary retail and is indispensable by now. E-commerce revenues are expected to more than double from 2012 to 2015.



Source: Statista

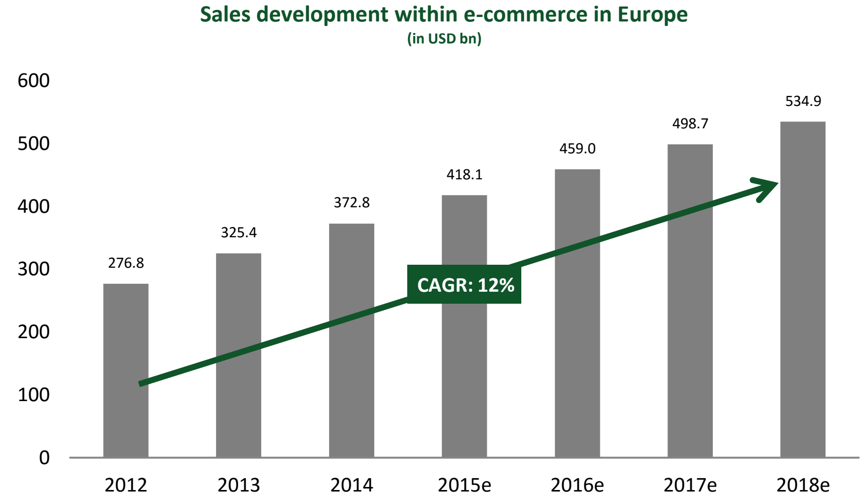
The chart above shows a clear trend of the sales development in e-commerce in Germany and indicates double-digit annual growth rates for the next years as well. The proportion of e-commerce in overall retail sales in Germany is still relatively low (c. 8.5% in 2019) but this justifies the high growth rates. It is therefore expected that the online share doubles to c. 15% by 2025.

The times in which only books or small electrical goods were sold in online retail are long one. Other segments (e.g. fashion & lifestyle) have gained significant market share in e-commerce for some years. This trend is expected to continue and all segments will grow further in absolute terms, but the mix within online sales will shift.

When compared to the top segments ("technology & media" with 38% and "fashion and lifestyle" with 25%) the "home accessories" segment still has a relatively small share of 9% in online sales. However, the "home accessories" segment - like the "garden & DIY" segment - did not participate in the early development of e-commerce, since the products were considered to be inappropriate for online-retail at first sight. For this reason, the concentration of the e-commerce providers in the "home accessories" segment is still much lower than in the top segments. However, the projected shift of shares, projected to materialise until 2025, should be in favour of the "home accessories" and "garden & DIY" segments.

The logistics sector is facing a major challenge in this respect. Once ordered, customers want to have their purchased products as soon as possible and do not accept long delivery times anymore. Pioneers like Amazon, with their widely spread premium shipping "Amazon Prime" and a guaranteed delivery on the next working day, set the bar high and exert strong pressure on the entire e-commerce industry and the logistics involved. In a pilot project, the company has introduced a delivery on the day of ordering in several major cities. The challenge of an ever faster delivery required on part of the e-commerce customers is aggravated by the fact that the diversification within the e-commerce segment makes the transported products bulkier. Products such as TV sets, tyres or furniture have long since been among the regular e-commerce merchandise.

The chart below shows that the development trend in e-commerce depicted for Germany is also available in Europe and that we can expect significant growth rates here as well.



Source: Statista

Socio-economic factors drive “home accessories” segment

The topic of sleeping has gained in importance as furnishing topic in Germany. Several factors contribute to this trend:

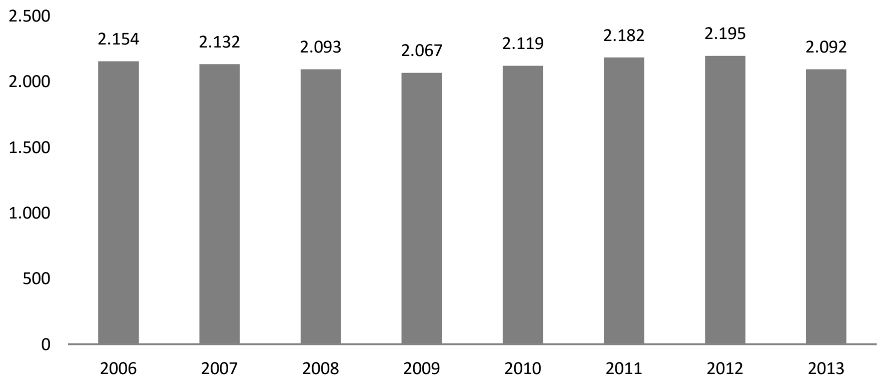
Back problems as the number one disease: The strongly growing number of seated activities, predominantly at the computer, led to a significant increase of back problems among the population. The quality of the mattresses is more decisive to take strain off the body while sleeping.

The demographic change: The growing number of 60+ consumers is easily able to buy new furniture in the sleeping world segment because of their income. At present, there is a perceivable change from pure replacement purchases to purchases made to improve the living quality. In addition to a better product quality (premium mattresses) people increasingly focus on ergonomic features (e.g. make going to bed and getting up easier).

Health consciousness is growing, bed as a lifestyle product: The end consumer is sensitised for the topic of sleeping to an ever stronger extent. Box spring beds serve as an example here. Over the last few years, they managed to emotionally enhance the topic of sleeping for the end consumer again. A quiet night’s rest is becoming ever more important for consumers and they demand more while also spending more. The sleeping room becomes a sleeping/living/working room and - together with the kitchen - becomes a focal point of the living concept

The production of the overall market for sleeping furniture totalled c. EUR 2.1bn in 2013 according to the Federal Statistical Office. However, this figure is based on retailers' selling prices. The market volume for end consumer prices should be just over EUR 4.0bn (MONe).

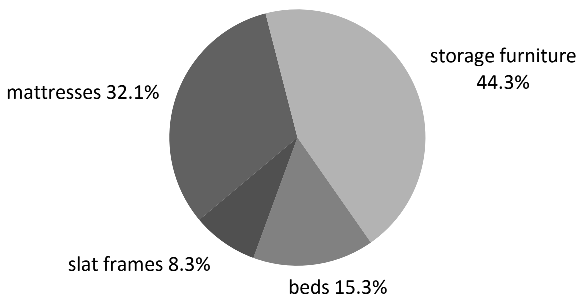
Total market of sleeping furniture in Germany
(in EUR bn)



Source: Federal Office of Statistics

As the chart below shows, storage furniture accounts for the largest share (c. 44%) in the sleeping furniture market. Mattresses follow with a market share of c. 32%, beds with 15%. Slat frames account for the remaining 8%.

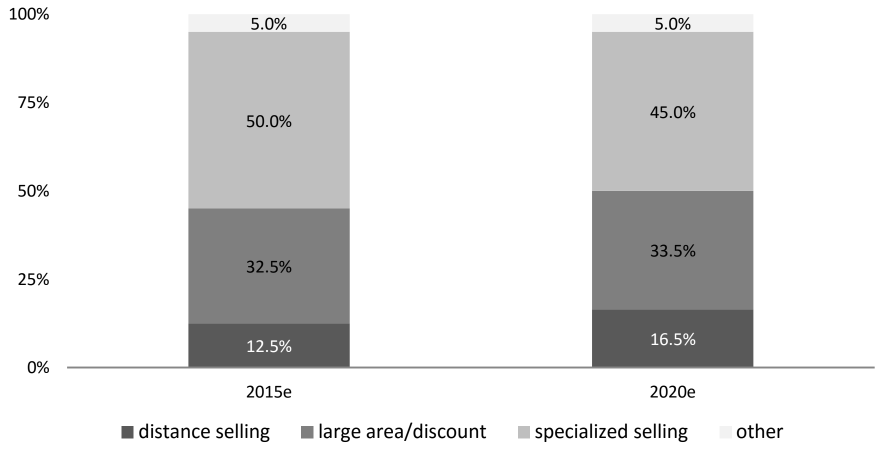
Market share by product group



Source: Titze, bmp Holding

As in the other retail segments, the market is still dominated by specialised shops, which account for c. 97-98% of the overall market (Source: Statista, GfK) and are usually organised in purchasing organisations. Superstore concepts and furniture discounters such as Ikea, Roller and Poco have also gained in importance. However, distance selling, which is dominated by a strongly growing share of e-commerce, is the only one seeing significant growth rates.

