



quirin bank

MBB SE

quirin bank Equity Research

29 November 2016

MBB SE

Rating Buy (Buy)
Share price (EUR) 55.98
Target price (EUR) 75.00 (45.00)

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) 267
 EV (EUR m) 309
 Dividend/Share (EUR) 0.59
 Dividend yield (%) 2.5
 Payout ratio (%) 30.0

Performance

ytd (%) 50.1
 12 months (%) 55.3
 12 months rel. (%) 54.0
 Index SDAX

Share price performance



Source: Bloomberg

Next triggers

28 April 2017: FY 2016 report
 28 June 2017: AGM

Analysts

Ralf Marinoni – Financial Analyst
 T +49 (0)69 2475049 24
 ralf.marinoni@quirinbank.de

Harald Eggeling – Financial Analyst
 T +49 (0)69 2475049 28
 harald.eggeling@quirinbank.de

Felix Lutz – Financial Analyst
 T +49 (0)69 2475049 29
 felix.lutz@quirinbank.de

Please see final page for important disclaimers and disclosures

Aumann AG: The best of two worlds

MBB considers an IPO of Aumann AG which comprises the activities of Aumann group and MBB Fertigungstechnik. The companies under the Aumann brand perfectly serve the requirements for the fast growing E-mobility market. Our sum-of-the parts valuation of Aumann (pre-money), Delignit and the Rest of Portfolio results in a new target price of EUR 75 (old: EUR 45) per share. We confirm BUY.

Aumann

Aumann is a leading manufacturer of machines for e-mobility applications. The company is the only provider worldwide that has the know-how and experience which ranges from wire manufacturing and winding to the comprehensive assembly of the finished product. Wire spools – produced on Aumann machines - are an essential part of electric motors as they generate the magnetic field and therefore energy.

MBB Fertigungstechnik

MBB Fertigungstechnik is an experienced plant construction expert specializing in welding and assembly systems. Its customers stem from the aerospace and many other sectors but most importantly from automotive industry. The company is the world market leader in production facilities for composite camshafts.

Synergies and growth potential

Both companies should realize substantial synergies, e.g. sourcing and common sales. However, the most important factor of the joint companies is the execution of major Aumann-orders, as MBB Fertigungstechnik provides the necessary experience and capacity.

Order intake of Aumann AG amounts to EUR 180m in FY 2016. We therefore believe that the new company should increase its revenues from EUR >150m (FY 2016) to EUR 200m next year, an increase of more than 30%.

BUY confirmed, TP up to EUR 75

When OEMs talk about E-mobility they mean not only sole battery-operated cars but hybrids. PwC estimates that in FY 2028 the share of pure electrical vehicles lies at 30%, while 40% are hybrids and the remaining 30% are cars with traditional combustion engines. The combined Aumann group benefits from electrification but is still a technology expert in the field of plant construction for traditional components. Hence, Aumann benefits from the “old” and “new” world of automotive mobility. We revise our estimates upwards and derive a new TP of EUR 75 (EUR 45) per share and confirm BUY.

Key figures

		2014	2015	2016e	2017e	2018e
Sales	EUR m	237	253	323	383	439
EBITDA	EUR m	22	25	30	38	45
EBIT	EUR m	16	18	23	30	37
EPS	EUR	2.01	1.79	2.14	2.86	3.55
Sales growth	%	3.7	6.8	27.6	18.6	14.6
EBIT growth	%	-9.1	13.1	27.8	31.8	22.5
EPS growth	%	-4.0	-11.0	19.9	33.6	24.2
EBITDA margin	%	9.3	9.8	9.3	9.9	10.3
EBIT margin	%	6.7	7.1	7.1	7.9	8.5
Net margin	%	5.6	4.7	4.4	4.9	5.3
EV/Sales	ratio	1.20	1.22	0.96	0.80	0.66
EV/EBITDA	ratio	12.9	12.4	10.3	8.0	6.4
EV/EBIT	ratio	17.8	17.0	13.4	10.1	7.8
P/E	ratio	11.9	13.0	18.9	14.1	11.4
P/BV	ratio	2.0	1.7	2.7	2.4	2.0
Dividend yield	%	2.4	2.5	1.6	2.1	2.6

Source: Bloomberg, Company data, quirin bank estimates

New estimates

Summary

We have indicated that the new Aumann group faces strong growth over the next years. However, the remaining portfolio companies do not rank much behind:

DTS IT, a leading German provider of customisable cloud computing and IT security services for medium-sized business customers, increased its 9M 2016 sales 22% to EUR 30.6m while EBITDA climbed by 189% to EUR 2.3m.

