

## MBB Industries AG



**Bankhaus Lampe**

FÜR WENIGE BESONDERES LEISTEN.

## **IMPRINT**

### **EDITORIAL DEADLINE**

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April 13, 2007  
 price (10:46, Ffm.): 8,05 €  
 price target (new) 10,50 €  
 price target (old) - - -

## sector: Industrials

MBB Industries is a private equity company with a focus on mid-cap industrial companies.

country: D  
 ISIN: DE000A0ETBQ4  
 Bloomberg: MBB

## price 52 weeks

high: 11,69 €  
 low: 6,85 €  
 market.cap (m): 53,1 €  
 number of shares (m) 6,6  
 free-float: 27,9%

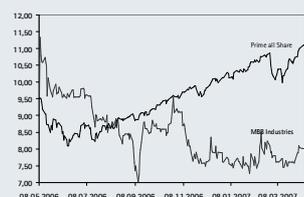
	EPS	PER
2005	0,27 €	- - -
2006e	0,59 €	13,7
2007e	0,96 €	8,3
2008e	1,07 €	7,5

	dividend	yield
2005	0,00 €	- - -
2006e	0,10 €	1,2%
2007e	0,20 €	2,5%
2008e	0,30 €	3,7%

	EV/sales	EV/EBIT
2005	n.a.	n.a.
2006e	1,0	10,8
2007e	0,7	7,4
2008e	0,7	6,9

## next event:

AGM 11.06.2007



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Please note the disclaimer & disclosures at the end of this report.

## MBB Industries AG

Buy (previously: - - -)

### PRELIMINARY FIGURES SURPASS FORECASTS ON IPO

The business figures for 2006 presented at the end of March surpass the company's forecasts for the initial public offering in summer 2006. Also due to consolidation, MBB Industries was able to increase sales by 71% to EUR 63 million. The operating result (EBIT) rose from EUR 3.8 million to EUR 5.7 million. Net income for the year rose disproportionately by 121% to EUR 3.9 million. Correspondingly, earnings per share reached EUR 0.59, up from EUR 0.26 in the previous year (calculated with the current number of shares).

In particular the acquisition of the Huchtemeier Group at the end of June 2006 contributed to the significant improvement of business in the second half of the year. On the basis of this positive earnings trend, the management has proposed to pay a dividend of EUR 0.10 per share. However, in view of the resulting dividend yield of just over 1%, this is not a decisive investment criterion.

For the current business year 2007, the company anticipates further significant increases in sales and earnings. At the same time, the Board adheres to its medium-term forecast of one to three equity investments per year.

MBB Industries AG		2005		2006e		2007e		2008e	
in €m									
Sales	36,9	100,0%	62,9	100,0%	90,0	100,0%	95,0	100,0%	
EBIT	3,8	10,4%	5,7	9,0%	8,8	9,7%	9,4	9,9%	
Net earnings after minorities	1,7	4,7%	3,9	6,2%	6,4	7,1%	7,1	7,4%	

### YEARS OF EXPERIENCE IN THE INVESTMENT BUSINESS

The holding company MBB Industries, which focuses its investments on medium-sized industrial enterprises, has been listed on the stock exchange since May 2006. Even though the company is very young, the acting people have 10 years (since 1995) of experience in the investment business. Because of this experience, the management can rely on an extensive network, which is used in the acquisition, sale and management of the investment companies, which mostly operate in niche markets.

### HIGH GROWTH POTENTIAL

We believe that the company has a high growth potential for the coming years. Apart from the general financial conditions, particularly due to the liquidity raised by the initial public offering, we also regard the issues of unsolved succession problems, portfolio adjustments of large groups and financial exit interests of company owners as a driving force for the future development of the company.

### FIRST-TIME PRICE TARGET: EUR 10,50 €; FIRST RATING: BUY

Our valuation method is at approximately EUR 10,50 €, so that we are setting our full-year price target at this level as well. In view of the associated price potential, we are initiating coverage on the shares of MBB Industries AG with a Buy-rating. However, when making his investment decision the investor has to take into account that the average daily trading volume at the stock exchange is only 3,650 shares (or EUR 36,000) at the moment.

## CORPORATE PURPOSE

MBB Industries is a holding company which focuses on medium-sized industrial enterprises with sustained value enhancement potential, without having a focus on a particular sector of industry. The company specialises in companies with a sales volume between EUR 10 and 50 million and an EBITDA-marging of more than 10%. With their products, the companies should occupy market niches. MBB concentrates on majority holdings (> 75%) in companies and focuses, at the time of its investment, on unsolved succession issues, financing or earnings problems and partial sale intentions in groups. Apart from capital, the companies in which an investment is made gain access to the company's management experience as well as to an extensive international network.

In its investment strategy, the Group pursues a buy-and-sell approach with no fixed holding periods for the investments. It is decisive that the investments generate sustained income in the form of dividends. According to the company, a sale is considered only if a potential buyer offers a price that exceeds, in the management's opinion, the value enhancement potentials that MBB Industries would be able to realise.

