

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 27.00** (32.00)

29 October 2014

Preliminary 3Q results and...

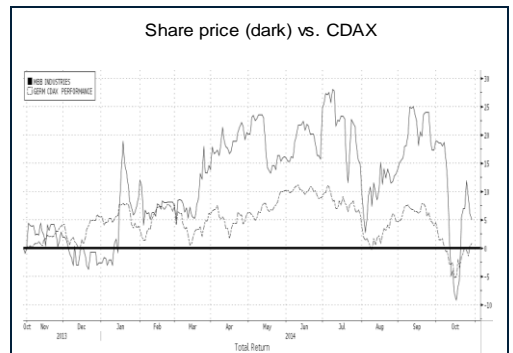
... reduced FY 2014 guidance

- MBB Industries reported preliminary 3Q14 results. The revenues grew by 5.5% to EUR 61.7m. The EBITDA amounted to EUR 6.0m (PY: EUR 5.8m) and the net income remained at prior year's level with EUR 3.2m. On 28 November the focus will shift to the detailed financial results.
- With the publication of the 3Q results, MBB Industries lowered its FY 2014 outlook. The revenue expectations were reduced from EUR 250m to EUR 240m reflecting 5% sales growth yoy. The EPS for Q4 are projected with at least EUR 0.50 (>EUR 1.99 for FY 2014).
- The reduced guidance is due to project delays at the most important subsidiary MBB Fertigungstechnik (MFT). The delays are related to slower proceedings of projects with the automotive industry. In 1H14, MFT posted 20% lower revenues against a strong prior first half year. Meanwhile it does not seem possible anymore to reach the planned revenues by year end. We reduced our estimates for MFT and we expect now a revenue decline of 10% to EUR 93m for MFT in FY 2014E (previously unchanged revenues). We lowered also the revenue expectations for the following years. For FY 2015E, we project stagnating revenues at MFT as we think that the automotive related business will remain difficult. Additionally, DTS IT will not be able to compensate for the planned reduction of low-margin business at the subsidiary 'eld Datentechnik'. However, this was already factored in by us before.
- All other subsidiaries are performing as expected in our view. Hanke Tissue is ramping up the production of its new paper machine and should have doubled its production capacity and revenues by FY 2015E and Delignit AG should benefit from the extension of its product portfolio.
- We reduced our EPS estimates from EUR 2.24 to EUR 2.04 for FY 2014E (CBSR estimate EUR 0.55 in Q4, company guidance >EUR 0.50). For FY 2015E, we became more conservative and we project now stagnating EPS. We lowered our price target from EUR 32 to EUR 27 based on a peer group comparison and a DCF calculation. We reiterate our BUY recommendation.

Key data

FY 12/31, EUR m	2011	2012	2013	2014E	2015E	2016E
Sales	109.6	204.9	228.2	239.9	256.0	262.0
EBIT	5.2	19.7	17.5	19.1	18.8	19.6
Net result	2.9	13.6	13.5	13.4	13.4	14.3
EPS	0.43	2.11	2.09	2.04	2.03	2.17
DPS	0.44	0.50	0.55	0.51	0.51	0.54
Gross margin	38.0%	37.8%	38.5%	39.8%	39.2%	39.2%
EBITDA margin	8.0%	12.0%	10.0%	10.5%	9.8%	10.0%
EBIT margin	4.7%	9.6%	7.7%	8.0%	7.3%	7.5%
EV/EBITDA	4.1	3.6	6.0	5.7	5.5	4.9
EV/EBIT	7.0	4.5	7.8	7.6	7.3	6.6
P/E	13.8	7.2	10.1	11.1	11.1	10.4

Source: MBB Industries AG, CBS Research AG



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	239.9	250.4	256.0	269.0	262.0	280.0
EBIT	19.1	20.9	18.8	22.7	19.6	24.0
EPS	2.04	2.24	2.03	2.47	2.17	2.67

