



quirin bank

## MBB SE

31 May 2016

### MBB SE

**Rating** Buy  
**Share price (EUR)** 31.55  
**Target price (EUR)** 38.00

Bloomberg MBB GY  
 Sector Industrial Holding

#### Share data

Shares out (m) 6.6  
 Daily volume shs (m) 0.1  
 Free float (%) 29.00  
 Market cap (EUR m) 208  
 EV (EUR m) 250  
 Dividend/Share (EUR) 0.59  
 Dividend yield (%) 2.5  
 Payout ratio (%) 25.0

#### Performance

ytd (%) 10.1  
 12 months (%) 13.8  
 12 months rel. (%) 11.8  
 Index SDAX

#### Share price performance



Source: Bloomberg

#### Next triggers

02 June 2016 quirin champions conference  
 30 June 2016 AGM

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## quirin bank Equity Research

# German Mittelstand at its best

As an industrial holding company, MBB SE (“MBB”) purchases and develops medium-sized industrial companies. Its focus lies on companies that are characterized by a strong position in the relevant markets. The current portfolio comprises 7 subsidiaries that promise profitable growth, in particular its latest acquisition “Aumann”. Increasing long-term value of the independent subsidiaries and the Group as a whole is a central part of its business model which has been highly profitable. We therefore initiate coverage with BUY and a EUR 38 price target.

#### Solid balance, further acquisitions possible

As of 31 March 2016, equity increased to EUR 91.9m compared to EUR 87.6 at the end of 2015, corresponding to an equity ratio of 39.3%. Liquidity (inclusive gold and securities) of EUR 59.3m (EUR 54m at the end of 2015) and net cash of EUR 13.9m (EUR 8.1m at the end of 2015) increased, leading to a comfortable financial position that allows MBB to invest in the growth of its subsidiaries and acquire new companies through internal financing.

#### Family owned

Dr Christof Nesemeier (CEO and board member) and Gert-Maria Freimuth (chairman of the board) founded the company in 1995 and hold the majority of shares (71%). Both executives therefore have considerable personal interest in strengthening the company's profitable growth path. Furthermore, MBB is run in a sustainable and stable manner.

#### Attractive dividend policy

Since FY 2012, MBB paid a dividend of EUR ≥ 0.50 per share. The proposal for the next Annual General Meeting is EUR 0.59 which corresponds to a yield of 2%. We assume the dividend yield to remain at attractive levels.

#### Q1 2016 figures and full year outlook

MBB SE generated a new revenue record with EUR 78.2m (previous year: EUR 60.2m) in Q1 2016. This corresponds to a growth in revenues of 29.8%. EPS were EUR 0.56 after EUR 0.47 in the year before and increased by 19.1%. Based on the good performance in the first quarter, MBB confirmed its guidance for FY 2016 (sales of EUR 300m and EPS of EUR 2.00) but called it now conservative. **Based on MBB's convincing perspectives we initiate coverage with BUY and a EUR 38 target price, which we derive from a DCF-model and a multiple approach.**

| Key figures    |       | 2014 | 2015  | 2016e | 2017e | 2018e |
|----------------|-------|------|-------|-------|-------|-------|
| Sales          | EUR m | 237  | 253   | 303   | 318   | 327   |
| EBITDA         | EUR m | 22   | 25    | 28    | 30    | 31    |
| EBIT           | EUR m | 16   | 18    | 22    | 24    | 26    |
| EPS            | EUR   | 2.01 | 1.79  | 2.04  | 2.28  | 2.48  |
| Sales growth   | %     | 3.7  | 6.8   | 19.7  | 5.0   | 2.8   |
| EBIT growth    | %     | -9.1 | 13.1  | 19.6  | 10.9  | 7.7   |
| EPS growth     | %     | -4.0 | -11.0 | 14.5  | 11.6  | 8.5   |
| EBITDA margin  | %     | 9.3  | 9.8   | 9.2   | 9.5   | 9.6   |
| EBIT margin    | %     | 6.7  | 7.1   | 7.1   | 7.5   | 7.9   |
| Net margin     | %     | 5.6  | 4.7   | 4.5   | 4.7   | 5.0   |
| EV/Sales       | ratio | 0.95 | 0.98  | 0.83  | 0.79  | 0.74  |
| EV/EBITDA      | ratio | 10.2 | 10.0  | 9.0   | 8.3   | 7.7   |
| EV/EBIT        | ratio | 14.1 | 13.8  | 11.6  | 10.5  | 9.4   |
| P/E            | ratio | 11.9 | 13.0  | 15.4  | 13.8  | 12.7  |
| P/BV           | ratio | 2.0  | 1.7   | 2.1   | 1.9   | 1.7   |
| Dividend yield | %     | 2.4  | 2.5   | 1.9   | 2.2   | 2.4   |

Source: Bloomberg, Company data, quirin bank estimates

## Valuation

### Summary

In our valuation of MBB's equity we have focused on a discounted cash flow methodology based on free cash flow to the firm and a peer group valuation. We decide to weight the DCF fair value by 50% and the multiple approach by 50%, too.

Based on the methods we derive a fair value of EUR 38.74 per share.