That is, as a matter of principle, the company wants to accompany and develop the companies invested in for years before MBB starts thinking about a sale. The target is a total of 1- 3 investments per year; the management points out that earnings growth is the focus of its attention and that the number of new investments as well as sales growth are only of secondary importance. The target yield for the value enhancement is an average IRR of more than 30%.

## MANAGEMENT

Dr. Christof Nesemeier (Chief Executive Officer - CEO) is responsible for the company's strategic orientation as well as for the Investment Acquisition department. In the Managing Board, he also has responsibility for the tasks of the Corporate Finance and Investor Relations divisions. Dr. Christof Nesemeier studied economics at the University of Münster and received his doctorate at the University of St. Gallen (Switzerland). Until 1996, he worked in the management of the international management consultancy firm Bossard Consultants.

Gert-Maria Freimuth (Member of the Board of Directors - COO) is responsible for the Investment Management and Sales department as well as the Communication and Marketing divisions. Moreover, he has the responsibility for the Legal division. Gert-Maria Freimuth studied economics and Christian social ethics at the University of Münster. Until 1994, he worked in the area of Corporate Finance at the accounting and consulting firm Price Waterhouse. In the years 1994 to 1996, he worked in the management of BDO Structured Finance.

Anton Breilkopf (management) is responsible for the Corporate Finance division. He studied business management at the University of Applied Sciences in Cologne and worked in the Finance and Controlling division at Daimler-Benz until 1998. Since 1998, Mr. Breilkopf has worked for the MBB Industries Group.

Dr. Philipp Schmiedel-Blumenthal (management) is responsible for the Investment Management department. He studied economics at the European Business School (ebs) in Oestrich Winkel and received his doctorate at the commercial college "Handelshochschule Leipzig" (HHL). Until the year 2001, he worked as an investment manager at the Pricap Venture Partners AG / Thomas J.C. Matzen Group. Since 2002, Dr. Schmiedel-Blumenthal has worked for the MBB Industries Group.

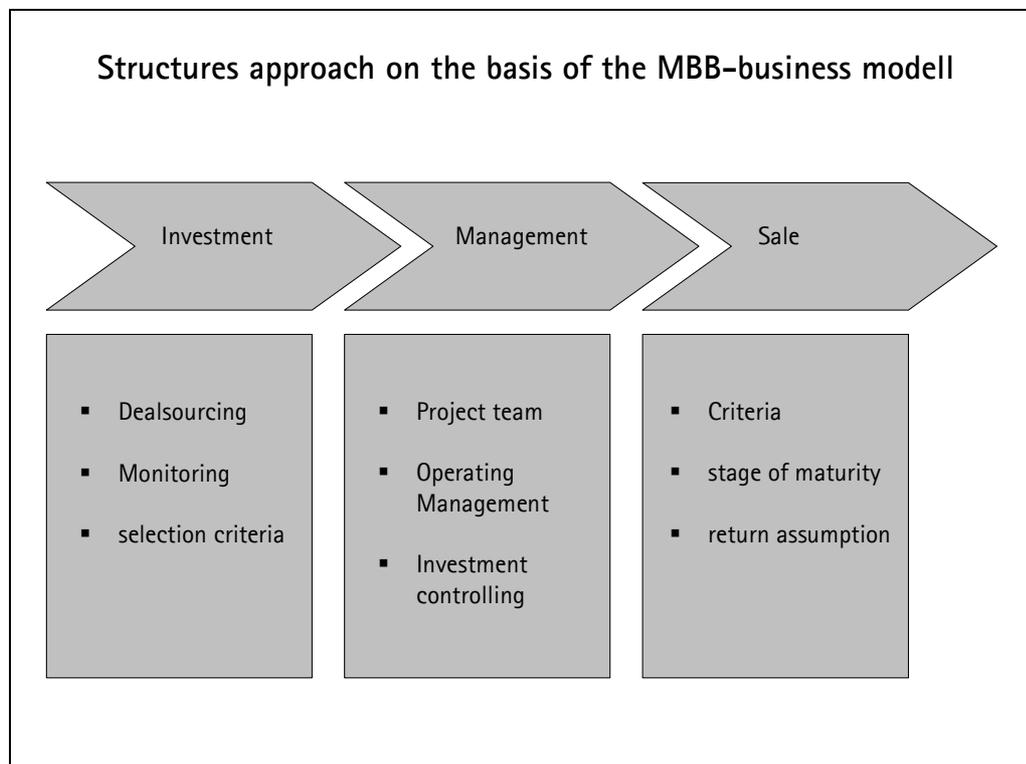
## BUSINESS HISTORY

MBB Industries was founded and established by Gert-Maria Freimuth and Dr. Christof Nesemeier. Their joint entrepreneurial career started with the foundation of Nesemeier & Freimuth GmbH in 1995. The acquisition, management and sale of medium-sized companies have always been the entrepreneurial target.

