

m-u-t AG

Neutral → | Target price : 18.40 EUR vs 15.50 EUR ↗

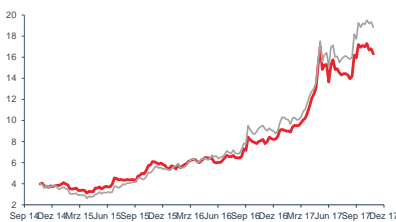
Price (24/11/2017) : 16.32 EUR | Upside : 13 %

	Est.chg	2017e	2018e
EPS		0.4%	1.5%

2017e guidance raised, Avantes stake increased to 100% (75%)

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Source : ODDO BHF Securities, Fininfo

Capital

M7U GY M7UG.DE	
Market Cap (EURm)	78
Enterprise value (EURm)	70
Extrema 12 months	7.80 - 18.15
Free Float (%)	47.5

Performance (%)

	1m	3m	12m
Absolute	-3.2	11.4	100.3
Perf. rel. Country Index	-2.5	7.9	77.1
Perf. rel. Telcos	-0.7	15.4	99.0

P&L

	12/17e	12/18e	12/19e
Sales (EURm)	59.0	60.6	62.4
EBITDA (EURm)	10.2	10.7	11.2
Current EBIT (EURm)	9.0	9.4	9.8
Attr. net profit (EURm)	4.9	5.1	5.2
Adjusted EPS (EUR)	1.03	1.06	1.09
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	15.9	15.4	15.0
P/B (x)	5.4	4.0	3.2
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	8.5	9.3	9.6
EV/Sales (x)	1.28	1.15	1.02
EV/EBITDA (x)	7.4	6.5	5.7
EV/Current EBIT (x)	8.4	7.4	6.5
Gearing (%)	-53	-62	-68
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

30.11.2017	Q3 Results
30.03.2018	FY Results
31.05.2018	Q1 Results

Q3-17 sales increase by +8% yoy

m-u-t AG published its Q3-17 preliminary results on 23 November. Revenues increased +8% yoy, to € 14.2m (Q2-17: € 15.0m, Q3-16: € 13.2m), while EBIT came in at € 1.7m (Q2-17: € 2.8m, Q3-16: € 1.6m). We attribute the softer Q3-17 EBIT margin of 12% (Q2-17: 18.4%, Q1-17: 17.7%, Q3-16: 12%) to the strong seasonality of the company's business (weaker H2). Adjusted for seasonality, the improving top line implies: i/ the successful implementation of business re-organization, and ii/ the further improving high-quality product mix.

m-u-t: Q3-17 preliminary results (€m unless noted otherwise)

	Q3-17	Q2-17	Q1-17	Q3-16
Revenues	14.2	15.0	16.4	13.2
EBIT	1.7	2.8	2.9	1.6
EBIT margin	12.0%	18.7%	17.7%	12.1%

Source : Company data, ODDO BHF Securities

2017 guidance raised, group minorities to be significantly reduced

m-u-t increased its 2017e revenue **guidance** to € 59.0m, i.e. to the upper end of its previously announced range of € 56.0-59.0m (Oddo: € 59.0m). The company also increased its 2017 EBIT guidance to € 9.0m vs its previous guidance of € 8.0-8.5m (Oddo: € 9.0m).

Stake increase in Avantes: As expected, the company also executed its call option to increase its stake in Avantes to 100% from 74.96%. We estimate the purchase price of this stake in the lower single-digit €m range. Avantes is a global supplier of spectrometers with an employee count of ~90; we believe it is profitable with an estimated EBIT margin: ~10% (ODDO BHF est.), and therefore, this transaction should be EPS-accretive for m-u-t going forward. Thus, we welcome the reduction of minority interest, given that the previous ownership structure resulted in significant profit participation by minority shareholders. We see the transaction in line with management's growth strategy and on-going group re-organization. Although the company is able to pay dividends, we expect management to channel excess funds into future growth opportunities.

TP increased to € 18.40 (€ 15.50), Neutral rating reiterated

Given m-u-t's strong 9M-17 performance with revenues of € 45.6m (up +10% yoy), we have adjusted our model and raised our estimates as follows: i/ 2017e revenues to € 59.0m (€ 57.5m), and ii/ 2017e EBIT to € 9.0m (€ 8.4m). Adjusting also for reduced minorities, we estimate m-u-t to generate 2017e net income of € 4.9m. Incorporating our adjusted estimates into our DCF-based valuation model, we increase our TP to € 18.40 (€ 15.50), implying 2018e, and 2019e P/E multiples of 18.0x and 17.4x, respectively. However, we prefer to keep our Neutral recommendation on m-u-t based on its strong business seasonality i.e. expected weaker Q4.