Market share of sleeping furniture by distribution channel



Source: Titze, bmp Holding

As the chart above shows, it is assumed that the proportion of distance selling (includes mail order, TV shopping and online retail) in the sleeping world segment will significantly increase in the next few years with e-commerce expected to grow at double-digit rates. Optimistic assumptions imply growth rates between 30% and 50% p.a. We will take a look at the online market for sleeping furniture in detail, focussing on mattresses and slat frames.

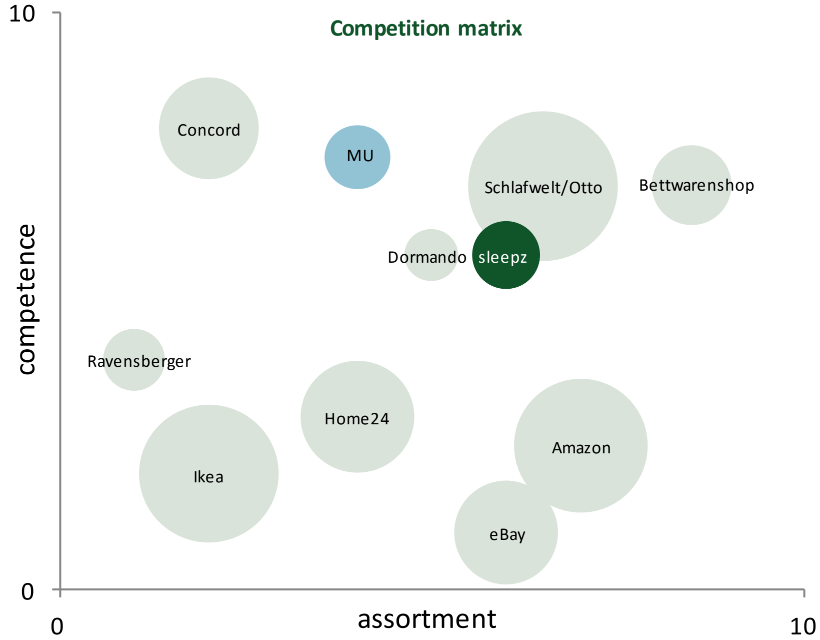
Online market for mattresses and slat frames strongly fragmented

Even though it is planned to gradually supplement the product range through further acquisitions, bmp currently is mainly focused on mattresses and slat frames because of the majority interests in sleepz and MU (c. 10% sales share with sleeping room furniture). The overall market volume for mattresses and slat frames should currently be between EUR 1.5bn and EUR 2.0bn in Germany.

Similar to sleeping furniture in general, the majority of mattresses and slat frames are still sold in stationary retail. In addition to the large furniture stores like Ikea or Höffner, the stationary retail is dominated by large specialist retail chains such as Matrazen Concord, mfo/matratzen direct or Dänisches Bettenlager. There is also a heterogeneous expert shop landscape.

Anyone who thinks that mattresses and furniture are not appropriate for online marketing is wrong. Direct retail via the internet is also gaining in importance with regard to mattresses and slat frames. In Germany, there are currently already more than one hundred specialised online retailers for this product range. This development is also reflected, for instance, in a study of the IFH Köln, which comes to the conclusion that some 60% of the respondents think that online shopping for furniture will be as common in the future as online shopping for shoes and clothing is today.

As in stationary retail, there is no clear online market leader for mattresses and slat frames yet as the chart on the next page shows. Although no exact numbers are available, several industry experts assume that the online shop “schlafwelt.de”, which belongs to the Otto group, should account for the largest online volume with regard to sleeping furniture, which currently is between EUR 300 and 400m in Germany.



Source: Montega, bmp Holding

In addition to suppliers specialised in sleeping furniture, both Amazon as the leading B2C market place and IKEA as the leading furniture supplier are expected to capture a large chunk of online revenues, but with a comparatively low expertise or assortment depth. Alongside sleepz and MU, there are a number of other start-ups focused on the sale of sleeping furniture. This includes, for instance, Frankfurt-based dormando or the Berlin-based shop bettenriese.de. One of the rather established online players is the Möbel im Netz GmbH, which, like sleepz, is represented with the shops “betten.de” and “boxspringbetten.net”.

One reason for the attractiveness of sleeping furniture is the consumers’ lower brand awareness when it comes to purchasing mattresses and other sleeping room furniture. For instance, major German mattress manufacturers such as Schlaraffia, Breckle or Dunlopillo do not sell directly via the internet themselves. As this low brand awareness is a worldwide phenomenon and given that traditional mattress manufacturers have a very classical positioning, new companies were established on part of the manufacturers as well. These new companies are strongly geared to direct online sale. Prominent examples are Casper in the USA or Bruno, the German mattress start-up.

The low return ratios (usually below 10%) and the high average shopping basket of several hundred euros are other reasons for the high attractiveness of the online market for mattresses and slat frames. The table below, which shows the average prices of the mattress types sold in Germany, provides an indication for this.

Average prices and market shares of mattress types

Type	Average prices	Market shares
Barrel-arbor	320 EUR	3%
Cold foam	529 EUR	66%
Pocket spring	574 EUR	20%
Latex	819 EUR	2%
Viscoelastic	898 EUR	9%

Source: Montega, Titze

COMPETITIVE QUALITY

As is known, barriers to market entry are low in online retail. Differentiation can be achieved through scale (purchasing power, economies of scale) or the degree of specialisation (large product portfolio, efficient marketing, expertise in fulfilment and in customer support). Competition can be roughly classified into three categories:

Multi assortment retailers: These are large online retailers such as home24 or Otto, which also offer products around the topic of living/sleeping worlds.

Multichannel retailers are specialist retail chains such as Matratzen Concord, which increasingly expand online retail alongside the stationary retail.

Pure-Play internet retailers are online retailers solely focusing on products in the sleeping requirements segment. The number of these companies has considerably increased in the last years. New York-based start-up Casper recently carried out a financing of USD 55m on a valuation basis of USD 555m. The raised funds are to be used for the market entry in Europe. The online retailer produces and sells its own mattresses and therefore is a direct competitor of Grafenfels.

bmp, together with its subsidiaries, belongs to the third category and therefore has a high degree of specialisation with a clear focus on the internet as a sales channel. The good competitive position is the result of:

Large product range, clear profile: bmp's subsidiaries, sleepz and Matratzen Union, offer some 50,000 and 2,500 articles in different shops with clear target groups (e.g. premium, entry-level, discount). They should therefore have one of the most extensive assortments in the sleeping worlds segment. Matratzen Union keeps over 2,000 mattresses in stock, which provides the company with clear advantages in delivery time over smaller retailers, which often have no or only small inventories.

Thanks to the stationary sales areas (sleepz has its own flagship store in Berlin, MU sells directly at its production site in Wolfhagen) the company also gains access to mattress brands, which many e-commerce suppliers do not have in their offerings. Some quality manufacturers avoid pure online retailers as these often offer the products with considerable price discounts, which disrupts the price structure. sleepz and Matratzen Union are positioned as stationary retailers with a connected online shop among these premium suppliers. They guarantee a consistency between offline and online prices.