### Multiple valuation

In our multiple approach we considered how a) holding companies and b) companies from the capital goods sector are evaluated by the capital market: We used EV/EBITDA, EV/EBIT and P/E multiples from FY 2016e to 2018e:

### MBB Peer Group valuation:

| Peer Group Overview   | EV/EBITDA  |            |            | EV/EBIT     |            |            | P/E         |             |             |
|-----------------------|------------|------------|------------|-------------|------------|------------|-------------|-------------|-------------|
|                       | 2016e      | 2017e      | 2018e      | 2016e       | 2017e      | 2018e      | 2016e       | 2017e       | 2018e       |
| AURELIUS SE & CO KGAA | 5.4        | 6.0        | 5.4        | 7.5         | 8.4        | 7.2        | 14.1        | 14.1        | 9.9         |
| DUERR AG              | 7.6        | 7.4        | 7.1        | 9.7         | 9.3        | 9.0        | 13.6        | 12.9        | 12.3        |
| GEA GROUP AG          | 10.3       | 9.2        | 8.9        | 12.5        | 10.9       | 10.3       | 19.4        | 17.3        | 16.3        |
| GESCO AG              | 6.5        | 5.9        | 5.4        | 10.6        | 9.5        | 8.4        | 14.6        | 11.9        | 10.5        |
| INDUS HOLDING AG      | 7.9        | 7.6        | 7.1        | 10.9        | 10.4       | 9.7        | 15.5        | 14.6        | 13.5        |
| M.A.X. AUTOMATION AG  | 7.6        | 6.9        | 6.4        | 10.7        | 9.2        | 8.0        | 10.9        | 9.5         | 8.8         |
| KRONES AG             | 9.3        | 8.7        | 8.0        | 13.1        | 12.0       | 11.0       | 19.5        | 17.8        | 16.4        |
| <b>Median</b>         | <b>7.6</b> | <b>7.4</b> | <b>7.1</b> | <b>10.7</b> | <b>9.5</b> | <b>9.0</b> | <b>14.6</b> | <b>14.1</b> | <b>12.3</b> |

Source: Bloomberg, quirin bank

We applied these multiples from the peer group to our financial forecasts for MBB. We added the company's net financial cash, which includes financial assets and deducted pension provisions from the derived enterprise values in order to get the fair value of equity. With the P/E, EV/EBIT and EV/EBITDA multiples for 2016e to 2018e, we calculated the fair value of equity. The peer group approach indicates a fair value of EUR 32.02 per share.

| Peer Group Results                   | EBITDA 2016e | EBITDA 2017e | EBITDA 2018e | EBIT 2016e   | EBIT 2017e   | EBIT 2018e   | EPS 2016e    | EPS 2017e    | EPS 2018e    |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| in EUR m                             |              |              |              |              |              |              |              |              |              |
| Estimates MBB                        | 27.8         | 30.1         | 31.3         | 21.6         | 23.9         | 25.7         | 2.04         | 2.28         | 2.48         |
| Multiple                             | 7.6x         | 7.4x         | 7.1x         | 10.7x        | 9.5x         | 9.0x         | 14.6x        | 14.1x        | 12.3x        |
| <b>Enterprise value</b>              | <b>212.9</b> | <b>222.6</b> | <b>222.6</b> | <b>231.2</b> | <b>227.2</b> | <b>232.6</b> | -            | -            | -            |
| Pension provisions                   |              |              |              |              |              |              |              |              |              |
| Net Cash                             |              |              |              |              |              |              |              |              |              |
| <b>Fair value of equity</b>          | <b>203.3</b> | <b>213.1</b> | <b>213.1</b> | <b>221.6</b> | <b>217.6</b> | <b>223.0</b> | <b>196.6</b> | <b>212.5</b> | <b>200.9</b> |
| <b>Average</b>                       |              |              |              |              | <b>211.3</b> |              |              |              |              |
| Number of shares (m)                 |              |              |              |              | 6.6          |              |              |              |              |
| <b>Fair value per share (in EUR)</b> |              |              |              |              | <b>32.02</b> |              |              |              |              |

Source: Bloomberg, quirin bank

### DCF valuation

Our DCF model indicates a fair value of EUR 42.10 for MBB. Our assumptions are as follows:

#### Phase 1 (2016-18e):

We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

#### Phase 2 (2019-25e):

For Phase 2, we initially used more general assumptions. We assumed a sales growth of 3.0% which should drop to ~0.4% in 2025e. Furthermore, we forecast constant EBIT margins of 7.5%.

#### Phase 3:

For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% which equals the estimated long-term inflation rate.

Based on these assumptions, we calculated a fair value of the operating business of EUR 287.4m. We added MBB's net cash (financial debt minus cash and securities) and deducted current pension provisions. The resulting fair value of equity is EUR 277.9m. The fair value per share amounts to EUR 42.10 according to our DCF model.

