



31 Mai 2017

MBB SE

Rating Buy (Buy)
 Share price (EUR) 116.55
 Target price (EUR) 130.00 (100.00)
 Bloomberg MBB GY
 Sector Industrial Holding

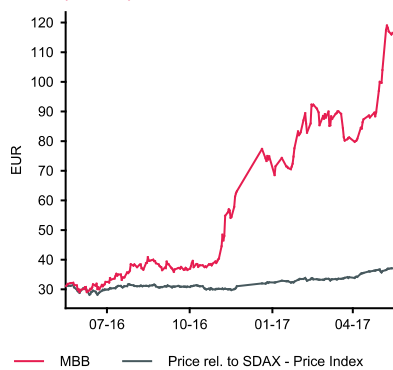
Share data

Shares out (m) 6.6
 Daily volume shs (m) 1.3
 Free float (%) 29.00
 Market cap (EUR m) 769
 EV (EUR m) 437
 DPS (EUR) 1.22
 Dividend yield (%) 3.7
 Payout ratio (%) 30.0

Performance

ytd (%) 84.7
 12 months (%) 269.3
 12 months rel. (%) 250.4
 Index SDAX

Share price performance



Source: Bloomberg

Next triggers

28 June 2017: AGM
 31 August 2017: Q2 report

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Full war chest paves the way for further growth

MBB seeks to top the EUR 500m sales border in FY 2020. In our view this target will organically be reached in FY 2019 already. Due to its high liquidity in the group (EUR 272m in Q1-17), the company has sufficient firepower to accelerate growth via acquisitions. Based on the valuation of its stock-listed subsidiaries and strong growth potential we increase our TP from EUR 100 to EUR 130. The recommendation remains Buy.

High Liquidity

MBB SE generated sales of EUR 98.2m in Q1-17 compared to EUR 78.2m in the first quarter of FY 2016, according to preliminary figures. This corresponds to a growth in revenues of 25.4%. The EBITDA increased by 38.0% to EUR 10.8m (previous year: EUR 7.8m). Earnings amounted to EUR 5.1m which also significantly exceeds the previous year with EUR 3.7m.

Due to the Aumann-IPO and operational performance, the group liquidity in Q1-17 increased to EUR 272.0m (end of FY 2016: EUR 77.4m) and net cash increased to EUR 213.2m (end of 2016: EUR 22.2m). In our view, this is an excellent position for further growth, both organically and through acquisitions.

Additionally, the liquidity situation allows the company to propose an again increased dividend of EUR 0.61 per share or EUR 4.0m in total (previous year EUR 0.59 per share or EUR 3.9m) plus a special dividend in the same amount at the AGM. We regard this proposal as quite reasonable since it is no hurdle to finance further acquisitions.

Buy confirmed, TP up to EUR 130 from EUR 100

MBB expects revenues of EUR 390m and earnings on the level of the previous year despite the partial disposal of the participation in Aumann AG. We expect the company to easily fulfill its guidance.

Furthermore, we updated our valuation approach for MBB (next page). **As a result we increase our TP from EUR 100 to EUR 130 and confirm our Buy recommendation.**

Key figures		2015	2016	2017e	2018e	2019e
Sales	EUR m	253	332	400	460	522
EBITDA	EUR m	25	30	40	48	54
EBIT	EUR m	18	22	32	40	46
EPS	EUR	1.79	2.16	2.25	2.43	2.86
Sales growth	%	6.8	31.4	20.3	15.0	13.5
EBIT growth	%	13.1	23.9	43.8	23.9	16.1
EPS growth	%	-11.0	21.0	4.2	7.8	17.8
EBITDA margin	%	9.8	9.1	10.0	10.4	10.4
EBIT margin	%	7.1	6.7	8.0	8.7	8.9
Net margin	%	4.7	4.3	3.7	3.5	3.6
EV/Sales	ratio	1.81	1.35	1.09	0.92	0.78
EV/EBITDA	ratio	18.4	14.8	10.9	8.9	7.5
EV/EBIT	ratio	25.4	20.0	13.6	10.7	8.8
P/E	ratio	13.0	15.1	51.8	48.1	40.8
P/BV	ratio	1.7	2.2	7.3	6.8	6.0
Dividend yield	%	2.5	3.7	0.6	0.6	0.7

Source: Bloomberg, Company data, quirin bank estimates

Valuation

We decided to value MBB via a sum-of-the-parts approach. We considered the share prices (closing: 30 May 2017) of its listed holdings Aumann and Delignit and valued the Rest of Portfolio with an EV/Ebitda 2017 multiple.

