

MBB SE

BUY (BUY) | Target EUR 27.00 (EUR 27.00)

Price (last closing price) : EUR 22.15 | Upside : +22%

Est. change	2015e	2016e
EPS	-6%	-3%

FY14 preliminaries in line: support from DPS increase and buybacks

Wednesday, 11 March 2015



Preliminary FY14 results in line with expectations

MBB reported preliminary results for FY 2014: revenues up 4% yoy to EUR 236.7m, EBITDA down 3% to EUR 22.0m and EPS at EUR 2.01 (PY: EUR 2.09). We had estimated revenues of EUR 240m, EBITDA of EUR 25m and EPS of EUR 2.04. The decline in EBITDA was attributable to MBB Fertigungstechnik, the most important division, where demand weakened somewhat in 2H14. Other important group companies posted strong operating performances, however. Delignit reported a record year with revenues up 21% yoy to EUR 43m, although partly due to acquisitions; but even adjusted for acquisitions we believe Delignit's sales growth was probably ~10%. Delignit's EBITDA was EUR 3.5m (flat yoy due to an extraordinary gain (badwill) in FY13). Hanke's newly installed paper machine was running at full capacity at year-end.

MBB raises DPS, share buyback program to be launched this month

Net liquidity improved from EUR 23.8m in FY13 to EUR 24.3m in FY14. The equity ratio stood at 40%. At the AGM, management will propose a dividend of EUR 0.57 (PY: EUR 0.55). Additionally, MBB will launch a share buyback program on 18 March 2015 of up to EUR 3.0m (nearly 2% of shares outstanding) for a maximum share price of EUR 25.00.

FY15 outlook: sales of up to EUR 250m, EPS of EUR 1.75

MBB also published an outlook for FY 2015. The company expects revenues of EUR 240-250m and EPS of EUR 1.75. This is slightly below our expectations. Except for MBB Fertigungstechnik all group companies should continue to grow in FY15e. MBB Fertigungstechnik's demand decline in 2H14 is likely to affect FY15e. Having said that, its market environment seems to be improving and demand may pick up again. We expect a strong operating performance from Hanke; its newly installed paper machine is fully booked, management says. That investment doubled Hanke's production capacity and thus will have a significantly positive impact on earnings as the start-up losses are history and Hanke's EBIT margin is above the group average. Management also noted that the integration of the Huntsman acquisition into OBO is progressing well.

BUY recommendation, PT unchanged

We have slightly adjusted our EPS estimates. We reiterate our BUY recommendation with an unchanged PT of EUR 27.00. The valuation appears rather low with a P/E of 12.5x for FY 15e. At our target price the shares would trade at a P/E15e of 15.3x. We look for the share buyback program (launch on 18 March) to support the share price. Additionally, we expect mid-term acquisitions which may provide further EPS growth potential.

Capital

MBB GY MBBG.DE	
Market Cap (EURm)	146
Enterprise value (EURm)	141
Extrema 12 months	18.6 27.5
Free Float (%)	59.5

Performance (%)

	1m	3m	12m
Absolute	-4.0	4.2	-0.2
Perf. rel. "sector"	-5.8	-12.1	-16.7
Perf. rel. CDAX	-6.7	-11.5	-22.4

P & L

	12/14e *	12/15e	12/16e
Sales (EURm)	236.7	250	266
EBITDA (EURm)	22	22	25
EBIT (EURm)	16	16	18
Attr. net profit (EURm)	13	12	13
EPS (EUR)	2.01	1.76	2.03
Dividend (EUR)	0.57	0.60	0.62

P/E (x)	11.0	12.5	10.9
P/B (x)	1.9	1.7	1.5
Dividend Yield (%)	2.6	2.7	2.8
FCF yield (%)	-0.2	5.2	5.5
EV/Sales (x)	0.60	0.56	0.53
EV/EBITDA (x)	6.4	6.4	5.7
EV/ EBIT (x)	9.0	9.0	7.9

