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DNICK plc

Onwards and upwards!

- Interim-figures exceed my recent report's estimates by far
- Signs of continued stake-building
- Bid target needs to be revised to above €20 per share

Our DNICK investment is now on autopilot

Dear Reader,

DNICK's interim results don't actually need much explaining. That is, if you have read my recent 32-page report on the company.

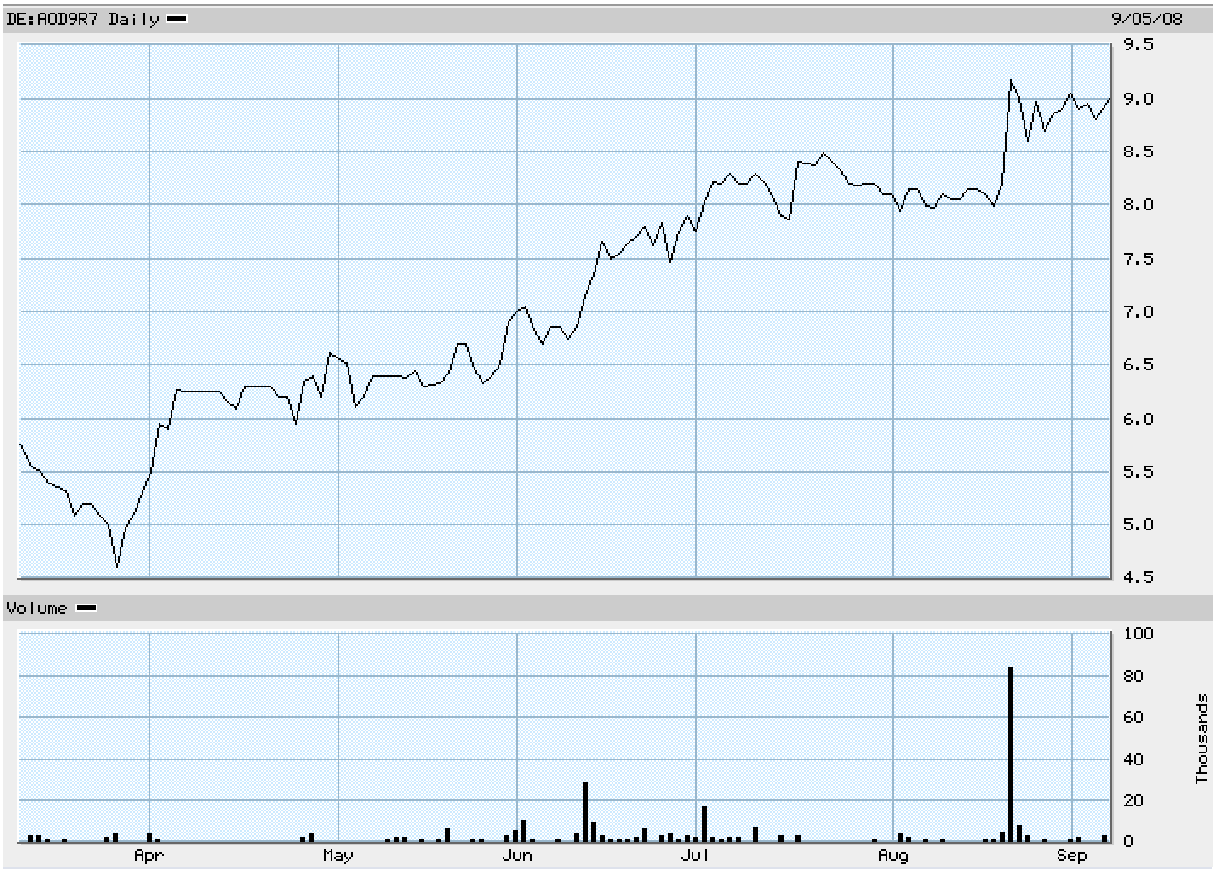
Pretty much everything that I set out in my report has just been confirmed by the company's interim report. At least, as far as the company's operative performance is concerned.

- DNICK has progressed as planned when it comes to streamlining costs further.
- Demand for the services and products of all remaining business divisions is strong.
- The company's EBITDA (earnings before interest, taxes, depreciation and amortization) has risen to €8.7m compared to €6m during the same period of 2007, a plus of 45%.

In a nutshell, DNICK has been performing not just as well as predicted in my report, but actually even considerably better. My EBITDA projection for the full year 2008 was €13.5m. After the first half of the year, DNICK had already achieved 64% of this goal. The management's outlook for the second half of the year makes me expect more of the same, and a full-year EBITDA of €16m to €17m now looks increasingly feasible. Even €18m is not out of the question.

Even the one remaining legacy business – the blank coin producer Saxonia Eurocoin – is now performing strongly. A sale of this subsidiary during 2009 could yield a windfall gain, and if it isn't sold then it'll add to the company's operative performance.

Based on a better than expected EBITDA result, a bid for the company would have to come in at a considerably higher price in order to be successful. If the management puts the company up for sale in Spring 2009 (as I expect to happen, for reasons that I explained in more detail in my in-depth report), a competitive bidding process could yield a bid of €20 per share.



DNICK's share price is about to go yet higher

Operative earnings per share were up 62% during the first 6 months of 2008, and my full-year estimate of €1.29 per share now looks extremely conservative. A more likely estimate now is €1.40 per share. The share is trading for a P/E of about 6.4 when looking at the expected 2008 earnings, and the P/E falls to about 5 when using a revised 2009 earnings projection.

Despite the price recently having risen somewhat, the share is still just as cheap as it was when I first published my report, because in the meantime the earnings projections had to be revised upwards.

DNICK is free of long-term debt, and it is a growing company with a market-leading position. With the unusual situation of investment banks and financial investors owning the majority of the company, it makes it almost dead-certain that the company will be put up for sale during 2009 at the very latest – with a hostile bidding potentially coming in any time.

Will this share continue to outperform the market?

At a share price of currently €9, the share is still trading even below its book value of almost €11. A prime bid target doesn't often come with a more attractive valuation than this.

Chances are, we'll see yet more relative strength from this bankruptcy-case turned take-over target. If the recent buying is anything to go by, powerful sharks are already circling this company.

Your humble expert for undervalued German *Mittelstand* companies,

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