Today's public limited company received its name from the MBB Gelma Industrieelektronik GmbH, a former subsidiary of Messerschmitt-Bölkow-Blohm, which was taken over in 1997. Since its foundation, Gert-Maria Freimuth and Dr. Christof Nesemeier have held the majority stake in the group of companies; further company shares are held by Anton Breitkopf and Dr. Philip Schmiedel-Blumenthal.

## BUSINESS MODEL

The business model of MBB Industries consists of three phases, investment acquisition, investment management and investment sale. The company aims at value enhancements in each of these process steps.



Source: MBB Industries

### Investment acquisition:

When searching for new investments, the management uses a standardised procedure, which is permanently further developed and guarantees a systematic, quick and apt selection of attractive investments. Here, the company benefits from an extensive personal network consisting of contacts with banks, industrial associations and M&A advisors that have lasted for years. The acquisition of investments is mostly favoured by an unsolved succession, financing or earnings problems of the target company or partial sale intentions of groups. In the ideal case, MBB Industries takes over the responsibility for employees, management, markets, customers and suppliers as well as the role of the respective new investment company in the region from the previous shareholder.

Since the confidence shown to them is very important for the success of MBB Industries, the company aligns its activities with the personal ideas and wishes of the respective seller. The integration of the former management regarding on both the capital and management side is common practice here.

□ Investment management:

Immediately after the acquisition, the investment management starts, consisting of the three components project team, operational management and investment controlling.

**Project team:** Directly after the takeover, the project team puts the focus on quickly realisable cost-saving potentials. In addition, liquidity-optimising measures are taken in order to guarantee future-oriented financing of the company in which the investment is made. The project team develops a strategic concept for the sustained value enhancement of the investments. As a rule, the activities of the companies invested in are focused on certain business areas regarded as promising; business areas that do not match the strategy are sold or closed.

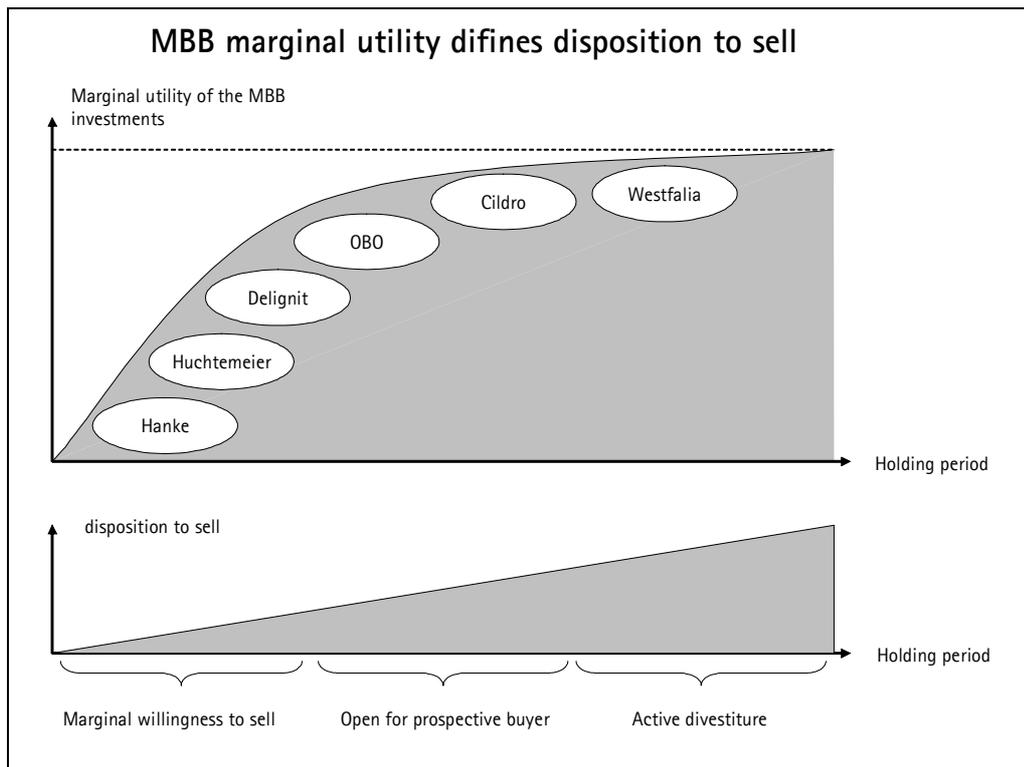
**Operational management:** As a rule, the existing management of the companies invested in is supplemented by a manager of MBB Industries. Thus, the companies invested in benefit from the MBB Industries managers' years of experience in restructuring and in the professional management of companies. The operational management is responsible for successful organic growth of the respective company, and it is the contact for the various interest groups. In addition, it implements the plan of measures worked out by the project team, identifies appropriate acquisition candidates within the framework of a buy-and-build strategy, and prepares their acquisition.

