



m-u-t AG

Buy → | Target price : 7.50 EUR

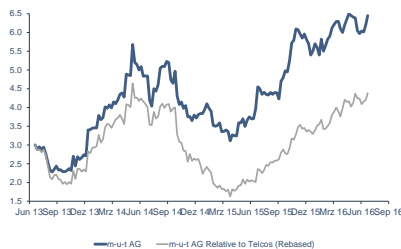
Price (07/21/2016) : 6.45 EUR | Upside : 16 %

	Est.chg	2016e	2017e
EPS		0.0%	0.0%

Q2 confirms m-u-t is on the right track; Buy

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Capital			
M7U GY M7UG.DE			
Market Cap (EURm)			31
Enterprise value (EURm)			37
Extrema 12 months	4.00	-	6.59
Free Float (%)			47.5
Performance (%)			
	1m	3m	12m
Absolute	3.2	4.9	65.8
Perf. rel. Country Index	3.0	7.6	96.0
Perf. rel. Telcos	5.6	14.7	116.7
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)	2.4	2.5	2.6
Adjusted EPS (EUR)	0.50	0.52	0.54
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	12.9	12.4	12.1
P/B (x)	3.6	2.8	2.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	10.3	9.7	ns
EV/Sales (x)	0.67	0.60	0.56
EV/EBITDA (x)	4.7	4.4	4.3
EV/Current EBIT (x)	6.0	5.7	5.6
Gearing (%)	4	-7	-7
Net Debt/EBITDA(x)	0.1	ns	ns

Next Events

Strong Q2 results

m-u-t AG (m7u) recently reported Q2 2016 preliminary figures: Overall, the Q2 results were flat qoq and moderately higher yoy. Revenues were up 7.6% yoy to € 14.1m (Q2 15: € 13.1m) while EBIT rose 10% yoy to € 2.2m (€ 2.0m). The EBIT margin for H1 2016 was 15%, around 300bp higher than in H1 2015.

Note that the company is scheduled to release its final H1 16 figures in the second half of August.

m-u-t: Q2 16 results

€ m*	Q2 16	Q2 15	Δ (%)	H1 16
Sales	14.1	13.1	+7.6%	28.1
EBIT	2.2	2.0	+10%	4.3
EBIT %	15.6%	15.3%	+30bp	15.3%

*Unless noted otherwise

Source: Company data, Oddo Seydler

Feedback from AGM

The company held its Annual General Meeting (AGM) on July 15. The presentation is available on the website (<http://www.mut.ag/aktuelles-kontakt/news.html>). Management pointed out that the company is progressing well and provided further details on the 2015 numbers.

Buy; TP € 7.50

Based on its Q2 performance, m7u has now achieved about 70% of its full-year 2016 EBIT guidance of € 6.2m. Although the company's H2 is traditionally weaker than H1, we see upside potential for the guidance, given the company's statement that its initial guidance for 2016 was based on a 'conservative forecast. We nonetheless leave our full-year 2016e EBIT estimate unchanged at € 6.2m, in line with the guidance.

Based on our 2016e EPS estimate of € 0.50, the shares currently trade at a P/E of 12.9x. We consider the current price level relatively inexpensive, especially in particular given the upside potential in the 2016 guidance. We therefore reiterate our Buy recommendation and TP of € 7.50.

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M7UG.DE | M7U GY
Electronics | Germany

Buy Price **6.45EUR**
Upside TP **7.50EUR**
16.28%

	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
PER SHARE DATA (EUR)							
Adjusted EPS	-1.16	-0.16	0.26	0.62	0.50	0.52	0.54
Reported EPS	-1.16	-0.16	0.26	0.62	0.50	0.52	0.54
Growth in EPS(%)	-	ns	ns	ns	-18.6%	3.8%	2.8%
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	1.80	2.32	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							
12m highest price	6.37	3.72	5.68	6.28	6.59		
12m lowest price	3.27	2.12	2.70	3.10	5.25		
(*) Reference price	5.02	2.78	4.33	4.20	6.45	6.45	6.45
Capitalization	22	12	19	20	31	31	31
Restated Net debt	7.5	3.6	2.1	1.7	0.5	-1.0	-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	22	28	27	37	36	36
P/E (x)	ns	ns	17	6.8	13	12	12
P/CF (x)	ns	5.8	9.4	3.1	5.5	5.3	5.1
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%	10.3%	9.7%	ns
P/B incl. GW (x)	14.31	6.37	5.73	3.23	3.58	2.77	2.77
P/B excl. GW (x)	ns	ns	29.18	7.10	6.52	4.27	4.27
EV/Sales (x)	0.90	0.54	0.56	0.53	0.67	0.60	0.56
EV/EBITDA (x)	ns	6.6	6.0	3.6	4.7	4.4	4.3
EV/EBIT (x)	ns	9.2	9.1	4.6	6.0	5.7	5.6
(*) historical average price							
PROFIT AND LOSS (EURm)							
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	-1.5	-1.5	-1.5
Attributable net profit	-5.1	-0.7	1.1	3.0	2.4	2.5	2.6
Adjusted attributable net profit	-5.1	-0.7	1.1	3.0	2.4	2.5	2.6
BALANCE SHEET (EURm)							
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	8.9	11	11	12	13	13
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	8.6	11	11
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	15	15
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	0.5	-1.0	-1.0
CASH FLOW STATEMENT (EURm)							
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	-1.5	-1.5	-1.5
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	1.2	1.5	-6.3
GROWTH MARGINS PRODUCTIVITY							
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	-18.6%	3.8%	2.8%
Net margin	-13.4%	-1.7%	2.3%	5.7%	4.3%	4.1%	3.9%
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%	32.3%	25.2%	23.0%
DEBT RATIOS							
Gearing	ns	74%	31%	17%	4%	-7%	-7%
Net Debt / Market Cap	0.34	0.30	0.11	0.08	0.01	-0.03	-0.03
Net debt / EBITDA	ns	1.05	0.46	0.22	0.06	ns	ns
EBITDA / net financial charges	-2.8	5.6	8.8	10.7	11.3	11.8	12.2

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• 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.

• Our stock market recommendations

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 report

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

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(415)	52%	37%	11%
Liquidity providers coverage	(138)	62%	33%	6%
Research service coverage	(67)	67%	28%	4%
Investment banking services	(25)	64%	28%	8%

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