**MBB: Discounted Cash Flow Model**

| EURm                               | PHASE 1    |            |             | PHASE 2     |             |             |             |             |             |             | PHASE 3      |
|------------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                                    | 2016e      | 2017e      | 2018e       | 2019e       | 2020e       | 2021e       | 2022e       | 2023e       | 2024e       | 2025e       | ∞            |
| Sales                              | 302.5      | 317.5      | 326.5       | 336.3       | 343.4       | 348.4       | 352.0       | 354.5       | 356.3       | 357.6       |              |
| YoY growth                         | 19.7%      | 5.0%       | 2.8%        | 3.0%        | 2.1%        | 1.5%        | 1.0%        | 0.7%        | 0.5%        | 0.4%        |              |
| EBIT                               | 21.6       | 23.9       | 25.7        | 25.2        | 25.8        | 26.1        | 26.4        | 26.6        | 26.7        | 26.8        |              |
| EBIT margin                        | 7.1%       | 7.5%       | 7.9%        | 7.5%        | 7.5%        | 7.5%        | 7.5%        | 7.5%        | 7.5%        | 7.5%        |              |
| Income tax on EBIT (cash tax rate) | -6.1       | -6.8       | -7.4        | -7.6        | -7.7        | -7.8        | -7.9        | -8.0        | -8.0        | -8.0        |              |
| Depreciation and amortisation      | 6.7        | 6.2        | 5.6         | 8.4         | 8.6         | 8.7         | 8.8         | 8.9         | 8.9         | 8.9         |              |
| Change in long-term provisions     | 4.5        | 1.4        | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         |              |
| Other non-cash items               | 1.1        | 0.3        | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         |              |
| Change in net working capital      | -12.1      | -3.6       | -2.2        | -2.4        | -1.7        | -1.2        | -0.9        | -0.6        | -0.4        | -0.3        |              |
| Net capital expenditure            | -14.6      | -16.4      | -8.2        | -8.7        | -8.9        | -9.1        | -9.2        | -9.2        | -9.3        | -8.9        |              |
| <b>Free cash flow</b>              | <b>1.1</b> | <b>4.9</b> | <b>14.5</b> | <b>16.0</b> | <b>17.0</b> | <b>17.7</b> | <b>18.3</b> | <b>18.7</b> | <b>18.9</b> | <b>19.5</b> |              |
| <b>Present values</b>              | <b>1.0</b> | <b>4.3</b> | <b>12.1</b> | <b>12.3</b> | <b>12.2</b> | <b>11.9</b> | <b>11.4</b> | <b>10.8</b> | <b>10.2</b> | <b>9.8</b>  | <b>191.5</b> |
| Present value Phase 1              | 17.4       |            |             |             |             |             |             |             |             |             |              |
| Present value Phase 2              | 78.5       |            |             |             |             |             |             |             |             |             |              |
| Present value Phase 3              | 191.5      |            |             |             |             |             |             |             |             |             |              |
| Total present value                | 287.4      |            |             |             |             |             |             |             |             |             |              |
| + Excess cash/Non-operating assets | 54.7       |            |             |             |             |             |             |             |             |             |              |
| - Financial debt                   | -42.2      |            |             |             |             |             |             |             |             |             |              |
| - Pension provisions               | -22.1      |            |             |             |             |             |             |             |             |             |              |
| Fair value of equity               | 277.9      |            |             |             |             |             |             |             |             |             |              |
| Number of shares (m)               | 6.6        |            |             |             |             |             |             |             |             |             |              |
| Fair value per share (EUR)         | 42.10      |            |             |             |             |             |             |             |             |             |              |

|                     |       |                        |              |
|---------------------|-------|------------------------|--------------|
| Risk free rate      | 3.00% | Target equity ratio    | 40.0%        |
| Equity risk premium | 6.00% | Beta (fundamental)     | 1.5          |
| Debt risk premium   | 2.75% | <b>WACC</b>            | <b>7.20%</b> |
| Tax shield          | 30.0% | <b>Terminal growth</b> | <b>2.0%</b>  |

| Sensitivity analysis |                           |       |              |       |       |  |
|----------------------|---------------------------|-------|--------------|-------|-------|--|
| WACC                 | Terminal growth (Phase 3) |       |              |       |       |  |
|                      | 1.0%                      | 1.5%  | 2.0%         | 2.5%  | 3.0%  |  |
| <b>6.2%</b>          | 48.91                     | 52.45 | 56.82        | 62.39 | 69.68 |  |
| <b>6.7%</b>          | 44.35                     | 47.14 | 50.53        | 54.72 | 60.05 |  |
| <b>7.2%</b>          | 40.53                     | 42.77 | <b>42.10</b> | 48.69 | 52.71 |  |
| <b>7.7%</b>          | 37.28                     | 39.11 | 41.26        | 43.82 | 46.93 |  |
| <b>8.2%</b>          | 34.49                     | 36.00 | 37.75        | 39.80 | 42.26 |  |

Source: quirin bank

## SWOT Analysis

### Strengths

- As of 31 December 2015, goodwill amounts to EUR 11.9m, while equity is EUR 87.7m and total assets stand at EUR 222.6m. This low goodwill position indicates that MBB is able to acquire companies at reasonable prices
- As MBB does not follow a specific industry approach the company is able to reduce its non-systematic risk for the group
- Furthermore, MBB does not invest in restructuring cases and therefore runs a low-risk business model
- Around 70% of the share capital is owned indirectly by the founders of MBB, Dr Christof Nesemeier (member of the board and CEO) and Gert-Maria Freimuth (chairman of the board). Hence, the executives have a strong interest to develop the company. Additionally, sustainability and continuity is secured

### Weaknesses

- The low free float leads to a low trading volume in the shares
- MBB does not concentrate on a specific industry when companies are acquired. This prevents it from becoming a market expert in a particular industry or sector
- Through its holdings MBB Fertigungstechnik, Aumann and Delignit, the MBB group is highly exposed to the automotive sector

### Opportunities

- MBB's liquidity (EUR 59.3m in Q1 2016) easily allows for further investments. The group's net liquidity amounts to only EUR 13.9m
- Its latest acquisition Aumann should stimulate growth and margin development of the group as the company is a manufacturer for systems which end-products are used in the fast growing market of electric engines

### Threats

- Raw material prices for cellulose (Hanke Tissue) and wood (Delignit) could rise
- Despite its track record there is no guarantee that MBB always acquires companies that fulfil executives' expectations
- A part of MBB's liquidity is invested in gold (EUR 1.7m) and stock exchange listed securities (EUR 28.7m as of 31 December 2015) and therefore exists a risk of depreciations.

## Segment Technical Applications

This segment contains those subsidiaries whose business model reflects customer-specific requirements to a large extent and where the expertise and consulting sold along with the product is important. The segment consists of the Delignit companies and the MBB Technologies group, including the Aumann group which was acquired in 2015.