**Investment controlling:** The success of the companies invested in is directed by the investment controlling. It consists of two major components. On the one hand, the current business activities are monitored within the framework of business controlling (BUC). On the other hand, the progress of the optimisation measures initiated by the project team is permanently tracked in the form of project controlling (PUC).

□ Investment sale

As already mentioned above, MBB pursues a buy-and-sell strategy with no fixed holding periods for the individual investments. Sales are only made if a potential buyer offers a price that exceeds the value enhancement potentials that MBB Industries would be able to realise. In the phase of high value enhancement potentials, sales are not actively promoted by the investment management of MBB Industries, but the interest of possible buyers contacting MBB Industries is examined. Longer holding periods of the individual investments regularly lead to a decline in the value added of MBB Industries' investment management due to realised value enhancements. Thus, naturally, the likelihood of an investment sale increases in the course of time. Overall, MBB Industries and its management have a positive track record, which is reflected in above-average yields (IRR).

Recently, MBB was able to prove its business model with the sale of DOREG Dortmund Recycling GmbH. The company had acquired DOREG in the wake of the takeover of the Huchtemeier group (see below) in June 2006. With planned sales of EUR 6.6 million for 2006, DOREG is profitable in the long run and already meets the target criteria of MBB Industries' investment management, so that a sale seemed to make sense here.



Source: MBB Industries

## INVESTMENTS

At the moment, MBB Industries consists of the six subgroups Delignit, OBO, Cildro, Hanke, Westfalia and Huchtemeier, with almost 1,400 employees at home and abroad. The target is to achieve a significant earnings growth of the company invested in through the expansion of the portfolio and a sustained value enhancement of the investments. The current investments, which can be regarded as established medium-sized niche players, belong to the wood, plastics and paper industries.

- The Delignit Group is a worldwide leading supplier of a special material based on beech plywood. This is used in vehicle production, in the area of industrial floors, in conveying technology, in building construction, in military technology, and in niche markets such as piano manufacturing or sports equipment manufacturing. The company was founded more than 200 years ago and was family owned until the investment was made. The core of the Delignit Group is the company Blomberger Holzindustrie B. Hausmann GmbH & Co. KG in Blomberg, Germany.

With 545 employees, the company achieved sales of almost EUR 25 million in 2005 (2006 figures not yet available). Due to competitive reasons, MBB will not report earnings figures of the single subsidiaries as well as other investment companies do. Since the company was awarded a second OEM single source order to equip a transport van, we think that the earnings level should increase to around EUR 36 million in 2007. As a result of productivity increases, the operating performance should show a disproportionate improvement, according to management information.

- OBO is an internationally operating supplier of polyurethane boards for model, mould and tool making. The customers of OBO are mainly automobile manufacturers. OBO-Werke GmbH & Co. KG in Stadthagen, Germany, is the centre of business activity.

OBO has around 35 employees and generated sales of EUR 7 million in 2005. For 2007, we expect a sales volume of more than EUR 10 million, because the company en-

tered into a strategic partnership with a US group in 2006, which was said to have led to a jump in revenue already in the past period.

- Cildro is a producer of sliced veneer, which developed from a Romanian combine of wooden material manufacturers and a Swiss sliced veneer manufacturer. Due to the raw material deposit and the attractive wage level, the geographical location gives the company a considerable competitive edge. The company is based in Romania and trades under the name of a public limited company called S. C. Cildro S.A.

Cildro has about 480 employees, who generated sales of EUR 5.5 million in 2005. For 2007, we expect revenues at a similarly high level.

- Hanke produces tissue and hygienic tissue paper (toilet paper, serviettes). Under the brand name "aha" the company has a strong competitive position in the Eastern European market for consumer goods. In addition, white and coloured tissue paper is produced for numerous private label suppliers in Europe. The core of activities is the Polish company Hanke Tissue Spółka z o.o. in Kostrzyn (Küstrin).

In 2005, Hanke generated sales of almost EUR 17 million with about 200 employees. Despite restructuring by the MBB management, the sales volume should increase to approximately EUR 19 million in 2007, because the implemented measures will optimise the product mix and utilise production capacity.

- The Westfalia Group operates recycling centres for commercial and municipal waste paper as well as plastic waste. Apart from creating system solutions for disposal problems, recyclable material is recorded and distributed. Starting point of the regionally characterised activities of Westfalia is the former family enterprise Huchtmeier Recycling GmbH in Hamm.

With 31 employees, Westfalia generated sales of EUR 6.2 million in 2005 and should be able to realise approximately EUR 8 million in 2007. Since the development potential in the market is limited, the MBB management decided to sell this investment soon. Like the already sold 50% subsidiary DOREG (see above), Westfalia was acquired only in June 2006 in the wake of the takeover of the Huchtmeier Group.

- Huchtmeier is an internationally operating paper trading group with a sales volume of approximately EUR 44 million in 2005. Apart from paper and pulp, waste paper is distributed to the paper-processing industry. The Huchtmeier Group has been active in the paper-trading business for more than a hundred years. Until MBB Industries' investment, the company was 100-percent family owned. The centre of business activities is Huchtmeier Papier GmbH in Dortmund.

