



m-u-t AG

Buy → | Target 7.50 EUR

Price (09/06/2016) : 6.56 EUR | Upside : 14 %

Est.chg	2016e	2017e
EPS	18.8%	18.1%

Significantly stronger than expected EPS in H1 2016: we raise our 2016e EPS; company guidance update in October will be crucial

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H1 2016 results: EPS significantly stronger than expected

m-u-t (m7u) recently reported its final H1 2016 figures, which were in line with the prelims: Revenues were down 1% yoy to €28.1m (H1 15: €28.3m) while EBIT rose 25% yoy to €4.3m (€3.4m). The EBIT margin for H1 2016 was 15%, c.300bp higher than in H1 2015.

With the final H1 16 figures, m-u-t also announced its H1 2016 EPS (after minority interest), which rose 68% yoy to €0.51 (H1 15: €0.30). This was significantly stronger than our estimate of €0.40, mainly due to lower minority interest. In Q2 16 m-u-t increased its stakes in tec5 AG by 5% to 100% and in Avantes Holding B.V. by 1.64% to 74.96%. As outlined in previous updates, we see the reorganisation of the group structure as one of management's crucial to-dos since the ownership structure results in significant profit participation by minority shareholders. We therefore see the Q2 16 reduction of minority interest as very positive, especially since the combined purchase price was in our view moderate (i.e. €1.1m according to the cash-flow statement, implying a P/E of around 10x).

Raising our 2016e EPS forecast from € 0.50 to € 0.60

Against the backdrop of the strong H1 figures, we raise our 2016e EPS forecast from €0.50 to €0.60. We also raise our 2017e EPS from €0.52 to €0.61.

Company guidance update in October will be crucial

The company stated earlier that it will update its current 2016 guidance (i.e. full-year 2016 EBIT of €6.2m) in October. Based on its Q2 performance, m7u has now achieved about 70% of its guidance. Although its H2 is traditionally weaker than H1, we see upside potential for the guidance, also given that the company has adopted a very cautious communications policy (i.e. it only provides guidance that it can meet with a very high degree of certainty). We nonetheless leave our full-year 2016e EBIT estimate unchanged at €6.2m, in line with the guidance.

Small acquisition with no major impact

m-u-t recently announced the acquisition of 55% of APOS GmbH. While no financial details were disclosed, based on publicly available information we estimate that APOS will contribute about €0.5m in revenues at a low EBIT margin. We also believe that the purchase price was relatively low, i.e. around €0.3m. Thus, the overall financial impact from this acquisition on a group level is negligible.

Reiterate Buy; TP € 7.50

We confirm our Buy rating on m-u-t. Based on our revised 2016e EPS estimate of €0.60, the current stock price translates to a P/E of 10.9x which we consider undervalued. Our target price of €7.50 translates to a 2016e P/E of 12.5x.



Capital			
M7U GY M7UG.DE			
Market Cap (EURm)			31
Enterprise value (EURm)			37
Extrema 12 months	4.23	-	6.69
Free Float (%)			47.5
Performance (%)			
	1m	3m	12m
Absolute	-0.4	2.3	49.1
Perf. rel. Country Index	-2.7	0.3	50.7
Perf. rel. Telcos	-0.2	8.4	71.1
P&L			
	12/16e	12/17e	12/18e
Sales (EURm)	56.2	60.7	64.9
EBITDA (EURm)	7.9	8.3	8.5
Current EBIT (EURm)	6.2	6.4	6.5
Attr. net profit (EURm)	2.9	2.9	3.0
Adjusted EPS (EUR)	0.60	0.61	0.62
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	11.0	10.7	10.6
P/B (x)	3.5	2.6	2.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	10.1	9.5	ns
EV/Sales (x)	0.67	0.59	0.57
EV/EBITDA (x)	4.7	4.3	4.3
EV/Current EBIT (x)	6.0	5.6	5.7
Gearing (%)	0	-13	-7
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

Dr. Oliver Pucker, CFA (Analyst)

+49 (69) 92 05 48 27

oliver.pucker@oddoseydler.com

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M7UG.DE | M7U GY
Electronics | Germany