Gearing (%)	0	0	0
Net Debt/EBITDA(x)	0.1	-0.2	-0.5

Next Events

FY Results	30 April 2015
1Q results	29 May 2015

* based on preliminary figures

Carsten Kunold (Analyst)

+49 (0)69 920 54 8 (28)

Carsten.Kunold@oddoseydler.com

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Revenues			109.6	204.9	228.2	236.7	250.0	266.0
YoY growth			9.7%	86.9%	11.4%	3.7%	5.6%	6.4%
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	4.1	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	242.3	253.1	269.2
Cost of materials			-71.4	-134.6	-145.4	-151.5	-160.0	-170.2
in % of sales			-65.1%	-65.7%	-63.7%	-64.0%	-64.0%	-64.0%
Gross income			41.7	77.4	87.9	90.8	93.1	99.0
in % of sales			38.0%	37.8%	38.5%	38.4%	37.2%	37.2%
Personnel expenses			-23.5	-41.2	-50.2	-51.6	-54.3	-57.7
in % sales			-21.5%	-20.1%	-22.0%	-21.8%	-21.7%	-21.7%
Other operating expenses			-9.4	-11.6	-15.0	-17.2	-16.7	-16.6
EBITDA			8.8	24.6	22.7	22.0	22.2	24.6
in % of sales			8.0%	12.0%	10.0%	9.3%	8.9%	9.3%
Depreciation and amortisation			-3.6	-4.9	-5.2	-6.2	-6.4	-6.7
in % of total revenues			-3.2%	-2.3%	-2.2%	-2.6%	-2.5%	-2.5%
EBIT			5.2	19.7	17.5	15.8	15.7	18.0
in % of sales			4.7%	9.6%	7.7%	6.7%	6.3%	6.7%
Financial result			-1.1	-1.5	-0.4	-0.3	-0.1	0.0
EBT			4.1	18.1	17.2	15.5	15.6	18.0
in % of sales			3.8%	8.9%	7.5%	6.5%	6.3%	6.7%
Taxes			-1.1	-4.1	-3.3	-1.8	-3.6	-4.1
as % of EBT			-27.5%	-22.7%	-19.2%	-11.9%	-23.0%	-23.0%
Net income including minorities			3.0	14.0	13.9	13.6	12.0	13.8
Minority interests			-0.2	-0.4	-0.4	-0.4	-0.4	-0.4
Net income attributable to shareholders			2.9	13.6	13.5	13.2	11.6	13.4
in % of sales			2.6%	6.6%	5.9%	5.6%	4.7%	5.0%
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	2.01	1.76	2.03