Henning Steinbrink (Analyst)

+49 (69) 71 83 672
henning.steinbrink@bhf-bank.com

Abraham Cavoosi-Kaleno

+49 (69) 71 83 668
abraham.cavoosi-kaleno@bhf-bank.com

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M7UG.DE | M7U GY
Electronics | Germany

Neutral

Upside 12.71%

Price 16.32EUR

TP 18.40EUR

	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
PER SHARE DATA (EUR)								
Adjusted EPS	-1.16	-0.16	0.26	0.45	0.76	1.03	1.06	1.09
Reported EPS	-1.16	-0.16	0.26	0.45	0.76	1.03	1.06	1.09
Growth in EPS(%)	-	ns	ns	75.2%	68.8%	34.1%	3.1%	2.7%
Net dividend per share	0.00	0.00	0.00	0.20	0.26	0.00	0.00	0.00
FCF to equity per share	-0.48	0.92	0.26	0.46	0.87	1.39	1.52	1.57
Book value per share	0.35	0.44	0.76	1.35	1.99	3.01	4.07	5.16
Number of shares market cap	4.35	4.34	4.34	4.79	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	4.79
VALUATION	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
12m highest price	6.37	3.72	5.68	6.28	8.45	18.15		
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	16.33	16.33	16.33
Capitalization	21.8	12.1	18.8	20.1	31.8	78.1	78.1	78.1
Restated Net debt	7.5	3.6	2.1	-2.1	-5.2	-10.5	-16.5	-22.7
Minorities (fair value)	0.0	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	0.0
Provisions	4.8	6.6	6.6	7.8	7.9	8.1	8.1	8.2
Enterprise Value	34.1	22.2	27.5	25.9	34.5	75.7	69.8	63.7
P/E (x)	ns	ns	16.8	9.3	8.7	15.9	15.4	15.0
P/CF (x)	ns	5.8	9.4	3.8	5.5	9.8	9.5	9.2
Net Yield (%)	0.0%	0.0%	0.0%	4.8%	3.9%	0.0%	0.0%	0.0%
FCF yield (%)	ns	33.3%	6.0%	11.0%	13.1%	8.5%	9.3%	9.6%
P/B incl. GW (x)	14.31	6.37	5.73	3.11	3.34	5.42	4.01	3.17
P/B excl. GW (x)	ns	ns	29.18	5.26	4.47	6.50	4.57	3.51
EV/Sales (x)	0.90	0.54	0.56	0.50	0.63	1.28	1.15	1.02
EV/EBITDA (x)	ns	6.6	6.0	3.8	4.3	7.4	6.5	5.7
EV/EBIT (x)	ns	9.2	9.1	4.3	5.0	8.4	7.4	6.5
(*) historical average price								
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	37.7	41.0	49.5	52	54	59	61	62
EBITDA	-1.1	3.4	4.6	6.9	7.9	10.2	10.7	11.2
Depreciations	-2.0	-1.0	-1.6	-0.9	-1.1	-1.2	-1.3	-1.4
Current EBIT	-3.1	2.4	3.0	6.0	6.9	9.0	9.4	9.8
Published EBIT	-3.1	1.6	3.0	6.0	6.9	9.0	9.4	9.8
Net financial income	-0.4	-0.6	-0.5	-0.4	-0.3	-0.4	-0.4	-0.4
Corporate Tax	-0.8	-0.9	-0.5	-1.7	-1.7	-2.3	-2.5	-2.7
Net income of equity-accounted companies	0.0	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	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.3	-0.8	-0.7	-1.6	-1.1	-1.5	-1.5	-1.5
Attributable net profit	-5.1	-0.7	1.1	2.2	3.7	4.9	5.1	5.2
Adjusted attributable net profit	-5.1	-0.7	1.1	2.2	3.7	4.9	5.1	5.2
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Goodwill	2.0	2.9	2.6	2.7	2.4	2.4	2.4	2.4
Other intangible assets	0.6	0.9	0.7	0.6	1.5	1.7	1.9	2.1
Tangible fixed assets	2.5	2.1	1.5	1.4	1.5	1.7	1.8	1.9
WCR	11.3	8.9	10.6	12.0	10.9	11.8	12.1	12.4
Financial assets	0.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary shareholders equity	1.5	1.9	3.3	6.5	9.5	14.4	19.5	24.7