Strong value creation: Unlike the majority of the competitors, bmp is not a pure retailer but also has its own brands "Grafenfels", "Matratzenheld", "Schlafschatz" and "Wolkenwunder" with a corresponding strong value creation. "Matratzenheld", which addresses the entry segment, also serves as an element of differentiation for bmp given that the mattresses are only available in sleepz' online shops.

Many years of experience, profound consulting expertise: Experience gathered in the processes and in dealing with customers are other important components in competition with other e-commerce companies. Both Matratzen Union and sleepz employ customer consultants, which provide information on products and order processes. Matratzen Union also employs specialised personnel (so-called ortho practitioners) and thus has profound consulting expertise, which particularly smaller suppliers cannot offer to this extent.

Decisions to buy are also supported by algorithms with the aim to increase customer satisfaction. For instance, an in-house software allows the customer to find the ideal mattress on the basis of their individual sleeping habits. This should be one of the major competitive advantages differentiating sleepz and Matratzen Union from the multi assortment and multichannel suppliers.

Strong industry and marketing competence: sleepz has its own multichannel software solution, which controls all national and international marketplaces, while also being the interface to logistics and production. Furthermore, Matratzen Union and sleepz both have their own teams, which are responsible for the efficient distribution of the marketing budgets. This is becoming more and more important since the degree of competition in the sleeping worlds environment is gradually increasing.

Financial strength: The market is strongly fragmented and there is no clear online leader yet. Small retailers are increasingly reaching their growth limits. This can mainly be put down to the following factors:

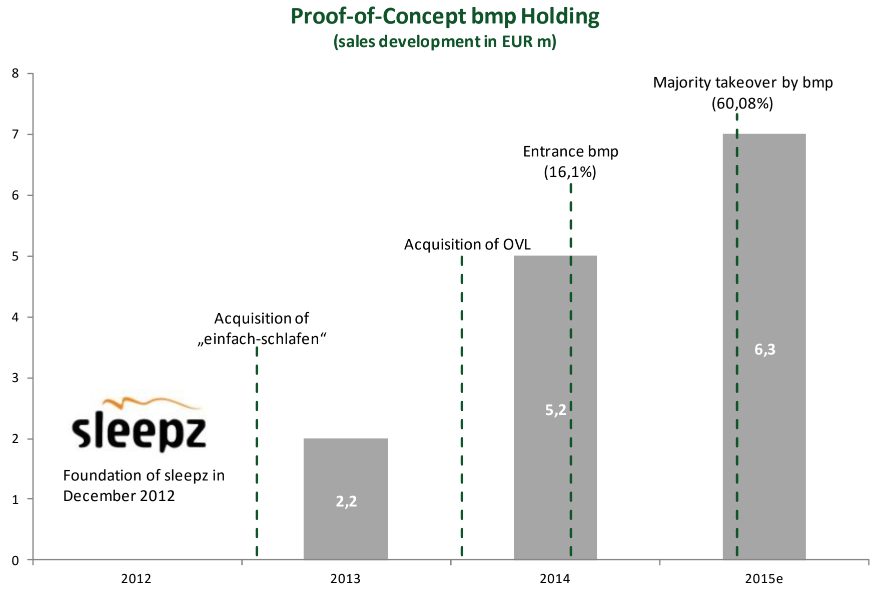
- **Increasing technological requirements** (e.g. optimisation of the shops for mobile access and different operating systems) are difficult to implement for small market participants. Correspondingly, the shift of ordering to mobile devices is a big challenge for smaller suppliers.
- **Competitive disadvantages due to lack of financial power** and lack of own brands. Smaller suppliers are focused on retail with third-party brands, which they often do not even have in store. Lacking differentiation with own products and the longer delivery times of the small retailers (only small inventory) should be a significant competitive disadvantage in a more competitive market.
- **Online and/or mobile marketing is becoming more competitive**, the targeted control of marketing budgets via the different channels therefore is decisive for the success of online business models. Particularly smaller shops often do not have the respective expertise and will likely have to face increasing problems in customer acquisition.

As a stock-listed company, bmp has its own access to the capital market. Additionally, the disposal of venture capital investments of the discontinued operation should gradually lead to liquidity inflows. These proceeds will be given to the subsidiaries to finance inventories or to invest in the expansion of business activities.

Experience in integration and management of investments: It is bmp's declared aim to build up a group of companies in the field of sleeping worlds through organic growth and acquisitions. The focus is placed on companies which are already profitable or will become profitable very soon. The growth target of 50-100% p.a. over the next few years and the planned revenue target of EUR 100m by 2018 should only be achieved if bmp succeeds in actively consolidating the market.

The acquisition of an interest in sleepz shows that bmp can successfully implement a buy-and-build strategy. In addition to financial support, bmp is actively working on developing the company. Most recently, sleepz' own brand "Matratzenheld" has been developed. These measures are aimed to increase the margin and differentiate from competition (own brand exclusively available in sleepz' shops).

In September, the first local sales area was opened. This strategy has successfully been implemented by other online retailers before (notebooksbilliger, cyberport). The local shops strengthen the profile as specialist retailer and increase confidence in the (online) brand. The chart below shows bmp's approach.



Source: Montega, bmp Holding

The recent acquisition of MU underlines the ambitions to become one of the leading online retailers in the sleeping worlds segment. bmp should have paid a price of less than 1x revenues for the profitable group of companies. The attractive purchase price makes clear that smaller retailers increasingly wish to be integrated into larger structures.

FINANCIALS

Recent performance

The Q2 figures already show the new corporate structure of bmp Holding AG. sleepz GmbH has been fully consolidated in the profit and loss account since May 1, 2015. Since previous year's operating revenues were not generated in the present form, a yoy comparison has no significance.

On a stand-alone basis, sleepz significantly increased revenues in H1 2015 by 18% yoy. The revenues of Grafenfels, the newly founded brand, should become visible from Q1 2016 onwards.

The transactions in the old portfolio of the media investments have been classified as discontinued operation since Q1 2015. There were further changes in Q2. ETH was sold at book value in the amount of EUR 120,000. The sale of the interest in the stock-listed K2 Internet led to revenues of some EUR 1m. The table below provides an overview of the key data in H1 2015.

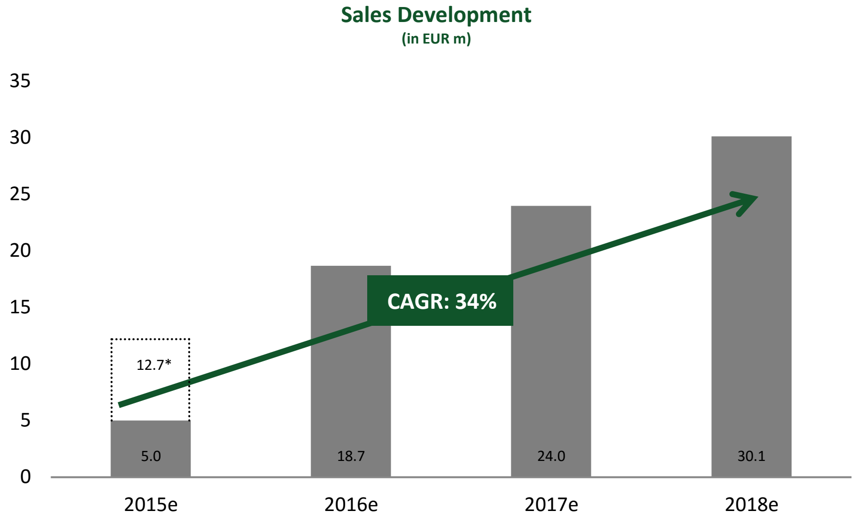
bmp Holding AG key figures	H1 2015	H1 2014
Sales	1.0	0.0
EBIT	-0.4	-0.2
Net income	0.5	-0.1
Net income after minority interest	0.7	-0.1
Source: Company		in EUR m