CT Formpolster GmbH manufactures flexible polyether foams and is growing by expanding the degree of its vertical integration. The company benefits from major mattress orders and provides logistics, too.

Delignit is a stock exchange listed company. The company develops, manufactures and sells ecological products based on the natural, renewable raw material of wood. The company has won in August two important automotive serial delivery contracts. With regard to FY 2018, in which these contracts will show their full revenue impact for the first time, an additional revenue volume of up to EUR 10m might be possible.

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. A new paper machine went into operation in FY 2014 that should provide further growth in the future.

New estimates for MBB SE (in EURm)	FY 2016e (new)	FY 2016e (old)	Δ	FY 2017e (new)	FY 2017e (old)	Δ	FY 2018e (new)	FY 2018e (old)	Δ
Sales	322.5	316.5	1.9%	382.5	325.5	17.5%	438.5	333.5	31.5%
EBITDA	30.0	28.8	4.2%	38.0	30.2	25.9%	45.0	31.0	45.2%
EBIT	23.0	22.6	2.0%	30.4	24.0	26.5%	37.2	25.4	46.5%
EPS (in EUR)	2.14	2.15	-0.4%	2.86	2.30	24.3%	3.55	2.45	45.0%

Source: quirin bank

Valuation

Summary

We decided to value Aumann, stock-listed Delignit and the rest of portfolio (RoP) separately. Aumann's fair equity value (pre-money) should exceed the EUR 400m border, while the RoP (ex Delignit) stands at EUR 57m. Delignit's current market cap. amounts to EUR 40m, MBB's 76% stake therefore is EUR 31m worth. As a result of this approach – and substantially higher estimates – we derive a new target price of EUR 75 (old: EUR 45) per share.

Valuation MBB SE (in EURm)	equity value	MBB's stake	equity value for MBB
Aumann (DCF-model, pre-money)	435.9	93.5%	407.5
Delignit (market cap.)	40.2	76.1%	30.6
RoP (peer group)	59.8	95.0%	56.8
Sum			494.9
# shares (in mln.)			6.6
Fair value per share (in EUR)			75.0

Source: quirin bank

Valuation Aumann

DCF valuation

In our view, a DCF model is the most appropriate approach to evaluate the fast growing, E-mobility driven business of Aumann group.

Our DCF model indicates a fair value of EUR 435.9m for Aumann. Our assumptions are as follows:

- We assume strong sales growth for the group which should fade from 32% in FY 2017 to 2.1% at the end of the forecast period. However, this is a typical DCF-approach as the last forecast in FY 2025 is material to the terminal value. In reality, E-mobility will grow in FY 2025 and beyond.
- We assume a cautious EBIT margin to lie stable in the low double-digit area on FY 2016 level. This approach does not include the dominating market share of Aumann and any first mover market premiums.
- Tax rate is estimated at 30%.
- The change in net working capital is related to sales growth (25%).
- Capex is related to sales growth, too. In our view, Aumann has to invest in property, not so much in machinery to realise growth.
- Pension provisions: We have allocated half of MBB's provisions to Aumann.

