



m-u-t AG

Neutral ↘ | Target price : 15.50 EUR vs 11.00 EUR ↗

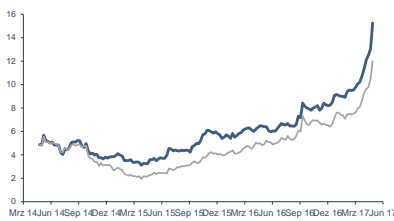
Price (26/05/2017) : 15.25 EUR | Upside : 2 %

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

Strong Q1; Downgrade to Neutral after a ytd performance of +97%

Publication date 29.05.2017 17:33

Writing date 29.05.2017 17:32



Source : Oddo, Fininfo

Capital			
M7U GY M7UG.DE			
Market Cap (EURm)			73
Enterprise value (EURm)			75
Extrema 12 months	5.97	-	15.25
Free Float (%)			47.5
Performance (%)			
	1m	3m	12m
Absolute	33.8	71.3	132.8
Perf. rel. Country Index	32.9	62.0	107.6
Perf. rel. Telcos	27.9	61.0	145.2
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	18.5	18.4
P/B (x)	3.2	5.3	6.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	11.7	5.6	ns
EV/Sales (x)	0.68	1.35	1.38
EV/EBITDA (x)	4.3	8.2	8.5
EV/Current EBIT (x)	5.4	10.1	10.5
Gearing (%)	-7	-24	-7
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

Q1 2017: top line +17% yoy; EBIT +38% yoy

m-u-t AG (m7u) reported preliminary Q1 2017 figures with sales up 17% yoy to € 16.4m and EBIT up 38% yoy to € 2.9m. The company confirmed its full-year 2017 guidance of € 7.3m. Thus, in Q1 2017 the company already generated about 40% of its full-year guidance.

Note: The final 2016 figures will be reported before 15 June 2017, according to the company.

m-u-t: Q1 2017 preliminary figures

	Q1 2017	Q1 2016	Δ (%)	Oddo 2017e
Sales	16.4	14.0	+17%	55.5
EBIT	2.9	2.1	+38%	7.4
EBIT %	17.7%	15.0%	+230bp	13.3%

Source: Company data; Oddo Seydler Bank AG

Key takeaways

Q1 2017 confirms m-u-t is on the right track: The strong Q1 2017 figures show that m-u-t remains on track, and that the management team is succeeding in capturing the company's previously untapped potential. In particular, the EBIT margin improved 230bp yoy to 17.7%, indicating that the company has found the right cost setup to achieve operating leverage.

What to expect for the rest of the year? We expect the strong momentum to continue in Q2. However, as every year, H2 is likely to be more muted due to seasonality.

2017 guidance: As indicated in our last update, we believe the 2017 guidance is conservative and includes a safety margin. m-u-t is known to guide very conservatively. In 2016, for example, its final 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.

We therefore expect the company to exceed its guidance again in 2017 and leave our 2017e EBIT estimate unchanged at € 7.4m (vs. guidance of € 7.3m). Nevertheless, we also believe a significant outperformance of the 2017 guidance is unlikely from our current perspective.

Management contract extended: Since the current management team took over at the beginning of 2015, the stock price has increased more than fourfold driven by a strong turnaround in operating performance. We therefore see board member Fabian Peters' contract extension by five years until 31 December 2022 as a very positive signal. Maik Müller's contract is valid until YE 2018 and is also very likely to be extended, in our view.

After strong run (+97% ytd performance): downgrade to Neutral

Overall, we see the company progressing well and believe it is more likely to deliver a positive operating surprise in 2017 than a negative one. However, as we pointed out above, we also believe that H2 will be more muted than H1 due to the usual seasonality.

The stock has appreciated c.+97% ytd and in our view is now trading at fair value. Thus, we downgrade to Neutral and increase our TP to € 15.5. Based on our 2017e EPS estimate of € 0.82, the shares are currently trading at a P/E of 18.5x. In our view this valuation now adequately reflects the significant progress the company has made under its new management team.

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Neutral

Upside 1.64%

Price 15.25EUR

TP 15.50EUR

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	0.76	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	15.25	
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	15.25	15.25
Capitalization	21.8	12.1	18.8	20.1	31.8	73.0	73.0
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	74.7	78.4
P/E (x)	ns	ns	16.8	6.8	8.8	18.5	18.4
P/CF (x)	ns	5.8	9.4	3.1	5.3	11.4	11.2
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%	11.7%	5.6%	ns
P/B incl. GW (x)	14.31	6.37	5.73	3.23	3.23	5.29	6.56
P/B excl. GW (x)	ns	ns	29.18	7.10	5.34	7.38	10.10
EV/Sales (x)	0.90	0.54	0.56	0.53	0.68	1.35	1.38
EV/EBITDA (x)	ns	6.6	6.0	3.6	4.3	8.2	8.5
EV/EBIT (x)	ns	9.2	9.1	4.6	5.4	10.1	10.5
(*) 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	-	-	-	-	-	-	-
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	-0.06	-0.01
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

Source: Oddo, Fininfo

- **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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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
29.05.17	Neutral	15.50	15.25	Dr. Oliver Pucker, CFA
24.03.17	Buy	11.00	9.53	Dr. Oliver Pucker, CFA
04.11.16	Buy	8.50	7.81	Dr. Oliver Pucker, CFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(423)	48%	43%	9%
Liquidity providers coverage	(155)	48%	47%	5%
Research service coverage	(67)	52%	45%	3%
Investment banking services	(44)	64%	34%	2%

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