Dynamic increase in revenues driven by consolidation of sleepz and MU

Our projected increase in revenues to EUR 30.1m by 2018 is driven by strong organic sales growth of sleepz and MU:

- **sleepz:** After the company generated revenues of EUR 5.2m in 2014, the strong revenue trend is likely to continue in the years to come. Sleepz expands both its online presence and the product portfolio. The company recently launched its own brand "Matratzenheld", which is exclusively available in its online shop. We assume that sleepz will increase revenues to EUR 14.2m by 2018, thus achieving an average growth rate of c. 32%.
- **MU:** bmp recently acquired 60% of the shares in Matratzen Union Group, which is specialised in the sleeping world and living segments. The company is expected to contribute EUR 8.9m to bmp's top line next year. In the following years, growth should be driven by the integration into the bmp group. We mainly see synergies in marketing and logistics. Accordingly, we also expect an increase in revenues to EUR 14.0 by 2018.
- **Grafenfels:** The newly founded company will start operations in December. The own mattress brand will be sold via www.grafenfels.de and initially also via the online shops of sleepz and MU. It is planned to win additional retailers in the course of 2016. In view of the early stage, we made a conservative sales planning, which is well below the target figures of bmp. In 2016, we expect revenues of EUR 1.0m, which should double to EUR 2.0m by 2018.

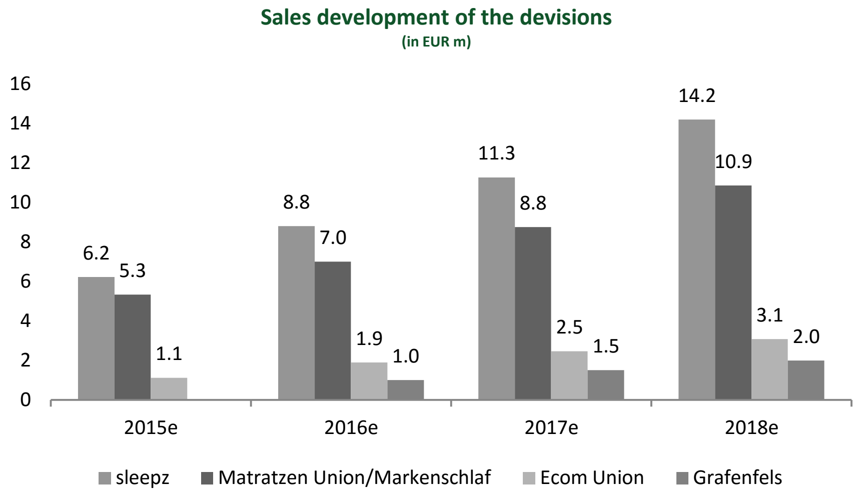
A detailed sales planning of the subsidiaries is shown in the chart below.



Source: Montega, bmp Holding * pro forma sales representation sleepz and MU in 2015e

The clear increase in the next financial year is attributable to consolidation effects. sleepz has only contributed to the consolidated result since May 2015, MU will be consolidated from December onwards. Both companies are expected to generate revenues of some EUR 12.7m in 2015 on a pro-forma basis.

Our expectations about the development of the individual companies looks as follows.



Source: Montega

We assumed an average growth of 25-40% for sleepz and Matratzen Union/Markenschlaf and Ecom Union, which is in line with the market. The growth rates of Grafenfels are high due to base effects. According to bmp, the company will accompany its product launch in December with a major advertising campaign and the start of operations. The own mattress brand is planned to be sold via the group's online shops and further retailers. We expect revenues to double by 2018. Contrary to bmp's outlook, our estimates included only organic growth. If bmp succeeds in selling the venture capital investments of the discontinued operation, thus releasing liquidity, we consider it highly likely that the company makes further acquisitions in the sleeping world segment, leading to respective sales contributions. The consolidation trends in the market are currently very high.

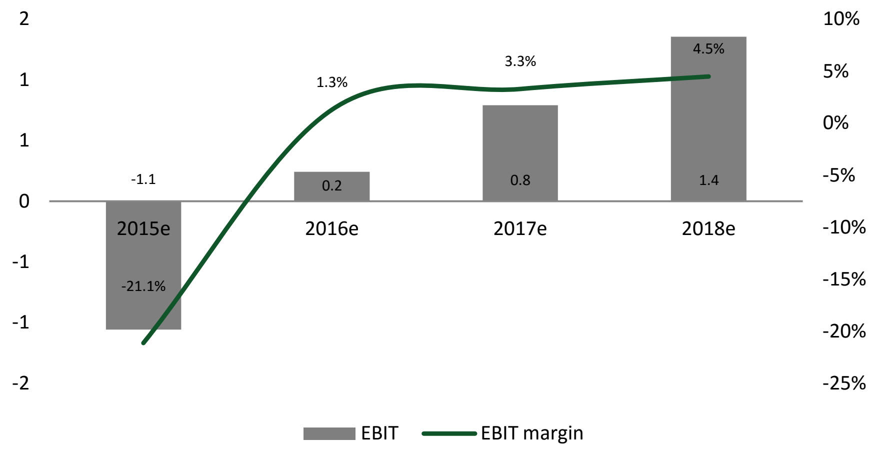
Earnings development driven by economies of scale that are typical for e-commerce

In view of the dynamic growth and the economies of scale caused by the business model we foresee a gradual increase in earnings over the next few years. The cost items below are expected to develop as follows:

- **Gross margin:** sleepz and MU currently have gross margins of c. 32% and 34% respectively. Having in mind the growing purchasing volume and the proportional expansion of the private labels, we expect the gross margin to slightly increase to just under 35% by 2018.
- **Marketing costs:** We believe that the absolute marketing costs will significantly increase in the current year and the year thereafter. However, costs should significantly decrease in relation to revenues and thus constitute one of the major drivers for the projected earnings improvement.
- **Packaging and transport:** The cost ratio should amount to c. 8% in the current FY. Thanks to the consolidation of MU and a changing product mix we foresee a gradual decline to 5% (2018e).
- **Personnel costs:** Earnings can also be leveraged with personnel costs. sleepz currently has 30 employees and MU has 20. Although we assume that the headcount will gradually be increased, the personnel costs should see a disproportionately lower development (currently 17% vs. 9% in 2018e).

The chart below shows the expected EBIT trend in detail.

EBIT development
(in EUR m)



Source: Montega

sleepz will still end the current FY in negative territory, since the company steps up its marketing activities and invests in the expansion of operations. An increase in earnings and the consolidation of the profitable MU should lead to a balanced result in 2016. From 2017 we expect significantly positive earnings, which should approach the general market level of 5-6% in the long term.

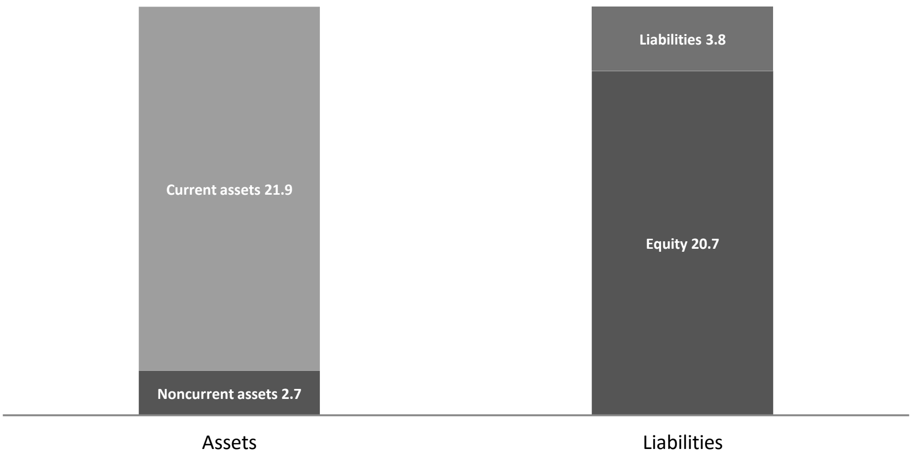
Balance sheet

The balance sheet of bmp Holding AG currently is still distorted by the mix of operating participations and the discontinued operation. The book value of the discontinued operation stood at more than EUR 20m in H1 2015. As such, this item currently still dominates the **assets**. bmp plans to sell these participations individually or en bloc in the next few quarters. Accounts receivable (EUR 0.6m) and inventories (EUR 0.5m) are other important items. The fixed assets mainly include intangible assets (EUR 2.5m).

