

# MBB SE

## Acquisition, expansion and added attention

MBB SE has a long-term record of revenue growth derived from acquiring, improving and expanding Mittelstand companies. With a long-term horizon coupled with targeted investment in subsidiaries, the family run group has delivered an impressive 23% CAGR in revenues since listing in 2006. The current portfolio consists of six subsidiaries and is projected to deliver €250m of revenues in FY15. Through value enhancement and with a progressive dividend and share buyback policy, the group has generated a 12% CAGR in total shareholder returns since listing.

### Targeting technology and engineering strength

MBB has created a diversified portfolio of companies specialising in core technology and engineering-based businesses across a range of subsectors: specialist welding and assembly machinery; ecological hardwoods; tissue products; polyurethane and epoxy resins; IT services; and foam and mattress production. MBB is a long-term owner of its subsidiaries, which are typically sourced from companies undergoing succession issues or spin-offs from larger companies. The group then focuses on growing the individual subsidiaries through organic capex investment or bolt-on acquisitions. In addition, the group seeks to regularly add new subsidiaries as standalone businesses from which to further diversify.

### Results demonstrate strategy is delivering

MBB has demonstrated the strength of its team in identifying, pursuing and enhancing businesses across a broad range of industrial verticals. With H115 results highlighting the continued growth of the group to some €125m of revenue, management is indicating full-year expectations of €250m with earnings of at least €1.75 per share. With a strong balance sheet including net cash, as well as an in-house M&A evaluation capability, MBB is able to act quickly to address and execute transactions.

### Valuation: Track record warrants a premium

MBB's long-term value-driven approach is clearly demonstrated in its track record of growth since listing in 2006. MBB's ability to accelerate growth and deliver improved efficiency provides value enhancement opportunities. In our view, the current FY15 P/E rating of 11.5x does not reflect the long-term demonstrable track record and value enhancement, including a progressive dividend policy.

Consensus estimates						
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/13	228.2	15.7	2.09	0.55	9.8	2.7
12/14	236.7	14.2	2.01	0.57	10.2	2.8
12/15e	251.8	15.9	1.78	0.60	11.5	2.9
12/16e	268.0	18.3	2.08	0.62	9.9	3.0

Source: Company data, Thomson Reuters

## Holding company

**Price** €20.52  
**Market cap** €135m

### Share price graph



### Share details

Code MBB  
 Shares in issue 6.60m  
 Net cash (€m) at 30 June 2015 17.8

### Business description

MBB is a family-owned German company, generating sales and value growth through German technological and engineering expertise. It has six subsidiaries across three segments: Technical applications (54% of H115 revenues); Industrial production (33%); and Trade & services (13%).

### Bull

- Track record of revenues and profit growth.
- Ability to quickly identify and assess M&A opportunities.
- Strong balance sheet with net cash.

### Bear

- M&A multiples across the industry are high.
- H115 margin erosion in plant engineering.
- European growth moderated due to Ukrainian conflict.

### Analyst

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