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):	22.52
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	148.6
Enterprise value (EUR m):	145.0
Ø daily trading volume (3 m., no. of shares):	2,665

Performance data:

High 52 weeks (EUR):	27.46
Low 52 weeks (EUR):	18.55
Absolute performance (12 months):	2.9%
Relative performance vs. CDAX:	
1 month	-7.7%
3 months	-3.7%
6 months	-10.1%
12 months	2.0%

Shareholders:

Christof Nesemeier	35.5%
Gert-Maria Freimuth	35.5%
Free float	29.1%

Financial calendar:

9M 2014 results 28 November 2014

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MBB Industries AG

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Revenues			109.6	204.9	228.2	239.9	256.0	262.0
YoY growth			9.7%	86.9%	11.4%	5.1%	6.7%	2.3%
Elimination of neg. difference from capital consolidation			0.0	1.7	0.6	1.3	0.0	0.0
Other operating income			3.3	4.6	4.4	2.8	2.9	3.0
Change in finished goods and work in progress			0.1	0.8	0.2	0.2	0.2	0.2
Total revenues			113.1	211.9	233.3	244.2	259.1	265.2
Cost of materials			-71.4	-134.6	-145.4	-148.7	-158.7	-162.4
in % of sales			-65.1%	-65.7%	-63.7%	-62.0%	-62.0%	-62.0%
Gross income			41.7	77.4	87.9	95.5	100.4	102.8
in % of sales			38.0%	37.8%	38.5%	39.8%	39.2%	39.2%
Personnel expenses			-23.5	-41.2	-50.2	-50.9	-53.8	-55.0
in % sales			-21.5%	-20.1%	-22.0%	-21.2%	-21.0%	-21.0%
Other operating expenses			-9.4	-11.6	-15.0	-19.4	-21.4	-21.5
EBITDA			8.8	24.6	22.7	25.2	25.2	26.3
in % of sales			8.0%	12.0%	10.0%	10.5%	9.8%	10.0%
Depreciation and amortisation			-3.6	-4.9	-5.2	-6.1	-6.4	-6.6
in % of total revenues			-3.2%	-2.3%	-2.2%	-2.5%	-2.5%	-2.5%
EBIT			5.2	19.7	17.5	19.1	18.8	19.6
in % of sales			4.7%	9.6%	7.7%	8.0%	7.3%	7.5%
Financial result			-1.1	-1.5	-0.4	-0.7	0.0	0.5
EBT			4.1	18.1	17.2	18.4	18.8	20.1
in % of sales			3.8%	8.9%	7.5%	7.7%	7.3%	7.7%
Taxes			-1.1	-4.1	-3.3	-4.3	-4.7	-5.0
as % of EBT			-27.5%	-22.7%	-19.2%	-23.2%	-25.0%	-25.0%
Net income including minorities			3.0	14.0	13.9	14.1	14.1	15.1
Minority interests			-0.2	-0.4	-0.4	-0.7	-0.7	-0.8
Net income attributable to shareholders			2.9	13.6	13.5	13.4	13.4	14.3
in % of sales			2.6%	6.6%	5.9%	5.6%	5.2%	5.5%
Shares outstanding (in millions)			6.6	6.5	6.5	6.6	6.6	6.6
Earnings per share (EUR)			0.43	2.11	2.09	2.04	2.03	2.17

Source: CBS Research AG, MBB Industries AG

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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%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
29 October 2014	BUY	EUR 22.52	EUR 27.00
01 September 2014	BUY	EUR 24.19	EUR 32.00

06 August 2014	BUY	EUR 22.24	EUR 30.00
15 May 2014	BUY	EUR 25.60	EUR 30.00
2 May 2014	BUY	EUR 26.00	EUR 30.00
5 March 2014	BUY	EUR 22.55	EUR 27.00
22 November 2013	BUY	EUR 22.55	EUR 27.00
31 October 2013	BUY	EUR 21.45	EUR 27.00

Risk-scaling System:

CBSR 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

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