Minority interests	3.3	2.9	3.5	4.4	4.1	5.6	7.0	8.5
Shareholders equity	4.8	4.8	6.8	10.9	13.6	20.0	26.5	33.2
Non-current provisions	4.8	6.6	6.6	7.8	7.9	8.1	8.1	8.2
Net debt	7.5	3.6	2.1	-2.1	-5.2	-10.5	-16.5	-22.7
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
EBITDA	-1.1	3.4	4.6	6.9	7.9	10.2	10.7	11.2
Change in WCR	1.6	2.5	-0.3	-2.6	-1.0	-0.6	-0.2	-0.3
Interests & taxes	-1.2	-2.3	-1.0	-2.1	-2.1	-2.6	-2.9	-3.1
Others	-0.5	0.9	-1.6	0.6	-0.1	0.4	0.4	0.4
Operating Cash flow	-1.3	4.5	1.7	2.7	4.8	7.4	8.0	8.2
CAPEX	-0.8	-0.5	-0.6	-0.5	-0.6	-0.7	-0.7	-0.7
Free cash-flow	-2.1	4.0	1.1	2.2	4.2	6.7	7.3	7.5
Acquisitions / disposals	-0.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	-0.4	0.0	0.0	0.0	-1.5	-1.5	-1.5
Net capital increase	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Others	5.3	-1.5	-1.6	-0.3	-1.8	1.4	1.3	1.3
Change in net debt	-9.6	3.9	1.5	4.2	3.1	5.3	6.0	6.2
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales growth	-	8.7%	20.8%	5.1%	4.6%	8.3%	2.7%	3.0%
Lfl sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	-	ns	25.6%	97.1%	15.2%	31.1%	4.4%	4.3%
Growth in EPS(%)	-	ns	ns	75.2%	68.8%	34.1%	3.1%	2.7%
Net margin	-13.4%	-1.7%	2.3%	4.2%	6.7%	8.3%	8.3%	8.3%
EBITDA margin	-3.0%	8.3%	9.3%	13.2%	14.6%	17.3%	17.7%	17.9%
Current EBIT margin	-8.3%	5.9%	6.1%	11.5%	12.6%	15.3%	15.5%	15.7%
CAPEX / Sales	-2.2%	-1.3%	-1.2%	-1.0%	-1.2%	-1.2%	-1.2%	-1.2%
WCR / Sales	30.0%	21.8%	21.4%	23.0%	20.1%	19.9%	19.9%	19.8%
Tax Rate	-22.0%	85.3%	21.3%	31.2%	26.5%	26.5%	28.0%	29.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.6	3.3	3.2	3.3	3.5	3.4	3.4
ROCE post-tax (normative tax rate)	-	10.8%	14.0%	26.0%	29.1%	37.2%	36.9%	37.2%
ROCE post-tax hors GW (normative tax rate)	-	12.8%	17.1%	31.1%	34.4%	43.4%	42.7%	42.8%
ROE	-	-39.6%	43.4%	44.4%	45.7%	41.0%	29.8%	23.5%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	ns	74%	31%	-19%	-38%	-53%	-62%	-68%
Net Debt / Market Cap	0.34	0.30	0.11	-0.10	-0.16	-0.13	-0.21	-0.29
Net debt / EBITDA	ns	1.05	0.46	ns	ns	ns	ns	ns
EBITDA / net financial charges	-2.8	5.6	8.8	16.4	24.2	28.8	29.4	29.8

Source: ODDO BHF Securities, Fininfo



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Our target prices are established on a 12-month time frame 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 BHF' 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).

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
24.11.17	Neutral	18.40	16.33	Henning Steinbrink
29.05.17	Neutral	15.50	15.58	Dr. Oliver Pucker, CFA
24.03.17	Buy	11.00	9.53	Dr. Oliver Pucker, CFA

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Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(425)	47%	42%	11%
Liquidity providers coverage	(139)	40%	53%	7%
Research service coverage	(58)	50%	48%	2%
Investment banking services	(52)	69%	25%	6%

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