We added MBB's current net cash and deducted its pension provisions to arrive at an equity value of EUR 769m.

However, due to its impressive war chest we expect further acquisitions that are not reflected in our current estimates. **We therefore believe that a 10% premium for MBB is adequate which results in a fair equity value of EUR 846m or EUR 128 per share.**

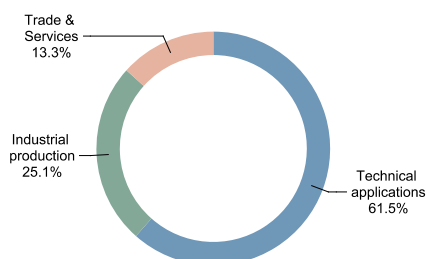
Valuation MBB SE (In EURm)	equity value	MBB's stake	equity value for MBB
Aumann (market cap.)	882.0	53.6%	472.8
Delignit (market cap.)	38.8	76.1%	29.5
Rest of Portfolio (EV/Ebitda 2017 multiple)	81.7	95.0%	77.6
+ net Cash			213.3
- pension provisions			-24.4
Sum			768.8
Premium (10%)			845.7
# shares (in mln.)			6.6
Fair Value per share (In EUR)			128.1

Source: quirin bank

Company description

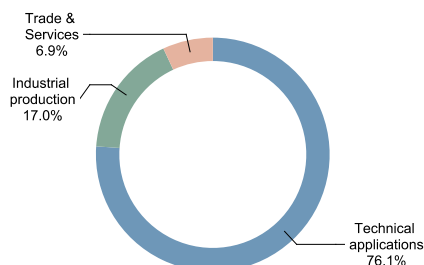
MBB SE is a medium-sized family business that has expanded steadily since it was founded in 1995 through organic growth and the acquisition of companies. Increasing long-term value of the independent subsidiaries and the Group as a whole is the center of its business model which has been profitable from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

Revenues by segment 2016



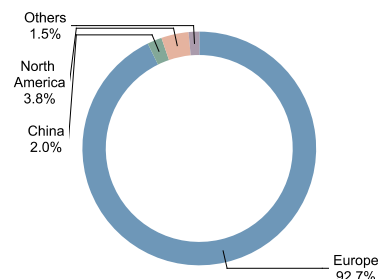
Source: Company data

Operating profit by segment 2016



Source: Company data

Revenues by region 2016



Source: Company data

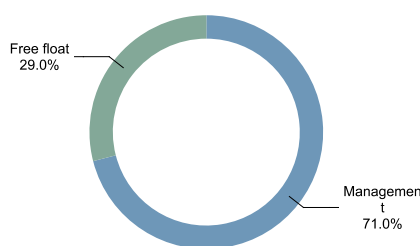
Segment data (EUR m)

Revenues (growth in %)	2015	YOY	2016	YOY	2017e	YOY	2018e	YOY	2019e	YOY
Technical applications	137.7	-0.7%	204.5	48.5%	265.0	29.6%	316.0	19.2%	369.0	16.8%
Industrial production	79.9	24.8%	83.6	4.7%	88.0	5.2%	93.0	5.7%	97.0	4.3%
Trade & Services	35.5	2.7%	44.4	24.9%	47.0	5.9%	51.0	8.5%	56.0	9.8%
Reconciliation	-0.4	-47.1%	-0.4	16.0%	-0.5	21.1%	-0.5	0.0%	-0.5	0.0%

EBIT (margin in %)	2015	margin	2016	margin	2017e	margin	2018e	margin	2019e	margin
Technical applications	11.8	8.5%	19.2	9.4%	25.4	9.6%	31.9	10.1%	37.6	10.2%
Industrial production	3.0	3.8%	4.3	5.1%	4.8	5.5%	5.6	6.0%	5.8	6.0%
Trade & Services	0.3	0.8%	1.7	3.9%	2.4	5.0%	2.8	5.5%	3.2	5.8%

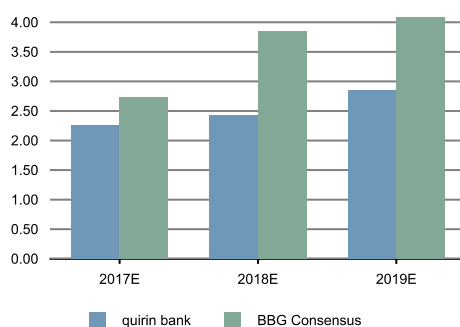
Source: Company data, quirin bank estimates

