

# m-u-t AG

Neutral → | Target 26.00 EUR vs 18.40 EUR ↗

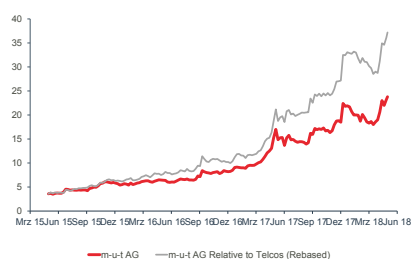
Price (29/05/2018) : 23.80 EUR | Upside : 9 %

	Est.chg	2018e	2019e
EPS		1.1%	12.5%

**Solid Q1 2018 results after record 2017; 2018 guidance indicates further profitable growth; TP raised to € 26.00**

Publication date 30.05.2018 08:48

Writing date 30.05.2018 08:46



Source : Oddo BHF Securities, Fininfo

## Capital

M7U GY   M7UG.DE	
Market Cap (EURm)	121
Enterprise value (EURm)	124
Extrema 12 months	13.36 - 24.40
Free Float (%)	47.5

Performance (%)	1m	3m	12m
Absolute	25.3	19.0	52.8
Perf. rel. Country Index	25.3	17.5	55.5
Perf. rel. Telcos	35.1	23.3	88.2

P&L	12/18e	12/19e	12/20e
Sales (EURm)	67.0	73.0	78.9
EBITDA (EURm)	12.7	15.1	16.6
Current EBIT (EURm)	10.0	11.1	12.1
Attr. net profit (EURm)	5.4	6.2	6.9
Adjusted EPS (EUR)	1.07	1.22	1.36
Dividend (€)	0.00	0.00	0.00

P/E (x)	22.3	19.5	17.4
P/B (x)	6.3	4.8	3.7
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	4.4	5.5	6.3
EV/Sales (x)	1.91	1.69	1.51
EV/EBITDA (x)	10.1	8.2	7.1
EV/Current EBIT (x)	12.8	11.1	9.8
Gearing (%)	-86	-82	-81
Net Debt/EBITDA(x)	ns	ns	ns

## Next Events

29.06.2018	AGM
31.08.2018	Q2 Results
30.11.2018	Q3 Results

## Model adjustments post re-analysis of the business and rollover to 2020

We have adjusted our estimates after i/ a thorough re-analysis of m-u-t's businesses, ii/ adjustments made on the basis of the Q1 2018 results, and iii/ rolling over of our model to 2020. We consequently update our TP to € 26.00 (€ 18.40). The strong Q1 2018 figures underline three things in our view: i/ the group's 2018 guidance remains within reach, ii/ m-u-t remains on track to stabilize its lean cost structure, and iii/ the management team continues to successfully tap into new profitable markets.

## Q1 2018 results underline expansion on top of lean cost structure

Q1 2018 continued where the record FY 2017 left off. Group revenues rose 12% yoy to € 18.3m, and thus slightly above our estimate, supported from product expansions and acquisitions. Group EBIT increased more strongly than revenue, rising 14% yoy to € 3.3m (Q1 2017: € 2.9m). This resulted in a solid EBIT margin of 18% (Q1 2017: 18%). In our view, the Q1 2018 results underline the sustainability of the company's strategy to increase both sales growth and profitability.

## Transition from components to complete application systems

Demand for the group's high-end, non-contact and non-destructive measuring technology continues to rise. Through the recent acquisitions, m-u-t has continued to round out its range of offerings, which is evolving from individual components to complete application systems. This development is supported by new production technologies and methods under the banner of Industry 4.0 and constant demand for products from the electronics, LED, display and general semiconductor sectors. In our view, the recent acquisitions Lay-Tec and Spectral Engines Oy are good matches in this respect as they contribute significant added-value to m-u-t's systems offerings.

## Guidance reiterated for 2018 and medium term

Management reiterated its guidance for the full year 2018, i.e. revenues € 66-68.0m and EBIT of € 10.0m, implying an EBIT margin of c.15% at the midpoint. The Q1 2018 results indicate the group is on track to reach these targets, and thus our full-year 2018e estimates as well (revenues: € 67m, EBIT: € 10m). The company also reiterated its medium-term guidance for revenue of € 100m and EBIT margins of 15%.

## Positives largely factored in

Incorporating the Q1 2018 results and assuming a continuation of profitable growth going forward, our DCF-based model now renders a fair value of € 26. We also ran a peer group valuation as a reality check, limiting our peers to comparable companies with similar margin profiles. Based on our regression analysis of 2019e EV/EBIT and EBIT-margins, the derived EV/EBIT multiple for m-u-t implies a fair value of € 26.40. Therefore, we raise our TP to € 26.00 (€ 18.40). However, the company's positives already appear to be largely factored into the current share price, and so we confirm our Neutral rating on the shares. Our TP implies a target P/E of 21.3x for 2019e, and 19.1x and 2020e.

