

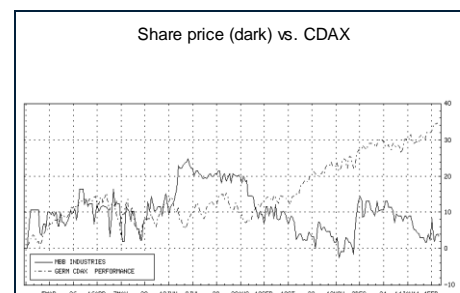
Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 10.00** (8.40)

15 February 2011

Prel. FY 2010 results as expected

... and FY 2011E looks more promising

- According to provisional, unconfirmed figures, MBB generated a consolidated group turnover of EUR 116m for 2010 with a consolidated result for the year of up to EUR - 7.0m, which corresponds with EUR - 1.06 per share. This includes a one-off accounting loss resulting from the deconsolidation of the Rumanian Delignit AG's subsidiaries following the business restructuring, amounting to approximately EUR 9.4m as of September 30, 2010. Hence, excluding this one-off effect, the result would have been significantly positive. In comparison to September 30, 2010 available cash within the group rose from EUR 30.7m to EUR 33.2m as of December 31, 2010. Similarly, net cash rose from EUR 10.3m on September 30, 2010 to EUR 14.8m on December 31, 2010, a higher level than on any of the previous quarters.
- MBB said that all six portfolio companies again noted a revival in business activity in the fourth quarter compared to the previous year. On the basis of the development in business in the fourth quarter of 2010 and in January 2011, the managing board is forecasting improvements in both turnover levels and operative result for the year 2011.
- In our view, most earnings upside comes from a) Delignit, where we expect a turnaround in the current business year. The company is profitable since September 2010, we assume. b) DTS Systeme: DTS' acquired ICSmedia (announced in August 2010) develops better than expected. Furthermore, DTS' service revenues from the cloud computing business will rise to 50% which has a positive impact on margins. For the remaining 4 holdings of MBB we assume rising revenues and earnings, too.
- Dividend: We believe that MBB will pay a dividend for FY 2010. We estimate EUR 0.25 which equals a dividend yield of currently 4%.
- All in all, we reduce sales expectation but increase earnings figures for FY 2011E and the next year. Based on peer group multiples (weighting factor 75%) and DCF (25%) we arrive at a new price target of EUR 10.00 and confirm our BUY recommendation.



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	116.0	118.0	123.0	135.0	135.0	147.0
EBIT	-7.0	-5.9	5.9	5.0	7.7	7.3
EPS	-1.06	-0.92	0.69	0.57	0.94	0.89

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):	6.30
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	41.6
Enterprise value (EUR m):	26.8
Ø daily trading volume (3 m., no. of shares):	1,270

Performance data:

High 52 weeks (EUR):	8.00
Low 52 weeks (EUR):	5.50
Absolute performance (12 months):	-3.1%
Relative performance vs. CDAX:	
1 month	-8.4%
3 months	-8.1%
6 months	-30.0%
12 months	-28.6%

Shareholders:

Management	73.5%
Free float	26.5%

Financial calendar:

Annual Report 2010	15 April 2011
1Q 2011 Results	31 May 2011

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Key data

FY 12/31, EUR m	2008	2009	2010E	2011E	2012E
Sales	199.3	116.6	116.0	123.0	135.0
EBIT	14.4	5.4	-7.0	5.9	7.7
Net result	8.0	3.5	-7.0	4.6	6.2
EPS	1.22	0.54	-1.06	0.69	0.94
DPS	0.25	0.50	0.25	0.25	0.35
Gross margin	43.2%	47.0%	45.4%	45.3%	45.0%
EBIT margin	7.2%	4.6%	n.m.	4.8%	5.7%
ROE	14.8%	6.4%	n.m.	9.5%	11.8%
ROA	5.7%	3.5%	n.m.	4.9%	6.2%
EV/EBITDA	1.4	2.7	n.m.	2.8	2.4
EV/EBIT	1.9	5.0	n.m.	4.5	3.5
SP/E	5.2	11.7	n.m.	9.1	6.7

Valuation summary

	Weighting factor	Fair value per share (EUR)
Peer group valuation	75.0%	9.61
DCF valuation	25.0%	12.63
Fair value per share (EUR)		10.37

Source: CBS Research AG

Peer Group

Peer Group: Multiples

Company name	EV / EBITDA			EV / EBIT			P / E		
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
AUGUSTA TECHNOLOGIE AG	6.9	5.9	5.4	8.2	7.1	6.4	12.0	10.3	9.2
ELEXIS AG	9.1	5.5	4.8	12.1	6.5	5.8	20.7	10.7	9.2
GESCO AG	5.7	5.2	4.9	8.4	7.5	7.0	12.2	10.8	9.8
INDUS HOLDING AG	6.2	5.9	5.5	9.3	8.4	7.8	10.8	9.7	8.7
M.A.X. AUTOMATION AG	9.8	6.7	5.7	13.3	8.5	7.0	21.4	11.4	9.2
Average	7.5	5.8	5.3	10.3	7.6	6.8	15.4	10.6	9.2
Median	6.9	5.9	5.4	9.3	7.5	7.0	12.2	10.7	9.2

