



m-u-t AG

Buy → | Target price : 11.00 EUR vs 8.50 EUR ↗

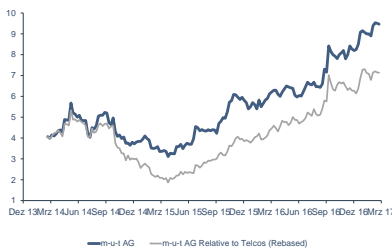
Price (23/03/2017) : 9.46 EUR | Upside : 16 %

Est.chg	2016e	2017e
EPS	13.1%	22.4%

Strong preliminary 2016 figures: positive momentum intact; raising our EPS estimates; TP increased to € 11.00

Publication date 24.03.2017 17:37

Writing date 24.03.2017 17:36



Capital

M7U GY M7UG.DE	
Market Cap (EURm)	45
Enterprise value (EURm)	47
Extrema 12 months	5.97 - 9.86
Free Float (%)	47.5

Performance (%)	1m	3m	12m
Absolute	5.2	14.4	53.1
Perf. rel. Country Index	4.0	9.1	38.1
Perf. rel. Telcos	2.4	10.1	65.4

P&L	12/16e	12/17e	12/18e
Sales (EURm)	54.5	55.5	57.0
EBITDA (EURm)	8.5	9.1	9.3
Current EBIT (EURm)	6.8	7.4	7.5
Attr. net profit (EURm)	3.6	3.9	4.0
Adjusted EPS (EUR)	0.76	0.82	0.83
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	8.8	11.5	11.4
P/B (x)	3.2	3.3	4.1
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	11.7	9.0	ns
EV/Sales (x)	0.68	0.85	0.89
EV/EBITDA (x)	4.3	5.2	5.5
EV/Current EBIT (x)	5.4	6.4	6.8
Gearing (%)	-7	-24	-7
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

04.04.2017	Earnings Release
16.05.2017	Earnings Release

2016 EPS significantly above our estimate

m-u-t AG (m7u) reported preliminary 2016 figures with sales 5.5% and EBIT 1.5% above our estimates. Reported EPS (€ 0.73-79) was significantly stronger than we expected, with the midpoint of the reported range (i.e. € 0.76) 13.4% above our estimate.

m-u-t: 2016 prelim figures (in € m)

	Reported	Oddo estimates	Δ (%)	2015
Revenues	54.5	52.0	+4.8%	52.1
EBIT	6.8	6.7	+1.5%	5.9
EBIT %	12.5%	12.9%	+10bp	11.3%
EPS	0.73-0.79	0.67	+13.4% (vs. midpoint)	0.64

Source: Company data; Oddo Seydler

Key takeaways

Strong EPS momentum: Based on the mid-point of the reported range, EPS increased by 18.8% yoy in 2016. Underlying EPS growth was even significantly stronger: 2015 EPS contained a positive one-off of c.€ 0.15/share from the disposal of m-u-t's direct business in the laboratory automation market to Sarstedt Group in November 2015. Thus, we estimate underlying 2015 EPS at € 0.49, which leads to 2016 underlying EPS growth of about 55.1% yoy. This figure confirms the company's overall strong positive EPS trend.

Lower minority interest a key driver: One of the key reasons why underlying EPS significantly outgrew EBIT was lower minority interest. As outlined in previous updates, we see the reorganisation of the group structure as one of management's crucial to-dos since the current ownership structure results in significant profit participation by minority shareholders.

In Q2 16 m-u-t increased its stake in tec5 AG by 5pp to 100% and in its stake in Avantes Holding B.V. by 1.64pp to 74.96%. At the end of 2017, m-u-t has the option to acquire the remaining 25.04% of Avantes, which could be another big step in reducing minority interest. We estimate the purchase price in the lower single-digit €m range. While the company is certainly able to pay a dividend in 2016, we believe the reorganisation of the group structure will have priority as a use of cash.

2017 guidance is conservative: For 2017, the company guides for "slightly higher revenues" and EBIT of € 7.3m (+7.4% yoy). However, m-u-t is known to guide very conservatively: In 2016, m-u-t's reported EBIT was 9.7% above its initial forecast of € 6.2m while in 2015 the company matched its initial full-year EBIT guidance already in H1 2015.

2017e estimates increased: Given the company's strong performance in 2016, we have raised our 2017e estimates: We now expect EBIT of € 7.4m (before: € 6.8m) and EPS of € 0.82 (€ 0.67).

Buy; TP raised to € 11.00

Overall, we see the company progressing well and believe it is more likely to deliver a positive earnings surprise in the course of 2016 than a negative one. We therefore reiterate our Buy rating and increase our TP to € 11.00. Our TP implies a 2017e target P/E of 13.4x.