A major revaluation catalyst would be a significant reduction in minorities since the present value of outflows to minority shareholders (WACC: 8%), currently equates to € 18m or c.€ 3.5 per share (see DCF on the next page).

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## Conflict of interests:

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Figure 1: Overview of 2017 and Q1 2018 P&L

	Q1-2018		FY-17			FY-16		Q1-2017
	Rep	YoY	Rep	Oddo	Δ	YoY	Rep	Rep
Revenue	18.3	11.6%	60.7	59.0	2.9%	11.4%	54.5	16.4
EBITDA	n.a.	n.a.	10.2	10.2	-0.2%	28.2%	7.9	n.a.
Margin	n.a.	n.a.	16.8%	17.3%	-52bp	219bp	14.6%	n.a.
EBIT	3.3	13.8%	9.1	9.0	1.4%	32.9%	6.9	2.9
Margin	18.0%	35bp	15.0%	15.3%	-22bp	242bp	12.6%	17.7%
EBT	n.a.	n.a.	8.9	8.6	3.7%	36.4%	6.5	n.a.
Margin	n.a.	n.a.	14.7%	14.6%	12bp	269bp	12.0%	n.a.
Net Profit	n.a.	n.a.	4.6	4.9	-6.1%	25.7%	3.7	n.a.
Margin	n.a.	n.a.	7.6%	8.3%	-73bp	86bp	6.7%	n.a.

Source: Company data, Oddo BHF Securities

Figure 2: DCF model

EURm	PHASE 1			PHASE 2							PHASE 3
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	∞
Sales	67.0	73.0	78.9	84.4	89.5	93.9	98.6	102.6	105.6	107.8	
YoY growth	11.4%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	4.0%	3.0%	2.0%	
EBIT	10.0	11.1	12.1	13.1	13.9	14.6	15.3	15.9	16.4	16.7	
EBIT margin	14.9%	15.2%	15.4%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	
Income tax on EBIT (cash tax rate)	-3.0	-3.3	-3.6	-3.9	-4.2	-4.4	-4.6	-4.8	-4.9	-5.0	
Depreciation and amortisation	3.2	2.3	2.1	2.9	3.0	3.2	3.4	3.5	3.6	3.7	
Change in net working capital	-1.3	-1.5	-1.5	-1.7	-1.5	-1.3	-1.4	-1.2	-0.9	-0.6	
Net capital expenditure	-1.3	-1.5	-1.6	-3.0	-3.2	-3.4	-3.6	-3.7	-3.8	-3.7	
<b>Free cash flow</b>	<b>7.5</b>	<b>7.1</b>	<b>7.6</b>	<b>7.3</b>	<b>8.0</b>	<b>8.7</b>	<b>9.1</b>	<b>9.7</b>	<b>10.3</b>	<b>11.1</b>	
<b>Present values</b>	<b>7.2</b>	<b>6.3</b>	<b>6.1</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>80.2</b>
Present value Phase 1	19.6	14%									
Present value Phase 2	37.6	27%									
Present value Phase 3	80.2	58%									
Total present value	137.4	100%									
Fair EV (including minorities)	<b>137.4</b>										
<b>Fair EV (excluding minorities)</b>	<b>137.4</b>										
+ Excess cash/Non-operating assets	19.6										
- Financial debt	-6.7										
- minorities	-18.0										
<b>Fair value (excluding minorities)</b>	<b>132.2</b>										
Number of shares (m)	5.1										
<b>Fair value per share (EUR)</b>	<b>26.08</b>										

Risk free rate	0.18%	Target equity ratio	75.0%
Equity risk premium	7.23%	Beta (fundamental)	1.3
Debt risk premium	3.50%	<b>WACC</b>	<b>8.0%</b>
Tax shield	30.0%	<b>Terminal growth</b>	<b>1.5%</b>

Sensitivity analysis						
		Terminal growth (Phase 3)				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.0%	21.05	22.20	23.56	25.19	27.18
	7.5%	19.34	20.29	21.39	22.69	24.25
	8.0%	17.87	18.65	<b>26.08</b>	20.61	21.86
	8.5%	16.58	17.24	17.99	18.85	19.86
	9.0%	15.45	16.01	16.63	17.35	18.18