Aumann: Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	∞
Sales	150.0	198.0	240.0	283.2	318.9	347.0	368.4	384.4	396.0	404.4	
YoY growth	n.a.	32.0%	21.2%	18.0%	12.6%	8.8%	6.2%	4.3%	3.0%	2.1%	
EBIT	15.0	21.8	27.6	31.2	35.1	38.2	40.5	42.3	43.6	44.5	
EBIT margin	10.0%	11.0%	11.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
Income tax on EBIT (cash tax rate)	-4.5	-6.5	-8.3	-9.3	-10.5	-11.5	-12.2	-12.7	-13.1	-13.3	
Depreciation and amortisation	1.6	2.0	2.0	4.2	4.8	5.2	5.5	5.8	5.9	6.1	
Change in net working capital	-6.0	-14.4	-12.6	-13.0	-10.7	-8.4	-6.4	-4.8	-3.5	-2.5	
Net capital expenditure	-4.0	-4.5	-5.0	-4.5	-5.1	-5.6	-5.9	-6.1	-6.3	-6.1	
Free cash flow	2.1	-1.7	3.7	8.6	13.5	17.9	21.6	24.4	26.6	28.6	
Present values	2.1	-1.5	3.2	7.0	10.3	12.8	14.3	15.2	15.5	15.6	337.6
Present value Phase 1	3.8										
Present value Phase 2	90.6										
Present value Phase 3	337.6										
Total present value	431.9										
+ net cash	15.0										
- Pension provisions	-11.0										
Fair value of equity	435.9										
Number of shares (m)	6.6										
Fair value per share (EUR)	66.04										

Risk free rate	3.00%	Target equity ratio	40.0%
Equity risk premium	6.00%	Beta (fundamental)	1.3
Debt risk premium	2.75%	WACC	6.70%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis						
Terminal growth (Phase 3)						
WACC	5.7%	6.2%	6.7%	7.2%	7.7%	Terminal growth (Phase 3)
1.0%	72.97	64.93	58.33	52.82	48.14	1.0%
1.5%	79.87	70.29	62.57	56.23	50.93	1.5%
2.0%	88.65	76.92	66.04	60.30	54.21	2.0%
2.5%	100.16	85.34	74.08	65.24	58.12	2.5%
3.0%	115.93	96.40	82.17	71.35	62.86	3.0%

Source: quirin bank

Multiple valuation

As discussed, we have focussed our valuation of Aumann on a DCF-model as we did not find any completely comparable peer with a similar business concept. Traditional car suppliers are not adequate, as they sell components to the OEMs. Aumann, in contrast, offers machinery and solutions and therefore runs a superior business model.

However – as a cross check - it is interesting to have a closer look to paragon AG. paragon is a German-based automobile supplier. The company benefits from dynamic growth with battery packs in its young E-mobility business unit via Voltabox subsidiaries in Germany and the USA.

Obviously investors appreciate companies that are involved in the E-mobility business and thus are willing to pay high growth premiums: Since the beginning of the year, the share price grew by 42%, during the last 3 months even 48%.

This development is reflected in high multiples:

MBB Peer Group valuation:

Peer Group Overview	EV/EBITDA			EV/EBIT			P/E		
	2016e	2017e	2018e	2016e	2017e	2018e	2016e	2017e	2018e
PARAGON AG	15.5	12.5	10.6	27.2	20.3	16.4	46.4	31.4	22.8

Source: Bloomberg, quirin bank

For Aumann group we estimate the following key figures:

Key figures Aumann group (in EURm)	FY 2016e	FY 2017e	FY 2018e
Sales	150.0	198.0	240.0
EBITDA	16.6	23.8	29.6
EBITDA margin	11.1%	12.0%	12.3%
Depreciation	-1.6	-2.0	-2.0
EBIT	15.0	21.8	27.6
EBIT margin	10.0%	11.0%	11.5%
Financial result	0.0	0.0	0.0
EBT	15.0	21.8	27.6
Tax	-4.5	-6.5	-8.3
Net profit	10.5	15.2	19.3

Source: quirin bank

We applied these multiples from paragon to our financial forecasts for Aumann. 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 would indicate a fair equity value of EUR 400m.

Peer Group Results	EBITDA 2016e	EBITDA 2017e	EBITDA 2018e	EBIT 2016e	EBIT 2017e	EBIT 2018e	Net profit 2016e	Net profit 2017e	Net profit 2018e
in EUR m									
Estimates Aumann Group	16.6	23.8	29.6	15.0	21.8	27.6	10.5	15.2	19.3
Multiple paragon	15.5x	12.5x	10.6x	27.2x	20.3x	16.4x	46.4x	31.4x	22.8x
Enterprise value	258.1	297.3	314.9	407.5	441.3	453.3	-	-	-
Pension provisions									
Net Cash					-11.0	15.0			
Fair value of equity	262.0	301.2	318.9	411.4	445.3	457.3	487.4	479.1	441.1
Average					400.4				

Valuation RoP (ex Delignit)

