

**Buy** (old: Buy)

**Price target: EUR 25.00** (old: EUR 25.00)

<b>Price:</b>	EUR 19.55	<b>Next result:</b>	Q2 17.09.15
<b>Bloomberg:</b>	MUX GR	<b>Market cap:</b>	EUR 274.4 m
<b>Reuters:</b>	MUXG.BE	<b>Enterprise Value:</b>	EUR 256.8 m

08-September-15

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### NAV offering upside & North Stream II driving positive newsflow

Mutares for the first time published its NAV on Monday, providing investors with further transparency on its portfolio and potential exit values going forward. In addition, the plans for a second **North Stream project recently substantially increased the exit value of mutares' major holding Eupec** and investors should expect further positive newsflow on the topic.

Mutares' current NAV of € 351m (as of 1<sup>st</sup> of September) reflects management's strong ability of operating turnarounds. **Offering upside of 28% to the current market cap**, the NAV underlines the attractive valuation of the company as well as the significant exit potential going forward. Key value drivers of the portfolio are:

- **Eupec/BSL (36%/total NAV):** The oil & gas pipeline company with a € 125m NAV is mutares' major earnings driver & looks set to benefit from North Stream II,
- **STS Acoustics (15%/total NAV):** An automotive supplier for acoustic & thermal solutions with a € 53m NAV which is a very successful turnaround case,
- **Elastomer (12%/total NAV):** mutares' fastest growing portfolio company with a € 43m NAV which supplies grommets & wire harnesses to the automotive industry.

Eupec in particular provides an **attractive opportunity for investors on the back of the recently announced second North Stream project**. The company looks set to 1) either win the highly profitable project itself as it already was the exclusive supplier in the first project, or 2) alternatively should be able to sell its strategically indispensable plant at the shore of the Baltic Sea (proximity is key). In any case, **investors should benefit from a significant cash inflow and a highly profitable exit looks likely**.

Mutares' until today created shareholder value of over € 285m (dividens + mcap - capital raised) and looks set to take its operations to the next level going forward:

- **Growth:** By 2018E management aims to reach € 1.8bn in sales through **dynamic M&A activity**, focussing on larger targets in engineering & retail.
- **Capital markets:** Enhanced capital markets communication through regular NAV reports, conference calls & liquidity enhancing measures such as share buybacks.
- **Exits:** Significant exit opportunities given the mature portfolio of companies (Eupec/BSL alone up to € 125m) as well as eminent triggers such as North Stream.

All in all, mutares is **entering a new phase in its capital markets history** which provides shareholders with several attractive opportunities and hence the stock remains a **BUY** with a **PT of € 25** based on NAV (€ 25/share SOTP 2016E).

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	159.3	301.2	347.0	648.1	726.7	902.8	925.9
Sales growth	25 %	89 %	15 %	87 %	12 %	24 %	3 %
EBITDA	18.5	22.4	5.9	30.9	29.6	40.5	42.6
EBIT	12.6	14.1	-4.5	15.5	12.2	22.1	24.1
Net income	8.6	9.5	-7.9	8.5	8.4	15.3	15.4
Net debt	-20.7	-39.5	-19.2	-42.0	-17.6	-15.7	-17.0
Net gearing	-39.7 %	-49.4 %	-32.9 %	-51.5 %	-21.1 %	-26.0 %	-27.2 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.71	0.78	-0.65	0.61	0.60	1.09	1.10
CPS	-0.43	-1.02	-2.76	-4.73	-4.20	0.64	0.33
DPS	0.06	0.34	1.67	0.78	0.78	0.23	0.25
Dividend yield	0.3 %	1.7 %	8.5 %	4.0 %	4.0 %	1.2 %	1.3 %
Gross profit margin	55.0 %	54.0 %	41.9 %	35.5 %	37.0 %	53.5 %	53.5 %
EBITDA margin	11.6 %	7.4 %	1.7 %	4.8 %	4.1 %	4.5 %	4.6 %
EBIT margin	7.9 %	4.7 %	-1.3 %	2.4 %	1.7 %	2.4 %	2.6 %
ROCE	15.4 %	9.8 %	-2.5 %	7.8 %	5.4 %	10.0 %	11.3 %
EV/sales	1.5	0.7	0.7	0.4	0.4	0.3	0.3
EV/EBITDA	12.5	9.6	39.4	7.5	8.7	6.4	6.0
EV/EBIT	18.4	15.2	-51.5	15.0	21.1	11.7	10.7
PER	27.6	25.0	-30.2	32.2	32.5	17.9	17.8
Adjusted FCF yield	5.3 %	6.1 %	-1.8 %	7.3 %	4.4 %	7.2 %	7.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 04.09.2015



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 21.54 / 11.00

**Price/Book Ratio:** 3.3

**Relative performance (SDAX):**

3 months 16.5 %

6 months 59.0 %

12 months 37.9 %

### Changes in estimates

		Sales	EBIT	EPS
2015	old:	726.7	12.2	0.60
	Δ	-	-	-
2016	old:	902.8	22.1	1.09
	Δ	-	-	-
2017	old:	925.9	24.1	1.10
	Δ	-	-	-

### Key share data:

Number of shares: (in m pcs) 14.0

Authorised capital: (in € m) 7.0

Book value per share: (in €) 6.0

Ø trading volume: (12 months) 5,400

### Major shareholders:

Founders 60.0 %  
Free Float 40.0 %

### Company description:

mutares AG is a turnaround investor focussed on generating a return on its investment through the purchase of underperforming corporate spin offs, their operational turnaround and subsequent sale.

