

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 30.00** (30.00)

15 May 2014

1Q sales and EBIT at previous year's level

FY 2014E guidance confirmed

- MBB Industries reported preliminary 1Q14 results. Sales and EBIT as well as EPS were at previous year's record level. Sales amounted to EUR 55.6m (EUR 55.5m in 1Q13), net income to EUR 3.2m (EUR 3.3m in 1Q13) and EPS to EUR 0.50 (EUR 0.51 in 1Q13). The detailed 1Q14 report will be published on 30 May.
- The guidance for FY 2014E was confirmed by the company. Revenues should increase to EUR 250m and earnings should remain at prior year's level. The revenue growth should be driven by positive effects from the ramp-up of the recent investment in a paper machine at Hanke, the increasing contribution from the new Chinese location of MBB Technologies (established in FY 2013) as well as the initial consolidation of DHK automotive, HTZ Holztrocknung (acquired by Delignit) and the tooling activities of Huntsman Advanced Materials (acquired by OBO). The ramp-up of the newly installed paper machine at Hanke will cause certain start-up losses. However, we think that the development of the other companies should more than compensate for that.
- At 27 March, MBB Industries placed all its treasury shares to an institutional investor. The profit of nearly EUR 2.7m went directly into the capital reserves. As a result, the equity ratio improved from 38% at the end of FY 2013 to 41% at 1Q14. The net cash remained unchanged at EUR 24m.
- On the AGM (21 May), MBB Industries will propose to the shareholders to change the legal structure of the company from an AG into an European company (SE). In case of an approval, the company name will be changed to MBB SE and the management structure will become monistic.
- Our estimates remained unchanged. We confirm our BUY recommendation with a price target of EUR 30.00 based on the weighted average of a DCF calculation and a peer group valuation.

Share price (dark) vs. CDAX

Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales		228.2	252.5		260.0	
EBIT		17.5	21.1		22.1	
EPS		2.09	2.14		2.27	

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):	25.60
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	169.0
Enterprise value (EUR m):	153.0
Ø daily trading volume (3 m., no. of shares):	3,340

Performance data:

High 52 weeks (EUR):	26.77
Low 52 weeks (EUR):	17.92
Absolute performance (12 months):	15.9%
Relative performance vs. CDAX:	
1 month	-8.1%
3 months	4.8%
6 months	6.7%
12 months	-1.1%

Shareholders:

MBB Capital Group	74%
MBB Industries AG	2%
Tolea GmbH	2%
Free float	70%

Financial calendar:

1Q 2014 report	30 May 2014
1H 2014 report	29 August 2014

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Key data

FY 12/31, EUR m	2010	2011	2012	2013	2014E	2015E
Sales	99.9	109.6	204.9	228.2	252.5	260.0
EBIT	-7.0	5.7	19.7	17.5	21.1	22.1
Net result	-6.8	3.3	13.6	13.5	13.8	14.7
EPS	-1.04	0.51	2.11	2.09	2.14	2.27
DPS	0.33	0.44	0.50	0.50	0.53	0.56
Gross margin	34.2%	38.4%	37.8%	38.5%	43.8%	44.0%
EBITDA margin	n.m.	8.4%	12.0%	10.0%	10.6%	10.8%
EBIT margin	n.m.	5.2%	9.6%	7.7%	8.3%	8.5%
EV/EBITDA	n.m.	16.6	6.2	6.7	5.7	5.4
EV/EBIT	n.m.	27.0	7.8	8.7	7.3	6.9
P/E	n.m.	50.6	12.1	12.2	12.0	11.3

Source: MBB Industries AG, CBS Research AG

MBB Industries AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	2013	2014E	2015E
Sales			99.9	109.6	204.9	228.2	252.5	260.0
YoY growth			23.9%	9.7%	86.9%	11.4%	10.6%	3.0%
Total revenues			104.6	113.5	211.9	233.3	256.5	264.1
Cost of materials			-70.4	-71.4	-134.6	-145.4	-145.9	-149.8
in % of sales			-70.4%	-65.1%	-65.7%	-63.7%	-57.8%	-57.6%
Gross income			34.2	42.1	77.4	87.9	110.6	114.3
in % of sales			34.2%	38.4%	37.8%	38.5%	43.8%	44.0%
Personnel expenses			-20.3	-23.5	-41.2	-50.2	-53.0	-54.6
in % sales			-20.3%	-21.5%	-20.1%	-22.0%	-21.0%	-21.0%
Other operating expenses			-17.1	-9.4	-11.6	-15.0	-30.7	-31.7
EBITDA			-3.2	9.2	24.6	22.7	26.9	28.1
in % of sales			-3.2%	8.4%	12.0%	10.0%	10.6%	10.8%
Depreciation and amortisation			-3.9	-3.6	-4.9	-5.2	-5.8	-6.0
in % of total revenues			-3.7%	-3.1%	-2.3%	-2.2%	-2.3%	-2.3%
EBIT			-7.0	5.7	19.7	17.5	21.1	22.1
in % of sales			-7.0%	5.2%	9.6%	7.7%	8.3%	8.5%
Financial result			-0.9	-1.1	-1.5	-0.4	-0.9	-0.8
EBT			-8.0	4.6	18.1	17.2	20.2	21.3
in % of sales			-8.0%	4.2%	8.9%	7.5%	8.0%	8.2%
Taxes			0.6	-1.1	-4.1	-3.3	-5.6	-5.9
as % of EBT			-7.9%	-24.7%	-22.7%	-19.2%	-28.0%	-27.9%
Net income including minorities			-7.3	3.5	14.0	13.9	14.5	15.4
Minority interests			-0.1	-0.2	-0.4	-0.4	-0.7	-0.7
Results from discontinued operations			0.6	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders *			-6.8	3.3	13.6	13.5	13.8	14.7
in % of sales			-6.8%	3.0%	6.6%	5.9%	5.5%	5.6%
Shares outstanding (in millions)			6.6	6.6	6.5	6.5	6.5	6.5
Earnings per share (EUR)			-1.04	0.51	2.11	2.09	2.14	2.27

Source: CBS Research AG, MBB Industries AG

* continued operations

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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%.

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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
31 July 2013	BUY	EUR 20.90	EUR 27.00
31 October 2013	BUY	EUR 21.45	EUR 27.00

22 November 2013	BUY	EUR 22.55	EUR 27.00
5 March 2014	BUY	EUR 22.55	EUR 27.00
2 May 2014	BUY	EUR 26.00	EUR 30.00
15 May 2014	BUY	EUR 25.60	EUR 30.00

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