

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 30.00** (30.00)

06 August 2014

2Q results burdened by delayed revenue...

... recognition which should be made up in 2H

- MBB Industries reported preliminary 2Q 2014 results. Revenues declined by 5.5% to EUR 55.6m whereas the consolidated net income increased by 13% to EUR 3.4m. EPS amounted to EUR 0.51 (EUR 0.47 in 2Q 2013).
- The largest portfolio company MBB Fertigungstechnik reported lower revenues. This was due to a fluctuating order intake and certain project related delays in the revenue recognition (POC). According to the management, 4Q 2014 should make up for this. The revenue contribution from the Tooling plates and pastes materials business of Huntsman which was acquired recently by OBO-Werke has been negligible so far. The production lines are currently being transferred to the site of OBO-Werke.
- The consolidated net income includes the bargain purchase from the acquisition of the Tooling plates and pastes materials business of Huntsman (EUR 1.3m). The lower revenue recognition of MBB Fertigungstechnik had an adverse effect on the consolidated net income.
- Delignit recently introduced a development project of a wood-CFRP-composite which had been well accepted by the automotive market. The weight of the material is 10% less than CFRP and it is less expensive.
- The guidance for FY 2014E was confirmed by the company. Revenues should increase to EUR 250m and earnings should remain on prior year's level. In our view, 2H 2014 should be stronger than the 1H as the newly installed paper machine at Hanke will start to contribute to revenues, the initial consolidation of the tooling activities of Huntsman Advanced Materials should contribute and MBB Fertigungstechnik is expected to have its strongest quarter in 4Q. Our estimates remain unchanged and we confirm our BUY recommendation with a price target of EUR 30.00 (blended value of DCF and peer group valuation).



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	252.5	-	260.0	269.4	-
EBIT	-	21.1	-	22.1	23.1	-
EPS	-	2.14	-	2.27	2.33	-

Internet: mbbindustries.com Sector: All Industrial
WKN: A0ETBQ ISIN: DE000A0ETBQ4
Reuters: MBBG.DE Bloomberg: MBB GY

Short company profile:

As an industrial holding company, MBB Industries AG purchases, develops and sells holdings in medium-sized industrial companies. Its focus lies on companies that are characterized by a strong position in the relevant industry.

Share data:

Share price (EUR, latest closing price):	22.24
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	146.8
Enterprise value (EUR m):	130.8
Ø daily trading volume (3 m., no. of shares):	2,602

Performance data:

High 52 weeks (EUR):	27.46
Low 52 weeks (EUR):	17.92
Absolute performance (12 months):	16.1%
Relative performance vs. CDAX:	
1 month	-7.8%
3 months	-11.0%
6 months	0.9%
12 months	6.6%

Shareholders:

MBB Capital Group	74%
MBB Industries AG	2%
Tolea GmbH	2%
Free float	70%

Financial calendar:

1H 2014 report	29 August 2014
9M 2014 results	28 November 2014

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Key data

FY 12/31, EUR m	2011	2012	2013	2014E	2015E	2016E
Sales	109.6	204.9	228.2	252.5	260.0	269.4
EBIT	5.7	19.7	17.5	21.1	22.1	23.1
Net result	3.3	13.6	13.5	14.1	15.0	15.4
EPS	0.51	2.11	2.09	2.14	2.27	2.33
DPS	0.44	0.50	0.55	0.54	0.57	0.58
Gross margin	38.4%	37.8%	38.5%	43.8%	43.9%	43.9%
EBITDA margin	8.4%	12.0%	10.0%	10.8%	10.9%	11.0%
EBIT margin	5.2%	9.6%	7.7%	8.4%	8.5%	8.6%
EV/EBITDA	14.2	5.3	5.8	4.8	4.6	4.4
EV/EBIT	23.1	6.6	7.5	6.2	5.9	5.7
P/E	44.0	10.5	10.6	10.4	9.8	9.5

Source: MBB Industries AG, CBS Research AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	2013	2014E	2015E	2016E
Sales			99.9	109.6	204.9	228.2	252.5	260.0	269.4
YoY growth			23.9%	9.7%	86.9%	11.4%	10.7%	3.0%	3.6%
Total revenues			104.6	113.5	211.9	233.3	256.5	264.0	273.4
Cost of materials			-70.4	-71.4	-134.6	-145.4	-145.9	-149.8	-155.2
in % of sales			-70.4%	-65.1%	-65.7%	-63.7%	-57.8%	-57.6%	-57.6%
Gross income			34.2	42.1	77.4	87.9	110.6	114.2	118.2
in % of sales			34.2%	38.4%	37.8%	38.5%	43.8%	43.9%	43.9%
Personnel expenses			-20.3	-23.5	-41.2	-50.2	-53.0	-54.6	-56.6
in % sales			-20.3%	-21.5%	-20.1%	-22.0%	-21.0%	-21.0%	-21.0%
Other operating expenses			-17.1	-9.4	-11.6	-15.0	-30.4	-31.2	-32.0
EBITDA			-3.2	9.2	24.6	22.7	27.2	28.4	29.7
in % of sales			-3.2%	8.4%	12.0%	10.0%	10.8%	10.9%	11.0%
Depreciation and amortisation			-3.9	-3.6	-4.9	-5.2	-6.1	-6.3	-6.5
in % of total revenues			-3.7%	-3.1%	-2.3%	-2.2%	-2.4%	-2.4%	-2.4%
EBIT			-7.0	5.7	19.7	17.5	21.1	22.1	23.1
in % of sales			-7.0%	5.2%	9.6%	7.7%	8.4%	8.5%	8.6%
Financial result			-0.9	-1.1	-1.5	-0.4	-0.5	-0.3	-0.8
EBT			-8.0	4.6	18.1	17.2	20.6	21.8	22.3
in % of sales			-8.0%	4.2%	8.9%	7.5%	8.2%	8.4%	8.3%
Taxes			0.6	-1.1	-4.1	-3.3	-5.8	-6.1	-6.3
as % of EBT			-7.9%	-24.7%	-22.7%	-19.2%	-28.0%	-28.0%	-28.0%
Net income including minorities			-7.3	3.5	14.0	13.9	14.8	15.7	16.1
Minority interests			-0.1	-0.2	-0.4	-0.4	-0.7	-0.7	-0.7
Results from discontinued operations			0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders *			-6.8	3.3	13.6	13.5	14.1	15.0	15.4
in % of sales			-6.8%	3.0%	6.6%	5.9%	5.6%	5.8%	5.7%
Shares outstanding (in millions)			6.6	6.6	6.5	6.5	6.6	6.6	6.6
Earnings per share (EUR)			-1.04	0.51	2.11	2.09	2.14	2.27	2.33

Source: CBS Research AG, MBB Industries AG

* continued operations

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HOLD: The expected performance of the share price is between 0% and +10%.

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This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
31 October 2013	BUY	EUR 21.45	EUR 27.00
22 November 2013	BUY	EUR 22.55	EUR 27.00

5 March 2014	BUY	EUR 22.55	EUR 27.00
2 May 2014	BUY	EUR 26.00	EUR 30.00
15 May 2014	BUY	EUR 25.60	EUR 30.00
06 August 2014	BUY	EUR 22.24	EUR 30.00

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LOW: The volatility is expected to be lower than the volatility of the benchmark

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