## Company background

mutares is a hands-on private equity firm with a dedicated Buy & opportunistic Sell strategy combined with a strong operational turnaround ability, primarily focussed on generating a return on its investments through:

- The cheap purchase of distressed assets,
- Their operational turnaround, resulting in consulting fees & dividends for the holding company, and
- The subsequent sale at a multiple of the investment.

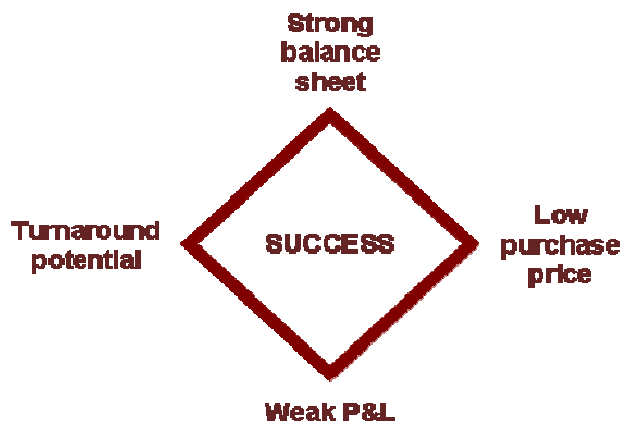
Founded and listed in 2008, the company today has a portfolio of 13 companies with annualised sales of approximately € 850m and boasts a sound track record of value creation for shareholders.

This is based on mutares investment strategy which focuses on buying distressed assets with the potential for operational turnaround. 90% of mutares' transactions are corporate spin offs by larger groups which seek to dispose unloved assets in a silent and professional manner. This essentially allows mutares to buy companies with:

- Distressed P&Ls, but
- Good balance sheets which are often negotiated with the seller (e.g. positive cash balance, high w/c, etc.) to fund the restructuring,
- Bearing a significant improvement potential,
- At a low purchase price & often even a positive cash balance.

### Investment criteria

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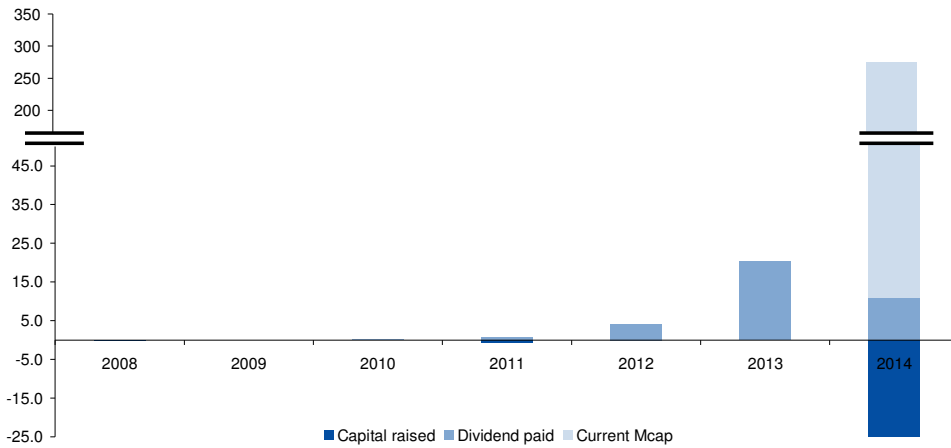


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*Source: Company data; Hauck & Aufhäuser*

The success of the business model is evidenced by attractive accumulated dividend payments of € 36m which significantly exceed the accumulated capital raised of € 26m by >40%. In addition, mutares has grown to € 274m in market value since its foundation and bought a portfolio of companies with a NAV of € 351m. Accumulated value creation for shareholders (dividends + mcap - capital raised) thus has been € 285m or a >11x multiple on the accumulated capital raised.