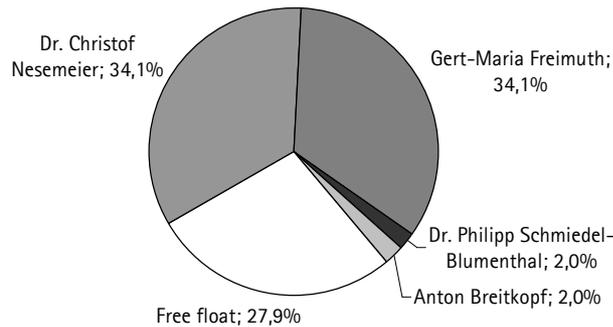
With 13 employees, Huchtmeier Papier generated sales of approximately EUR 16 million in 2005. After a focusing strategy, which included, among other things, the development of synergy potentials with Hanke, the earnings level was already deliberately considerably reduced in 2006. For 2007, MBB intends to make a positive earnings contribution, with the sales volume levelling off at about EUR 11 million.

#### INITIAL PUBLIC OFFERING AND SHAREHOLDER STRUCTURE

The initial public offering of MBB Industries with the first listing on the Open Market with inclusion in the Entry Standard is dated May 9, 2006. Including the greenshoe, a total of 1.84 shares were placed at a price of EUR 9.50 per share certificate. 1.6 million shares came from a capital increase; the greenshoe of 0.24 million shares was made available by the existing shareholders. Overall, there are currently 6.6 million shares outstanding. The book-building margin was EUR 8.50 to EUR 9.80. Thus, the company received more than EUR 15 million before IPO costs.

90% of the shares placed were said to be allocated to institutional investors. Accordingly, the remaining 10 % were bought by private investors. After the initial public offering, the free float amounts to 27.9%. The remaining 72.1% of the shares are held by the management. The shareholders agreed to a lock-up period of 12 months (until May 9, 2007).

### Shareholder structure



Source: MBB Industries

### SWOT ANALYSIS

- + good network
  - + demonstrable track record with an average rate of return on the capital employed of 50%
  - + current investments concentrate on industries with relatively small cyclical fluctuations
  - + numerous unsolved succession issues
  - + strong organic growth in 2006
  - + focus on established niche players with development potential
  - + stock exchange quotation increases the attention of potential sellers
  - + conservative accounting (still according to German Commercial Code (HGB))
  - + long-term dividend culture is aimed at
  - + favourable valuation
- 
- small number of investments contains cluster risk
  - Purchase prices in the private equity market generally at a high level at the moment, although not as high in the segment addressed by MBB as in large companies
  - Group profit also depending on sale profits from transactions, so that the earnings development may be volatile
  - comparatively small company size; however, this is to be continuously expanded in the coming years
  - Management team consists of only a few persons
  - low liquidity at the stock exchange, short stock exchange history

### CONSERVATIVE ACCOUNTING

The company currently prepares its accounts according to the German Commercial Code (HGB), so that on the whole one can assume a rather conservative accounting. Unlike other investment companies listed on the stock exchange (e.g. Arques Industries), the financial figures of MBB Industries do not contain a "bargain purchase" for acquisitions below book value.

Despite the accounting according to HGB, the company has solid financials. When comparing the balance sheet expected for 2006 with the figures for 2005, it has to be taken into account that the balance sheet has been influenced, apart from the positive operating development and the transactions made last year, by the initial public offering and the corresponding inflow of funds, or increase in equity capital.

In 2005, the balance sheet total amounted to almost EUR 42 million and the equity ratio was at around 37%. In 2006, the balance sheet total should have increased to over EUR 70 million. The equity ratio should have increased to around 50%. At the end of 2005, net debt amounted to almost EUR 14 million. For 31.12.2006, we expect an improved value of about EUR 8 million. Goodwill was almost EUR 3 million (6.5% of the balance sheet total) in 2005. At the end of 2006, after the acquisition of the Huchtmeier Group, goodwill was about EUR 7 million (10 %). Since the company, as described above, still prepares its accounts according to HGB, this goodwill included in the balance sheet will continue to be depreciated according to plan over 20 years and will affect the profit and loss account accordingly. This has to be taken into account particularly when the company is compared with other investment companies that already prepare their accounts according to IFRS. In 2006, goodwill amortisation should have amounted to about EUR 0.3 million. For 2007, we expect an increase to approximately EUR 0.4 million.

It has to be taken into account that the initial public offering affected the earnings figures with expenses of EUR 1.2 million, while the debt consolidation of the Huchtmeier Group had a positive effect of EUR 1.5 million. Through the sale of DOREG at the end of 2005, the company received further non-recurrent income of approximately EUR 0.5 million, so that a positive net effect of EUR +0.8 million, or EUR 0.12 per share, can be calculated from these special items. But including further non-recurrent income and special expenses, a balanced effect can be calculated, according to the management.

