

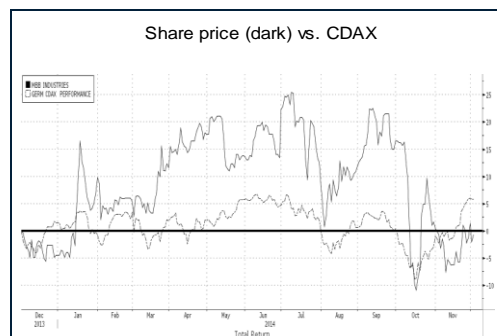
Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 27.00** (27.00)

05 December 2014

Detailed 3Q report published

Divisional results differed from our estimates

- MBB Industries recently published its detailed 3Q results. The key figures were in line with the preliminary results which were reported earlier. Revenues increased by 7% to EUR 63m. The EBITDA stood at EUR 6.1m (+4%) and the EBIT was unchanged with EUR 4.5m. The net income of EUR 3.2m was also at the last year's level. The divisional results differed from our expectations. Technical Applications posted a slightly weaker EBIT margin than expected by us which was probably due to MBB Fertigungstechnik. On the other hand, Industrial Products exceeded our expectation mainly due to a better performance of Hanke (thanks to higher than expected investment incentives from special economic zone in Poland).
- The net liquidity fell from EUR 25.2m at the end of FY 2013 to EUR 18.8m at the end of 3Q14 as a result of growth investments (e.g. investment in the new paper machine of Hanke) and working capital build-up. The free cash flow was thus negative with EUR -8.7m in 9M14. We expect an improvement towards the end of the year due to lower working capital needs (FCF of EUR -2m CBSR estimate). In FY 2015, the free cash flow should become positive as the Capex is expected to be significantly lower.
- We became a bit more conservative with respect to the FY 2015 estimates. We reduced our expectations for MBB Fertigungstechnik. Additionally, certain extraordinary items which were booked in FY 2014E will not repeat in FY 2015E (elimination of negative difference from capital consolidation of EUR 1.3m and investment incentive from the special economic zone in Poland). On the other hand, we expect a strong performance from Hanke in FY 2015E. The company is benefiting from the newly installed paper machine and should have doubled its production capacity and revenues by FY 2015E. The company should report an operating margin improvement in FY 2015E as the start-up losses of the new machine should diminish. We expect Delignit to benefit from the start of new contracts.
- We reiterate our BUY recommendation with an unchanged price target of EUR 27 based on DCF model and peer group valuation.



Source: CBS Research AG, Bloomberg, MBB Industries AG

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	239.9	254.0	256.0	266.0	262.0
EBIT	-	19.1	17.8	18.8	19.4	19.6
EPS	-	2.04	1.87	2.03	2.09	2.17

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):	21.60
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	141.9
Enterprise value (EUR m):	144.8
Ø daily trading volume (3 m., no. of shares):	2,828

Performance data:

High 52 weeks (EUR):	27.46
Low 52 weeks (EUR):	18.55
Absolute performance (12 months):	-0.9%
Relative performance vs. CDAX:	
1 month	-7.8%
3 months	-16.3%
6 months	-14.8%
12 months	-9.0%

Shareholders:

Christof Nesemeier	35.5%
Gert-Maria Freimuth	35.5%
Free float	29.1%

Financial calendar:

FY 2014 results	30 April 2015
1Q 2015 results	29 May 2015

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Key data

FY 12/31, EUR m	2011	2012	2013	2014E	2015E	2016E
Sales	109.6	204.9	228.2	239.9	254.0	266.0
EBIT	5.2	19.7	17.5	19.1	17.8	19.4
Net result	2.9	13.6	13.5	13.5	12.3	13.8
EPS	0.43	2.11	2.09	2.04	1.87	2.09
DPS	0.44	0.50	0.55	0.51	0.47	0.52
Gross margin	38.0%	37.8%	38.5%	38.3%	39.2%	39.2%
EBITDA margin	8.0%	12.0%	10.0%	10.6%	9.6%	9.8%
EBIT margin	4.7%	9.6%	7.7%	8.0%	7.0%	7.3%
EV/EBITDA	4.1	3.6	6.0	5.7	5.6	4.8
EV/EBIT	7.0	4.5	7.8	7.6	7.7	6.5
P/E	13.8	7.2	10.1	10.6	11.6	10.3

Source: MBB Industries AG, CBS Research AG

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Revenues			109.6	204.9	228.2	239.9	254.0	266.0
YoY growth			9.7%	86.9%	11.4%	5.1%	5.9%	4.7%
Elimination of neg. difference from capital consolidation			0.0	1.7	0.6	1.3	0.0	0.0
Other operating income			3.3	4.6	4.4	4.1	2.9	3.0
Change in finished goods and work in progress			0.1	0.8	0.2	0.2	0.2	0.2
Total revenues			113.1	211.9	233.3	245.5	257.1	269.2
Cost of materials			-71.4	-134.6	-145.4	-153.5	-157.5	-164.9
in % of sales			-65.1%	-65.7%	-63.7%	-64.0%	-62.0%	-62.0%
Gross income			41.7	77.4	87.9	92.0	99.6	104.3
in % of sales			38.0%	37.8%	38.5%	38.3%	39.2%	39.2%
Personnel expenses			-23.5	-41.2	-50.2	-52.3	-53.3	-55.9
in % sales			-21.5%	-20.1%	-22.0%	-21.8%	-21.0%	-21.0%
Other operating expenses			-9.4	-11.6	-15.0	-14.3	-22.0	-22.3
EBITDA			8.8	24.6	22.7	25.4	24.3	26.1
in % of sales			8.0%	12.0%	10.0%	10.6%	9.6%	9.8%
Depreciation and amortisation			-3.6	-4.9	-5.2	-6.2	-6.4	-6.7
in % of total revenues			-3.2%	-2.3%	-2.2%	-2.5%	-2.5%	-2.5%
EBIT			5.2	19.7	17.5	19.1	17.8	19.4
in % of sales			4.7%	9.6%	7.7%	8.0%	7.0%	7.3%
Financial result			-1.1	-1.5	-0.4	-0.7	-0.4	0.0
EBT			4.1	18.1	17.2	18.4	17.4	19.4
in % of sales			3.8%	8.9%	7.5%	7.7%	6.9%	7.3%
Taxes			-1.1	-4.1	-3.3	-4.3	-4.4	-4.9
as % of EBT			-27.5%	-22.7%	-19.2%	-23.2%	-25.0%	-25.0%
Net income including minorities			3.0	14.0	13.9	14.2	13.1	14.6
Minority interests			-0.2	-0.4	-0.4	-0.7	-0.7	-0.8
Net income attributable to shareholders			2.9	13.6	13.5	13.5	12.3	13.8
in % of sales			2.6%	6.6%	5.9%	5.6%	4.9%	5.2%
Shares outstanding (in millions)			6.6	6.5	6.5	6.6	6.6	6.6
Earnings per share (EUR)			0.43	2.11	2.09	2.04	1.87	2.09

Source: CBS Research AG, MBB Industries AG

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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
05 December 2014	BUY	EUR 21.60	EUR 27.00
29 October 2014	BUY	EUR 22.52	EUR 27.00

01 September 2014	BUY	EUR 24.19	EUR 32.00
06 August 2014	BUY	EUR 22.24	EUR 30.00
15 May 2014	BUY	EUR 25.60	EUR 30.00
2 May 2014	BUY	EUR 26.00	EUR 30.00
5 March 2014	BUY	EUR 22.55	EUR 27.00

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