Multiple valuation

For the remaining portfolio companies of MBB, we decided for a peer group approach. The peers comprise Germany-listed holding companies:

Peer Group Overview	EV/EBITDA			EV/EBIT			P/E		
	2016e	2017e	2018e	2016e	2017e	2018e	2016e	2017e	2018e
GESCO AG	7.5	7.0	6.4	13.1	11.5	10.5	17.9	14.3	13.0
INDUS HOLDING AG	8.7	8.2	7.8	11.8	11.3	10.7	17.1	16.1	15.0
M.A.X. AUTOMATION AG	8.9	7.9	7.2	13.4	11.0	9.5	13.0	10.9	9.6
SCHALTBAU HOLDING AG	14.2	8.8	7.4	36.1	13.6	11.0	108.4	15.4	11.8
Median	8.8	8.0	7.3	13.3	11.4	10.6	17.5	14.9	12.4

Source: Bloomberg, quirin bank

For the RoP, our estimates are as follows:

Key figures Rest of Portfolio (in EURm)	FY 2016e	FY 2017e	FY 2018e
Sales	125.5	134.5	143.5
EBITDA	10.1	10.7	11.5
EBITDA margin	8.1%	7.9%	8.0%
Depreciation	-4.0	-4.2	-4.2
EBIT	6.1	6.5	7.2
EBIT margin	4.9%	4.8%	5.0%
Financial result	-1.2	-1.2	-1.0
EBT	4.9	5.3	6.2
Tax	-1.5	-1.6	-1.9
Net profit	3.4	3.7	4.4

Source: quirin bank

Again, we applied these multiples from the peer group to our financial forecasts for the remaining companies, which results in a fair equity value of 59.8m.

However, on a stand-alone basis, the subsidiaries could be more valuable; for example Hanke Tissue should gain high margins and strong growth.

Peer Group Results	EBITDA 2016e	EBITDA 2017e	EBITDA 2018e	EBIT 2016e	EBIT 2017e	EBIT 2018e	Net profit 2016e	Net profit 2017e	Net profit 2018e
in EUR m									
Estimates RoP	10.1	10.7	11.5	6.1	6.5	7.2	3.4	3.7	4.4
Multiple	8.8x	8.0x	7.3x	13.3x	11.4x	10.6x	17.5x	14.9x	12.4x
Enterprise value	88.6	85.9	83.4	81.1	73.9	76.9	-	-	-
Pension provisions					-11.0				
Net Cash					-9.1				
Fair value of equity	68.4	65.8	63.3	60.9	53.7	56.8	60.3	54.8	54.0
Average					59.8				

Minorities

We have to clarify that MBB not in all cases controls 100% of its subsidiaries. Ingo Wojtynia, managing partner of the Aumann companies, will control 6.5% of the new Aumann AG.

Furthermore, MBB owns 80% of DTS IT; its stake in Hanke Tissue is 97%. The shareholdings of the other companies are 100%.

Therefore we deducted 6.5% minorities from Aumann' fair value and 5% from RoP's fair value. The latter is derived from the minorities' share of FY 2015 RoP sales:

Valuation Aumann (in EURm)

DCF (pre-money)	435.9
Minorities	6.5%
Fair equity value	407.5

Source: quirin bank

Valuation Delignit (in EURm)

Market cap.	40.2
Minorities	23.9%
Fair equity value	30.6

Source: quirin bank

Valuation RoP (in EURm)

Peer Group	59.8
Minorities	5.0%
Fair equity value	56.8

Source: quirin bank

Summary

Valuation MBB SE (in EURm)	equity value	MBB's stake	equity value for MBB
Aumann (DCF-model, pre-money)	435.9	93.5%	407.5
Delignit (market cap.)	40.2	76.1%	30.6
RoP (peer proup)	59.8	95.0%	56.8
Sum			494.9
# shares (in mln.)			6.6
Fair value per share (in EUR)			75.0

Source: quirin bank

MBB's portfolio: Overview

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.