#### CURRENT GROUP POSITIONING OFFERS HIGH GROWTH POTENTIAL

Given the fact that MBB Industries still has a rather small investment portfolio, high growth from a low basis is likely, e.g. with the financial resources raised from the initial public offering. The number of inquiries was said to have increased significantly since the IPO, which shows that the initial public offering was also an important step towards "fame".

Without investigating the market in detail in this study, we regard the following issues as the main drivers for the future opportunities offered by the market for MBB Industries:

- unsolved succession problems
- antiquated financing structures (Basel II)
- portfolio adjustments of large groups
- management mistakes
- changed framework conditions
- financial exit interest

#### STRONG GROWTH OF INVESTMENT COMPANIES

We think that in view of the investment market, it has to be noticed that the valuation multiples and accordingly also the purchase prices have risen considerably in the past years because of the increased number of private equity funds and companies.

Private equity (investment capital) originates from the United States and Great Britain. The corresponding investment companies have existed there since the 1970s. Renowned U.S. companies like KKR, Carlyle, Blackstone, and other Pan-European companies such as BC Partners and Permira dominate the German market, too. Private equity firms are characterised by rapid growth; over the last few years, they have collected enormous funds. In 2006 alone, they recorded an inflow of about USD 400 billion worldwide. Industry insiders estimate the capital collected by international private equity companies in the last two years at about USD 750 billion.

## RANKING OF PRIVATE EQUITY FIRMS (PERIOD APRIL – OCTOBER 2006)

Ranking	Company	Transaction value (in €bn)	Share in %	Number of transactions
1	Blackstone Group LP	25	7,7	11
2	Carlyle Group	15	4,6	20
3	Cerberus Capital Management LP	14	4,3	2
4	Kohlberg Kravis Roberts & Company	12	3,7	6
5	Thomas H Lee Partners LP	12	3,7	3
6	Hellman & Friedman LLC	9	2,8	4
7	Alpinvest Partners N.V.	9	2,8	3
8	Bain Capital Inc.	8	2,5	13
9	Colony Capital Inc.	7	2,2	2
10	Goldman Sachs	6	1,9	22
	Andere	207	63,9	4.956
	Gesamt	324		5.042

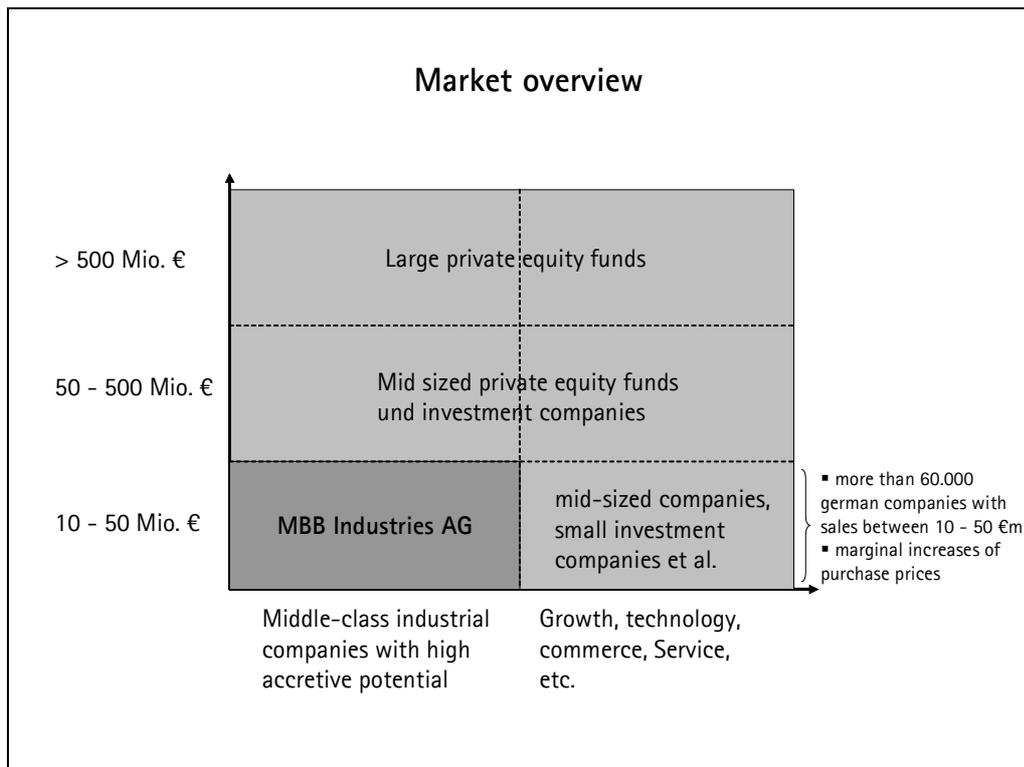
Source: ZEPHYR database, Bureau van Dijk Electronic Publishing; own calculations

The growth of the private equity market is likely to continue in the coming years, not least due to the persistently low level of interest rates, which promotes the inflow of alternative high-yield investment forms. As a consequence, in a parallel development the general potential takeover targets should become bigger. This is all the more true since external financing is becoming increasingly important in company acquisitions by equity funds. According to Standard & Poor's, only 29% of purchase prices were accounted for by equity in 2006, after 34% in 2001. In other words: With a leverage of about 3.5, correspondingly higher amounts of external funds can be provided for investments.