In the future, bmp's balance sheet will have the typical asset-light structure of an internet-based business model. Accordingly, the current assets will also be an essential part of the assets going forward.

The **liabilities** include the equity (EUR 20.7m) and liabilities of almost EUR 4m (loan of EUR 1m, accounts payable of EUR 1.2m and other liabilities of EUR 0.4m).

Structure of the balance sheet
(by 30.06.2015; in EUR m)



Source: bmp Holding

Furthermore, the balance of bmp Holding AG has an attractive hidden reserve, which could not be realised in the past – tax-loss carryforwards of EUR 80m (not shown in the trade balance). As an investment company, bmp's share disposals were not taxable. The company therefore was unable to set off losses from regular costs and from write-downs on equity investments with the profits to obtain a tax advantage. Owing to the consolidation of the operating companies bmp now is able to set off future profits with these carryforwards and realise hidden reserves.

VALUATION

We determine the value of bmp Holding on the basis of a SOTP model. It consists of a DCF-based value of the subsidiaries in the field of sleeping furniture and the book value of the discontinued operation. The result is made plausible by a peer group comparison.

DCF model

The DCF model is well suited to technically reflect the dynamic growth rates of bmp’s online subsidiaries. The significant top line expansion to EUR 30.1m by 2018e corresponds to an average annual growth rate of 34%. Optimistic forecasts even assume growth rates of between 30-50% for the sleeping worlds segment. Consequently, We therefore believe this increase is visible for market reasons.

Despite strong growth the company is expected to break even in 2016 already. From 2017, we foresee a gradual EBIT expansion based on the strongly scalable business models in online retail. In the long term, we plan with a normal market margin of 6%.

The expected equity ratio of 12% reflects the comparatively high risk of these poorly capitalised internet business models. The assumption of a long-term debt ratio of 30% and the usual risk-free return result in a WACC of 9.77%.

We assumed a growth rate of 2.5% and an EBIT margin of 6% for the determination of the perpetual annuity. Based on the DCF model, this results in a fair value of c. EUR 10.0m for the operating holding of bmp.

DCF Model

Figures in m	2015e	2016e	2017e	2018e	2019e	2020e	2021e	Terminal Value
Sales	**5.0**	**18.7**	**24.0**	**30.1**	**35.5**	**40.5**	**43.8**	**44.9**
Change yoy	*5410.8%*	*272.8%*	*28.3%*	*25.6%*	*18.0%*	*14.0%*	*8.0%*	*2.5%*
EBIT	**-1.1**	**0.2**	**0.8**	**1.4**	**1.6**	**2.0**	**2.4**	**2.7**
EBIT margin	*-21.1%*	*1.3%*	*3.3%*	*4.5%*	*4.4%*	*5.0%*	*5.5%*	*6.0%*
NOPAT	**-1.1**	**0.2**	**0.8**	**1.2**	**1.4**	**1.8**	**2.2**	**2.4**
Depreciation	**0.1**	**0.2**	**0.2**	**0.3**	**0.4**	**0.2**	**0.2**	**0.2**
in % of Sales	*1.1%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*0.5%*	*0.5%*	*0.4%*
Change in Liquidity from								
- Working Capital	-0.1	-1.2	-0.3	-0.4	0.2	-0.2	-0.2	-0.1
- Capex	-4.4	-0.5	-3.0	-0.5	-0.2	-0.2	-0.2	-0.2
Capex in % of Sales	87.7%	2.7%	12.5%	1.7%	0.7%	0.5%	0.5%	0.5%
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (WACC model)	**-6.2**	**-1.3**	**-2.3**	**0.6**	**1.8**	**1.6**	**2.0**	**2.3**
WACC	9.77%	9.77%	9.77%	9.77%	9.77%	9.77%	9.77%	9.77%
Present value	-6.2	-1.2	-1.9	0.5	1.2	1.0	1.2	16.7
Total present value	**-6.2**	**-7.3**	**-9.2**	**-8.7**	**-7.5**	**-6.5**	**-5.4**	**11.3**

Valuation	
Total present value (Tpv)	11.3
Terminal Value	16.7
Share of TV on Tpv	147%
Liabilities	1.0
Liquidity	0.1
Equity value	**10.4**
Number of shares (mln)	20.70
Value per share (EUR)	**0.50**
+Upside / -Downside	**-22%**
Share price	0.64

Growth: sales and margin		
Short term: Sales growth	2015-2018	81.7%
Mid term: Sales growth	2015-2020	51.9%
Long term: Sales growth	from 2022	2.5%
Short term: Margin growth	2015-2018	-3.0%
Mid term: Margin growth	2015-2020	-0.4%
Long term: Margin growth		6.0%

Model parameter	
Debt ratio	30.00%
Costs of Debt	7.0%
Market return	12.00%
Risk free rate	2.50%
Beta	1.00
WACC	9.77%
Terminal Growth	2.50%

Sensitivity Value per Share (EUR)			Terminal Growth		
WACC	1.75%	2.25%	**2.50%**	2.75%	3.25%
10.27%	0.36	0.40	0.42	0.45	0.50
10.02%	0.39	0.44	0.46	0.49	0.55
9.77%	0.43	0.47	**0.50**	0.53	0.59
9.52%	0.46	0.52	0.54	0.58	0.65
9.27%	0.50	0.56	0.59	0.63	0.70

Sensitivity Value per Share (EUR)			EBIT-margin from 2022e		
WACC	5.50%	5.75%	**6.00%**	6.25%	6.50%
10.27%	0.36	0.39	0.42	0.45	0.49
10.02%	0.39	0.43	0.46	0.49	0.53
9.77%	0.43	0.47	**0.50**	0.54	0.57
9.52%	0.47	0.51	0.54	0.58	0.62
9.27%	0.51	0.55	0.59	0.63	0.67

Source: Montega

Discontinued operation

The investment portfolio in the media and marketing services segment is valued at the book or market value. bmp does not publish a detailed valuation list. It is known, however, that the three largest venture capital investments account for some 47% of the book value of the open investments. The book values of brand eins Medien AG, iversity GmbH and castaclip GmbH are in a range of between EUR 3.0 and 3.5m according to bmp. dailyme (MONe: EUR 2.0 to 2.5m), Retresco (MONe EUR 1.5 to 2.0m) and Xamine (MONe EUR 1.0 to 1.5m) should aslo be major investments. Accordingly, the remaining participations (Heliocentris, Motor Entertainment, Ubertweek, Betegy, department one, ferret go and komoot) have a value of some EUR 4.0m.

Overview investment portfolio by 30.06.2015

Name	Entrance date	Stake in %
brand eins Medien AG	02/2011	35.4%
Betegy Sp. z.o.o.	08/2012	24.7%
castaclip GmbH	08/2012	23.9%
dailyme TV GmbH	12/2007	45.0%
department one GmbH	03/2013	45.0%
ferret go GmbH	04/2013	24.8%
Heliocentris Energy Solutions AG	12/1999	1.5%
iversity GmbH	07/2011	25.3%
komoot GmbH	10/2013	8.0%
Motor Entertainment GmbH	01/2009	10.9%
Retresco GmbH	04/2012	40.6%
Ubertweek GmbH	11/2011	34.9%
Xamine GmbH	04/2010	46.3%

Source: Company

SOTP valuation

The SOTP valuation is composed of the DCF-based value of the operating business and the book and/or market value of the remaining portfolio. This leads to an enterprise value of EUR 29.4m or 1.42 per share.

