

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 15.00** (12.00)

31 May 2012

Strong growth in 1Q 2012

... and more to come over the next quarters

- Revenues rose by 13.5% from EUR 27.7m to EUR 31.4m in the first three months of 2012. The first quarter did not include contributions to sales from CLAAS Fertigungstechnik GmbH. EBITDA rose by 73.5% from EUR 2.7m to EUR 4.7m; the EBITDA margin improved from 9.7% to nearly 15%. Earnings also include the bargain purchase of CLAAS Fertigungstechnik GmbH of EUR 1.7m. Adjusted by this one-off, EBITDA rose by a considerable 11% rate. EPS more than doubled from EUR 0.21 to EUR 0.49.
- Besides strong P&L figures, MBB continued to improve its balance sheet figures despite the acquisition of CLAAS Fertigungstechnik (renamed to MBB Fertigungstechnik): Cash and cash equivalents including securities and physical gold holdings amounted to EUR 47.8m as at 31 March 2012; net cash (cash and cash equivalents less interest-bearing liabilities) improved to EUR 24.6m, marking new records for both figures. Therefore MBB has the possibility to grow via further acquisitions.
- Guidance: MBB believes that the healthy sales and earnings performance of the company in the first quarter of 2012 will continue in the second. In addition, CLAAS Fertigungstechnik GmbH will also contribute to sales for the first time in the second quarter. For 2012 as a whole, the Managing Board expects to exceed EUR 200m in sales for the first time and anticipates an at least proportional increase in earnings by the MBB Group as against the previous year.
- Adjusted EBIT for the first quarter was approx. EUR 2m for MBB group. We believe that this figure should be reached in the next quarters, too. Additionally, MBB Fertigungstechnik should deliver more than EUR 3m in the April-December period, too. The EUR 1.7m one-off effect should result in a full year EBIT of EUR 12.9m for MBB.
- Based on an DCF and peer group valuation that include our higher estimates, we increase our price target to EUR 15.00 (old: EUR 12.00). We clearly confirm our BUY recommendation.



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	200.0	200.0	251.5	251.5	255.5	-
EBIT	12.9	8.5	15.1	11.6	15.4	-
EPS	1.12	0.81	1.34	1.15	1.36	-

Internet: mbbindustries.com Sector: 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):	9.01
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	59.5
Enterprise value (EUR m):	50.4
Ø daily trading volume (3 m., no. of shares):	12,637

Performance data:

High 52 weeks (EUR):	9.27
Low 52 weeks (EUR):	4.13
Absolute performance (12 months):	36.5%
Relative performance vs. CDAX:	
1 month	29.0%
3 months	47.9%
6 months	41.5%
12 months	57.4%

Shareholders:

Management	75.7%
Free float	24.3%

Financial calendar:

AGM	18 June 2012
2Q 2012 report	31 August 2012

Author: **Ralf Marinoni, CEFA** (Analyst)

Close Brothers Seydler Research AG
Phone: +49 (0) 69-977 84 56 0
Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

Key data

FY 12/31, EUR m	2009	2010	2011	2012E	2013E	2014E
Sales	80.6	99.9	109.6	200.0	251.5	255.5
EBIT	5.0	-7.0	5.7	12.9	15.1	15.4
Net result	3.5	-6.8	3.3	7.4	8.9	9.0
EPS	0.54	-1.04	0.51	1.12	1.34	1.36
DPS	0.50	0.33	0.25	0.50	0.65	0.68
Gross margin	38.1%	34.2%	38.4%	44.0%	43.6%	43.6%
EBIT margin	6.2%	n.m.	5.2%	6.5%	6.0%	6.0%
ROE	6.4%	n.m.	7.2%	14.3%	15.5%	14.5%
EV/EBITDA	6.3	n.m.	5.5	2.7	2.3	2.3
EV/EBIT	10.1	n.m.	8.9	3.9	3.3	3.3
P/E	16.8	n.m.	17.8	8.0	6.7	6.6

Source: MBB Industries AG, CBS Research AG

Valuation

Valuation summary

Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	14.41
DCF valuation	50.0%	16.01
Fair value per share (EUR)		15.21