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Assets								
Noncurrent assets			37.7	46.6	59.4	65.0	64.4	63.6
as % of total assets			43.7%	31.3%	33.5%	35.0%	32.7%	30.2%
Intangible assets			4.3	4.9	6.1	7.3	7.3	7.3
Fixed assets			26.2	35.6	44.8	49.1	48.7	48.0
Other noncurrent assets			7.3	6.0	8.5	8.6	8.4	8.3
Current assets			48.6	102.1	117.9	120.9	132.9	147.2
as % of total assets			56.3%	68.7%	66.5%	65.0%	67.3%	69.8%
Inventories			13.3	18.4	18.0	18.9	20.0	21.3
Trade receivables and other current assets			10.4	43.4	51.5	53.3	56.3	59.9
Available-for-sale financial assets			9.2	10.4	11.7	13.0	13.0	13.0
Cash and cash equivalents			15.6	29.9	36.7	35.7	43.6	53.1
Total Assets			86.3	148.7	177.2	186.0	197.3	210.8
Shareholders' equity and liabilities								
Shareholders' equity			46.2	57.5	67.8	80.8	88.7	98.1
as % of total equity and liabilities			53.5%	38.6%	38.3%	43.4%	44.9%	46.5%
Issued capital and capital reserves			21.9	20.9	20.9	24.3	24.3	24.3
Retained earnings			22.3	34.2	44.0	53.6	61.5	70.9
Non-controlling interests			2.0	2.3	2.9	2.9	2.9	2.9
Noncurrent liabilities			22.0	37.7	48.2	49.8	50.9	52.2
as % of total equity and liabilities			25.5%	25.4%	27.2%	26.8%	25.8%	24.7%
Liabilities to banks			13.1	11.2	24.4	25.0	25.0	25.0
Pension provisions			4.8	18.2	18.3	18.8	19.4	20.0
Other noncurrent liabilities			4.1	8.3	5.5	6.0	6.5	7.2
Current liabilities			18.1	53.5	61.3	55.4	57.7	60.6
as % of total equity and liabilities			21.0%	36.0%	34.6%	29.8%	29.3%	28.7%
Bank liabilities			3.6	2.1	5.4	7.6	7.6	7.6
Advance payments received			0.0	12.3	2.5	3.6	3.8	4.0
Trade payables			8.0	11.0	16.8	16.6	17.5	18.6
Other current liabilities			6.5	28.1	36.5	27.7	28.9	30.4
Total equity and liabilities			86.3	148.7	177.2	186.0	197.3	210.8

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
EBIT			5.7	19.7	17.5	15.8	15.7	18.0
Depreciation and amortisation			3.6	4.9	5.2	6.2	6.4	6.7
Change in provisions			-0.9	3.2	2.4	-4.6	1.6	1.9
Negative difference from capital consolidation			0.0	-1.7	-0.6	-1.3	0.0	0.0
Income taxes paid			-0.9	-1.3	-1.3	-5.2	-3.1	-3.6
Interest received			0.6	0.5	0.6	0.8	0.8	0.8
Other changes from operating activities			-0.5	-0.1	-0.5	0.0	0.0	0.0
Change in inventories, trade receivables and other assets			-1.4	-1.9	-6.5	-2.7	-4.1	-4.9
Change in trade payables and other liabilities			1.0	-3.4	-4.5	1.1	1.5	1.8
Cash flow from operating activities			7.1	19.9	12.3	10.1	19.0	20.7
Additions to intangible assets and PPE			-2.4	-13.3	-12.8	-10.5	-6.0	-6.0
Disposal/ acquisition of consolidated companies			-2.1	-13.3	0.0	0.0	0.0	0.0
Other changes from investing activities			0.6	0.6	-3.4	-1.7	0.0	0.0
Cash flow from investing activities			-4.0	-26.0	-16.2	-12.2	-6.0	-6.0
Dividend payment			-2.2	-2.8	-3.2	-3.6	-3.8	-4.0
Share buy back programme			0.0	-1.0	0.0	3.4	0.0	0.0
Change in financial debt			-1.6	-3.3	14.8	2.4	-0.4	-0.4
Interest paid			-1.3	-1.6	-0.9	-1.1	-0.9	-0.8
Cash flow from financing activities			-5.1	-8.7	10.7	1.1	-5.1	-5.2
Total change in cash and cash equivalents			-2.0	-14.9	6.8	-1.0	7.9	9.5
Change in the scope of consolidation			0.0	29.0	0.0	0.0	0.0	0.0
Effect of exchange rates			0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period			17.6	15.6	29.9	36.7	35.7	43.6
Cash and cash equivalents at the end of the period			15.6	29.8	36.7	35.7	43.6	53.1

Source: Company Data, Oddo Seydler Bank AG

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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
11 March 2015	BUY	EUR 22.15	EUR 27.00
05 December 2014	BUY	EUR 21.60	EUR 27.00
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

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Graurheindorferstraße 108

53117 Bonn

and

Marie-Curie-Str. 24-28

60439 Frankfurt

Oddo Seydler Bank AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.oddoseydler.com

Tel.: 0049 - (0)69 - 920 54 800