*The 2009-2016e sales CAGR amounts to 11%*

### MBB Fertigungstechnik

MBB Fertigungstechnik is a leading international plant engineering company for welding and assembly systems for the automotive industry. It also provides services for tool manufacturing, innovative transport technologies for exact positioning and inline measuring systems. Other industries include general industry and clean technology. The assembly technology centre designs and develops highly complex systems for component assembly with a focus on customer solutions. For example, the company's systems are used to assemble camshafts, steering systems, drive shafts and washing machine drums. Expertise in the connection technology centre ranges from conventional thermal welding and cold metal transfer, laser welding technology for lightweight construction with a focus on chassis components, instrument panels and clean technology through to the production of heavy components and transport vehicles. In addition to its welding and assembly services, the MBB Technologies Group develops and produces project-specific special machinery for welding systems and production lines that are unique in terms of their form and specifications.

Since June 2013, MBB Technologies (China) Ltd. has operated a location in China. The main aim of the location in China is to offer the local manufacturing and servicing of systems for Chinese production sites to customers of the German MBB Fertigungstechnik. MBB Technologies (China) Ltd. also serves Asian customers that are not part of MBB Fertigungstechnik's customer base but that require technologically advanced system solutions for manufacturing high quality products.

In FY 2015, MBB Fertigungstechnik generated external revenue of EUR 87.7m (previous year: EUR 96.0m), thereby accounting for 34.7% (previous year: 40.5%) of MBB SE's consolidated revenue.

#### Key data MBB Fertigungstechnik

|                    |  |
|--------------------|--|
| Activity           | Purpose-built plant and equipment for welding and assembly systems     |
| Markets            | Automotive, aviation, clean technology, other manufacturing industries |
| Locations          | Beelen (headquarters), Changzhou (China)                               |
| Sales 2014 in EURm | 96.0   |
| Workforce 2014     | 322  |
| MBB since          | 2012   |
| MBB shareholding   | 100%   |

Source: MBB SE, quirin bank

### Aumann

On 19 November 2015, MBB announced the acquisition of 75% of the shares in the Aumann Group from its former sole shareholder. Aumann has almost a century of experience in the area of coil winding. In recent years, this has been supplemented by extensive automation expertise. As a result, Aumann is now one of the world's leading providers of the high-performance machinery that is required to manufacture wound coils and, in particular, electric motors in large quantities. This means that the company is participating in the growth trends within the automotive and other industries that are being driven by energy efficiency and electrification. E-mobility has established itself as an important new field for the company in recent years, as Aumann's products are a particularly good match for the specific requirements of motors in this area. MBB and the managing partner of the Aumann Group intend to meet the rapid rise in market demand for electric and hybrid drive motors in particular through the cooperation between Aumann and MBB Fertigungstechnik and are forecasting significant growth. The company has production sites in Espelkamp (East Westphalia) and Hennigsdorf (near Berlin), as well as a sales and service office in the USA.

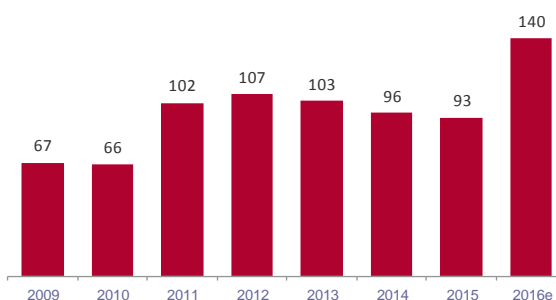
The Aumann Group contributed to consolidated revenue for only a few weeks of FY 2015. Revenue from third parties of EUR 5.6m was generated, representing a share of 2.2%.

**Key data Aumann**

|                     |  |
|---------------------|--|
| Activity            | Coil winding and wire enamelling technology, automation solutions for e-mobility |
| Markets             | Automotive, Household appliances, medical technology, general industry           |
| Locations           | Espelkamp (East Westphalia), Berlin, USA   |
| Sales 2015e in EURm | 33.0   |
| Workforce 2014      | 160  |
| MBB since           | 2015   |
| MBB shareholding    | 75%  |

Source: MBB SE, quirin bank

**Sales MBB Fertigungstechnik and Aumann**



Source: MBB SE, quirin bank

*The 2009-2016e sales CAGR amounts to 11%*

**Delignit**

Delignit is a stock exchange listed company. The company develops, manufactures and sells ecological products based on the natural, renewable raw material of wood. As a development, project and series supplier for such technological sectors as the automotive and aviation industries, the group's activities today focus on the creation and implementation of technological and customized applications and systems.

The Delignit Group's operational business is divided into two business segments: Automotive and Technological Applications.

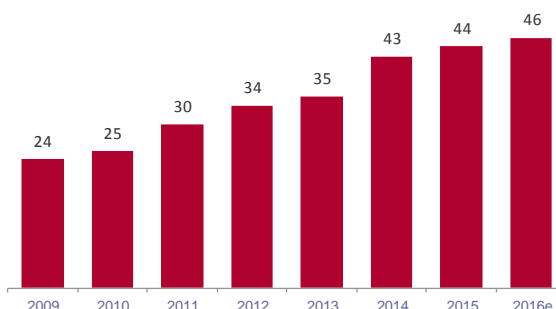
Delignit accounted for 17.6% of the MBB Group's revenue in FY 2015 compared with 18.0% in the previous year. The Delignit Group's external revenue increased by 3.9%, from EUR 42.6m in 2014 to EUR 44.4m in 2015.

