

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 9.00** (11.00)

6 September 2010

A difficult first half 2010...

...but recovery to come

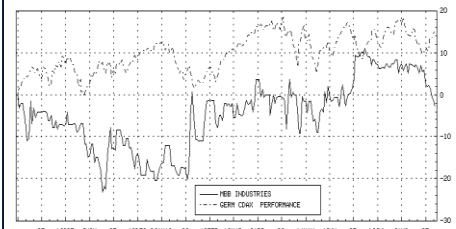
- MBB Industries AG published its 1H 2010 results last week: Revenues for the first six months amounted to EUR 58.8m, compared with EUR 41.3m in the same period of the previous year. One should keep in mind that the previous year's figures have been corrected for the share of revenue generated by the Reimelt-Henschel group, which was sold in May 2009. On the other hand, the revenue for the first half-year of 2010 incorporates the revenue from CT Formpolster GmbH, which was acquired on January 1, 2010.
- The EBITDA of the continuing operations for the first half year of 2010 fell from EUR 4.0m to EUR 3.3m compared to the previous year, and the consolidated profit dropped from EUR 1.4m to EUR 1.1m over the same period. This puts EPS for the first half year of 2010 at 17 cents, compared with 22 cents for the previous year's equivalent period. Equity capital rose from EUR 55.6m to EUR 56.7m compared to December 2009, corresponding to a capital ratio of 50.9%. Liquid funds including securities and physical gold stocks as of 30 June 2010 were EUR 34.9m and net cash was at EUR 10.4m.
- The poor 1H results were mainly caused by higher raw material prices, the negative result of Delignit and one-off expenses for the integration of CT Formpolster.
- Based on the figures for the first half year, the managing board continues to forecast revenues of EUR 120m for the year 2010 as a whole, while the board forecasts an improvement in the operating result compared to the first half of the year. However, unlike previously reported, a result above that of the previous year with 54 cents per share is no longer expected.
- We cut our estimates for MBB, resulting in a new price target of EUR 9.00 per share (old: EUR 11.00). In our view, the development of MBB should improve in 2H 2010, as seen with Delignit, which already reached a "red zero" in 2Q. Additionally, no one-offs will occur for CT Formpolster, leading to a higher profitability in the second half of the year. We therefore leave our BUY recommendation unchanged.

Key data

FY 12/31, EUR m	2008	2009	2010E	2011E	2012E
Sales	199.3	116.6	124.0	135.0	147.0
EBIT	14.4	5.4	3.0	5.0	7.3
Net result	8.0	3.5	1.6	3.5	5.6
EPS	1.22	0.54	0.24	0.53	0.85
DPS	0.25	0.50	0.08	0.18	0.30
Gross margin	43.2%	47.0%	45.2%	45.0%	44.7%
EBIT margin	7.2%	4.6%	2.4%	3.7%	4.9%
ROE	14.8%	6.4%	3.0%	6.1%	9.2%
ROA	5.7%	3.5%	1.5%	3.2%	4.9%
EV/EBITDA	1.7	3.3	4.7	3.7	3.0
EV/EBIT	2.3	6.2	11.2	6.7	4.6
P/E	5.5	12.4	27.6	12.6	7.8

Source: MBB Industries AG, CBS Research AG

Share price (dark) vs. CDAX



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	124.0	124.0	135.0	137.0	147.0	149.0
EBIT	3.0	5.3	5.0	8.3	7.3	9.8
EPS	0.24	0.56	0.53	0.98	0.85	1.20

Internet: mbbindustries.com Sektor: All Industrial
WKN: A0ETBQ ISIN: DE000A0ETBQ4
Reuters: MBBG.DE Bloomberg: MBB GY

Short company profile:

As an industrial holding company, MBB Industries AG purchases, develops and sells holdings in medium-sized industrial companies. Its focus lies on companies that are characterised by a strong position in the relevant industry.

Share data:

Share price (EUR, latest closing price):	6.65
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	43.9
Enterprise value (EUR m):	33.3
Ø daily trading volume (3 m., no. of shares):	3,228

Performance data:

High 52 weeks (EUR):	8.00
Low 52 weeks (EUR):	5.61
Absolute performance (12 months):	-8.9%
Relative performance vs. CDAX:	
1 month	-8.1%
3 months	-12.2%
6 months	-11.2%
12 months	-20.7%

Shareholders:

Management	75.0%
Free float	25.0%

Financial calendar:

3Q figures: 22 November 2010
German Equity Forum, Frankfurt: November 2010

Authors:

Ralf Marinoni, CEFA (Analyst)
Rabeya Khan (Analyst)

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters CEO	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag		
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Rabeya Khan	+49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag
Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag	Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag
Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag	Enid Omerovic	+49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag
Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag	Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400



Close Brothers Seydler UK

a division of Winterflood Securities Limited
The Atrium Building / Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Phone: +44 20 3100 0281

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com		
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com	Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com
Klaus Korzilius (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com	Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com
Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com	Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com

Sales USA



111 Town Square Place
Suite 1500A
Jersey City, NJ 07310

Phone: +1 201 216 0100

Tom Higgins	+1 201 706 6013 thiggins@hudsonsecurities.com
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BUY: The expected performance of the share price is above +10%.

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SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
27 April 2010	BUY	EUR 7.24 (Initiating Coverage)	EUR 12.00
5 May 2010	BUY	EUR 7.35	EUR 12.00
2 June 2010	BUY	EUR 7.34	EUR 11.00
6 September 2010	BUY	EUR 6.65	EUR 9.00

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Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.cbseydlerresearch.ag

Tel.: 0049 - (0)69 - 97 78 45 60