

Recommendation:

**BUY** (BUY)

Risk:

**MEDIUM** (MEDIUM)

Price Target:

**EUR 10.00** (10.00)

27 April 2011

## Huchtemeier Papier sold...

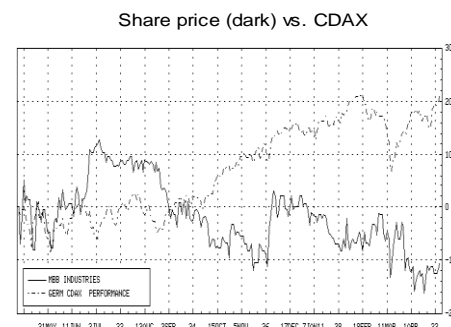
### ... and stake in Hanke Tissue increased

- MBB Industries AG recently sold its 80%-share in Huchtemeier Papier GmbH, Dortmund, within an MBO to Mr. Alfred Voßschulte. Conversely, MBB acquired the sub-participation of Mr. Voßschulte at Hanke Tissue Sp. z o.o., Poland. As a result, the MBB investment in Hanke Tissue Sp. z o.o. increases from 77.6% to 87.3%. Huchtemeier is an international paper distribution group with a focus on tissue and hygiene products for wholesalers and the paper converting industry and has been part of MBB group since 2006. It recorded revenue of around EUR 16m in 2010.
- Hanke Tissue produces tissue rolls, serviettes, paper handkerchiefs, toilet paper and kitchen rolls. With its "aha" brand Hanke is, according to MBB, market leader in the Polish market for tissue serviettes and enjoys a strong competitive position in the Eastern European consumer goods market. The company is also part of the MBB group since 2006. In 2010 it recorded revenue of around EUR 22m with its almost 250 employees. In the previous years Hanke has made substantial investments in the expansion of its production and warehouse capacities.
- Following the recent developments we re-adjust our sales estimate for 2011E to EUR 110.0m whilst we maintain our EBIT estimate at the same level as before. Huchtemeier just delivered a "black zero" to MBB group, in contrast its sale to Mr. Voßschulte led to a small book gain. So stripping it out of MBB's portfolio it will not affect EBIT. The increased stake in Hanke, which delivers a double-digit EBIT-margin, should have a positive, but marginally small effect on MBB's net profit. We leave our earnings estimates for 2011E and 2012E unchanged. The Huchtemeier-deal will lead to higher margins.
- The recently released FY 2010 report showed MBB's strong financials: net cash and cash equivalents as of December 31, 2010 amounted to EUR 14.8m, which allows for further acquisitions.
- All things considered, we have decided to leave the price target unchanged and reiterate our BUY recommendation.

#### Key data

FY 12/31, EUR m	2008	2009	2010	2011E	2012E	2013E
Sales	199.3	80.6	116.0	110.3	115.0	125.5
EBIT	14.4	5.0	-6.1	5.9	7.7	9.1
Net result	8.0	3.7	-6.6	4.6	6.2	7.0
EPS	1.22	0.56	-1.00	0.70	0.94	1.05
DPS	0.25	0.50	0.33	0.35	0.47	0.53
Gross margin	43.2%	38.1%	31.3%	45.6%	45.5%	45.2%
EBIT margin	7.2%	6.2%	n.m.	5.4%	6.7%	7.2%
ROE	14.8%	6.6%	n.m.	9.6%	11.8%	12.4%
ROA	5.7%	3.6%	n.m.	5.0%	6.4%	15.9%
EV/EBITDA	1.3	3.1	n.m.	2.7	2.3	2.0
EV/EBIT	1.7	5.0	n.m.	4.2	3.2	2.7
P/E	4.9	10.8	n.m.	8.6	6.4	5.7

Source: MBB Industries AG, CBS Research AG



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	110.3	123.0	115.0	135.0	125.5	-
EBIT	5.9	5.9	7.7	7.7	9.1	-
EPS	0.70	0.69	0.94	0.94	1.05	-

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):	<b>5.99</b>
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	39.5
Enterprise value (EUR m):	24.7
Ø daily trading volume (3 m., no. of shares):	3,976

#### Performance data:

High 52 weeks (EUR):	8.00
Low 52 weeks (EUR):	5.50
Absolute performance (12 months):	-16.1%
Relative performance vs. CDAX:	
1 month	-12.5%
3 months	-7.0%
6 months	-16.8%
12 months	-30.8%

#### Shareholders:

Management	73.5%
Free float	26.5%

#### Financial calendar:

1Q 2011 Results 31 May 2011

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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
26 November 2010	BUY	EUR 6.20	EUR 8.40
15 February 2011	BUY	EUR 6.30	EUR 10.00
27 April 2011	BUY	EUR 5.99	EUR 10.00

#### Risk-scaling System:

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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