

1 September 2008

MBB Industries AG

<b>Buy</b>	€8.1
(Remains Unchanged)	
Target Price:	€15.4
Reuters Code:	MBBG.DE
Bloomberg Ticker:	MBB GR
EPS adj.	
Dec 2007A	€2.07
Dec 2008E	€1.53 (1.47)
Dec 2009E	€1.87 (1.92)
Dec 2010E	€2.05 (2.11)
WestLB Research estimates	
Market Cap:	€ 53m

Current recommendation since  
Previous recommendation was

For disclosures and statements required by  
regulatory bodies, please see the last page.

**Research analyst(s)**

Wolfgang Fickus, +49(0)211 826 3357  
CFA  
wolfgang.fickus@westlb.de

## MBB Industries AG

### Solid H1 08 results – company on track

- MBB Industries delivered H1 08 results which exceeded our expectations on the top line as well as on an EBITDA level, while higher financing and tax charges led to a shortfall on the net profit level. The company increased its sales guidance based on the strong H1 08 top line as well as the recently announced acquisition of DTS from sales of €180m to more than €190m with an unchanged EPS guidance of €1.65. Importantly MBB Industries saw q-o-q growth at sales and EBIT level. EBIT of €2.4m in Q1 08 was improved to an EBIT of €4.55m in Q2 08 purely from operations. Given that earnings quality was good, we believe restructuring and optimisation efforts are working nicely. MBB Industries also introduced segment reporting, which improves transparency on margin trends significantly. After the results, we have fine-tuned our estimates slightly and see full confirmation of our bullish investment case and target price.
- Q2 08 results analysis. MBB Industries introduced segment reporting in its H1 08 results report. Two-third of EBIT and 75% of sales was generated in the 'technical applications' division, which comprises the high margin Delignit business as well as Rheimelt-Henschel, a vendor of machinery into the food processing and chemicals industries. The segmental reporting reflects fairly well our current assumptions about divisional profitability and therefore underpins our current model assumptions.
- Operating cash flow in H1 08 was good, confirming the good quality of H1 08 results. EBITDA of €9.5m compared with operating cash flow of €9.5m, if we isolate an acquisition-led receivables increase (1<sup>st</sup> time consolidation of DTS in particular). In fact results were not driven by larger non cash items, notably bargain purchases. Other operating income included, however, a cash inflow from the sale of machinery.

### MBB Industries AG forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2007A	114	21	2.07	3.9	2.7	0.0
2008E	189	20	1.53	5.3	2.0	0.0
2009E	206	24	1.87	4.3	1.6	0.0
2010E	217	26	2.05	3.9	1.1	0.0
Net cash/Share <sup>1</sup>	€1.8					
NAV/Share	€3.6					

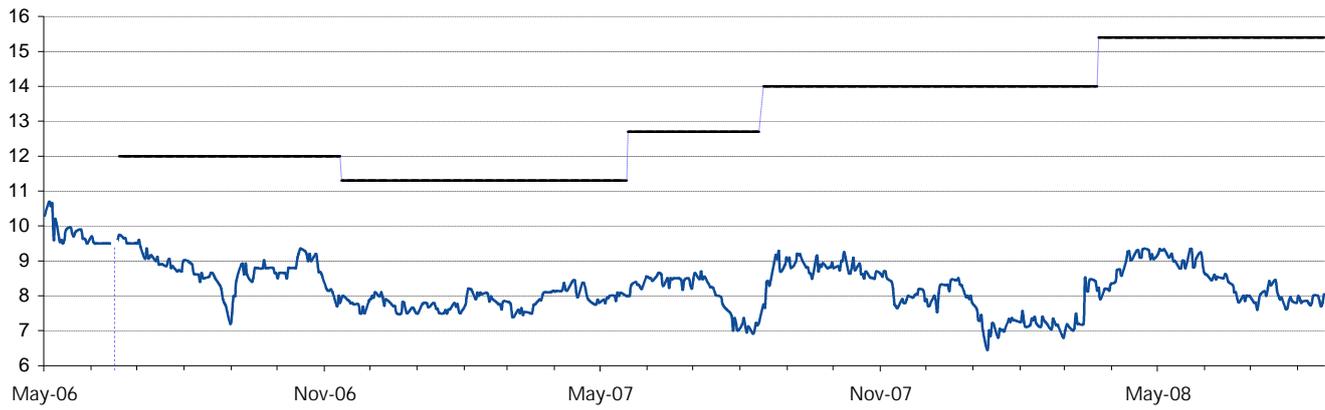
<sup>1</sup> Cash/debt at end of current year

Source MBB Industries AG, WestLB Research estimates

Wolfgang Fickus, CFA

01 September 2008

MBB Industries AG MBBG.DE



Date	Price	Changed to...	Date	Price	Changed to...	Date	Price	Changed to...
30-Jun-06	9.75	Buy						

Coverage History

No Rating as of 12/05/2006  
 Change of analyst as of 19 Sept 2006  
 Initiation of coverage as of 30 June 2006

Source FactSet/JCF, WestLB Research

WestLB AG  
Herzogstrasse 15  
D-40217 Düsseldorf  
Germany

WestLB AG  
London Branch  
Woolgate Exchange  
25 Basinghall Street  
London EC2V 5HA  
United Kingdom

T: +49 (0)211 826 71841      T: +44 (0)20 7020 2000  
F: +49 (0)211 826 6154      F: +44 (0)20 7020 4209

Regulator: WestLB AG is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht and by the Financial Services Authority. It is regulated by the Financial Services Authority for the conduct of UK business.