Source: CBS Research AG

Peer group analysis

Peer Group: Multiples

Company name	EV / EBITDA			EV / EBIT			P / E		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
DUERR AG	4.7	4.4	4.2	5.4	5.1	4.9	8.9	8.4	8.0
GILDEMEISTER AG	4.9	4.6	4.5	6.1	5.7	5.7	9.6	8.7	8.5
GESCO AG	5.0	4.9	n.a.	6.6	6.6	n.a.	8.5	9.1	n.a.
INDUS HOLDING AG	5.3	5.1	5.0	7.4	7.2	6.9	7.9	7.5	7.1
M.A.X. AUTOMATION AG	7.0	n.a.	n.a.	8.2	7.0	6.6	9.7	8.6	8.1
KRONES AG	6.0	5.4	4.9	9.1	8.0	7.0	12.6	11.1	9.7
KUKA AG	5.6	5.3	5.2	7.3	6.8	6.7	13.6	12.3	11.2
LEONI AG	3.4	3.3	3.1	4.9	4.7	4.4	6.2	5.9	5.4
Average	5.2	4.7	4.5	6.9	6.4	6.0	9.6	8.9	8.3
Median	5.1	4.9	4.7	7.0	6.7	6.6	9.2	8.6	8.1

Source: CBS Research AG, Bloomberg

For valuation purposes we adjusted FY 2012E earnings figures by the EUR 1.7m positive one-off effect. Furthermore, we deducted MBB's current pension provisions (EUR 15.578m) from its net cash position (EUR 24.633m) to derive the enterprise value.

MBB's peer group was increased by some companies from the machinery sector that have a high exposure to the automotive industry.

EURm, except EPS (EUR)	EBITDA			EBIT			EPS		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
MBB Industries AG: Financial estimates CBS Research	16.8	21.9	22.3	11.2	15.1	15.4	0.87	1.34	1.36
Applied multiples: Peer group median	5.1	4.9	4.7	7.0	6.7	6.6	9.2	8.6	8.1
Enterprise value (derived)	86.0	107.2	104.1	78.0	101.5	101.6	-	-	-
+ net cash - pension provisions	9.1								
Market capitalization (derived)	95.1	116.3	113.2	87.1	110.6	110.7	53.2	76.5	73.1
Median	95.1								
Premium (discount) vs. Peer Group	0%								
Fair market capitalization (after discount)	95.1								
Number of shares (m)	6.6								
Fair value per share (EUR)	14.41								

Source: CBS Research AG, Bloomberg

DCF model

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	∞
Sales	200.0	251.5	255.5	263.2	271.1	279.2	287.6	296.2	305.1	314.2	
YoY growth	82.4%	25.8%	1.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
EBIT	12.9	15.1	15.4	13.2	13.6	14.0	14.4	14.8	15.3	15.7	
EBIT margin	6.5%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Income tax on EBIT (cash tax rate)	-3.9	-4.5	-4.6	-2.6	-2.7	-2.8	-2.9	-3.0	-3.1	-3.1	
Depreciation and amortisation	5.6	6.8	6.9	7.4	7.6	7.8	8.1	8.3	8.5	8.8	
Change in net working capital	-12.2	-6.9	-0.5	-3.8	-3.9	-4.1	-4.2	-4.3	-4.4	-4.6	
Net capital expenditure	-5.0	-6.5	-7.0	-7.6	-7.9	-8.1	-8.3	-8.6	-8.8	-8.8	
Free cash flow	-2.6	3.9	10.1	6.4	6.6	6.8	7.0	7.2	7.5	8.0	
Present values	-2.4	3.5	8.2	4.8	4.5	4.3	4.1	3.9	3.7	3.6	58.6
Present value Phase 1	9.2										
Present value Phase 2	28.8										
Present value Phase 3	58.6										
Total present value	96.6										
+ net cash - pension provisions	9.1										
Fair value of equity	105.7										
Number of shares (m)	6.6										
Fair value per share (EUR)	16.01										

Risk free rate	3.50%	Target equity ratio	50.0%
Equity risk premium	6.00%	Beta (fundamental)	1.3
Debt risk premium	2.75%	WACC	8.29%
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	7.3%	17.14	18.03	19.08	20.36	21.94
	7.8%	15.84	16.56	17.42	18.43	19.65
	8.3%	14.72	15.32	16.01	16.83	17.80
	8.8%	13.74	14.24	14.82	15.48	16.26
	9.3%	12.89	13.31	13.79	14.34	14.97