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 2015 in EURm	87.7
Workforce 2015	308
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	Machines for e-mobility (esp. coil and motor winding technology)
Markets	Automotive (esp. e-mobility), medical technology, general industry
Locations	Espelkamp (East Westphalia), Berlin, USA
Sales 2015 in EURm	33 (combined sales with MBB Fertigungstechnik amounted to EUR 94m)
Workforce 2015	167 (combined workforce with MBB Fertigungstechnik amounted to 475)
MBB since	2015
MBB shareholding	75%

Source: MBB SE, quirin bank

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 42.7m 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 2015 in EURm	44.4
Workforce 2015	294
MBB since	2003
MBB shareholding	76%

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.

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 2015 in EURm	38.7
Workforce 2015	307
MBB since	2006
MBB shareholding	97%

Source: MBB SE, quirin bank

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 2015 in EURm	18.2
Workforce 2015	65
MBB since	2003
MBB shareholding	100%

Source: MBB SE, quirin bank

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 2015 in EURm	22.9
Workforce 2015	88
MBB since	2010
MBB shareholding	100%

Source: MBB SE, quirin bank

Segment Trade & Services

The only company of this unit is the DTS group.

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

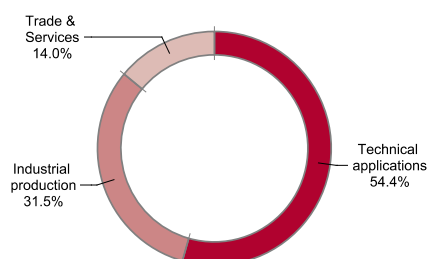
Activity	IT cloud services, IT security, systems house, distribution
Markets	Industry, services
Locations	Berlin, Bochum, Bremen, Hamburg, Hanover, Herford (headquarters), Münster, Wien
Sales 2015 in EURm	35.3
Workforce 2015	121
MBB since	2008
MBB shareholding	80%

Source: MBB SE, quirin bank

Company description

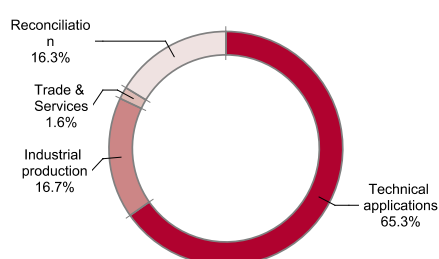
MBB SE is a medium-sized family business that has expanded steadily since it was founded in 1995 through organic growth and the acquisition of companies. Increasing long-term value of the independent subsidiaries and the Group as a whole is the center of its business model which has been profitable from the outset. The company is focussing on substantial growth and sustainable returns.

Revenues by segment 2015



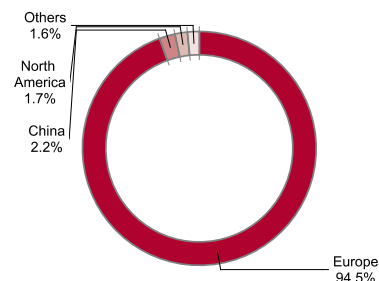
Source: Company data

Operating profit by segment 2015



Source: Company data

Revenues by region 2015



Source: Company data

Segment data (EUR m)

2014 2015 2016e 2017e 2018e

Revenues (growth in %)

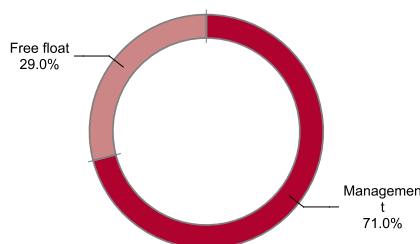
	2014	2015	2016e	2017e	2018e
Technical applications	138.8	137.7	197.0	248.0	295.0
Industrial production	64.0	79.9	86.0	93.0	100.0
Trade & Services	34.6	35.5	40.0	42.0	44.0
Reconciliation	-0.7	-0.4	-0.5	-0.5	-0.5

EBIT (margin in %)

	2014	2015	2016e	2017e	2018e
Technical applications	14.4	12.4	11.8	16.9	23.8
Industrial production	2.9	4.2	3.0	4.3	5.2
Trade & Services	0.5	0.3	0.3	1.8	1.9
Reconciliation	-0.5	-1.0	2.9	0.0	-0.5