**Key data Delignit**

|                    |   |
|--------------------|---|
| Activity           | Manufacture of technical materials and system solutions |
| Markets            | Automotive, rail, safety technology                     |
| Locations          | Blomberg (headquarters), Oberlungwitz                   |
| Sales 2014 in EURm | 42.7  |
| Workforce 2014     | 268   |
| MBB since          | 2003  |
| MBB shareholding   | 76%   |

Source: MBB SE, quirin bank

**Sales Delignit**



Source: MBB SE, quirin bank

## Segment Industrial production

The Industrial Production segment contains all portfolio companies whose strengths are concentrated on the industrial manufacture of their products and whose products are relatively standardized. Accordingly, this segment contains the portfolio companies Hanke, CT Formpolster and OBO

*The 2009-2016e sales CAGR amounts to 12%*

### Hanke Tissue

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of “aha”, the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and colored tissue paper for various private labels in Europe. These activities are concentrated around the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired by MBB SE in 2006. Since being acquired by MBB SE, Hanke has made substantial investments in its machinery and buildings, allowing it to record continuous growth and expand its market position to become one of the most profitable companies in the MBB Group in relation to revenue. The paper machine that went into operation in 2014 made a full contribution to revenue and earnings for the first time in the 2015 financial year.

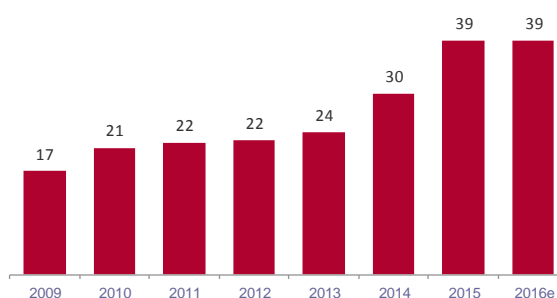
With external revenue of EUR 38.7m (2014: EUR 29.9m), a year-on-year increase of 29.4%, Hanke accounted for 15.3% (2014: 12.6%) of the group’s total revenue.

#### Key data Hanke Tissue

|                    |   |
|--------------------|---|
| Activity           | Production of tissue products   |
| Markets            | Napkins, facial tissues, kitchen rolls, toilet paper under the aha brand or as private labels for the European trade sector and the gift industry |
| Locations          | Kostrzyn (Poland)   |
| Sales 2014 in EURm | 29.9  |
| Workforce 2014     | 301   |
| MBB since          | 2006  |
| MBB shareholding   | 97%   |

Source: MBB SE, quirin bank

Sales Hanke Tissue



Source: MBB SE, quirin bank

*The 2009-2016e sales CAGR amounts to 17%*

### OBO-Werke

OBO is a global provider of polyurethane and epoxy resinbased materials for tooling applications. With a market share of around 8%, it is one of the five leading providers in the industry. OBO has been part of the MBB Group since 2003. It primarily supplies intermediaries, as well as model builders, auto manufacturers, foundries and other processing companies directly. In 2014, OBO acquired the European tooling, board and paste division from its long-term partner Huntsman Advanced Materials. This transaction led to an improvement in OBO’s market position and growth, as the company can now offer a comprehensive product range.

In FY 2015, the subsidiary contributed 7.2% to the MBB Group's total revenue (2014: 5.7%). External revenue amounted to EUR 18.2m in the 2015 financial year, up 34.5% on the previous year (2014: EUR 13.5m).

**Key data OBO-Werke**

|                    |  |
|--------------------|--|
| Activity           | Production and processing of materials based on polyurethane and epoxy resins              |
| Markets            | Model construction, toolmaking and mould production; PU rigid foam for direct applications |
| Locations          | Stadthagen   |
| Sales 2014 in EURm | 13.5   |
| Workforce 2014     | 55   |
| MBB since          | 2003   |
| MBB shareholding   | 100%   |

Source: MBB SE, quirin bank



Source: MBB SE, quirin bank

*The 2009-2016e sales CAGR amounts to 4%*

**CT Formpolster**

CT Formpolster GmbH manufactures flexible polyether foams and is growing by expanding the degree of its vertical integration. As mattresses are increasingly finding their way to the end customer via online retailers, CT Formpolster has recently developed from a foam producer into a one-stop shop for mattresses. Furthermore, the company's service portfolio extends from material and product development and foam production through to order picking and just-in-time delivery to end customers. It also sells foam blocks to processing companies.

With external revenue of EUR 22.9m (2014: EUR 20.5m), CT Formpolster accounted for 9.1% (2014: 8.6%) of the group's total revenue. This means that CT Formpolster recorded revenue growth of 12.2% in 2015.

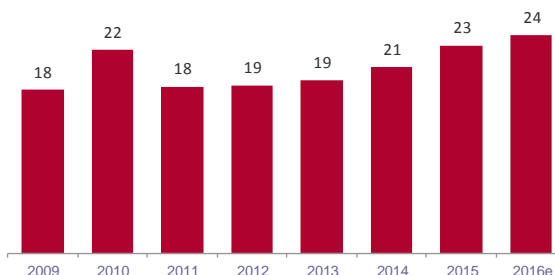
**Key data CT Formpolster**

|                    |   |
|--------------------|---|
| Activity           | Foam and mattress production                                  |
| Markets            | Mattress industry, office, caravan and automotive, upholstery |
| Locations          | Löhne-Gohfeld (headquarters), Mülheim an der Ruhr and Worms   |
| Sales 2014 in EURm | 20.5  |
| Workforce 2014     | 88  |
| MBB since          | 2010  |
| MBB shareholding   | 100%  |

Source: MBB SE, quirin bank



Sales CT Formpolster



Source: MBB SE, quirin bank

### Segment Trade & Services

The only company of this unit is the DTS group.

