

23 Oktober 2017

MBB SE

Rating	Buy
Share price (EUR)	99.55
Target price (EUR)	130.00
Bloomberg	MBB GY
Sector	-

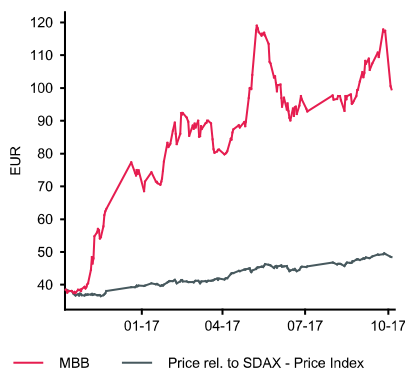
Share data

Shares out (m)	6.6
Daily volume shs (m)	1.0
Free float (%)	35.20
Market cap (EUR m)	657
EV (EUR m)	439
DPS (EUR)	1.22
Dividend yield (%)	3.7
Payout ratio (%)	30.0

Performance

ytd (%)	57.8
12 months (%)	151.4
12 months rel. (%)	124.6
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

30 November 2017: Q3 report

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Reduced EPS but smart acquisition

Due to weak earnings in Q3-17 of its subsidiary Aumann, MBB reduced its EPS forecast from EUR 2.16 to EUR 2.00 for FY 2017. Additionally, Aumann acquired a specialist for automation solutions which perfectly fits into its business model. We therefore confirm our Buy recommendation and the EUR 130 TP.

Aumann reduces its full year guidance ...

In the E-mobility segment of Aumann, revenues reached EUR 40.3 in 9M-17 while EBIT stands at EUR 4.8m according to preliminary figures. The EBIT therefore remained on H1-17 level. This is a result of capacity restraints and unfavorable project management. However, we assume this is a temporary effect, in particular against the background of its latest acquisition.

The FY 2017 EBIT guidance was reduced to be "above EUR 20m" for Aumann, so far it was EUR 25m. As a result, we reduce our estimate for MBB EBIT (FY 2017) from EUR 32m to EUR 28m.

... but will strongly benefit from its latest acquisition

Aumann acquired 100% of the shares in USK Karl Utz Sondermaschinen GmbH ("USK") from the family owners. USK is a sustainably profitable specialist for automation solutions. Additionally, the company is active in the production lines for fuel cells. In 2016, the company generated revenues of almost EUR 70m according to German accounting standards.

We estimate that USK's margins are on MBB's group level. We further assume that Aumann acquired USK at a reasonable price (EV/Sales ~0.7) and no further capex for USK is necessary.

USK a perfect fit for Aumann

In our view, Aumann's and therefore MBB's mid- and long-term perspectives have substantially improved through the acquisition: The capacities for Aumann will grow substantially with 300 new employees. USK has decades of experience as an equipment supplier for leading OEMs and Tier-1s. Problems that occurred in Q3-17 should be a thing of the past for Aumann. **We therefore confirm our Buy recommendation and the EUR 130 TP.**

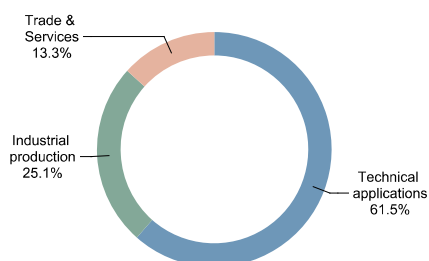
Key figures		2015	2016	2017e	2018e	2019e
Sales	EUR m	253	332	397	530	592
EBITDA	EUR m	25	30	36	52	59
EBIT	EUR m	18	22	28	44	51
EPS	EUR	1.79	2.16	2.02	2.56	3.02
Sales growth	%	6.8	31.4	19.4	33.5	11.7
EBIT growth	%	13.1	23.9	26.5	54.6	16.4
EPS growth	%	-11.0	21.0	-6.4	26.5	17.9
EBITDA margin	%	9.8	9.1	9.1	9.8	10.0
EBIT margin	%	7.1	6.7	7.1	8.3	8.6
Net margin	%	4.7	4.3	3.4	3.2	3.4
EV/Sales	ratio	1.81	1.35	1.11	0.81	0.69
EV/EBITDA	ratio	18.4	14.8	12.1	8.3	6.9
EV/EBIT	ratio	25.4	20.0	15.5	9.8	8.0
P/E	ratio	13.0	15.1	49.3	38.9	33.0
P/BV	ratio	1.7	2.2	6.3	5.8	5.1
Dividend yield	%	2.5	3.7	0.6	0.8	0.9