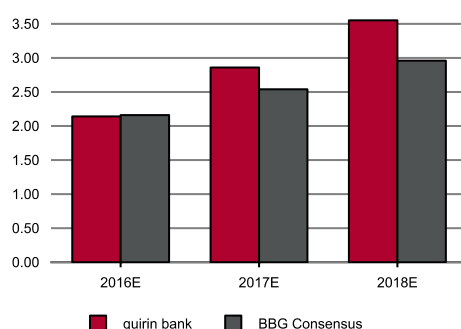
Source: Company data, quirin bank estimates

Shareholder structure



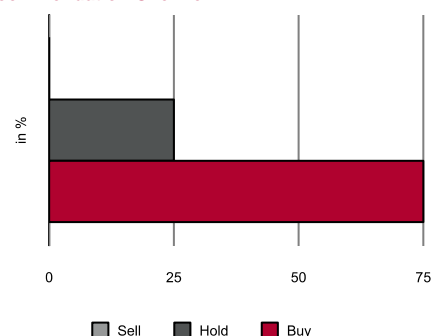
Source: Company data

EPS: quirin bank vs. consensus



Source: quirin bank Research, Bloomberg

Recommendation Overview



Source: Bloomberg

Company guidance 2015

Given the current course of business and the very strong order intake in the first half of the year, MBB raised in August its forecast for 2016 to revenues of more than EUR 310m (old: EUR 300m) and earnings per share of more than EUR 2.10 (old: EUR 2.00).

Profit & loss statement

Profit & loss statement (EUR m)	2014	YOY	2015	YOY	2016e	YOY	2017e	YOY	2018e	YOY
Sales	236.7	3.7 %	252.8	6.8 %	322.5	27.6 %	382.5	18.6 %	438.5	14.6 %
Unfinished Goods	1.6		0.8		1.0		1.1		1.3	
Other own work capitalized	1.6		0.0		0.3		0.4		0.4	
Other operating earnings	2.9		5.7		4.5		3.5		3.6	
Cost of goods	150.9		161.0		205.4		243.7		279.3	
Gross profit	91.9		98.2		122.9		143.9		164.5	
Personnel expenses	53.3		58.9		75.2		89.2		102.2	
Depreciation	6.1		6.8		7.0		7.7		7.8	
Other operating expenses	16.5		14.4		21.7		16.7		17.2	
EBITDA	22.0	-3.0 %	24.8	12.7 %	30.0	20.8 %	38.0	26.7 %	45.0	18.5 %
EBITDA margin (%)	9.31		9.83		9.31		9.94		10.27	
EBIT	15.9	-9.1 %	18.0	13.1 %	23.0	27.8 %	30.4	31.8 %	37.2	22.5 %
EBIT margin (%)	6.73		7.13		7.14		7.94		8.48	
Net interest	-1.5		-1.2		-1.3		-1.3		-1.1	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-1.6		-1.7		-1.3		-1.3		-1.1	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	14.4	-16.2 %	16.3	13.4 %	21.7	33.4 %	29.0	33.6 %	36.1	24.2 %
Pretax margin (%)	6.07		6.45		6.74		7.59		8.23	
Taxes	0.6		3.9		6.5		8.7		10.8	
Tax rate (%)	4.22		23.75		30.00		30.00		30.00	
Earnings after taxes	13.8		12.4		15.2		20.3		25.3	
Minorities	0.6		0.6		1.1		1.5		1.8	
Group attributable income	13.2	-2.0 %	11.8	-10.7 %	14.1	19.9 %	18.9	33.6 %	23.4	24.2 %
No. of shares (m)	6.6		6.6		6.6		6.6		6.6	
Earnings per share (EUR)	2.01	-4.0 %	1.79	-11.0 %	2.14	19.9 %	2.86	33.6 %	3.55	24.2 %

