

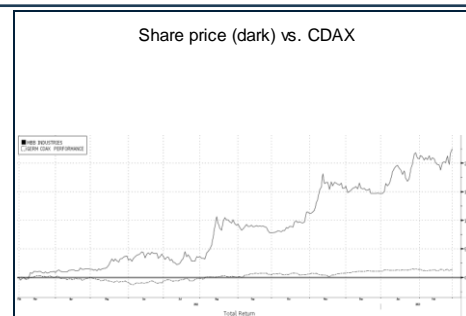
Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 27.00** (21.50)

28 February 2013

Prelim. 2012 results above expectations

MBB's valuation remains attractive

- MBB announced preliminary figures for the FY 2012 that were ahead of expectations (see table on the right hand side): Net profit rose by 300% to EUR 13.4m after EUR 3.3m in FY 2011. MBB's EBITDA strongly improved from EUR 9.2m to EUR 24.3m; MBB's EBIT rose from EUR 5.7m to EUR 19.4m. The EPS amounted to EUR 2.08 after EUR 0.51 last year.
- 4Q 2012 on a standalone basis was pretty good in terms of profitability. MBB generated 4Q sales of EUR 53.8m and an EBIT of EUR 5.8m. This translates into an EBIT margin of 10.8% compared to 9.5% for the full year.
- Besides MBB's P&L figures also its balance sheet remains impressive: By 31 December 2012, cash and cash equivalents stood at EUR 45.2m (FY 2011: EUR 30.3m). The net cash amounted to EUR 31.5m after EUR 13.7m in the previous year. Therefore internal and external growth can be financed easily.
- Outlook: According to MBB, the encouraging business development in 2012 has continued in early 2013, and the company expects its positive course of business to continue. We conservatively estimate organic growth in the small single-digit area for the group. Due to a 12 month consolidation of MBB Fertigungstechnik (FY 2012: 9 months), roughly EUR 30m should come on top.
- New estimates: We assume higher margins for MBB and therefore increase our earnings estimates. We believe that MBB could reach the FY 2012 EPS level (EUR 2.08) also in the current business year. This means that MBB operationally improves its margin further, as FY 2012 earnings also included a EUR 1.7m positive one-off effect when the CLAAS Fertigungstechnik was acquired in the first quarter.
- Based on new estimates we increase our price target from EUR 21.50 to EUR 27.00. Despite its recent share price rally valuation is not demanding. We therefore confirm our BUY recommendation.



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2012P		2013E		2014E	
	new	old	new	old	new	old
Sales	204.9	208.0	-	240.5	-	244.5
EBIT	19.4	18.5	20.2	19.2	20.6	19.5
EPS	2.08	1.84	2.05	1.89	2.09	1.92

Internet: mbbindustries.com Sector: All Industrial
WKN: AOETBQ ISIN: DE000AOETBQ4
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):	19.70
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	130.0
Enterprise value (EUR m):	114.0
Ø daily trading volume (3 m., no. of shares):	6,752

Performance data:

High 52 weeks (EUR):	21.20
Low 52 weeks (EUR):	6.16
Absolute performance (12 months):	208.4%
Relative performance vs. CDAX:	
1 month	6.5%
3 months	21.7%
6 months	48.1%
12 months	170.8%

Shareholders:

Management	75.7%
Free float	24.3%

Financial calendar:

FY 2012 report	30 April 2013
1Q 2013 report	31 May 2013

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Key data

FY 12/31, EUR m	2009	2010	2011	2012P	2013E	2014E	2015E
Sales	80.6	99.9	109.6	204.9	240.5	244.5	251.5
EBIT	5.0	-7.0	5.7	19.4	20.2	20.6	21.4
Net result	3.5	-6.8	3.3	13.4	13.3	13.5	14.2
EPS	0.54	-1.04	0.51	2.08	2.05	2.09	2.19
DPS	0.50	0.33	0.44	0.55	0.55	0.55	0.60
Gross margin	38.1%	34.2%	38.4%	44.0%	44.2%	44.2%	44.3%
EBITDA margin	9.9%	n.m.	8.4%	11.9%	10.8%	10.8%	10.9%
EBIT margin	6.2%	n.m.	5.2%	9.5%	8.4%	8.4%	8.5%
EV/EBITDA	14.3	n.m.	12.3	4.7	4.4	4.3	4.2
EV/EBIT	22.9	n.m.	20.1	5.9	5.7	5.5	5.3
P/E	36.7	n.m.	39.0	9.5	9.6	9.4	9.0