Buy
Upside 14.33%
Price 6.56EUR
TP 7.50EUR

PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Adjusted EPS	-1.16	-0.16	0.26	0.62	0.60	0.61	0.62
Reported EPS	-1.16	-0.16	0.26	0.62	0.60	0.61	0.62
Growth in EPS(%)	-	ns	ns	ns	-3.4%	3.2%	0.7%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	-0.48	0.92	0.26	0.52	0.66	0.63	-1.04
Book value per share	0.35	0.44	0.76	1.30	1.90	2.51	2.32
Number of shares market cap	4.35	4.34	4.34	4.79	4.79	4.79	4.79
Number of diluted shares	4.35	4.34	4.34	4.79	4.79	4.79	4.79
VALUATION	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	6.37	3.72	5.68	6.28	6.69		
12m lowest price	3.27	2.12	2.70	3.10	5.25		
(*) Reference price	5.02	2.78	4.33	4.20	6.56	6.56	6.56
Capitalization	21.8	12.1	18.8	20.1	31.4	31.4	31.4
Restated Net debt	7.5	3.6	2.1	1.7	0.0	-1.9	-1.0
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	4.8	6.6	6.6	5.6	6.0	6.5	6.4
Enterprise Value	34.1	22.2	27.5	27.4	37.4	35.9	36.8
P/E (x)	ns	ns	16.8	6.8	11.0	10.7	10.6
P/CF (x)	ns	5.8	9.4	3.1	5.6	5.3	5.2
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	33.3%	6.0%	12.4%	10.1%	9.5%	ns
P/B incl. GW (x)	14.31	6.37	5.73	3.23	3.46	2.61	2.82
P/B excl. GW (x)	ns	ns	29.18	7.10	6.06	3.86	4.35
EV/Sales (x)	0.90	0.54	0.56	0.53	0.67	0.59	0.57
EV/EBITDA (x)	ns	6.6	6.0	3.6	4.7	4.3	4.3
EV/EBIT (x)	ns	9.2	9.1	4.6	6.0	5.6	5.7
(*) historical average price							
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales	37.7	41.0	49.5	52	56	61	65
EBITDA	-1.1	3.4	4.6	7.5	7.9	8.3	8.5
Depreciations	-2.0	-1.0	-1.6	-1.6	-1.7	-1.9	-2.0
Current EBIT	-3.1	2.4	3.0	5.9	6.2	6.4	6.5
Published EBIT	-3.1	1.6	3.0	5.9	6.2	6.4	6.5
Net financial income	-0.4	-0.6	-0.5	-0.7	-0.7	-0.7	-0.7
Corporate Tax	-0.8	-0.9	-0.5	-1.6	-1.7	-1.7	-1.7
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	-0.4	0.0	-0.2	0.6	0.0	0.0	0.0
Minority interests	-0.3	-0.8	-0.7	-1.3	-1.0	-1.1	-1.1
Attributable net profit	-5.1	-0.7	1.1	3.0	2.9	2.9	3.0
Adjusted attributable net profit	-5.1	-0.7	1.1	3.0	2.9	2.9	3.0
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Goodwill	2.0	2.9	2.6	3.4	3.9	3.9	3.9
Other intangible assets	0.6	0.9	0.7	0.7	0.7	0.7	0.7
Tangible fixed assets	2.5	2.1	1.5	1.7	2.0	2.5	2.5
WCR	11.3	8.9	10.6	11.2	12.0	12.9	12.9
Financial assets	0.7	0.2	0.0	0.0	0.0	0.0	0.0
Ordinary shareholders equity	1.5	1.9	3.3	6.2	9.1	12.0	11.1
Minority interests	3.3	2.9	3.5	3.5	3.5	3.5	3.5
Shareholders equity	4.8	4.8	6.8	9.7	12.6	15.5	14.6
Non-current provisions	4.8	6.6	6.6	5.6	6.0	6.5	6.4
Net debt	7.5	3.6	2.1	1.7	0.0	-1.9	-1.0
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EBITDA	-1.1	3.4	4.6	7.5	7.9	8.3	8.5
Change in WCR	1.6	2.5	-0.3	-1.6	-0.4	-0.5	-6.5
Interests & taxes	-1.2	-2.3	-1.0	-2.3	-2.4	-2.4	-2.4
Others	-0.5	0.9	-1.6	0.6	0.0	0.0	0.0
Operating Cash flow	-1.3	4.5	1.7	4.3	5.2	5.4	-0.4
CAPEX	-0.8	-0.5	-0.6	-1.8	-2.0	-2.4	-4.5
Free cash-flow	-2.1	4.0	1.1	2.5	3.2	3.0	-5.0
Acquisitions / disposals	-0.7	-0.1	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	-0.4	0.0	-1.3	-1.0	-1.1	-1.1
Net capital increase	0.0	1.1	0.0	0.0	0.0	0.0	4.8
Others	5.3	-1.5	-1.6	-0.4	-0.4	-0.4	7.3
Change in net debt	-9.6	3.9	1.5	0.4	1.7	1.9	-5.9
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales growth	-	8.7%	20.8%	5.0%	8.0%	8.0%	7.0%
Lfl sales growth	-	-	-	-	-	-	-
Current EBIT growth	-	ns	25.6%	95.1%	5.1%	3.2%	1.6%
Growth in EPS(%)	-	ns	ns	ns	-3.4%	3.2%	0.7%
Net margin	-13.4%	-1.7%	2.3%	5.7%	5.1%	4.8%	4.6%
EBITDA margin	-3.0%	8.3%	9.3%	14.4%	14.1%	13.7%	13.1%
Current EBIT margin	-8.3%	5.9%	6.1%	11.3%	11.0%	10.6%	10.0%
CAPEX / Sales	-2.2%	-1.3%	-1.2%	-3.5%	-3.6%	-4.0%	-7.0%
WCR / Sales	30.0%	21.8%	21.4%	21.5%	21.4%	21.3%	19.9%
Tax Rate	-22.0%	85.3%	21.3%	30.0%	30.0%	30.0%	30.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.6	3.3	3.2	3.2	3.1	3.2
ROCE post-tax (normative tax rate)	-	10.8%	14.0%	25.5%	24.4%	23.2%	22.7%
ROCE post-tax hors GW (normative tax rate)	-	12.8%	17.1%	31.3%	30.7%	29.1%	28.2%
ROE	-	-39.6%	43.4%	62.0%	37.2%	27.9%	25.6%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Gearing	ns	74%	31%	17%	0%	-13%	-7%
Net Debt / Market Cap	0.34	0.30	0.11	0.08	0.00	-0.06	-0.03
Net debt / EBITDA	ns	1.05	0.46	0.22	ns	ns	ns
EBITDA / net financial charges	-2.8	5.6	8.8	10.7	11.3	11.8	12.2

Mention of conflicts of interest

• Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Recommendation and target price changes history over the last 12 months for the company analysed in this r

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
11.05.16	Buy	7.50	6.30	Dr. Oliver Pucker, CFA
17.03.16	Buy	6.50	5.90	Dr. Oliver Pucker, CFA
05.11.15	Buy	6.00	5.30	Dr. Oliver Pucker, CFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(412)	51%	38%	11%
Liquidity providers coverage	(134)	62%	33%	5%
Research service coverage	(65)	68%	29%	3%
Investment banking services	(26)	69%	31%	

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