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M7UG.DE | M7U GY
Electronics | Germany

Buy

Upside 16.23%

Price 9.46EUR

TP 11.00EUR

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	0.76	0.82	0.83
Reported EPS	-1.16	-0.16	0.26	0.62	0.76	0.82	0.83
Growth in EPS(%)	-	ns	ns	ns	22.7%	8.8%	0.5%
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	0.77	0.86	-0.89
Book value per share	0.35	0.44	0.76	1.30	2.06	2.88	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	8.45	9.86	
12m lowest price	3.27	2.12	2.70	3.10	5.25	8.11	
(*) Reference price	5.02	2.78	4.33	4.20	6.65	9.46	9.46
Capitalization	21.8	12.1	18.8	20.1	31.8	45.3	45.3
Restated Net debt	7.5	3.6	2.1	1.7	-0.9	-4.2	-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	5.9	6.0	6.4
Enterprise Value	34.1	22.2	27.5	27.4	36.8	47.0	50.7
P/E (x)	ns	ns	16.8	6.8	8.8	11.5	11.4
P/CF (x)	ns	5.8	9.4	3.1	5.3	7.1	6.9
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%	11.7%	9.0%	ns
P/B incl. GW (x)	14.31	6.37	5.73	3.23	3.23	3.28	4.07
P/B excl. GW (x)	ns	ns	29.18	7.10	5.34	4.58	6.27
EV/Sales (x)	0.90	0.54	0.56	0.53	0.68	0.85	0.89
EV/EBITDA (x)	ns	6.6	6.0	3.6	4.3	5.2	5.5
EV/EBIT (x)	ns	9.2	9.1	4.6	5.4	6.4	6.8
(*) 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	55	56	57
EBITDA	-1.1	3.4	4.6	7.5	8.5	9.1	9.3
Depreciations	-2.0	-1.0	-1.6	-1.6	-1.7	-1.7	-1.8
Current EBIT	-3.1	2.4	3.0	5.9	6.8	7.4	7.5
Published EBIT	-3.1	1.6	3.0	5.9	6.8	7.4	7.5
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	-1.8	-2.0	-2.0
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	-0.7	-0.8	-0.8
Attributable net profit	-5.1	-0.7	1.1	3.0	3.6	3.9	4.0
Adjusted attributable net profit	-5.1	-0.7	1.1	3.0	3.6	3.9	4.0
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	11.7	11.9	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	9.9	13.8	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	13.3	17.3	14.6
Non-current provisions	4.8	6.6	6.6	5.6	5.9	6.0	6.4
Net debt	7.5	3.6	2.1	1.7	-0.9	-4.2	-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	8.5	9.1	9.3
Change in WCR	1.6	2.5	-0.3	-1.6	-0.3	-0.1	-6.5
Interests & taxes	-1.2	-2.3	-1.0	-2.3	-2.5	-2.7	-2.7
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	5.7	6.3	0.0
CAPEX	-0.8	-0.5	-0.6	-1.8	-2.0	-2.2	-4.3
Free cash-flow	-2.1	4.0	1.1	2.5	3.7	4.1	-4.3
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	-0.7	-0.8	-0.8
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	2.6	3.3	-4.9
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%	4.8%	1.8%	2.7%
Lfl sales growth	-	ns	-	-	-	-	-
Current EBIT growth	-	ns	25.6%	95.1%	15.3%	8.8%	1.4%
Growth in EPS(%)	-	ns	ns	ns	22.7%	8.8%	0.5%
Net margin	-13.4%	-1.7%	2.3%	5.7%	6.6%	7.1%	6.9%
EBITDA margin	-3.0%	8.3%	9.3%	14.4%	15.6%	16.4%	16.3%
Current EBIT margin	-8.3%	5.9%	6.1%	11.3%	12.5%	13.3%	13.2%
CAPEX / Sales	-2.2%	-1.3%	-1.2%	-3.5%	-3.7%	-4.0%	-7.5%
WCR / Sales	30.0%	21.8%	21.4%	21.5%	21.5%	21.5%	22.7%
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	3.1	3.0	2.9
ROCE post-tax (normative tax rate)	-	10.8%	14.0%	25.5%	27.0%	27.8%	26.9%
ROCE post-tax hors GW (normative tax rate)	-	12.8%	17.1%	31.3%	34.0%	35.1%	33.6%
ROE	-	-39.6%	43.4%	62.0%	45.0%	33.3%	31.8%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Gearing	ns	74%	31%	17%	-7%	-24%	-7%
Net Debt / Market Cap	0.34	0.30	0.11	0.08	-0.03	-0.09	-0.02
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	12.1	13.0	13.2

• **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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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).

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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
24.03.17	Buy	11.00	9.46	Dr. Oliver Pucker, CFA
04.11.16	Buy	8.50	7.81	Dr. Oliver Pucker, CFA
11.05.16	Buy	7.50	6.30	Dr. Oliver Pucker, CFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(415)	48%	43%	9%
Liquidity providers coverage	(153)	52%	43%	5%
Research service coverage	(66)	56%	41%	3%
Investment banking services	(39)	69%	26%	5%

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