Source: Company data, Oddo BHF Securities



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

**Neutral**

**Price 23.80EUR**

Upside 9.24%

TP 26.00EUR

	12/13	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
<b>PER SHARE DATA (EUR)</b>								
Adjusted EPS	-0.16	0.26	0.45	0.76	0.97	1.07	1.22	1.36
<b>Reported EPS</b>	<b>-0.16</b>	<b>0.26</b>	<b>0.45</b>	<b>0.76</b>	<b>0.97</b>	<b>1.07</b>	<b>1.22</b>	<b>1.36</b>
Growth in EPS(%)	ns	ns	75.2%	68.8%	26.6%	10.4%	14.2%	11.8%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	0.92	0.26	0.46	0.93	1.55	1.06	1.32	1.51
Book value per share	0.44	0.76	1.35	1.99	2.80	3.77	4.99	6.35
Number of shares market cap	4.34	4.34	4.79	4.79	4.79	5.07	5.07	5.07
Number of diluted shares	4.34	4.34	4.79	4.79	4.79	5.07	5.07	5.07
<b>VALUATION</b>								
12m highest price	3.72	5.68	6.28	8.45	19.60	24.40		
12m lowest price	2.12	2.70	3.10	5.25	8.11	17.50		
(*) Reference price	2.78	4.33	4.20	6.65	13.59	23.80	23.80	23.80
Capitalization	12.1	18.8	20.1	31.8	65.0	121	121	121
Restated Net debt	3.6	2.1	-2.1	-5.2	-15.8	-19.3	-23.5	-28.4
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	6.6	6.6	7.8	7.9	26.3	26.6	26.6	26.6
<b>Enterprise Value</b>	<b>22.2</b>	<b>27.5</b>	<b>25.9</b>	<b>34.5</b>	<b>75.4</b>	<b>128</b>	<b>124</b>	<b>119</b>
P/E (x)	ns	16.8	9.3	8.7	14.0	22.3	19.5	17.4
P/CF (x)	5.8	9.4	3.8	5.5	6.5	12.7	10.4	9.4
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	33.3%	6.0%	11.0%	14.0%	11.4%	4.4%	5.5%	6.3%
P/B incl. GW (x)	6.37	5.73	3.11	3.34	4.85	6.32	4.77	3.75
P/B excl. GW (x)	ns	29.18	5.26	4.47	16.04	13.66	7.88	5.38
EV/Sales (x)	0.54	0.56	0.50	0.63	1.24	1.91	1.69	1.51
EV/EBITDA (x)	6.6	6.0	3.8	4.3	7.4	10.1	8.2	7.1
EV/EBIT (x)	9.2	9.1	4.3	5.0	8.3	12.8	11.1	9.8
(*) historical average price								
<b>PROFIT AND LOSS (EURm)</b>								
Sales	41.0	49.5	52	54	61	67	73	79
EBITDA	3.4	4.6	6.9	7.9	10.2	12.7	15.1	16.6
Depreciations	-1.0	-1.6	-0.9	-1.1	-1.1	-2.7	-4.0	-4.5
<b>Current EBIT</b>	<b>2.4</b>	<b>3.0</b>	<b>6.0</b>	<b>6.9</b>	<b>9.1</b>	<b>10.0</b>	<b>11.1</b>	<b>12.1</b>
Published EBIT	1.6	3.0	6.0	6.9	9.1	10.0	11.1	12.1
Net financial income	-0.6	-0.5	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2
Corporate Tax	-0.9	-0.5	-1.7	-1.7	-2.9	-2.9	-3.3	-3.6
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)	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.8	-0.7	-1.6	-1.1	-1.4	-1.4	-1.4	-1.4
Attributable net profit	-0.7	1.1	2.2	3.7	4.6	5.4	6.2	6.9
<b>Adjusted attributable net profit</b>	<b>-0.7</b>	<b>1.1</b>	<b>2.2</b>	<b>3.7</b>	<b>4.6</b>	<b>5.4</b>	<b>6.2</b>	<b>6.9</b>
<b>BALANCE SHEET (EURm)</b>								
Goodwill	2.9	2.6	2.7	2.4	9.3	10.3	10.0	9.8
Other intangible assets	0.9	0.7	0.6	1.5	1.3	0.0	0.0	0.0
Tangible fixed assets	2.1	1.5	1.4	1.5	2.0	3.7	4.4	4.8
WCR	8.9	10.6	12.0	10.9	13.8	15.1	16.7	18.2
Financial assets	0.2	0.0	0.0	0.0	0.7	0.7	0.7	0.7
Ordinary shareholders equity	1.9	3.3	6.5	9.5	13.4	19.1	25.3	32.2
Minority interests	2.9	3.5	4.4	4.1	3.3	3.4	3.3	3.0
Shareholders equity	4.8	6.8	10.9	13.6	16.7	22.5	28.6	35.2
Non-current provisions	6.6	6.6	7.8	7.9	26.3	26.6	26.6	26.6
<b>Net debt</b>	<b>3.6</b>	<b>2.1</b>	<b>-2.1</b>	<b>-5.2</b>	<b>-15.8</b>	<b>-19.3</b>	<b>-23.5</b>	<b>-28.4</b>
<b>CASH FLOW STATEMENT (EURm)</b>								