Source: CBS Research AG

Key Figures

P&L 1Q 2012			
in EURm	1Q 2012	1Q 2011	change
Sales	31.386	27.662	13.5%
EBITDA	4.673	2.694	73.5%
EBITDA margin	14.9%	9.7%	
EBIT	3.681	1.794	105.2%
EBIT margin	11.7%	6.5%	
EBT	3.537	1.626	117.5%
EBT-margin	11.3%	5.9%	
Earnings from continuing operations	3.194	1.324	141.2%
Net profit (after minorities)	3.194	1.360	134.9%
EPS (EUR)	0.49	0.21	137.8%

Source: MBB Industries AG, CBS Research AG

Figures from the statement of financial position

in EURm	1Q 2012	FY 2011	change
Non-current assets	46.580	37.743	23.4%
Current assets	104.447	48.565	115.1%
Of which cash and cash equivalents*	47.788	30.278	57.8%
Total equity	50.013	46.211	8.2%
Equity ratio	33.1%	53.5%	
Non-current liabilities	48.834	21.987	122.1%
Current liabilities	52.180	18.110	188.1%
Total assets	151.027	86.308	75.0%
Net cash*	24.633	13.654	80.4%

Source: MBB Industries AG, CBS Research AG * including securities and physical gold

Segments

in EURm	1Q 2012	1Q 2011	change
Technical Applications			
Total Revenue	8.986	6.985	28.7%
EBIT	2.455	0.323	660.1%
Industrial Production			
Total Revenue	13.999	14.699	-4.8%
EBIT	1.093	0.621	76.0%
Trade & Services			
Total Revenue	8.272	5.915	39.8%
EBIT	0.053	0.754	-93.0%
Reconciliation			
Total Revenue	0.128	0.063	
EBIT	0.080	0.097	
MBB Group			
Total Revenue	31.386	27.662	13.5%
EBIT	3.681	1.795	105.1%

Source: MBB Industries AG, CBS Research AG

MBB's FY 2012 guidance for its portfolio companies

Company	Stake	Sales (EUR m)	Earnings trend
Delignit	76%	30	++
obo	100%	10	+
Hanke Tissue	97%	24	+++
DTS Systeme	80%	40	++
CT formpolster	100%	16	o
MBB Fertigungstechnik	100%	100*	++

Source: MBB Industries AG, CBS Research AG *Full year 2012; consolidation with effect of 31 March

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Gennadij Kremer	+49 (0)69 – 977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag
Anna von Klopmann	+49 (0)69 -977 8456- 10 Anna.Klopmann@cbseydlerresearch.ag	Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag
Daniel Kukalj	+49 (0)69 – 977 8456- 21 Daniel.Kukalj@cbseydlerresearch.ag	Felix Parmantier	+49 (0)69 -977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag
Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag	Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag
Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag		
Ivo Višić	+49 (0)69 -977 8456- 19 Ivo.Visic@cbseydlerresearch.ag		

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com	Sule Erkan (Sales-Support)	+49 (0)69 -9 20 54-107 Sule.Erkan@cbseydler.com
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com	Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Dr. James Jackson (UK)	+49 (0)69 -9 20 54-113 James.Jackson@cbseydler.com	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com	Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com
Michael Laufenberg (Germany)	+49 (0)69 -9 20 54-112 Michael.Laufenberg@cbseydler.com	Janine Theobald (Austria, Germany)	+49 (0)69 -9 20 54-106 Janine.Theobald@cbseydler.com
Christopher Seedorf (Sales-Support)	+49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com		
Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com		

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG (hereafter ‘CBSR’) provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS or CBSR may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. CBS was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. CBS has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. CBS acts as designated sponsor for the company’s securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. CBSR and the analysed company have a contractual agreement about the preparation of research reports. CBSR receives a compensation in return.
- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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
18 May 2011	BUY	EUR 6.34	EUR 10.00
14 July 2011	BUY	EUR 6.43	EUR 10.00
01 September 2011	BUY	EUR 6.10	EUR 10.00
09 December 2011	BUY	EUR 6.00	EUR 9.30

13 March 2012	BUY	EUR 7.00	EUR 12.00
31 May 2012	BUY	EUR 9.01	EUR 15.00

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 12 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

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in

any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

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