Shareholder structure



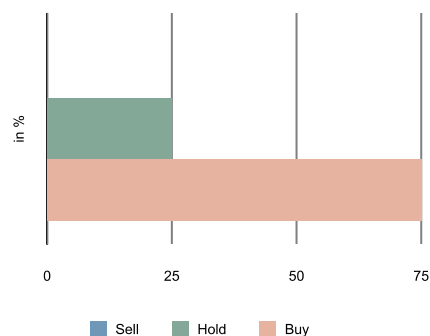
Source: Company data

EPS: quirin bank vs. consensus



Source: quirin bank Research, Bloomberg

Recommendation Overview



Source: Bloomberg

Company guidance 2016

The company expects revenues of EUR 390m and earnings on the level of the previous year despite the partial disposal of the participation in Aumann AG.

Profit & loss statement

Profit & loss statement (EUR m)	2015	YOY	2016	YOY	2017e	YOY	2018e	YOY	2019e	YOY
Sales	252.8	6.8 %	332.2	31.4 %	399.5	20.3 %	459.5	15.0 %	521.5	13.5 %
Unfinished Goods	0.8		1.4		1.6		1.9		2.1	
Other own work capitalized	0.0		0.0		0.3		0.3		0.3	
Other operating earnings	5.7		4.6		4.5		4.6		5.2	
Cost of goods	161.0		215.0		258.5		297.4		337.5	
Gross profit	98.2		123.2		147.4		169.0		191.7	
Personnel expenses	58.9		73.7		88.6		101.9		115.6	
Depreciation	6.8		8.0		8.0		8.0		8.0	
Other operating expenses	14.4		19.1		18.7		19.3		21.9	
EBITDA	24.8	12.7 %	30.4	22.2 %	40.1	32.2 %	47.8	19.1 %	54.2	13.4 %
EBITDA margin (%)	9.83		9.14		10.04		10.40		10.39	
EBIT	18.0	13.1 %	22.3	23.9 %	32.1	43.8 %	39.8	23.9 %	46.2	16.1 %
EBIT margin (%)	7.13		6.73		8.04		8.66		8.86	
Net interest	-1.2		-1.4		-1.3		-1.0		-0.5	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-1.7		-1.4		-1.3		-1.0		-0.5	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	16.3	13.4 %	21.0	28.6 %	30.9	47.3 %	38.8	25.7 %	45.7	17.8 %
Pretax margin (%)	6.45		6.31		7.73		8.45		8.77	
Taxes	3.9		5.2		9.3		11.6		13.7	
Tax rate (%)	23.75		24.72		30.00		30.00		30.00	
Earnings after taxes	12.4		15.8		21.6		27.2		32.0	
Minorities	0.6		1.5		6.8		11.2		13.2	
Group attributable income	11.8	-10.7 %	14.3	21.0 %	14.9	4.2 %	16.0	7.8 %	18.9	17.8 %
No. of shares (m)	6.6		6.6		6.6		6.6		6.6	
Earnings per share (EUR)	1.79	-11.0 %	2.16	21.0 %	2.25	4.2 %	2.43	7.8 %	2.86	17.8 %