Disclosures of potential conflicts of interest relating to WestLB AG, its affiliates and subsidiaries (together "WestLB") as required by regulatory authorities can be accessed at [http://www.westlb.de/disclosures\\_eq\\_en](http://www.westlb.de/disclosures_eq_en) or obtained by writing to the Compliance Department at one of the addresses above.

Disclosures of potential conflicts of interest relating to WestLB AG, its affiliates and subsidiaries (together "WestLB") valid as of the end of the month prior to publication of this report\*.

- WestLB expects to receive or will seek compensation for investment banking services during the next three months from MBB Industries AG.
- WestLB during the last twelve months has provided or agreed to provide investment banking services for which it has received or will receive compensation to MBB Industries AG.
- WestLB makes a market in the shares of MBB Industries AG.
- WestLB acts as designated sponsor
- MBB Industries AG may during the last twelve months have been a client of WestLB. During this period WestLB may have provided this company/these companies with non-investment banking securities related services and/or non-securities services for which WestLB may have received compensation.

\* Updating this information may take up to ten days after month end.

#### WestLB Equity Research: Distribution of ratings as of 29 August 2008

Coverage universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy/Add	147	64	Buy/Add	37	70
Hold	61	27	Hold	13	25
Sell/Reduce	22	10	Sell/Reduce	3	6

\*Companies from which WestLB AG or an affiliate or subsidiary has received compensation for investment banking services within the past 12 months.

This research report was prepared by WestLB AG, an affiliate of WestLB Securities Inc. ("WSI") or other person that may not be registered as a broker-dealer in the United States. The company that prepared this report may not be subject to US rules regarding the preparation of research reports and the independence of research analysts.

WSI accepts responsibility for the contents of this research report to the extent that it is delivered to a person that is not a "major U.S. Institutional Investor" or a "U.S. Institutional Investor" as those terms are defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934, as amended, or to any person resident in the state of California, Colorado, Louisiana, New Mexico, Ohio, Tennessee or Vermont. Any US person who desires to effect transactions in any security in this report should write or call WSI, 1211 Avenue of the Americas, New York, NY 10036, phone (212) 403 3939.

The relevant research analyst(s), as named on the front cover of this report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this report; and (b) no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this report.

The remuneration of WestLB Research Analysts is not related to specific investment banking transactions. It is in part linked to the overall profit made by the firm, which includes the profit of the Investment Banking Department.

WestLB's investment recommendations are kept under continuous review. It follows that no date can be given for the next update of the conclusions of this report.

#### Conflicts of interest.

WestLB's Policy on Management of Conflicts of Interest in Research (the Research Policy) is available at [http://www.westlb.de/research\\_policy\\_en](http://www.westlb.de/research_policy_en). This report complies with the Research policy.

#### Valuation and Risk assessment; Recommendations.

Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment.

Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political and social conditions. This discussion of valuation methods and risk factors is not comprehensive. Further information is available upon request.

Stock ratings are based on the analyst's expectation of the stock's total return during the twelve months following assignment of the rating. This view is based on the target price, set as described above, and on the analyst's opinions on general market and economic developments.

Within that overall framework, a Buy rating means that the total return from the stock is expected to exceed 20%; Add means between 10% and 20%, Hold means movement between 0% and a positive 10%, Reduce means between 0% and minus 10%; Sell means the stock is expected to return less than minus 10%.

#### Distribution and Use of Report

This research report has been prepared by a research department of WestLB AG. Communication in the United Kingdom is by WestLB AG London Branch. In the United Kingdom this report is available only to Eligible Counterparties and Professional Clients not Retail Clients, as defined by the rules of the Financial Services Authority. Individuals who do not have professional experience in matters relating to investments should not rely on it.

This report is for information purposes only. The information contained herein has been obtained from sources believed by WestLB AG to be reliable, however no guarantees, representations or warranties are made as to its accuracy, completeness or suitability for any purpose. Any opinion or estimate expressed in this report reflects the judgement of the author or authors on the date of this report and is subject to change without notice. The past performance of securities or financial instruments is not indicative of future results. No assurance can be given that any portfolio or investment described herein would yield favourable investment results. This material is not intended as an offer or solicitation for the purchase or sale of any security, financial instrument or any other action and will not form the basis or a part of any contract.

Further information may be obtained from your usual contact within West LB AG. No part of this publication may be copied or redistributed to persons or firms other than the authorised recipient without the prior written consent of WestLB AG. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe such restrictions.

WestLB AG Düsseldorf is a member of the London Stock Exchange. WestLB AG London Branch is a member of the International Capital Market Association.