SOTP-Valuation

+ Book value of the investment portfolio Q3 2015e	19.0
+ Operative business	10.4
= Fair Value	**29.4**
/ Shares (in m)	20.7
= FV per share	**1.42**

Source: Montega — figures in EUR m, per share in EUR

Peer group comparison

At the end of H1 2015, bmp had liquid funds of EUR 0.1m and interest-bearing liabilities of some EUR 1.4m. The debt is expected to have grown to c. EUR 5.0m mainly due to the acquisition of MU.

In addition to the liquid funds, bmp has further assets of value, i.e. the venture capital investments of the discontinued operation. To achieve a representative result in the peer group comparison, these values have to be taken into consideration. bmp intends to sell these participations at least at book value. We applied a discount of 50% to this value to reflect a conservative approach. This leads to an EV of EUR 8.8m.

We have included national and international e-commerce retailers into our peer group. Although they clearly differ in terms of size, product offering and international positioning, it becomes clear that the bmp shares are significantly undervalued.

Peergroup bmp Holding AG

Unternehmen	Kurs	EV / Sales			P / E		
	(LC)	2015e	2016e	2017e	2015e	2016e	2017e
Delticom AG	22.34	0.53	0.50	0.47	53.19	22.80	18.16
Zalando SE	31.42	2.23	1.79	1.48	93.74	58.51	40.37
ASOS Plc	31.65	2.23	1.83	1.53	82.17	57.65	42.92
boohoo.com plc	0.36	2.42	1.82	1.47	43.18	33.17	26.23
YOOX Net-A-Porter Group S.p.A.	30.61	1.56	1.31	1.10	116.32	69.84	50.93
zooplus AG	122.85	1.16	0.92	0.75	112.30	70.54	41.64
windeln.de AG	11.22	0.92	0.61	0.47	neg.	neg.	131.72
bmp Holding AG	0.65	2.90	0.54	0.36	neg.	neg.	21.67
Mittelwert		1.74	1.17	0.95	83.48	52.09	46.71
bmp Holding AG	**0.64**	**1.76**	**0.47**	**0.37**	**neg.**	**64.40**	**21.47**
Potential		-1%	147%	159%	n.a.	-19%	118%
Fair value per share		**0.64**	**1.27**	**1.32**	**n.a.**	**0.52**	**1.40**

Unternehmen	EV	EV / EBITDA			EV / EBIT		
	(Mio. LC)	2015e	2016e	2017e	2015e	2016e	2017e
Delticom AG	287.8	17.18	12.85	10.51	35.09	17.17	13.32
Zalando SE	6587.8	47.44	31.40	22.42	64.36	39.10	26.96
ASOS Plc	2562.0	40.02	29.84	22.93	62.55	43.88	32.49
boohoo.com plc	338.4	23.95	18.39	14.49	28.60	22.39	17.48
YOOX Net-A-Porter Group S.p.A.	2554.5	19.32	15.09	11.67	35.81	27.40	20.63
zooplus AG	843.0	64.71	42.15	26.03	69.90	45.51	27.80
windeln.de AG	167.9	neg.	neg.	neg.	neg.	neg.	39.72
bmp Holding AG	14.6	neg.	145.59	6.07	neg.	neg.	10.86
Mittelwert		35.44	42.19	16.30	49.38	32.57	23.66
bmp Holding AG	**8.8**	**neg.**	**20.54**	**8.57**	**neg.**	**36.34**	**11.16**
Potential		n.a.	105%	90%	n.a.	-10%	112%
Fair value per share		**n.a.**	**1.09**	**1.03**	**n.a.**	**0.60**	**1.12**

Quelle: Company, Montega, Capital IQ

The peer group comparison for 2017e indicates a fair value of the e-commerce activities of between EUR 1.03 and 1.40 and thus supports the result of the SOTP valuation.

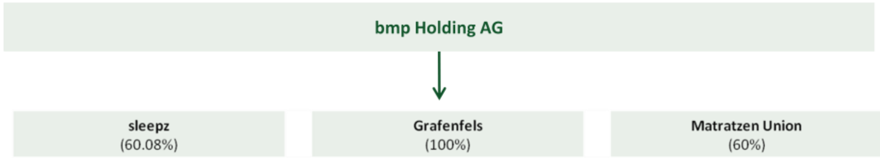
Conclusion: All valuation methods signal an undervaluation

The DCF model leads to a value of c. EUR 10m or EUR 0.50 per share for the e-commerce activities. The book value of the discontinued operation adds up to c. EUR 19.0m (c. 92 cents per share) according to our calculations.

The bmp shares currently trade at EUR 0.64, well below this value. The undervaluation also becomes visible in a peer group comparison which leads to a fair value for the bmp shares of between EUR 1.03 (EV/EBITDA 2017e) and EUR 1.40 (PER 2017e) and thus supports the result of the SOTP valuation.

COMPANY BACKGROUND

bmp Holding AG is an industrial holding based in Berlin. The company has three investments in the sleeping worlds segment: sleepz GmbH, the Matratzen Union Group and Grafenfels Manufaktur GmbH.



Source: Company

Majority interest sleepz is fully consolidated since May 2015. The company emerged from the former muchasa GmbH, in which bmp acquired an interest in June 2014. sleepz currently has 30 employees and is expected to generate revenues of over EUR 6.0m in 2015.

In November 2015, bmp acquired a majority interest in Matratzen Union Group. Like sleepz, the companies operate several online shops in the field of sleeping worlds and an online outlet for (sleeping) furniture and decoration. In the current financial year 2015, the group is expected to have generated revenues of c. EUR 6.2m with its 20 employees. MU is already operating profitable.

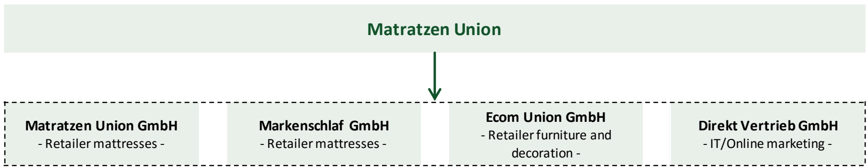
The third investment, Grafenfels, is a new foundation. The company plans the production and sale of an own mattress brand. The market launch is planned for December 2015.

sleepz

sleepz GmbH was founded in December 2012. The company is an online retailer for sleeping worlds. The company's online shop features more than 50,000 items. sleepz addresses both the premium segment and the strongly growing discounter market. Since mid-2015, sleepz offers its customers an own mattress brand – Matratzenheld – in the entry segment, which is exclusively available on Matratzendiscount. In September 2015, the company also opened its first retail store in Berlin. sleepz is expected to generate revenues of EUR 6.2m in FY 2015 with currently 30 employees.

Matratzen Union Group

Matratzen Union is the second investment of bmp in the field of sleeping worlds. The chart below provides an overview of the company's structure.



Source: Company

Matratzen Union GmbH and **Markenschlaf GmbH** are – like sleepz – pure online retailers for sleeping requirements. They are focused on best-selling mattresses in standard sizes and on box spring beds. The companies have very good access to most of the well-known mattress manufacturers and have over 2,500 products in store. In addition to a fast delivery, this may also result in price advantages in purchasing. Matratzen Union and Markenschlaf also have exclusive private labels: "Wolkenwunder" and "Schlafschatz".