In view of the rapid growth and the immense liquidity in the private equity market, it definitely cannot be completely denied that the recent increase in the use of the term bubble formation is justified. At least partially, bidding battles also have a significant impact on the valuation level of possible takeover targets. Investment companies with a long-term investment horizon, such as MBB Industries, or a portfolio with a long-term perspective are negatively affected by this, because as a rule they are not prepared to pay liquidity-driven (too) high multiples for potential acquisitions and hold them in the portfolio for the long term. For active investment funds, which plan to exit the acquired company by initial public offer or secondary placement within a short period of time, this is not a serious problem as long as the company value can be raised, according to plan, beyond the purchase price during this phase through further development or successful restructuring and a simultaneous positive general market development, so that the targeted return can be realised.

Whether the M&A market has already reached its peak can only be judged from case to case. Although multiples have already increased significantly in various sectors, we think that one cannot yet speak of serious overheating on a large scale, e.g. in MDAX and SDAX stocks. On the contrary, against the background of the given growth potential, their market positions and technological standard, a number of companies are quite attractively priced even today, especially after the recent declines in prices.

For the target segment of MBB Industries, i.e. the sales range between EUR 10 and 50 million, we think it can be said that the majority of private equity funds have not (yet) made any investments. Therefore, the significantly higher acquisition multiples, as they can be seen in companies of other sizes, are not categorically applicable to the smaller medium-sized companies. Nevertheless, the MBB management has also reported about irrational purchase prices to be occasionally noticed in this area at the moment.



Source: MBB Industries

#### OUTLOOK FOR 2007 AND BEYOND

On the basis of the investment companies currently included in the portfolio, MBB Industries has an annualised sales volume of more than EUR 90 million. Also after the announced sale of the subsidiary Westfalia, sales should amount to at least EUR 83 million in 2007. According to the management, earnings will show a significantly disproportionate increase.

In our estimates for 2007, we have still included Westfalia as consolidated subsidiary. Through the sale, the estimated sales volume would decrease by approximately EUR 8 million, but the operating result would be increased through the anticipated sales profit. Overall, we expect an EBITDA of about EUR 13.4 million and a corresponding net profit after minority interests of about EUR 6.4 million or EUR 0.97 per share. Analogous to the management's expectations, we assume further growth in sales and a disproportionate growth in earnings (earnings per share: EUR 1.10) for 2008.

The management's medium-term target for 2010 is an earnings level of more than EUR 200 million and earnings per share of more than EUR 2.00. In order to achieve this target, we think that MBB Industries has to realise the planned one to three acquisitions per year, particularly because temporary disinvestments will reduce the sales volume again. Given liquid funds, e.g. from the initial public offering, of around EUR 10 million and the potential inflow of funds from the sale of Westfalia, an investment volume of EUR 25 million should be possible at the moment with a leverage factor of 1:1 (relating to the cash position). MBB Industries states a factor of 3 as the maximum debt-equity ratio in terms of net financial debt to EBITDA. For 2006, the factor was 0.9, so that there is large scope for additional purchases also with regard to this key figure.

### VALUATION SHOWS HIGH PRICE POTENTIAL

It is not quite easy to find the suitable valuation method for MBB Industries. In view of the short corporate history and the expected growth in the coming months, a DCF model would be afflicted with great uncertainties. However, in order to find a valuation idea for MBB Industries, we have set up a DCF model with, in our opinion, conservative premises.

These premises include a Beta of 1.25, a WACC of 9.2% and growth in a terminal value of 0.0%. Thus, we have arrived at a fair value of just over EUR 12.50.

Present value calculation						
in EUR m	2007e	2008e	2009e	2010e	2011e	TV
Free Cash-flow	1,5	7,4	7,3	8,5	9,6	9,6
	0,71	1,71	2,71	3,71	4,71	4,71
WACC	9,2%	9,2%	9,2%	9,2%	9,2%	9,2%
Cash-flow growth in TV-phase						0,0%
Terminal Value						103,7
Discount factor	0,94	0,86	0,79	0,72	0,66	0,66
Present value	1,39	6,37	5,77	6,11	6,31	68,47
<b>Total</b>						<b>94,4</b>
- minorities						1,2
- net debt						8,0
- pensions						2,0
<b>Market Value</b>						<b>83,2</b>
Number of Shares						6,60
Fair Value per share						12,60

Source: Bankhaus Lampe

A valuation by peer group comparison is quite reasonable in view of the meanwhile large number of listed investment companies. But since MBB Industries' business model is positioned between the buy-and-hold companies, such as INDUS Holding or Gesco, on the one hand, and the buy-and-sell companies, such as Arques Industries, Bavaria Industriekapital or GCI Management, on the other, a peer group comparison would only give some idea of a valuation. When considering the estimate figures for 2007 and 2008 as well as the consensus estimates, this idea amounts to about EUR 9.00 (median) and EUR 12.00 (mean) respectively.