*The 2009-2016e sales CAGR amounts to 10%*

#### DTS IT AG

The DTS group consists of companies that provide specialist services or engage in retail business. The group is focused on cloud IT services. A dedicated data center at its head office in Herford allows it to offer a wide range of traditional systems house services, such as the consulting, design, procurement, implementation and operation of IT environments. The parent house DTS Systeme GmbH was founded in 1983 and is headquartered in Herford with offices in Bochum, Bremen, Berlin, Hanover and Hamburg, where it also operates a data center. 2015 also saw the formation of ACoN-IT GmbH, Vienna, in order to allow the DTS Group to also offer cloud and security services in particular in Austria.

ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH has its own data centre and works in close cooperation with DTS Systeme GmbH to offer high-quality cloud computing solutions and high-end consulting services.

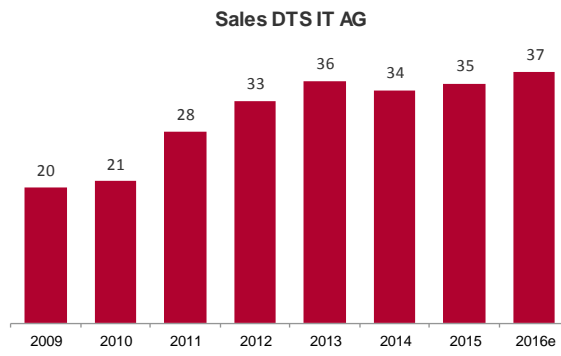
In October 2011, DTS acquired eld datentechnik GmbH, Stuttgart. The realignment as a distributor of high-quality storage and security products in 2014 met with a positive response on the market, and eld will again contribute to the growth of the DTS Group in 2016 according to MBB.

In 2015, the DTS Group contributed EUR 35.3m to the MBB group's revenue (2014: EUR 34.3m), corresponding to a share of 14.0% (2014: 14.5%)

#### Key data DTS IT

|                    |   |
|--------------------|---|
| Activity           | IT cloud services, IT security, systems house, distribution                     |
| Markets            | Industry, services  |
| Locations          | Berlin, Bochum, Bremen, Hamburg, Hanover, Herford (headquarters), Münster, Wien |
| Sales 2014 in EURm | 34.3  |
| Workforce 2014     | 119   |
| MBB since          | 2008  |
| MBB shareholding   | 80%   |

Source: MBB SE, quirin bank



Source: MBB SE, quirin bank

## Profit & loss statement

| Profit & loss statement (EUR m)  | 2014         | YOY            | 2015         | YOY            | 2016e        | YOY           | 2017e        | YOY           | 2018e        | YOY          |
|----------------------------------|--------------|----------------|--------------|----------------|--------------|---------------|--------------|---------------|--------------|--------------|
| <b>Sales</b>                     | <b>236.7</b> | <b>3.7 %</b>   | <b>252.8</b> | <b>6.8 %</b>   | <b>302.5</b> | <b>19.7 %</b> | <b>317.5</b> | <b>5.0 %</b>  | <b>326.5</b> | <b>2.8 %</b> |
| Unfinished Goods                 | 1.6          |                | 0.8          |                | 0.9          |               | 1.0          |               | 1.0          |              |
| Other own work capitalized       | 1.6          |                | 0.0          |                | 0.3          |               | 0.4          |               | 0.4          |              |
| Other operating earnings         | 2.9          |                | 5.7          |                | 10.2         |               | 10.2         |               | 10.2         |              |
| Cost of goods                    | 150.9        |                | 161.0        |                | 189.7        |               | 199.1        |               | 204.8        |              |
| Gross profit                     | 91.9         |                | 98.2         |                | 124.2        |               | 129.9        |               | 133.3        |              |
| Personnel expenses               | 53.3         |                | 58.9         |                | 70.5         |               | 74.0         |               | 76.1         |              |
| Depreciation                     | 6.1          |                | 6.8          |                | 6.3          |               | 6.2          |               | 5.6          |              |
| Other operating expenses         | 16.5         |                | 14.4         |                | 25.9         |               | 25.8         |               | 25.9         |              |
| <b>EBITDA</b>                    | <b>22.0</b>  | <b>-3.0 %</b>  | <b>24.8</b>  | <b>12.7 %</b>  | <b>27.8</b>  | <b>12.0 %</b> | <b>30.1</b>  | <b>8.0 %</b>  | <b>31.3</b>  | <b>4.2 %</b> |
| EBITDA margin (%)                | 9.31         |                | 9.83         |                | 9.20         |               | 9.47         |               | 9.59         |              |
| <b>EBIT</b>                      | <b>15.9</b>  | <b>-9.1 %</b>  | <b>18.0</b>  | <b>13.1 %</b>  | <b>21.6</b>  | <b>19.6 %</b> | <b>23.9</b>  | <b>10.9 %</b> | <b>25.7</b>  | <b>7.7 %</b> |
| EBIT margin (%)                  | 6.73         |                | 7.13         |                | 7.13         |               | 7.53         |               | 7.88         |              |
| Net interest                     | -1.5         |                | -1.2         |                | -1.2         |               | -1.2         |               | -1.1         |              |
| Income from Participations       | 0.0          |                | 0.0          |                | 0.0          |               | 0.0          |               | 0.0          |              |
| Net financial result             | -1.6         |                | -1.7         |                | -1.2         |               | -1.2         |               | -1.1         |              |
| Exceptional items                | 0.0          |                | 0.0          |                | 0.0          |               | 0.0          |               | 0.0          |              |
| <b>Pretax profit</b>             | <b>14.4</b>  | <b>-16.2 %</b> | <b>16.3</b>  | <b>13.4 %</b>  | <b>20.3</b>  | <b>24.8 %</b> | <b>22.7</b>  | <b>11.6 %</b> | <b>24.6</b>  | <b>8.5 %</b> |
| Pretax margin (%)                | 6.07         |                | 6.45         |                | 6.72         |               | 7.15         |               | 7.55         |              |
| Taxes                            | 0.6          |                | 3.9          |                | 6.1          |               | 6.8          |               | 7.4          |              |
| Tax rate (%)                     | 4.22         |                | 23.75        |                | 30.00        |               | 30.00        |               | 30.00        |              |
| Earnings after taxes             | 13.8         |                | 12.4         |                | 14.2         |               | 15.9         |               | 17.2         |              |
| Minorities                       | 0.6          |                | 0.6          |                | 0.7          |               | 0.8          |               | 0.9          |              |
| <b>Group attributable income</b> | <b>13.2</b>  | <b>-2.0 %</b>  | <b>11.8</b>  | <b>-10.7 %</b> | <b>13.5</b>  | <b>14.5 %</b> | <b>15.1</b>  | <b>11.6 %</b> | <b>16.4</b>  | <b>8.5 %</b> |
| No. of shares (m)                | 6.6          |                | 6.6          |                | 6.6          |               | 6.6          |               | 6.6          |              |
| <b>Earnings per share (EUR)</b>  | <b>2.01</b>  | <b>-4.0 %</b>  | <b>1.79</b>  | <b>-11.0 %</b> | <b>2.04</b>  | <b>14.5 %</b> | <b>2.28</b>  | <b>11.6 %</b> | <b>2.48</b>  | <b>8.5 %</b> |

