

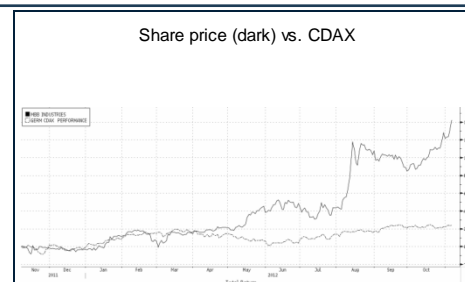
Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 21.50** (17.20)

07 November 2012

3Q 2012: Another excellent quarter

Strong increase of estimates and price target

- MBB announced preliminary figures for the 9M 2012 period: Net profit more than tripled to EUR 9.1m after EUR 2.5m in 9M 2011. MBB's EBITDA strongly improved from EUR 6.0m to EUR 17.3m; its EBIT rose from EUR 3.0m to EUR 13.6m. The EPS amounted to EUR 1.41 after EUR 0.37 last year.
- The dynamic development becomes even more visible when considering 3Q solely: MBB's net profit improved from EUR 0.16m to EUR 3.4m, while EBIT climbed from EUR 0.4m to EUR 5.2m. The EPS reached EUR 0.52 (3Q 2011: EUR 0.02). These convincing figures reflect 1) the overall positive development of all group companies and 2) the consolidation of MBB Fertigungstechnik.
- MBB's cash and cash equivalents stood at EUR 51.5m. Net cash amounted to EUR 28.3m as at the end of September 2012. By the end of the first half of FY 2012, net cash amounted to EUR 18.2m. The EUR 10m improvement in 3Q reflects MBB's higher earnings and prepayments for MBB Fertigungstechnik.
- MBB's balance sheet remains solid: Besides a high net cash position, goodwill amounts to just EUR 1.8m, corresponding to 3.8% of equity by 30 June 2012. Due to its 3Q earnings, this excellent ratio must have improved further.
- In 3Q 2012, MBB delivered an EBIT of EUR 5.2m, translating into a margin of 8.5%. For the full year we estimate an EBIT margin of 8.9%, which includes a EUR 1.7m positive one-off effect from the consolidation of MBB Fertigungstechnik. The adjusted margin therefore should lie at 8.1%. For the following years, we conservatively assume an EBIT margin of 8.0%.
- Based on better than expected 3Q results, we increase our estimates for MBB's margins. The valuation models lead to a new price target of EUR 21.50 (old: EUR 17.20). MBB's valuation multiple remain highly attractive. We therefore confirm our BUY recommendation.



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	208.0	203.0	240.5	253.5	244.5	259.5
EBIT	18.5	15.4	19.2	17.8	19.5	18.4
EPS	1.84	1.45	1.89	1.71	1.92	1.76

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):	14.30
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	94.4
Enterprise value (EUR m):	85.3
Ø daily trading volume (3 m., no. of shares):	7,042

Performance data:

High 52 weeks (EUR):	14.47
Low 52 weeks (EUR):	5.65
Absolute performance (12 months):	130.6%
Relative performance vs. CDAX:	
1 month	29.3%
3 months	47.7%
6 months	69.9%
12 months	85.9%

Shareholders:

Management	75.7%
Free float	24.3%

Financial calendar:

German Equity Forum	14 November 2012
3Q 2012 report	30 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	208.0	240.5	244.5
EBIT	5.0	-7.0	5.7	18.5	19.2	19.5
Net result	3.5	-6.8	3.3	11.9	12.2	12.4
EPS	0.54	-1.04	0.51	1.84	1.89	1.92
DPS	0.50	0.33	0.44	0.55	0.55	0.55
Gross margin	38.1%	34.2%	38.4%	43.9%	43.7%	43.6%
EBIT margin	6.2%	n.m.	5.2%	8.9%	8.0%	8.0%
ROE	6.4%	n.m.	7.2%	21.6%	19.2%	17.1%
EV/EBITDA	10.7	n.m.	9.2	3.5	3.3	3.3
EV/EBIT	17.1	n.m.	15.0	4.6	4.4	4.4
P/E	26.6	n.m.	28.3	7.8	7.6	7.5

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%	19.65
DCF valuation	50.0%	23.62
Fair value per share (EUR)		21.63