<b>EBITDA</b>	<b>3.4</b>	<b>4.6</b>	<b>6.9</b>	<b>7.9</b>	<b>10.2</b>	<b>12.7</b>	<b>15.1</b>	<b>16.6</b>
Change in WCR	2.5	-0.3	-2.6	-0.7	-1.9	-0.8	-1.3	-1.3
Interests & taxes	-2.3	-1.0	-2.1	-2.1	-3.1	-3.1	-3.5	-3.8
Others	0.9	-1.6	0.6	-0.1	2.8	0.0	0.0	0.0
Operating Cash flow	4.5	1.7	2.7	5.1	8.0	8.7	10.3	11.6
CAPEX	-0.5	-0.6	-0.5	-0.6	-0.6	-3.3	-3.6	-3.9
<b>Free cash-flow</b>	<b>4.0</b>	<b>1.1</b>	<b>2.2</b>	<b>4.5</b>	<b>7.4</b>	<b>5.4</b>	<b>6.7</b>	<b>7.7</b>
Acquisitions / disposals	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-0.4	0.0	-1.0	-1.2	-1.3	-1.4	-1.5	-1.7
Net capital increase	1.1	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Others	-1.6	-1.7	0.3	-1.1	3.0	-0.2	-0.2	-0.2
Change in net debt	3.9	1.4	4.2	3.1	10.7	3.4	4.2	4.9
<b>GROWTH MARGINS PRODUCTIVITY</b>								
Sales growth	8.7%	20.8%	5.1%	4.6%	11.4%	10.4%	9.0%	8.0%
<b>Lfl sales growth</b>								
Current EBIT growth	ns	25.6%	97.1%	15.2%	32.9%	9.6%	11.0%	9.4%
Growth in EPS(%)	ns	ns	75.2%	68.8%	26.6%	10.4%	14.2%	11.8%
Net margin	-1.7%	2.3%	4.2%	6.7%	7.6%	8.1%	8.5%	8.8%
<b>EBITDA margin</b>	<b>8.3%</b>	<b>9.3%</b>	<b>13.2%</b>	<b>14.6%</b>	<b>16.8%</b>	<b>18.9%</b>	<b>20.7%</b>	<b>21.1%</b>
<b>Current EBIT margin</b>	<b>5.9%</b>	<b>6.1%</b>	<b>11.5%</b>	<b>12.6%</b>	<b>15.0%</b>	<b>14.9%</b>	<b>15.2%</b>	<b>15.4%</b>
CAPEX / Sales	-1.3%	-1.2%	-1.0%	-1.2%	-1.0%	-5.0%	-5.0%	-5.0%
WCR / Sales	21.8%	21.4%	23.0%	20.1%	22.7%	22.6%	22.8%	23.0%
Tax Rate	85.3%	21.3%	31.2%	26.5%	32.2%	30.0%	30.0%	30.0%
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	2.8	2.4	2.4	2.5
<b>ROCE post-tax (normative tax rate)</b>	<b>10.8%</b>	<b>14.0%</b>	<b>26.0%</b>	<b>29.1%</b>	<b>29.8%</b>	<b>25.2%</b>	<b>25.8%</b>	<b>26.7%</b>
ROCE post-tax hors GW (normative tax rate)	12.8%	17.1%	31.1%	34.4%	41.1%	38.9%	38.9%	38.6%
ROE	-39.6%	43.4%	44.4%	45.7%	40.4%	33.3%	27.9%	24.1%
<b>DEBT RATIOS</b>								
Gearing	74%	31%	-19%	-38%	-95%	-86%	-82%	-81%
Net Debt / Market Cap	0.30	0.11	-0.10	-0.16	-0.24	-0.16	-0.19	-0.24
<b>Net debt / EBITDA</b>	<b>1.05</b>	<b>0.46</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	5.6	8.8	16.4	24.2	59.1	62.2	74.1	81.7

Source: ODDO BHF Securities, 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 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.

• **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **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).

• **The prices of the financial instruments used and mentioned in this document are the closing prices.**

• **All publications by Oddo BHF concerning the companies covered and mentioned in this document are available on the research site: [www.securities.oddo-bhf.com](http://www.securities.oddo-bhf.com)**

**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
29.05.18	Neutral	26.00	23.80	Henning Steinbrink
27.11.17	Neutral	18.40	16.61	Henning Steinbrink

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link [www.securities.oddo-bhf.com](http://www.securities.oddo-bhf.com)

**Recommendation split**

		Buy	Neutral	Reduce
Our whole coverage	(413)	50%	40%	10%
Liquidity providers coverage	(129)	45%	50%	5%
Research service coverage	(58)	53%	41%	5%
Investment banking services	(42)	67%	29%	5%

**Risk of conflict of interest:**

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