## Balance sheet

| Balance sheet (EUR m)                        | 2014         | YOY         | 2015         | YOY           | 2016e        | YOY           | 2017e        | YOY           | 2018e        | YOY           |
|--|--------------|-------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| <b>Assets</b>                                |              |             |              |               |              |               |              |               |              |               |
| Cash and cash equivalents                    | 37.4         |             | 23.6         |               | 27.2         |               | 28.6         |               | 38.5         |               |
| Accounts receivables                         | 51.7         |             | 61.8         |               | 73.9         |               | 77.6         |               | 79.8         |               |
| Inventories                                  | 20.2         |             | 23.3         |               | 27.9         |               | 29.2         |               | 30.1         |               |
| Other current assets                         | 11.8         |             | 15.4         |               | 15.4         |               | 15.4         |               | 15.4         |               |
| Tax claims                                   | 0.0          |             | 0.0          |               | 0.0          |               | 0.0          |               | 0.0          |               |
| <b>Total current assets</b>                  | <b>121.1</b> | <b>n.a.</b> | <b>124.0</b> | <b>2.4 %</b>  | <b>144.4</b> | <b>16.4 %</b> | <b>150.8</b> | <b>4.4 %</b>  | <b>163.8</b> | <b>8.6 %</b>  |
| Fixed assets                                 | 51.6         |             | 58.5         |               | 66.9         |               | 77.2         |               | 79.8         |               |
| Goodwill                                     | 1.8          |             | 11.9         |               | 11.9         |               | 11.9         |               | 11.9         |               |
| Other intangible assets                      | 5.7          |             | 5.8          |               | 5.8          |               | 5.8          |               | 5.8          |               |
| Financial assets                             | 9.6          |             | 15.7         |               | 15.7         |               | 15.7         |               | 15.7         |               |
| Deferred taxes                               | 6.8          |             | 6.6          |               | 6.6          |               | 6.6          |               | 6.6          |               |
| Other fixed assets                           | 0.0          |             | 0.0          |               | 0.0          |               | 0.0          |               | 0.0          |               |
| <b>Total fixed assets</b>                    | <b>75.6</b>  | <b>n.a.</b> | <b>98.5</b>  | <b>30.3 %</b> | <b>106.9</b> | <b>8.5 %</b>  | <b>117.2</b> | <b>9.6 %</b>  | <b>119.8</b> | <b>2.3 %</b>  |
| <b>Total assets</b>                          | <b>196.7</b> | <b>n.a.</b> | <b>222.6</b> | <b>13.2 %</b> | <b>251.3</b> | <b>12.9 %</b> | <b>268.0</b> | <b>6.6 %</b>  | <b>283.6</b> | <b>5.8 %</b>  |
| <b>Equity &amp; Liabilities</b>              |              |             |              |               |              |               |              |               |              |               |
| Subscribed capital                           | 6.6          |             | 6.6          |               | 6.6          |               | 6.6          |               | 6.6          |               |
| Reserves & other                             | 17.8         |             | 17.5         |               | 17.5         |               | 17.5         |               | 17.5         |               |
| Revenue reserves                             | 50.7         |             | 58.0         |               | 67.6         |               | 78.6         |               | 90.4         |               |
| Accumulated other comprehensive income       | 0.0          |             | 0.0          |               | 0.0          |               | 0.2          |               | 0.6          |               |
| <b>Shareholder's equity</b>                  | <b>78.6</b>  | <b>n.a.</b> | <b>87.7</b>  | <b>11.7 %</b> | <b>97.3</b>  | <b>10.9 %</b> | <b>108.5</b> | <b>11.5 %</b> | <b>120.8</b> | <b>11.3 %</b> |
| Minorities                                   | 3.5          |             | 5.7          |               | 5.7          |               | 5.7          |               | 5.7          |               |
| <b>Shareholder's equity incl. minorities</b> | <b>78.6</b>  | <b>n.a.</b> | <b>87.7</b>  | <b>11.7 %</b> | <b>97.3</b>  | <b>10.9 %</b> | <b>108.5</b> | <b>11.5 %</b> | <b>120.8</b> | <b>11.3 %</b> |
| <b>Long-term liabilities</b>                 |              |             |              |               |              |               |              |               |              |               |
| Pension provisions                           | 22.4         |             | 22.1         |               | 26.4         |               | 27.7         |               | 28.5         |               |
| Financial liabilities                        | 24.8         |             | 30.7         |               | 30.7         |               | 30.7         |               | 30.7         |               |
| Tax liabilities                              | 3.3          |             | 3.2          |               | 3.9          |               | 4.0          |               | 4.2          |               |
| Other liabilities                            | 2.3          |             | 3.4          |               | 4.0          |               | 4.2          |               | 4.3          |               |
| <b>Total long-term debt</b>                  | <b>53.5</b>  | <b>n.a.</b> | <b>60.4</b>  | <b>13.0 %</b> | <b>66.3</b>  | <b>9.7 %</b>  | <b>68.0</b>  | <b>2.7 %</b>  | <b>69.1</b>  | <b>1.6 %</b>  |
| <b>Short-term debt</b>                       |              |             |              |               |              |               |              |               |              |               |
| Other provisions                             | 24.7         |             | 22.9         |               | 27.5         |               | 28.8         |               | 29.6         |               |
| Trade payables                               | 19.6         |             | 23.7         |               | 28.3         |               | 29.7         |               | 30.6         |               |
| Financial debt                               | 7.4          |             | 11.4         |               | 12.3         |               | 12.3         |               | 12.3         |               |
| Other liabilities                            | 7.1          |             | 6.4          |               | 7.7          |               | 8.1          |               | 8.3          |               |
| <b>Total short-term debt</b>                 | <b>64.7</b>  | <b>n.a.</b> | <b>74.4</b>  | <b>15.0 %</b> | <b>87.7</b>  | <b>17.9 %</b> | <b>91.4</b>  | <b>4.3 %</b>  | <b>93.7</b>  | <b>2.5 %</b>  |
| <b>Total equity &amp; liabilities</b>        | <b>196.7</b> | <b>-</b>    | <b>222.6</b> | <b>13.2 %</b> | <b>251.3</b> | <b>12.9 %</b> | <b>268.0</b> | <b>6.6 %</b>  | <b>283.6</b> | <b>5.8 %</b>  |