Balance sheet

Balance sheet (EUR m)	2014	YOY	2015	YOY	2016e	YOY	2017e	YOY	2018e	YOY
Assets										
Cash and cash equivalents	37.4		23.6		29.0		34.4		50.9	
Accounts receivables	51.7		61.8		78.8		93.4		107.1	
Inventories	20.2		23.3		29.7		35.2		40.4	
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	
Total current assets	121.1	n.a.	124.0	2.4 %	152.9	23.3 %	178.5	16.7 %	213.9	19.8 %
Fixed assets	51.6		58.5		66.2		75.0		75.4	
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	
Total fixed assets	75.6	n.a.	98.5	30.3 %	106.2	7.8 %	115.0	8.3 %	115.4	0.3 %
Total assets	196.7	n.a.	222.6	13.2 %	259.1	16.4 %	293.5	13.3 %	329.2	12.2 %
Equity & Liabilities										
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		68.2		82.8		100.6	
Accumulated other comprehensive income	0.0		0.0		0.0		0.3		1.8	
Shareholder's equity	78.6	n.a.	87.7	11.7 %	98.0	11.7 %	113.0	15.3 %	132.2	17.0 %
Minorities	3.5		5.7		5.7		5.7		5.7	
Shareholder's equity incl. minorities	78.6	n.a.	87.7	11.7 %	98.0	11.7 %	113.0	15.3 %	132.2	17.0 %
Long-term liabilities										
Pension provisions	22.4		22.1		24.2		26.7		27.6	
Financial liabilities	24.8		30.7		30.7		30.7		30.7	
Tax liabilities	3.3		3.2		4.1		4.9		5.6	
Other liabilities	2.3		3.4		4.3		5.1		5.8	
Total long-term debt	53.5	n.a.	60.4	13.0 %	64.6	6.9 %	68.9	6.7 %	71.5	3.8 %
Short-term debt										
Other provisions	24.7		22.9		29.3		34.7		39.8	
Trade payables	19.6		23.7		30.2		35.8		41.0	
Financial debt	7.4		11.4		16.2		16.3		16.3	
Other liabilities	7.1		6.4		8.2		9.7		11.1	
Total short-term debt	64.7	n.a.	74.4	15.0 %	96.5	29.7 %	111.6	15.6 %	125.6	12.5 %
Total equity & liabilities	196.7	n.a.	222.6	13.2 %	259.1	16.4 %	293.5	13.3 %	329.2	12.2 %

Financial key ratios

Key ratios	2014	2015	2016e	2017e	2018e
Per share data (EUR)					
EPS	2.01	1.79	2.14	2.86	3.55
Book value per share	11.9	13.3	14.8	17.1	20.0
Free cash flow per share	2.2	5.0	1.6	2.8	3.5
Dividend per share	0.57	0.59	0.64	0.86	1.07
Valuation ratios					
EV/Sales	1.20	1.22	0.96	0.80	0.66
EV/EBITDA	12.9	12.4	10.3	8.0	6.4
EV/EBIT	17.8	17.0	13.4	10.1	7.8
P/E	11.9	13.0	18.9	14.1	11.4
P/B	2.0	1.7	2.7	2.4	2.0
Dividend yield (%)	2.4	2.5	1.6	2.1	2.6
Growth					
Sales growth (%)	3.7	6.8	27.6	18.6	14.6
EBITDA growth (%)	-3.0	12.7	20.8	26.7	18.5
EBIT growth (%)	-9.1	13.1	27.8	31.8	22.5
EPS growth (%)	-4.0	-11.0	19.9	33.6	24.2
Profitability ratios					
EBITDA margin (%)	9.3	9.8	9.3	9.9	10.3
EBIT margin (%)	6.7	7.1	7.1	7.9	8.5
Net margin (%)	5.6	4.7	4.4	4.9	5.3
ROCE (%)	12.1	12.2	14.2	16.7	n.a.
Financial ratios					
Total equity (EUR m)	78.6	87.7	98.0	113.0	132.2
Equity ratio (%)	39.9	39.4	37.8	38.5	40.1
Net financial debt (EUR m)	17.3	40.7	42.1	39.3	23.7
Net debt/Equity	0.4	0.4	0.4	0.4	0.4
Interest cover	7.4	9.2	11.2	14.0	17.1
Net debt/EBITDA	0.8	1.6	1.4	1.0	0.5
Payout ratio (%)	28.4	33.1	30.0	30.0	30.0
Working Capital (EUR m)	56.4	49.6	56.4	66.9	88.3
Working capital/Sales	0.24	0.20	0.17	0.17	0.20

Legal Disclaimer

This document has been prepared by quirin bank AG (hereinafter referred to as „the Bank“). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it. On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgments.

The document has been produced for information purposes for institutional clients or market professionals. Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

The Bank reserves all the rights in this document.

The preparation of this document is subject to regulation by German Law.

