

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Beiersdorf AG

Beiersdorf has a 125-year history and, with Nivea, the world's biggest skin and beauty care brand. It has sales of approx. EUR 6 billion, to which the brands Eucerin, Hansaplast, Labello and La Prairie as well as the independent segment Tesa contribute. The company is growing continuously and gaining market share. At the same time operating margins and the return on capital are being improved more than proportionately. The book value of property, plant and equipment has been more or less constant for 10 years, while operating profit has doubled over the same period. We were able to buy into the company at an EBIT multiple of less than 10, a valuation level that has seldom been as cheap in the past.

Why did the market punish Beiersdorf, and why do we believe the company will continue to be successful? Investors reacted with shock to the quarterly figures released on April 17th 2009 and the reported drop in earnings, especially at the adhesives brand Tesa. Tesa relies on demand from industrial customers and a substantial part of its business is with the ailing auto industry. All the same, firstly, Tesa is likely to maintain its strong competitive position also in a weak market environment and, secondly, accounting for 14% of sales, it is of secondary importance for the company's enterprise value. A sale of peripheral activities (like Futuro or Bode earlier) is

not excluded. The performance of Nivea is the relevant factor. Although competition has increased, especially from discount drug-stores' own brands, Nivea is defending its market position and even posted slight organic growth in the crisis. Nivea can profit from major longer-term trends: the market for beauty care and especially for men's cosmetics is growing at an above-average rate. More and more consumers in the emerging markets can afford the products. In addition, Nivea is profiting from demographic effects as older customers spend more on care products than younger people. Nivea stands out for its many product innovations and the fact that it delivers on the brand's claim of high-quality skin and beauty care. Customers therefore have had high trust in Nivea for generations. This enables close customer loyalty to be built, from the entry-level product (the classic Nivea cream in the blue tin) through to the more expensive Nivea DNAge.

Beiersdorf's financial solidity is impressive. The company has a net cash position of over EUR 1 billion. The management compensation system is exemplary. Despite its sustained success story Beiersdorf might be too small to remain independent in the long run. Financially strong consumer goods conglomerates of the likes of Johnson & Johnson, Nestlé or Procter & Gamble could be potential buyers.

Sincerely yours



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