



# m-u-t AG

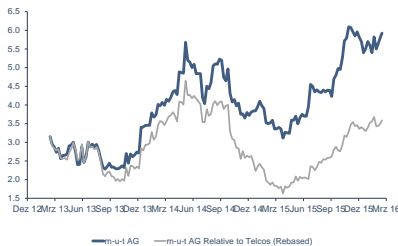
Buy → | Target price : 6.50 EUR vs 6.00 EUR ↗

Price : 5.92 EUR | Upside : 10 %

Est.chg	2015e	2016e
EPS	13.0%	13.7%

**Strong preliminary 2015 figures: positive momentum intact; raising our EPS estimates, and TP to € 6.50**

Thursday 17 March 2016



Capital

<b>M7U GY   M7UG.DE</b>	
Market Cap (EURm)	28
Enterprise value (EURm)	27
Extrema 12 months	3.10 - 6.28
Free Float (%)	47.5

Performance (%)	1m	3m	12m
Absolute	6.7	0.4	75.5
Perf. rel. Country Index	0.3	6.1	106.0
Perf. rel. Telcos	0.2	4.0	96.7

P&L	12/15e	12/16e	12/17e
Sales (EURm)	52.0	56.2	60.7
EBITDA (EURm)	7.5	7.9	8.3
Current EBIT (EURm)	5.9	6.2	6.4
Attr. net profit (EURm)	3.0	2.4	2.5
Adjusted EPS (EUR)	0.62	0.50	0.52
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	6.8	11.8	11.4
P/B (x)	3.2	3.3	2.5
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	12.0	11.2	10.6
EV/Sales (x)	0.53	0.62	0.56
EV/EBITDA (x)	3.6	4.4	4.1
EV/Current EBIT (x)	4.6	5.6	5.3
Gearing (%)	18	4	-7
Net Debt/EBITDA(x)	0.2	0.1	ns

Next Events

## 2015 EPS significantly above our estimate

m-u-t AG (m7u) reported preliminary 2015 figures with sales 5.5% below our expectation and EBIT 3.5% above our estimate. Reported EPS (€ 0.62-65) was significantly stronger than we expected, with the midpoint of the reported range 15.5% above our estimate.

### m-u-t: 2015 full-year results (€ m)

	2015 reported	2015e Oddo	Δ	2014
Sales	52.0	55.2	-5.5%	49.5
EBIT	5.9	5.7	+3.5%	3.0
EBIT %	11.3%	10.3%	+100bp	6.1%
EPS	0.62 - 0.65	0.55	+15.5% (vs. midpoint)	0.23

Source : Company data; Oddo Seydler

## Key takeaways

**Positive momentum continues:** The strong 2015 figures show that m7u remains on track, and that the new management team is succeeding in capturing the company's previously untapped potential. In particular, the EBIT margin almost doubled yoy to a healthy 11.3% (6.1%), indicating that m7u has found the right cost setup to achieve operating leverage. EPS increased by c.170% yoy to a range of € 0.62-0.65. We estimate that 2015 EPS contains a one-off of c.€ 0.15 from the disposal of m7u's direct business in the laboratory automation market to Sarstedt Group in November 2015. Thus, we estimate underlying 2015 EPS at c.€ 0.48. This figure confirms the company's overall strong positive EPS trend, which has improved significantly from -€ 1.16 in 2012 to € -0.16 in 2013, and € 0.23 in 2014.

**What to expect for 2016e:** The company guided for 2016 EBIT of € 6.2m "according to a conservative forecast". Thus, 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). In 2015, for example, m7u achieved its initial full-year EBIT guidance of € 3.5m already in H1 2015. While we doubt it will match that feat in 2016e, investors should nonetheless note that the company's initial guidance is definitely on the conservative side.

**EPS estimates increased:** Given the company's strong performance in 2015, we have increased our 2016e and 2017e EPS forecasts to € 0.50 (0.44) and € 0.52 (0.49) respectively. For 2016e, we expect top-line growth of 8% leading to revenues of € 56.2m at an 11% EBIT margin (i.e. EBIT of € 6.2m).