Source: Bloomberg, Company data, quirin bank estimates

Company description

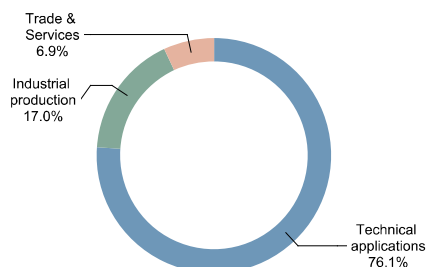
MBB SE is a medium-sized family business that has expanded steadily since it was founded in 1995 through organic growth and the acquisition of companies. Increasing long-term value of the independent subsidiaries and the Group as a whole is the center of its business model which has been profitable from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

Revenues by segment 2016



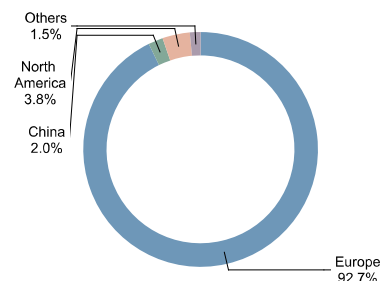
Source: Company data

Operating profit by segment 2016



Source: Company data

Revenues by region 2016



Source: Company data

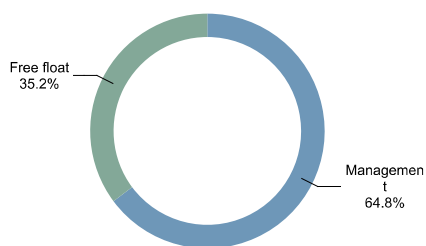
Segment data (EUR m)

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%	386.0	45.7%	439.0	13.7%
Industrial production	79.9	24.8%	83.6	4.7%	85.0	1.6%	93.0	9.4%	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%	22.0	8.3%	36.3	9.4%	42.6	9.7%
Industrial production	3.0	3.8%	4.3	510.3%	4.4	5.2%	5.1	5.5%	5.5	5.7%
Trade & Services	0.3	0.8%	1.7	3.9%	2.4	5.0%	2.8	5.5%	3.2	5.8%

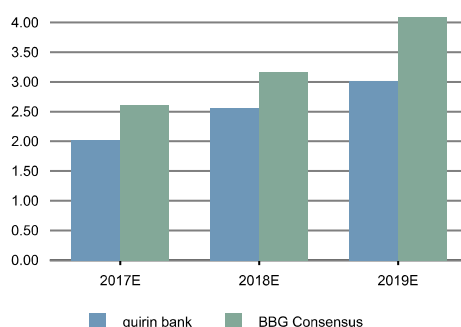
Source: Company data, quirin bank estimates