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	5.8	5.6	5.5	6.5	6.1	6.1	10.1	9.5	9.5
GILDEMEISTER AG	4.6	4.4	4.3	5.9	5.5	5.5	10.6	10.1	9.7
GESCO AG	4.9	4.7	4.5	6.6	6.2	5.9	10.1	9.4	9.0
INDUS HOLDING AG	5.5	5.3	5.0	7.8	7.5	7.1	8.4	7.6	7.1
M.A.X. AUTOMATION AG	6.8	n.a.	n.a.	7.8	6.3	6.0	9.1	7.7	6.9
KRONES AG	7.7	6.3	5.7	13.1	9.3	8.3	17.2	12.9	11.3
KUKA AG	6.3	6.0	5.7	8.2	7.6	7.4	14.7	13.1	12.4
LEONI AG	3.4	3.5	3.2	5.0	5.3	4.9	5.8	6.1	5.5
Average	5.6	5.1	4.8	7.6	6.8	6.4	10.7	9.6	8.9
Median	5.6	5.3	5.0	7.2	6.3	6.1	10.1	9.4	9.2

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 15.6m) from its net cash position (EUR 24.6m) to derive the enterprise value.

EURm, except EPS (EUR)	EBITDA			EBIT			EPS		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
MBB Industries AG: Financial estimates CBS Research	22.6	25.7	26.1	16.8	19.2	19.5	1.59	1.89	1.92
Applied multiples: Peer group median	5.6	5.3	5.0	7.2	6.3	6.1	10.1	9.4	9.2
Enterprise value (derived)	127.2	135.7	131.0	120.6	120.7	118.0	-	-	-
+ net cash - pension provisions	9.1								
Market capitalization (derived)	136.3	144.8	140.1	129.7	129.8	127.1	105.7	117.6	116.8
Median	129.7								
Premium (discount) vs. Peer Group	0%								
Fair market capitalization (after discount)	129.7								
Number of shares (m)	6.6								
Fair value per share (EUR)	19.65								

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	208.0	240.5	244.5	251.8	259.4	267.2	275.2	283.4	291.9	300.7	
YoY growth	89.7%	15.6%	1.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
EBIT	16.8	19.2	19.5	16.4	16.9	17.4	17.9	18.4	19.0	19.5	
EBIT margin	8.1%	8.0%	8.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	
Income tax on EBIT (cash tax rate)	-5.0	-5.8	-5.9	-3.3	-3.4	-3.5	-3.6	-3.7	-3.8	-3.9	
Depreciation and amortisation	5.8	6.5	6.6	7.1	7.3	7.5	7.7	7.9	8.2	8.4	
Change in net working capital	-13.3	-4.4	-0.5	-3.7	-3.8	-3.9	-4.0	-4.1	-4.3	-4.4	
Net capital expenditure	-5.0	-6.5	-7.0	-7.3	-7.5	-7.7	-8.0	-8.2	-8.5	-8.4	
Free cash flow	-0.7	9.1	12.7	9.2	9.5	9.7	10.0	10.3	10.6	11.3	
Present values	-0.7	8.2	10.7	7.1	6.7	6.4	6.0	5.7	5.4	5.3	86.0
Present value Phase 1	18.2										
Present value Phase 2	42.6										
Present value Phase 3	86.0										
Total present value	146.8										
+ net cash - pension provisions	9.1										
Fair value of equity	155.9										
Number of shares (m)	6.6										
Fair value per share (EUR)	23.62										

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	8.27%
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%	25.17	26.47	28.02	29.89	32.21
	7.8%	23.32	24.38	25.63	27.12	28.91
	8.3%	21.72	22.60	23.62	24.82	26.24
	8.8%	20.32	21.06	21.90	22.89	24.04
	9.3%	19.10	19.72	20.43	21.24	22.18

Source: CBS Research AG

Our DCF model remains conservative, as we assumed a mid-term EBIT margin of just 6.5%. We adjusted FY 2012E EBIT by the EUR 1.7m positive one-off effect.

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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
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

14 August 2012	BUY	EUR 11.65	EUR 17.20
06 November 2012	BUY	EUR 14.30	EUR 21.50

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