## Financial key ratios

| Key ratios                  | 2014 | 2015  | 2016e | 2017e | 2018e |
|-----------------------------|------|-------|-------|-------|-------|
| <b>Per share data (EUR)</b> |      |       |       |       |       |
| EPS                         | 2.01 | 1.79  | 2.04  | 2.28  | 2.48  |
| Book value per share        | 11.9 | 13.3  | 14.7  | 16.4  | 18.3  |
| Dividend per share          | 0.57 | 0.59  | 0.61  | 0.68  | 0.74  |
| <b>Valuation ratios</b>     |      |       |       |       |       |
| EV/Sales                    | 0.95 | 0.98  | 0.83  | 0.79  | 0.74  |
| EV/EBITDA                   | 10.2 | 10.0  | 9.0   | 8.3   | 7.7   |
| EV/EBIT                     | 14.1 | 13.8  | 11.6  | 10.5  | 9.4   |
| P/E                         | 11.9 | 13.0  | 15.4  | 13.8  | 12.7  |
| P/B                         | 2.0  | 1.7   | 2.1   | 1.9   | 1.7   |
| Dividend yield (%)          | 2.4  | 2.5   | 1.9   | 2.2   | 2.4   |
| <b>Growth</b>               |      |       |       |       |       |
| Sales growth (%)            | 3.7  | 6.8   | 19.7  | 5.0   | 2.8   |
| EBITDA growth (%)           | -3.0 | 12.7  | 12.0  | 8.0   | 4.2   |
| EBIT growth (%)             | -9.1 | 13.1  | 19.6  | 10.9  | 7.7   |
| EPS growth (%)              | -4.0 | -11.0 | 14.5  | 11.6  | 8.5   |
| <b>Profitability ratios</b> |      |       |       |       |       |
| EBITDA margin (%)           | 9.3  | 9.8   | 9.2   | 9.5   | 9.6   |
| EBIT margin (%)             | 6.7  | 7.1   | 7.1   | 7.5   | 7.9   |
| Net margin (%)              | 5.6  | 4.7   | 4.5   | 4.7   | 5.0   |
| ROCE (%)                    | 12.1 | 12.2  | 13.2  | 13.5  | n.a.  |
| <b>Financial ratios</b>     |      |       |       |       |       |
| Total equity (EUR m)        | 78.6 | 87.7  | 97.3  | 108.5 | 120.8 |
| Equity ratio (%)            | 39.9 | 39.4  | 38.7  | 40.5  | 42.6  |
| Net financial debt (EUR m)  | 17.3 | 40.7  | 42.3  | 42.2  | 33.1  |
| Net debt/Equity             | 0.4  | 0.4   | 0.4   | 0.4   | 0.4   |
| Interest cover              | 7.4  | 9.2   | 10.9  | 12.0  | 12.9  |
| Net debt/EBITDA             | 0.8  | 1.6   | 1.5   | 1.4   | 1.1   |
| Payout ratio (%)            | 28.4 | 33.1  | 30.0  | 30.0  | 30.0  |
| Working Capital (EUR m)     | 56.4 | 49.6  | 56.7  | 59.4  | 70.1  |
| Working capital/Sales       | 0.24 | 0.20  | 0.19  | 0.19  | 0.21  |

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| Date       | Price target-EUR | Rating | Initiation |
|------------|------------------|--------|------------|
| 31.05.2016 | 38.00            | Buy    | 31.05.2016 |

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