Shareholder structure



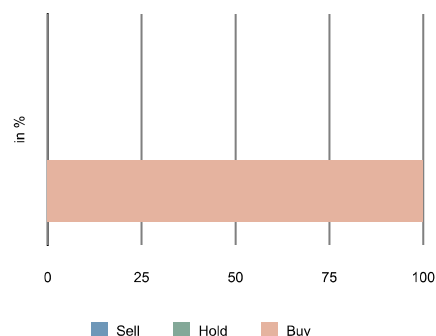
Source: Company data

EPS: quirin bank vs. consensus



Source: quirin bank Research, Bloomberg

Recommendation Overview



Source: Bloomberg

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 %	396.5	19.4 %	529.5	33.5 %	591.5	11.7 %
Unfinished Goods	0.8		1.4		1.6		2.2		2.4	
Other own work capitalized	0.0		0.0		0.3		0.3		0.3	
Other operating earnings	5.7		4.6		5.6		6.4		6.8	
Cost of goods	161.0		215.0		256.6		342.7		382.8	
Gross profit	98.2		123.2		147.4		195.7		218.2	
Personnel expenses	58.9		73.7		87.9		117.4		131.2	
Depreciation	6.8		8.0		8.0		8.0		8.0	
Other operating expenses	14.4		19.1		23.3		26.6		28.2	
EBITDA	24.8	12.7 %	30.4	22.2 %	36.3	19.4 %	51.7	42.6 %	58.9	13.8 %
EBITDA margin (%)	9.83		9.14		9.14		9.76		9.95	
EBIT	18.0	13.1 %	22.3	23.9 %	28.3	26.5 %	43.7	54.6 %	50.9	16.4 %
EBIT margin (%)	7.13		6.73		7.13		8.25		8.60	
Net interest	-1.2		-1.4		-1.3		-1.1		-0.6	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-1.7		-1.4		-1.3		-1.1		-0.6	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	16.3	13.4 %	21.0	28.6 %	27.0	28.7 %	42.6	57.9 %	50.2	17.9 %
Pretax margin (%)	6.45		6.31		6.80		8.05		8.49	
Taxes	3.9		5.2		8.1		12.8		15.1	
Tax rate (%)	23.75		24.72		30.00		30.00		30.00	
Earnings after taxes	12.4		15.8		18.9		29.8		35.2	
Minorities	0.6		1.5		5.5		12.9		15.3	
Group attributable income	11.8	-10.7 %	14.3	21.0 %	13.3	-6.4 %	16.9	26.5 %	19.9	17.9 %
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 %	2.02	-6.4 %	2.56	26.5 %	3.02	17.9 %

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		55.0		73.1		82.0	
Accounts receivables	61.8		72.9		87.0		116.2		129.8	
Inventories	23.3		25.8		30.8		41.1		45.9	
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 %	183.4	18.9 %	241.1	31.5 %	268.3	11.3 %
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 %	290.7	9.1 %	342.4	17.8 %	362.7	5.9 %
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		73.3		86.2		100.1	
Accumulated other comprehensive	0.0		0.0		0.0		-4.1		-2.1	
Shareholder's equity	87.7	11.7 %	98.4	12.1 %	103.7	5.4 %	112.5	8.5 %	128.4	14.1 %
Minorities	5.7		6.3		6.3		6.3		6.3	
Shareholder's equity incl. minorities	87.7	11.7 %	98.4	12.1 %	103.7	5.4 %	112.5	8.5 %	128.4	14.1 %
Long-term liabilities										
Pension provisions	22.1		24.4		27.1		33.2		37.1	
Financial liabilities	30.7		32.9		32.9		32.9		32.9	
Tax liabilities	3.2		3.7		4.4		5.8		6.5	
Other liabilities	3.4		3.0		3.6		4.9		5.4	
Total long-term debt	60.4	13.0 %	69.9	15.7 %	75.0	7.4 %	86.2	14.8 %	92.4	7.2 %
Short-term debt										
Other provisions	22.9		26.5		31.6		42.2		47.2	
Trade payables	23.7		28.4		33.8		45.2		50.5	
Financial debt	11.4		18.9		17.3		17.3		0.7	
Other liabilities	6.4		6.8		8.2		10.9		12.2	
Total short-term debt	74.4	15.0 %	98.2	32.0 %	111.9	14.0 %	143.7	28.4 %	141.8	-1.3 %
Total equity & liabilities	222.6	13.2 %	266.5	19.7 %	290.7	9.1 %	342.4	17.8 %	362.7	5.9 %

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
23.10.2017	130.00	Buy	
31.05.2017	130.00	Buy	
10.03.2017	100.00	Buy	
10.02.2017	90.00	Buy	
29.11.2016	75.00	Buy	01.06.2016

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