Remarks regarding to U.K. clients: Distribution of this material in the U.K. is governed by the FSA Rules. This Report is intended only for distribution to Professional Clients or Eligible Counterparties (as defined under the rules of the FSA) and is not directed at Retail Clients (as defined under the rules of the FSA).

Disclosures in respect of section 34b of the German Securities Trading Act and FinAnV

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a securities analyses to point possible conflicts of interest with respect to the company that is the subject of the analyses. Catalogue of potential conflicts of interest:

1. The Bank and/or its affiliate(s) own a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company that is the subject of the Research Document, calculated in accordance with Article 3 of regulation (EU) No 236/2012 and with Chapter III and IV of Commission Delegated Regulation (EU) No 918/20127
2. The company that is the subject of the Research Document owns 5% or more in the total issued share capital of the Bank and/or its affiliate(s)
3. The Bank and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of analyzed company
4. The Bank and/or its affiliate(s) act as Market Maker or Designated Sponsor for the analyzed company
5. The Bank and/or its affiliate(s) over the previous 12 months has been providing investment banking services for the analyzed company for which a compensation has been or will be paid
6. The responsible analyst named in this report disclosed a draft of the analysis set forth in this Research Document to the company that is the subject of this Research Document for fact reviewing purposes and changes were made to this Research Document before publication
7. The Bank and/or its affiliate(s) effected an agreement with the analyzed company for the preparation of the financial analysis
8. The Bank and/or its affiliate(s) holds a trading position in shares of the analyzed company
9. The Bank and/or its affiliate(s) has other important financial interests in relation to the analyzed company

In relation to the security or financial instrument discussed in this analyses the following possible conflict of interest exists: (-)

The Bank have set up effective organizational administrative arrangements to prevent and avoid possible conflicts of interest and, where applicable, to disclose them.

The valuation underlying the rating of the company analyzed in this report is based on generally accepted and widely used methods of fundamental valuation, such as the DCF model, Free Cash Flow Value Potential, peer group comparison and – where applicable – a sum-of-the-parts model.

We do not commit ourselves in advance to whether and in which intervals an update is made. The document and the recommendation and the estimations contained therein are not linked – whether directly or indirectly – to the compensation of the analyst responsible for the document.

All share prices given in this equity analysis are closing prices from the last trading day before the publication date stated, unless another point in time is explicitly stated.

The rating in this report are based on the analyst's expectation of the absolute change in stock price over a period of 6 to 12 months and reflect the analyst's view of the potential for change in stock price as a percentage. The BUY and SELL ratings reflect the analyst's expected high change in the value of the stock.

The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

Analyst certification

Ralf Marinoni, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
28.11.2016	75.00	Buy	
08.09.2016	45.00	Buy	
01.06.2016	38.00	Buy	01.06.2016

Bank distribution of ratings and in proportion to investment banking services can be found on the internet at the following address:

<http://investment-banking.quirinbank.de/institutional-research>

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

Contact quirin bank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann • Dr. Marcel Morschbach

Contact Details

quirin bank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinbank.de

Research

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinbank.de
Harald Eggeling	+49 (0) 69 2475049-28	harald.eggeling@quirinbank.de
Felix Lutz	+49 (0) 69 2475049-29	felix.lutz@quirinbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinbank.de

Equity Sales	Tel.	Email
Rainer Jell	+49 (0) 69 2475049-45	rainer.jell@quirinbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinbank.de

Debt Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinbank.de
Rüdiger Eich	+49 (0) 69 2475049-85	ruediger.eich@quirinbank.de
Stefan Krewinkel	+49 (0) 69 2475049-43	stefan.krewinkel@quirinbank.de
Klaus Linnebach	+49 (0) 69 2475049-47	klaus.linnebach@quirinbank.de
Janine Theobald	+49 (0) 69 2475049-83	janine.theobald@quirinbank.de

Trading / Sales Trading	Tel.	Email
Thomas Flügel	+49 (0) 69 2475049-92	thomas.fluegel@quirinbank.de
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinbank.de
Kai Wagner	+49 (0) 69 2475049-65	kai.wagner@quirinbank.de

Business Support	Tel.	Email
Sule Erkan	+49 (0) 69 2475049-88	sule.erkan@quirinbank.de