Ecom Union GmbH operates the website “onletto.de”, an online outlet for (sleeping room) furniture and decoration. The company purchases its products via MHK as purchasing association. This is a network of more than 2,000 retail partners in the furniture sector.

Denkvertrieb GmbH is the group’s service company with a focus on IT and online marketing

Grafenfels Manufaktur

The newly founded Grafenfels Manufaktur GmbH offers its own mattress brand of the same name. The company has developed five individual mattresses, which have different colours. Grafenfels addresses an internet-affine target group, which wishes for comprehensible products with high commitment to quality. The mattresses are manufactured at Grafenfels’ order and specifications. Sale and distribution of the own brand are made via www. grafenfels.de, and initially also via the shops of sleepz and MU. It is planned to win additional retailers in the course of 2016.

Experienced management with profound knowledge in the sleeping world segment

bmp Holding AG has an experienced management. Oliver Borrmann has been CEO since the company’s foundation. The subsidiaries are managed by executive directors Youssef Hassan, Martin Jungermann and Stefan Müller. These three are proven experts in the field of sleeping worlds and have many years of corporate experience as well.

Oliver Borrmann founded bmp media investor AG as an investment company in 1997. As the company’s CEO he is responsible for corporate development. At bmp, he managed a parallel fund for KfW and accompanied more than 100 investments. He has gained relevant experience as a corporate consultant for HBS Consulting Partners GmbH in Munich. Oliver Borrmann earned his degree in economics at the University of St. Gallen (Switzerland) with honours. In addition to his seat on the board he holds several Supervisory Board mandates, including Heliocentris Energy Solutions AG and brand eins Medien AG.

The group’s subsidiaries have a large expertise in the addressed market segment of sleeping worlds.

Youssef Hassan is managing director and shareholder of sleepz GmbH and responsible for customer service, product management and fulfilment. A state-certified business economist, Youssef Hassan started his career at Hutchison Telecom and moved to the bedding industry twelve years ago. Amongst others, he established and managed a mattress company for manufacturer Fray & Co. in Aleppo (Syria). Youssef Hassan has been working in e-commerce since 2003 and established and managed several companies in the sleeping requirement trading segment over the years.

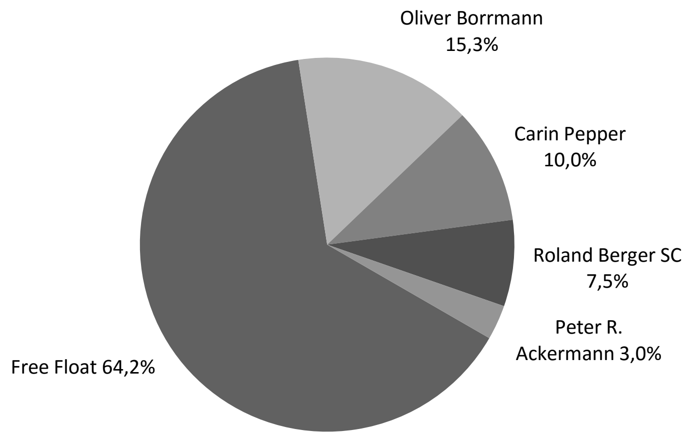
Martin Jungermann, managing director of Matratzen Union GmbH, started his career in 1994 with an apprenticeship as industrial clerk at Klute GmbH Schlafsysteme, thus gaining first experience in the living/sleeping world market segment. Since then, the state-certified business economist has been working in retail, as sales manager and house director at Möbel Schaumann, store manager at company group Gebers and founder in the living/sleeping sector. Since 2011, Martin Jungermann has been managing partner of Markenschlaf GmbH, Matratzen Union GmbH and Ecom Union GmbH.

Stefan Müller is managing director of Grafenfels Manufaktur. He started his career as trained toolmaker at Siemens in 1991 and gained valuable job experience in the years thereafter, amongst others as team leader for building moulds at Johann Czotscher GmbH, as plant manager at Geyer Köln GmbH and sales manager at Schwarzfilm Berlin Postproduction GmbH. In 2004, Stefan Müller assumed a managing position with important responsibility for personnel and budget at CinePostproduction Gmbh for some years until he became a freelance consultant at CT-Formpolster GmbH in business development and e-commerce sale.

Shareholder structure

The share capital of the public limited company is divided into 20,701,174 no-par value shares. Founder and CEO Oliver Borrmann is the company's largest single shareholder with a stake of 15.30%. Other significant investors are Carin Pepper (10.04%), Roland Berger Strategy Consultants GmbH (7.46%) and Peter R. Ackermann (3.00%). The free float is 64.20%. The following chart shows the current shareholder structure.

Shareholder structure



Source: Company

APPENDIX

P&L (in Euro m) bmp Holding AG	2014	2015e	2016e	2017e	2018e
Sales	**0.1**	**5.0**	**18.7**	**24.0**	**30.1**
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.0	0.0	0.0
Total sales	**0.1**	**5.0**	**18.7**	**24.0**	**30.1**
Material Expenses	0.1	3.4	12.5	15.9	19.7
Gross profit	**0.0**	**1.6**	**6.2**	**8.1**	**10.4**
Personnel expenses	0.1	0.9	1.9	2.2	2.7
Other operating expenses	4.3	1.9	4.1	5.2	6.3
Other operating income	3.9	0.1	0.2	0.2	0.3
EBITDA	**-0.4**	**-1.0**	**0.4**	**1.0**	**1.7**
Depreciation on fixed assets	0.0	0.1	0.1	0.1	0.2
EBITA	**-0.4**	**-1.1**	**0.3**	**0.9**	**1.5**
Amortisation of intangible assets	0.0	0.0	0.1	0.1	0.2
EBIT	**-0.4**	**-1.1**	**0.2**	**0.8**	**1.4**
Financial result	0.1	-0.1	-0.2	-0.2	-0.2
EBT	**-0.3**	**-1.2**	**0.0**	**0.6**	**1.2**
Taxes	0.0	0.0	0.0	0.0	0.1
Net Profit of continued operations	-0.3	-1.2	0.0	0.6	1.0
Net Profit of discontinued operations	0.0	0.3	0.0	0.0	0.0
Net profit before minorities	**-0.3**	**-0.9**	**0.0**	**0.6**	**1.0**
Minority interests	0.0	-0.6	-0.2	0.0	0.0
Net profit	**-0.3**	**-0.3**	**0.2**	**0.6**	**1.0**

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) bmp Holding AG	2014	2015e	2016e	2017e	2018e
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Increase / decrease in inventory	0.0%	0.0%	0.0%	0.0%	0.0%
Own work capitalised	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Material Expenses	108.1%	68.0%	66.7%	66.2%	65.5%
Gross profit	**-8.1%**	**32.0%**	**33.3%**	**33.8%**	**34.5%**
Personnel expenses	68.1%	17.0%	10.0%	9.0%	9.0%
Other operating expenses	4680.2%	37.0%	22.0%	21.5%	21.0%
Other operating income	4299.9%	2.0%	1.0%	1.0%	1.0%
EBITDA	**-456.6%**	**-20.0%**	**2.3%**	**4.3%**	**5.5%**
Depreciation on fixed assets	3.3%	1.0%	0.5%	0.5%	0.5%
EBITA	**-459.9%**	**-21.0%**	**1.8%**	**3.8%**	**5.0%**
Amortisation of intangible assets	0.0%	0.1%	0.5%	0.5%	0.5%
EBIT	**-459.9%**	**-21.1%**	**1.3%**	**3.3%**	**4.5%**
Financial result	142.9%	-2.0%	-1.1%	-0.8%	-0.7%
EBT	**-317.0%**	**-23.1%**	**0.2%**	**2.5%**	**3.8%**
Taxes	0.0%	0.0%	0.0%	0.0%	0.4%
Net Profit of continued operations	-317.0%	-23.1%	0.2%	2.5%	3.5%
Net Profit of discontinued operations	0.0%	6.0%	0.0%	0.0%	0.0%
Net profit before minorities	**-317.0%**	**-17.1%**	**0.2%**	**2.5%**	**3.5%**
Minority interests	0.0%	-12.0%	-1.1%	0.0%	0.0%
Net profit	**-317.0%**	**-5.2%**	**1.3%**	**2.5%**	**3.5%**