Source: CBS Research AG, Bloomberg

EURm, except EPS (EUR)	EBITDA			EBIT			EPS		
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
MBB Industries AG: Financial estimates CBS Research	-3.2	9.5	11.4	-7.0	5.9	7.7	-1.06	0.69	0.94
Applied multiples: Peer group median	6.9	5.9	5.4	9.3	7.5	7.0	12.2	10.7	9.2
Enterprise value (derived)	n.m.	55.6	61.1	n.m.	44.4	53.9	-	-	-
+ Excess cash and marketable securities	14.8								
- Financial debt and minority interest	0.0								
Market capitalization (derived)	-	70.4	75.9	-	59.2	68.7	-	48.8	57.4
Average (2011E and 2012E multiples)	63.4								
Premium (discount) vs. Peer Group	0%								
Fair market capitalization (after discount)	63.4								
Number of shares (m)	6.6								
Fair value per share (EUR)	9.61								

Source: CBS Research AG, Bloomberg

DCF Model

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2010E	2011E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	∞
Sales	116.0	123.0	135.0	139.1	143.2	147.5	151.9	156.5	161.2	166.0	
YoY growth	-41.5%	6.0%	9.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBIT	-7.0	5.9	7.7	7.9	8.2	8.4	8.7	8.9	9.2	9.5	
EBIT margin	-6.0%	4.8%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Income tax on EBIT (cash tax rate)	0.7	-0.6	-0.8	-1.6	-1.6	-1.7	-1.7	-1.8	-1.8	-1.9	
Depreciation and amortisation	3.8	3.6	3.6	3.9	4.0	4.1	4.3	4.4	4.5	4.6	
Other non-cash items	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	1.4	-0.9	-1.6	-2.4	-2.5	-2.6	-2.7	-2.7	-2.8	-2.9	
Net capital expenditure	-5.5	-4.0	-4.0	-4.0	-4.2	-4.3	-4.4	-4.5	-4.7	-4.6	
Free cash flow	2.8	26.0	6.6	3.8	3.9	4.0	4.1	4.2	4.4	4.7	
Present values	2.9	23.7	5.4	2.8	2.6	2.4	2.2	2.0	1.9	1.8	21.1
Present value Phase 1	31.9										
Present value Phase 2	15.6										
Present value Phase 3	21.1										
Total present value	68.6										
+ net cash	14.8										
+ Investment properties											
- Financial debt											
Fair value of equity	83.4										
Number of shares (m)	6.6										
Fair value per share (EUR)	12.63										

Risk free rate	3.50%	Target equity ratio	54.5%
Equity risk premium	6.00%	Beta (fundamental)	2.00
Debt risk premium	2.75%	WACC	10.73%
Tax shield	20.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.7%	13.08	13.31	13.56	13.86	14.19
	10.2%	12.66	12.85	13.07	13.32	13.60
	10.7%	12.28	12.45	12.63	12.84	13.08
	11.2%	11.93	12.08	12.24	12.42	12.62
	11.7%	11.62	11.75	11.89	12.04	12.22

Source: CBS Research AG

MBB Industries AG

Profit and loss account

	IFRS	EURm	2008	2009	2010E	2011E	2012E
Sales			199.3	116.6	116.0	123.0	135.0
YoY growth			75.4%	-41.5%	-0.5%	6.0%	9.8%
Income from removal			0.0	4.3	0.0	0.0	0.0
Work in process and finished goods			1.3	2.8	2.0	2.0	2.0
Other operating income			8.5	5.0	2.0	2.0	2.0
Total revenues			209.1	128.6	120.0	127.0	139.0
COGS			-123.0	-73.9	-67.3	-71.3	-78.3
in % of sales			-61.7%	-63.3%	-58.0%	-58.0%	-58.0%
Gross income			86.1	54.8	52.7	55.7	60.7
in % of sales			43.2%	47.0%	45.4%	45.3%	45.0%
Personnel expenses			-47.7	-31.7	-31.3	-32.0	-33.8
in % sales			-23.9%	-27.2%	-27.0%	-26.0%	-25.0%
Other operating expenses			-18.8	-13.1	-24.6	-14.2	-15.6
EBITDA			19.6	10.0	-3.2	9.5	11.4
in % of sales			9.8%	8.6%	-2.7%	7.7%	8.4%
Depreciation and amortisation			-5.1	-4.6	-3.8	-3.6	-3.6
in % of total revenues			-2.5%	-3.5%	-3.2%	-2.8%	-2.6%
EBIT			14.4	5.4	-7.0	5.9	7.7
in % of sales			7.2%	4.6%	-6.0%	4.8%	5.7%
Financial result			-2.6	-1.5	-0.7	-0.7	-0.7
EBT			11.8	3.9	-7.7	5.2	7.0
in % of sales			5.9%	3.3%	-6.6%	4.2%	5.2%
Taxes			-3.7	-0.2	0.7	-0.5	-0.7
as % of EBT			-31.1%	-5.5%	9.0%	-10.0%	-10.0%
Net income including minorities			8.1	3.7	-7.0	4.7	6.3
Minority interests			-0.1	-0.1	0.0	-0.1	-0.1
Net income attributable to shareholders			8.0	3.5	-7.0	4.6	6.2
in % of sales			4.0%	3.0%	-6.1%	3.7%	4.6%
Shares outstanding (in millions)			6.6	6.6	6.6	6.6	6.6
Earnings per share (EUR)			1.22	0.54	-1.06	0.69	0.94

Source: CBS Research AG, MBB Industries AG

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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
26 November 2010	BUY	EUR 6.20	EUR 8.40
15 February 2011	BUY	EUR 6.30	EUR 10.00

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