13.04.2007	price	PER 07e	PER 08e	EV/Sales 2007e	EV/Sales 2008e	EV/EBIT 2007e	EV/EBIT 2008e	PBV 07e	PBV 08e
Gci Management AG	8,6	6,0	4,0	0,7	n.a.	19,5	n.a.	1,1	1,0
Gesco Industrie AG	38,3	8,9	8,2	0,6	0,5	6,7	6,2	1,3	1,2
Deutsche Beteiligung AG	23,6	6,3	10,4	3,8	5,7	6,2	7,6	1,6	1,5
Bmp AG	3,2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tfg Venture Capital AG	2,8	8,6	7,7	n.a.	n.a.	n.a.	n.a.	0,8	0,6
ARQUES Industries AG	20,1	10,4	7,3	0,3	0,3	7,3	5,3	1,7	1,4
MBB Industries AG	8,1	8,5	7,7	1,0	0,8	8,2	6,1	2,2	1,9
Augusta Technologie AG	14,8	13,5	11,7	1,0	0,9	7,6	6,8	1,4	1,1
BAVARIA Industriekapital AG	53,0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deutsche Effect Et Wechsel Bet AG	2,4	high	9,0	7,7	2,2	high	9,1	1,0	0,9
Indus Holding AG	28,2	9,8	8,8	1,1	1,1	8,8	8,6	1,0	0,9
median	0,00	8,8	8,2	1,0	0,9	7,6	6,8	1,3	1,1
mean*		9,0	8,3	2,0	1,6	9,2	7,1	1,3	1,2
MBB Industries AG	8,05	8,3	7,5	0,7	0,7	7,4	6,9	1,3	1,2
Fair Value MBB Industries (median)		8,46	8,83	11,14	10,73	8,25	7,84	7,94	7,85
Fair Value MBB Industries (mean)		8,70	8,90	22,64	19,38	9,98	8,23	7,95	8,10
FV (median)	8,88								
FV (mean)	11,74								

\* without MBB Industries and outliers

The third way to find an adequate valuation idea for MBB Industries is to look at the sales and EBIT multiples published by the FINANCE magazine for small caps (sales up to EUR 50 million). However, the problem here is to filter out the right sector for MBB Industries or the right sectors for the subsidiaries. We have arrived at a fair value per share of about EUR 8.00, but in our opinion this does not sufficiently take into account the investment Group's future potential.

#### Sales- und EBIT-multiple\*

	Sales		EBIT	
	from	to	from	to
commerce / e-commerce	0,33	0,93	4,4	8,1
vehicle construction and spare parts	0,44	0,95	5,3	8,5
environmental technology / waste disposal / recycling	0,49	1,18	4,7	8,8
mean	0,42	1,02	4,8	8,5

\* source: FINANCE (March 2007)

	Sales		EBIT	
	2007e	2008e	2007e	2008e
MBB Industries	90,0	95,0	8,8	9,4
Fair Value EV (lower end)	37,8	39,9	42,1	44,9
Fair Value EV (upper end)	91,8	96,9	74,3	79,2
Fair Value EK (lower end)	26,0	28,1	30,3	33,1
Fair Value EK (upper end)	80,0	85,1	62,5	67,4
Fair Value per share (lower end)	3,9	4,3	4,6	5,0
Fair Value per share (upper end)	12,1	12,9	9,5	10,2
mean	8,03	8,58	7,03	7,62
mean	8,31		7,32	
mean	7,81			

#### FIRST-TIME PRICE TARGET: EUR 10.50; FIRST RATING: BUY

The average of all valuation methods applied is approximately EUR 10.50, so that we are setting our full-year price target at this level as well. In view of the associated price potential, we are initiating coverage on the shares of MBB Industries AG with a "buy" rating. However, when making his investment decision the investor has to take into account that the average daily trading volume at the stock exchange is only 3,600 shares (or EUR 36,000) at the moment.



## Disclosures

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of 0% to 10%. "Sell" means that the share's forecast performance is negative. Unless shown otherwise, the stated upside targets are based upon either a discounted flow-cash pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in the market mood.

Overview of our recommendations for the share in the previous twelve months.

Date of publication	Price at recommendation	Rating	Price target
- - -	- - -	- - -	- - -

The distribution of recommendations in our investments universe is currently as follows (date: 1.4.2007):

Rating	Basis: all analysed values	Basis: values with relationships to an investment bank
Buy	42,4%	0,0%
Hold	43,2%	100,0%
Sell	14,4%	0,0%

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Company	Disclosure
MBB Industries	- - -

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