Source: Company (reported results), Montega (forecast)

Balance sheet (in Euro m) bmp Holding AG	2014	2015e	2016e	2017e	2018e
ASSETS					
Intangible assets	0.0	4.0	4.1	4.2	4.2
Property, plant & equipment	0.0	0.4	0.6	0.8	0.9
Financial assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	**18.4**	**4.4**	**4.7**	**5.0**	**5.2**
Inventories	0.0	1.0	1.7	2.4	3.0
Accounts receivable	0.0	0.4	1.2	1.3	1.4
Liquid assets	0.1	0.2	0.9	2.1	3.5
Other Assets	2.6	19.8	17.8	16.8	15.8
Current assets	**2.6**	**21.4**	**21.6**	**22.6**	**23.7**
Total assets	**21.1**	**25.8**	**26.3**	**27.5**	**28.9**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	**19.9**	**19.6**	**19.8**	**20.4**	**21.6**
Minority Interest	**0.0**	**0.2**	**0.2**	**0.2**	**0.2**
Provisions	0.9	0.2	0.2	0.2	0.2
Financial liabilities	0.2	4.4	4.4	4.4	4.4
Accounts payable	0.0	1.3	1.6	2.1	2.4
Other liabilities	0.1	0.1	0.1	0.1	0.1
Liabilities	**1.2**	**6.1**	**6.4**	**6.9**	**7.2**
Total liabilities and shareholders' equity	**21.1**	**25.8**	**26.3**	**27.5**	**28.9**

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) bmp Holding AG	2014	2015e	2016e	2017e	2018e
ASSETS					
Intangible assets	0.0%	15.5%	15.6%	15.2%	14.7%
Property, plant & equipment	0.0%	1.6%	2.3%	2.9%	3.2%
Financial assets	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed assets	**87.4%**	**17.1%**	**17.9%**	**18.1%**	**17.9%**
Inventories	0.0%	3.9%	6.5%	8.7%	10.4%
Accounts receivable	0.0%	1.6%	4.6%	4.7%	4.8%
Liquid assets	0.3%	0.9%	3.4%	7.5%	12.3%
Other Assets	12.2%	76.7%	67.7%	61.1%	54.7%
Current assets	**12.5%**	**83.0%**	**82.1%**	**82.0%**	**82.2%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	**94.2%**	**76.0%**	**75.1%**	**74.3%**	**74.7%**
Minority Interest	**0.0%**	**0.7%**	**0.7%**	**0.6%**	**0.6%**
Provisions	4.1%	0.9%	0.9%	0.9%	0.8%
Financial liabilities	0.9%	17.1%	16.7%	16.0%	15.2%
Accounts payable	0.6%	0.5%	0.5%	0.5%	0.4%
Other liabilities	5.9%	23.5%	24.2%	25.0%	24.8%
Total Liabilities	**5.9%**	**23.5%**	**24.2%**	**25.0%**	**24.8%**
Total Liabilites and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company (reported results), Montega (forecast)

Statement of cash flows (in Euro m) bmp Holding AG	2014	2015e	2016e	2017e	2018e
Net income	-0.3	-0.9	0.0	0.6	1.0
Depreciation of fixed assets	0.0	0.1	0.1	0.1	0.2
Increase/decrease in long-term provisions	-0.9	-0.6	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.1	0.1	0.2
Other non-cash related payments	0.2	0.0	2.0	1.0	1.0
Cash flow	**-0.9**	**-1.4**	**2.2**	**1.8**	**2.3**
Increase / decrease in working capital	0.1	-0.1	-1.2	-0.3	-0.4
Cash flow from operating activities	**-0.8**	**-1.6**	**1.0**	**1.5**	**1.9**
CAPEX	0.0	-4.4	-0.5	-0.5	-0.5
Other	-2.0	1.9	0.1	0.1	0.0
Cash flow from investing activities	**-2.0**	**-2.5**	**-0.4**	**-0.4**	**-0.5**
Dividends paid	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	0.2	4.2	0.0	0.0	0.0
Other	1.8	0.0	0.0	0.0	0.0
Cash flow from financing activities	**2.0**	**4.2**	**0.0**	**0.0**	**0.0**
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0
Change in liquid funds	**-0.8**	**0.1**	**0.6**	**1.1**	**1.4**
Liquid assets at end of period	**0.0**	**0.2**	**0.9**	**2.0**	**3.5**

Source: Company (reported results), Montega (forecast)

Key figures bmp Holding AG	2014	2015e	2016e	2017e	2018e
Earnings margins					
Gross margin (%)	-8.1%	32.0%	33.3%	33.8%	34.5%
EBITDA margin (%)	-456.6%	-20.0%	2.3%	4.3%	5.5%
EBIT margin (%)	-459.9%	-21.1%	1.3%	3.3%	4.5%
EBT margin (%)	-317.0%	-23.1%	0.2%	2.5%	3.8%
Net income margin (%)	-317.0%	-23.1%	0.2%	2.5%	3.5%
Return on capital					
ROCE (%)	-2.2%	-4.7%	1.0%	3.4%	5.9%
ROE (%)	-1.6%	-1.3%	1.2%	3.0%	5.0%
ROA (%)	-1.4%	-1.0%	0.9%	2.2%	3.6%
Solvency					
YE net debt (in EUR)	1.0	4.4	3.7	2.5	1.1
Net debt / EBITDA	-2.4	-4.4	8.6	2.5	0.6
Net gearing (Net debt/equity)	0.0	0.2	0.2	0.1	0.0
Cash Flow					
Free cash flow (EUR m)	-0.8	-6.0	0.5	1.0	1.4
Capex / sales (%)	0.0%	87.7%	2.7%	2.1%	1.7%
Working capital / sales (%)	-32%	1%	4%	6%	6%
Valuation					
EV/Sales	97.1	1.8	0.5	0.4	0.3
EV/EBITDA	-	-	20.5	8.6	5.3
EV/EBIT	-	-	36.3	11.2	6.5
EV/FCF	10.8	149.7	16.7	8.6	6.1
PE	-	-	64.4	21.5	12.9
P/B	0.7	0.7	0.7	0.7	0.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company (reported results), Montega (forecast)

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Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Initiation (Buy)	18.11.2011	0.66	1.60	+142%
Buy	20.02.2012	0.63	1.60	+154%
Buy	13.03.2012	0.73	1.60	+120%
Buy	30.04.2012	0.75	1.60	+113%
Buy	20.08.2012	0.75	1.25	+67%
Buy	08.11.2012	0.66	1.15	+74%
Buy	17.01.2013	0.62	1.20	+94%
Buy	14.03.2013	0.83	1.20	+44%
Buy	20.08.2013	0.67	1.10	+64%
Buy	30.08.2013	0.71	1.10	+56%
Buy	24.10.2013	0.75	1.10	+48%
Buy	02.12.2013	0.78	1.35	+73%
Buy	03.02.2014	0.98	1.35	+38%
Buy	15.05.2014	0.83	1.30	+56%
Buy	30.07.2014	0.79	1.30	+65%
Buy	20.10.2014	0.72	1.30	+80%
n.a.	05.02.2015	0.70	n.a.	n.a.
n.a.	27.04.2015	0.77	n.a.	n.a.
Buy	19.05.2015	0.80	1.30	+63%
Buy	28.08.2015	0.66	1.30	+96%
Buy	16.11.2015	0.64	1.40	+117%