Balance sheet

Balance sheet (EUR m)	2015	YOY	2016	YOY	2017e	YOY	2018e	YOY	2019e	YOY
Assets										
Cash and cash equivalents	23.6		44.9		55.4		63.7		72.3	
Accounts receivables	61.8		72.9		87.7		100.9		114.5	
Inventories	23.3		25.8		31.0		35.7		40.5	
Other current assets	15.4		10.6		10.6		10.6		10.6	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	124.0	2.4 %	154.2	24.3 %	184.7	19.8 %	210.8	14.2 %	237.8	12.8 %
Fixed assets	58.5		64.4		59.4		53.4		46.5	
Goodwill	11.9		11.9		11.9		11.9		11.9	
Other intangible assets	5.8		4.9		4.9		4.9		4.9	
Financial assets	15.7		22.8		22.8		22.8		22.8	
Deferred taxes	6.6		8.2		8.2		8.2		8.2	
Other fixed assets	0.0		0.0		0.0		0.0		0.0	
Total fixed assets	98.5	30.3 %	112.3	13.9 %	107.3	-4.4 %	101.3	-5.6 %	94.3	-6.9 %
Total assets	222.6	13.2 %	266.5	19.7 %	292.0	9.6 %	312.1	6.9 %	332.2	6.4 %
Equity & Liabilities										
Subscribed capital	6.6		6.6		6.6		6.6		6.6	
Reserves & other	17.5		17.5		17.5		17.5		17.5	
Revenue reserves	58.0		68.0		74.8		86.4		99.6	
Accumulated other comprehensive	0.0		0.0		0.0		-3.6		-2.4	
Shareholder's equity	87.7	11.7 %	98.4	12.1 %	105.2	6.9 %	113.2	7.6 %	127.6	12.7 %
Minorities	5.7		6.3		6.3		6.3		6.3	
Shareholder's equity incl. minorities	87.7	11.7 %	98.4	12.1 %	105.2	6.9 %	113.2	7.6 %	127.6	12.7 %
Long-term liabilities										
Pension provisions	22.1		24.4		27.3		28.5		32.3	
Financial liabilities	30.7		32.9		32.9		32.9		28.1	
Tax liabilities	3.2		3.7		4.4		5.1		5.8	
Other liabilities	3.4		3.0		3.7		4.2		4.8	
Total long-term debt	60.4	13.0 %	69.9	15.7 %	75.4	7.9 %	78.8	4.5 %	80.1	1.7 %
Short-term debt										
Other provisions	22.9		26.5		31.9		36.7		41.6	
Trade payables	23.7		28.4		34.1		39.2		44.5	
Financial debt	11.4		18.9		16.0		10.6		0.0	
Other liabilities	6.4		6.8		8.2		9.5		10.7	
Total short-term debt	74.4	15.0 %	98.2	32.0 %	111.4	13.5 %	120.2	7.9 %	124.5	3.5 %
Total equity & liabilities	222.6	13.2 %	266.5	19.7 %	292.0	9.6 %	312.1	6.9 %	332.2	6.4 %

Financial key ratios

Key ratios	2015	2016	2017e	2018e	2019e
Per share data (EUR)					
EPS	1.79	2.16	2.25	2.43	2.86
Book value per share	13.3	14.9	15.9	17.1	19.3
Free cash flow per share	3.4	4.9	3.3	4.1	0.9
Dividend per share	0.59	1.22	0.68	0.73	0.86
Valuation ratios					
EV/Sales	1.81	1.35	1.09	0.92	0.78
EV/EBITDA	18.4	14.8	10.9	8.9	7.5
EV/EBIT	25.4	20.0	13.6	10.7	8.8
P/E	13.0	15.1	51.8	48.1	40.8
P/B	1.7	2.2	7.3	6.8	6.0
Dividend yield (%)	2.5	3.7	0.6	0.6	0.7
Growth					
Sales growth (%)	6.8	31.4	20.3	15.0	13.5
EBITDA growth (%)	12.7	22.2	32.2	19.1	13.4
EBIT growth (%)	13.1	23.9	43.8	23.9	16.1
EPS growth (%)	-11.0	21.0	4.2	7.8	17.8
Profitability ratios					
EBITDA margin (%)	9.8	9.1	10.0	10.4	10.4
EBIT margin (%)	7.1	6.7	8.0	8.7	8.9
Net margin (%)	4.7	4.3	3.7	3.5	3.6
ROCE (%)	12.2	13.3	17.8	20.7	22.2
Financial ratios					
Total equity (EUR m)	87.7	98.4	105.2	113.2	127.6
Equity ratio (%)	39.4	36.9	36.0	36.3	38.4
Net financial debt (EUR m)	40.7	31.3	21.0	8.3	-11.9
Net debt/Equity	0.4	0.4	0.4	0.4	0.4
Interest cover	9.2	10.6	15.6	21.1	31.6
Net debt/EBITDA	1.6	1.0	0.5	0.2	-0.2
Payout ratio (%)	33.1	56.5	30.0	30.0	30.0
Working Capital (EUR m)	49.6	56.0	73.3	90.6	113.4
Working capital/Sales	0.20	0.17	0.18	0.20	0.22

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The levels of change expressed in each rating categories are:

BUY > +10%

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
31.05.2017	130.00	Buy	
10.03.2017	100.00	Buy	
10.02.2017	90.00	Buy	
29.11.2016	75.00	Buy	
09.09.2016	45.00	Buy	
01.06.2016	38.00	Buy	01.06.2016

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