## Buy maintained; TP upped to € 6.50

We reiterate our Buy rating on the shares and increase our TP to € 6.50 (6.00) based on our updated DCF valuation. At our price target the shares would trade at a P/E of 13.0x for 2016e.

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**M7UG.DE | M7U GY**  
**Electronics | Germany**

**Buy**  
Upside

9.72%

Price  
TP

5.92EUR  
6.50EUR

	12/12	12/13	12/14	12/15e	12/16e	12/17e
<b>PER SHARE DATA (EUR)</b>						
Adjusted EPS	-1.16	-0.16	0.26	0.62	0.50	0.52
<b>Reported EPS</b>	<b>-1.16</b>	<b>-0.16</b>	<b>0.26</b>	<b>0.62</b>	<b>0.50</b>	<b>0.52</b>
Growth in EPS(%)	-	ns	ns	ns	-18.6%	3.8%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	-0.48	0.92	0.26	0.50	0.66	0.63
Book value per share	0.35	0.44	0.76	1.30	1.80	2.32
Number of shares market cap	4.35	4.34	4.34	4.79	4.79	4.79
Number of diluted shares	4.35	4.34	4.34	4.79	4.79	4.79
<b>VALUATION</b>						
12m highest price	6.37	3.72	5.68	6.28	5.97	
12m lowest price	3.27	2.12	2.70	3.10	5.25	
(*) Reference price	5.02	2.78	4.33	4.20	5.92	5.92
Capitalization	22	12	19	20	28	28
Restated Net debt	7.5	3.6	2.1	1.8	0.5	-1.0
Minorities (fair value)	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
Provisions	4.8	6.6	6.6	5.5	6.0	6.4
<b>Enterprise Value</b>	<b>34</b>	<b>22</b>	<b>28</b>	<b>27</b>	<b>35</b>	<b>34</b>
P/E (x)	ns	ns	17	6.8	12	11
P/CF (x)	ns	5.8	9.4	3.1	5.1	4.8
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	33.3%	6.0%	12.0%	11.2%	10.6%
P/B incl. GW (x)	14.31	6.37	5.73	3.23	3.28	2.55
P/B excl. GW (x)	ns	ns	29.18	7.10	5.99	3.92
EV/Sales (x)	0.90	0.54	0.56	0.53	0.62	0.56
EV/EBITDA (x)	ns	6.6	6.0	3.6	4.4	4.1
<b>EV/EBIT (x)</b>	<b>ns</b>	<b>9.2</b>	<b>9.1</b>	<b>4.6</b>	<b>5.6</b>	<b>5.3</b>
(*) historical average price						
<b>PROFIT AND LOSS (EURm)</b>						
Sales	37.7	41.0	49.5	52	56	61
EBITDA	-1.1	3.4	4.6	7.5	7.9	8.3
Depreciations	-2.0	-1.0	-1.6	-1.6	-1.7	-1.9
<b>Current EBIT</b>	<b>-3.1</b>	<b>2.4</b>	<b>3.0</b>	<b>5.9</b>	<b>6.2</b>	<b>6.4</b>
Published EBIT	-3.1	1.6	3.0	5.9	6.2	6.4
Net financial income	-0.4	-0.6	-0.5	-0.7	-0.7	-0.7
Corporate Tax	-0.8	-0.9	-0.5	-1.6	-1.7	-1.7
Net income of equity-accounted companies	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
Minority interests	-0.3	-0.8	-0.7	-1.3	-1.5	-1.5
Attributable net profit	-5.1	-0.7	1.1	3.0	2.4	2.5
<b>Adjusted attributable net profit</b>	<b>-5.1</b>	<b>-0.7</b>	<b>1.1</b>	<b>3.0</b>	<b>2.4</b>	<b>2.5</b>
<b>BALANCE SHEET (EURm)</b>						
