

## MBB Industries AG

### Strong FY 2007 prelims and FY 2008 guidance, combined with bargain valuation

MBB Industries published strong FY07 preliminary figures and issued a bullish FY2008 sales guidance based on strong current trading conditions. The company also announced the switch to IFRS to prepare for an entry into the Prime Standard. In the current severe market correction, MBB Industries is one of the first-choice companies in our German Mid & Small Cap universe, offering a favourable outlook for 2008 combined with what we regard as a bargain valuation. Despite its small cap status, we therefore believe the MBB share price should be fairly resilient in the current turmoil. We are therefore reiterating our Buy recommendation.

#### MBB Industries AG Forecasts and multiples

Year End	Sales	EBITDA	EPS	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2006 A	63	9	0.59	11.0	6.0	-
2007 E	106	15	1.09	5.9	4.5	-
2008 E	171	20	1.18	5.5	3.2	-
2009 E	182	24	1.52	4.2	2.6	-
Net cash/Share <sup>1</sup>	-€3.5					
NAV/Share	€3.4					

Source: Company, WestLB Research estimates

<sup>1</sup> Cash/debt at end of current year

**MBB Industries reported FY 2007 sales of €110m.** The preliminary sales number exceeded our H2 07 sales estimate of €64.2m by 7%. MBB Industries likewise said that it exceeded the current FY07 EPS consensus of €1.09 per share. Most importantly in our view, MBB's guidance suggested sales of €180m for FY2008, which compares with our estimate of €170.6m, based on strong current trading conditions. We suspect that the positive trading conditions are broadly based, but we view especially Reimelt Henschel as a positive in the portfolio due to its high exposure to the non-cyclical food manufacturing sector.

**Valuation.** We regard MBB Industries as a bargain as the company is trading at a PER 2008E of 5.9x under German GAAP accounting, which treats 'badwill' and intangibles conservatively. We feel the switch to IFRS will give the EPS a boost. Allowing for the value of MBB's 80.5% share in its quoted affiliate Delignit, we derive a real valuation of only 2.3x 2008E EV/EBIT for the remaining subsidiaries Reimelt Henschel, OBO, Hanke and Huchtemeier. We regard these valuation levels as low even based on severely shrunken small cap valuation levels.

**Buy** €6.4

(Remains Unchanged)

Target price: €14.0

Reuters code: MBBG.DE

Bloomberg Ticker: MBB GR

EPS

Dec 2006 A €0.59

Dec 2007 E €1.09

Dec 2008 E €1.18

Dec 2009 E €1.52

WestLB Equity Research Estimates

Market Cap: €43m

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To view the price chart required for compliance reasons please click on the instrument name(s): [MBB Industries AG](#)

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