

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

26 July 2012

Hanke Tissue to double capacities:

Mid-term positive effects on group margins

- MBB recently announced to double production capacities with Hanke Tissue. A new tissue machine was ordered from the Italian manufacturer Recard SpA that will be in operation by December 2013. So far, Hanke's output was at 14,000 tons of raw tissue per year. By using the new machine, annual capacity will rise to 32,000 tons.
- In the past, nearly EUR 10m were invested into a new logistic center, a high rack warehouse, tissue machines and processing to meet rising demand for the Hanke products.
- Hanke produces raw tissue wadding, napkins, handkerchiefs, bathroom tissue and kitchen rolls. Operating under the brand names of "aha" and "Silver Square", it maintains a strong competitive position in Poland. It also produces white and coloured tissue for many private-label suppliers throughout Europe. Since FY 2006, Hanke is part of MBB's portfolio.
- In FY 2011, Hanke generated sales of EUR 22m accompanied by a net profit of EUR 1.7m. Therefore Hanke is MBB's most profitable holding. For the current business year sales of approx. EUR 24m and further earnings improvements are planned.
- Hanke is a pearl in MBB's portfolio. The investments in Hanke should have a positive effect on earnings figures and margins for MBB group. We therefore confirm our BUY recommendation, our price target remains at EUR 15.00 per share. Valuation is highly attractive.

Share price (dark) vs. CDAX

Source: CBS Research AG, Bloomberg, MBB Industries AG

| Change | 2012E | | 2013E | | 2014E | |
|--------|-------|-------|-------|-------|-------|-------|
| | new | old | new | old | new | old |
| Sales | - | 200.0 | - | 251.5 | - | 255.5 |
| EBIT | - | 12.9 | - | 15.1 | - | 15.4 |
| EPS | - | 1.12 | - | 1.34 | - | 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): | 8.00 |
| Shares outstanding (m): | 6.6 |
| Market capitalisation (EUR m): | 52.8 |
| Enterprise value (EUR m): | 43.7 |
| Ø daily trading volume (3 m., no. of shares): | 9,554 |

Performance data:

| | |
|-----------------------------------|--------|
| High 52 weeks (EUR): | 9.49 |
| Low 52 weeks (EUR): | 4.13 |
| Absolute performance (12 months): | 28.0% |
| Relative performance vs. CDAX: | |
| 1 month | -10.4% |
| 3 months | 11.2% |
| 6 months | 17.3% |
| 12 months | 45.5% |

Shareholders:

| | |
|------------|-------|
| Management | 75.7% |
| Free float | 24.3% |

Financial calendar:

| | |
|---------------------|---------------------|
| 2Q 2012 report | 31 August 2012 |
| German Equity Forum | 12-14 November 2012 |

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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 | 0.44 | 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% | 14.6% | 15.8% | 14.8% |
| EV/EBITDA | 5.5 | n.m. | 4.7 | 2.4 | 2.0 | 2.0 |
| EV/EBIT | 8.8 | n.m. | 7.7 | 3.4 | 2.9 | 2.8 |
| P/E | 14.9 | n.m. | 15.8 | 7.1 | 5.9 | 5.9 |

Source: MBB Industries AG, CBS Research AG

Research



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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 |
|-------------------|----------------|----------------------|--------------|
| 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 |

| | | | |
|--------------|-----|----------|-----------|
| 26 July 2012 | BUY | EUR 8.00 | EUR 15.00 |
|--------------|-----|----------|-----------|

Risk-scaling System:

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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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