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%	25.47
DCF valuation	50.0%	28.92
Fair value per share (EUR)		27.20

Source: CBS Research AG

Peer group analysis

Peer Group: Multiples

Company name	EV / EBITDA		EV / EBIT		P / E	
	2013E	2014E	2013E	2014E	2013E	2014E
DUERR AG	6.8	6.7	7.7	7.6	11.8	11.9
GILDEMEISTER AG	5.8	5.5	7.3	6.9	13.2	12.2
GESCO AG	5.9	5.7	8.4	7.7	12.1	11.3
INDUS HOLDING AG	5.7	5.3	8.1	7.5	9.1	8.3
M.A.X. AUTOMATION AG	6.1	5.6	7.8	7.1	9.7	8.7
KRONES AG	6.9	6.2	10.4	9.1	14.4	12.4
KUKA AG	9.1	8.4	11.5	10.6	20.4	18.4
LEONI AG	4.5	4.1	7.1	6.4	8.3	7.2
Average	6.3	5.9	8.5	7.9	12.4	11.3
Median	6.0	5.6	8.0	7.6	11.9	11.6

Source: CBS Research AG, Bloomberg

EURm, except EPS (EUR)						
	2013E	2014E	2013E	2014E	2013E	2014E
MBB Industries AG: Financial estimates CBS Research	25.9	26.5	20.2	20.6	2.05	2.09
Applied multiples: Peer group median	6.0	5.6	8.0	7.6	11.9	11.6
Enterprise value (derived)	155.0	149.3	160.5	155.6	-	-
+ net cash - pension provisions	16.0					
Market capitalization (derived)	171.0	165.3	176.5	171.6	161.4	160.6
Median	168.1					
Premium (discount) vs. Peer Group	0%					
Fair market capitalization (after discount)	168.1					
Number of shares (m)	6.6					
Fair value per share (EUR)	25.47					

Source: CBS Research AG, Bloomberg

DCF model

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	∞
Sales	240.5	244.5	251.5	259.0	266.8	274.8	283.1	291.6	300.3	309.3	
YoY growth	17.4%	1.7%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
EBIT	20.2	20.6	21.4	19.4	20.0	20.6	21.2	21.9	22.5	23.2	
EBIT margin	8.4%	8.4%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
Income tax on EBIT (cash tax rate)	-6.0	-6.2	-6.4	-3.9	-4.0	-4.1	-4.2	-4.4	-4.5	-4.6	
Depreciation and amortisation	5.8	5.9	6.0	7.3	7.5	7.7	7.9	8.2	8.4	8.7	
Change in net working capital	-4.8	-0.5	-0.9	-3.8	-3.9	-4.0	-4.1	-4.2	-4.4	-4.5	
Net capital expenditure	-6.5	-7.0	-7.0	-7.5	-7.7	-8.0	-8.2	-8.5	-8.7	-8.7	
Free cash flow	8.6	12.7	13.1	11.5	11.9	12.2	12.6	13.0	13.3	14.1	
Present values	8.0	10.9	10.3	8.3	7.9	7.4	7.0	6.7	6.3	6.1	96.0
Present value Phase 1	29.2										
Present value Phase 2	49.7										
Present value Phase 3	96.0										
Total present value	174.9										
+ net cash - pension provisions	16.0										
Fair value of equity	190.9										
Number of shares (m)	6.6										
Fair value per share (EUR)	28.92										

Risk free rate	3.50%	Target equity ratio	50.0%
Equity risk premium	6.00%	Beta (fundamental)	1.4
Debt risk premium	2.75%	WACC	8.48%
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	7.5%	30.87	32.29	33.96	35.97	38.42
	8.0%	28.72	29.88	31.23	32.83	34.75
	8.5%	26.86	27.82	28.92	30.22	31.75
	9.0%	25.23	26.03	26.95	28.01	29.24
	9.5%	23.79	24.47	25.23	26.11	27.12

Source: CBS Research 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
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
28 February 2013	BUY	EUR 19.70	EUR 27.00

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