

Recommendation:
BUY (BUY)

Risk:
MEDIUM (MEDIUM)

Price Target:
EUR 8.40 (9.00)

4 October 2010

Negative EUR 9m one-off

... resulting from Delignit

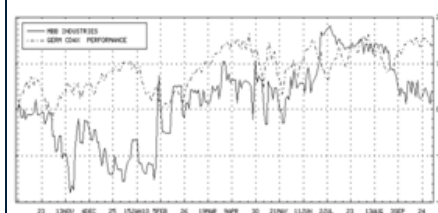
- MBB Industries AG expects a non-recurring negative effect on its annual profits of up to EUR 9.0m as the result of the strategic realignment of its subsidiary Delignit AG and will participate in the capital increase of Delignit with an amount of EUR 1.5m.
- Delignit will concentrate on its business lines Automotive and Technological Applications and will break up with the low-margin business lines faced with high competition. For this, Delignit AG intends to reduce its manufacturing capacities by selling the majority of its subsidiaries Delignit Romania Srl., Cildro S.A. and Cildro Services Srl. in Romania. In the future, Delignit will concentrate its activities at the German site in Blomberg. Contract negotiations with the acquirer of the majority interests of the Romanian companies are in an advanced stage.
- However - due to current excess capacities in the market - Delignit AG does not expect an adequate selling price. MBB, that currently holds 80,55% of Delignit AG shares, expects that the one time loss amounting up to EUR 9.0m in the financial year 2010 cannot be compensated completely by positive results of the other holdings. At the same time, MBB Industries expects an improvement of its group net cash position in the amount of EUR 5.0m by the disposal of financial debts as a result of the sale of the Romanian companies of Delignit.
- Delignit AG plans to strengthen its equity base by a capital increase, in which MBB Industries AG will participate with the amount of EUR 1.5m. Hence, MBB will hold at least 80.6%. The capital increase will take place immediately after the sale of the Romanian subsidiaries. The new shares will be issued at expected EUR 1.1 per share.
- The sold units of Delignit – and its one-off loss – will be booked under “discontinued operations”. The new “Delignit” should become more profitable in the future. Furthermore, MBB will reduce its financial liabilities by EUR 5m.
- Given the EUR 9m impairment and the EUR 5m reduction of debts, we lower our price target to EUR 8.40 (old: EUR 9.00) and leave the 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	-6.0	5.0	7.3
Net result	8.0	3.5	-6.2	3.8	5.9
EPS	1.22	0.54	-0.95	0.57	0.89
DPS	0.25	0.50	0.08	0.20	0.31
Gross margin	43.2%	47.0%	45.2%	45.0%	44.7%
EBIT margin	7.2%	4.6%	-4.9%	3.7%	4.9%
ROE	14.8%	6.4%	-13.5%	7.6%	11.0%
ROA	5.7%	3.5%	-6.8%	3.9%	5.7%
EV/EBITDA	1.8	3.6	4.7	4.0	3.2
EV/EBIT	2.5	6.6	-5.9	7.2	4.9
P/E	5.4	12.3	-7.0	11.6	7.4

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	135.0	147.0	147.0
EBIT	-6.0	3.0	5.0	5.0	7.3	7.3
EPS	-0.95	0.56	0.57	0.53	0.89	0.85

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 characterized by a strong position in the relevant industry.

Share data:

Share price (EUR, latest closing price):	6.60
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	43.6
Enterprise value (EUR m):	35.7
Ø daily trading volume (3 m., no. of shares):	2,565

Performance data:

High 52 weeks (EUR):	8.00
Low 52 weeks (EUR):	5.61
Absolute performance (12 months):	-3.6%
Relative performance vs. CDAX:	
1 month	-3.0%
3 months	-17.8%
6 months	-12.4%
12 months	-15.2%

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%.

HOLD: The expected performance of the share price is between 0% and +10%.

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

4 October 2010	BUY	EUR 6.60	EUR 8.40
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Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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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