Goodwill	2.0	2.9	2.6	3.4	3.9	3.9
Other intangible assets	0.6	0.9	0.7	0.7	0.7	0.7
Tangible fixed assets	2.5	2.1	1.5	1.7	2.0	2.5
WCR	11	8.9	11	11	12	13
Financial assets	0.7	0.2	0.0	0.0	0.0	0.0
Ordinary shareholders equity	1.5	1.9	3.3	6.2	8.6	11
Minority interests	3.3	2.9	3.5	3.5	3.5	3.5
Shareholders equity	4.8	4.8	6.8	9.7	12	15
Non-current provisions	4.8	6.6	6.6	5.5	6.0	6.4
<b>Net debt</b>	<b>7.5</b>	<b>3.6</b>	<b>2.1</b>	<b>1.8</b>	<b>0.5</b>	<b>-1.0</b>
<b>CASH FLOW STATEMENT (EURm)</b>						
<b>EBITDA</b>	<b>-1.1</b>	<b>3.4</b>	<b>4.6</b>	<b>7.5</b>	<b>7.9</b>	<b>8.3</b>
Change in WCR	1.6	2.5	-0.3	-1.7	-0.4	-0.5
Interests & taxes	-1.2	-2.3	-1.0	-2.3	-2.4	-2.4
Others	-0.5	0.9	-1.6	0.6	0.0	0.0
Operating Cash flow	-1.3	4.5	1.7	4.2	5.2	5.4
CAPEX	-0.8	-0.5	-0.6	-1.8	-2.0	-2.4
<b>Free cash-flow</b>	<b>-2.1</b>	<b>4.0</b>	<b>1.1</b>	<b>2.4</b>	<b>3.2</b>	<b>3.0</b>
Acquisitions / disposals	-0.7	-0.1	0.0	0.0	0.0	0.0
Dividends	0.0	-0.4	0.0	-1.3	-1.5	-1.5
Net capital increase	0.0	1.1	0.0	0.0	0.0	0.0
Others	5.3	-1.5	-1.6	-0.4	-0.4	-0.4
Change in net debt	-9.6	3.9	1.5	0.3	1.2	1.5
<b>GROWTH MARGINS PRODUCTIVITY</b>						
Sales growth	-	8.7%	20.8%	5.0%	8.0%	8.0%
<b>Lfl sales growth</b>						
Current EBIT growth	-	ns	25.6%	95.1%	5.1%	3.2%
Growth in EPS(%)	-	ns	ns	ns	-18.6%	3.8%
Net margin	-13.4%	-1.7%	2.3%	5.7%	4.3%	4.1%
<b>EBITDA margin</b>	<b>-3.0%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>14.4%</b>	<b>14.1%</b>	<b>13.7%</b>
<b>Current EBIT margin</b>	<b>-8.3%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>11.3%</b>	<b>11.0%</b>	<b>10.6%</b>
CAPEX / Sales	-2.2%	-1.3%	-1.2%	-3.5%	-3.6%	-4.0%
WCR / Sales	30.0%	21.8%	21.4%	21.5%	21.4%	21.3%
Tax Rate	-22.0%	85.3%	21.3%	30.0%	30.0%	30.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.6	3.3	3.2	3.2	3.1
<b>ROCE post-tax (normative tax rate)</b>		<b>10.8%</b>	<b>14.0%</b>	<b>25.5%</b>	<b>24.4%</b>	<b>23.2%</b>
ROCE post-tax hors GW (normative tax rate)	-	12.8%	17.1%	31.3%	30.7%	29.1%
ROE	-	-39.6%	43.4%	62.0%	32.3%	25.2%
<b>DEBT RATIOS</b>						
Gearing	ns	74%	31%	18%	4%	-7%
Net Debt / Market Cap	0.34	0.30	0.11	0.09	0.02	-0.03
<b>Net debt / EBITDA</b>	<b>ns</b>	<b>1.05</b>	<b>0.46</b>	<b>0.23</b>	<b>0.07</b>	<b>ns</b>
EBITDA / net financial charges	-2.8	5.6	8.8	10.7	11.3	11.8

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

Date	Reco	Price Target (EUR)	Price (EUR)
17.03.16	Buy	6.50	5.92
05.11.15	Buy	6.00	5.30
24.07.15	Buy	5.50	4.55

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