## Value creation



Source: Company data; Hauck & Aufhäuser

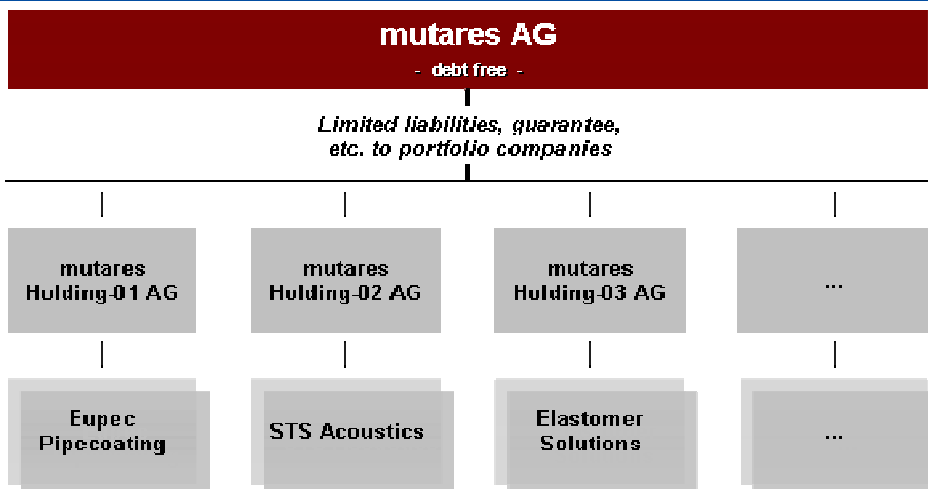
The sound performance was driven by successful operating turnarounds of portfolio companies, resulting in fees & dividends to the holding as well as already three successful exits (HIB, Suir Pharma, CGVL) with overall proceeds of € 35-40m. Generally, mutares aims to pay out 40-80% of its exit proceeds, resulting in attractive special dividends to shareholders.

Most importantly, the risk related to existing and future transactions is limited due to the fact that:

- The mutares holding is legally shielded from its portfolio companies as it buys them via intermediary limited liability companies which limits the financial risk to the invested capital (often very low).
- Only limited guarantees or securities are granted by the holding vis-à-vis its portfolio companies.
- mutares usually pays very low purchase prices (often even receives cash) and collects dividends & fees from more mature portfolio firms.

The risk from non-performing subsidiaries to the holding hence looks minimal.

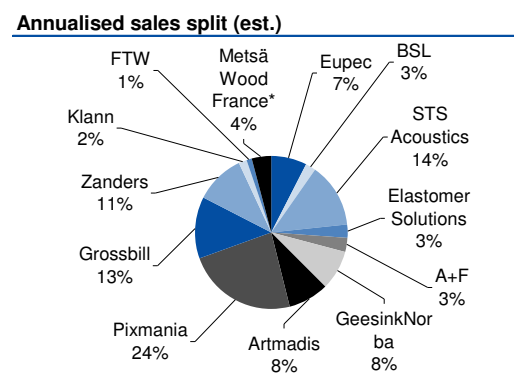
## Legal structure



Source: Company data; Hauck & Aufhäuser

Today mutares has a well diversified portfolio with companies in different stages of the restructuring cycle with a particular focus on the European engineering as well as retail sector:

Company	Industry	Est. sales (€ m)
1 Eupec	Pipeline coating	63
2 BSL	Pipeline components	20
3 STS Acoustics	Automotive	116
4 Elastomer Solutions	Automotive	23
5 A+F	Engineering	25
6 GeesinkNorba	Engineering	72
7 Artmadis	Kitchen ware	72
8 Pixmania	Online retail	200
9 Grossbill	Online retail	110
10 Zanders	Packaging	90
11 Klann	Packaging	13
12 FTW	Engineering	10
13 Metsä Wood France*	Wood processing	35



Source: Company data; Hauck & Aufhäuser \*closing expected in coming months

Source: Company data; Hauck & Aufhäuser

## NAV overview

The success of mutares' business model is reflected by the company's current NAV of € 351m which has been built with only limited capital investment (H&A: <€ 10m). The NAV is notably above the current market cap of € 274m, providing an upside of 28% and fully backed by our SOTP 2016E valuation which derives a fair value of € 354m (€ 334m for existing portfolio + € 20m for North Stream opportunity).

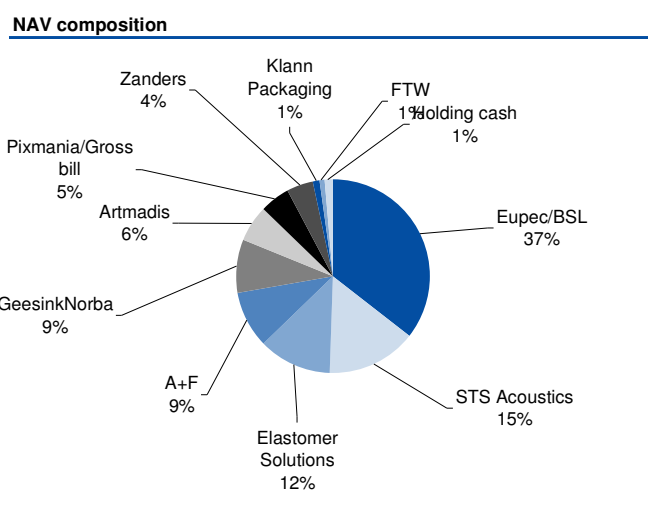
Importantly, the top three value drivers of mutares' portfolio already account for € 221m in value (63% of total NAV) and hence justify more than 80% of the current market cap alone (see table below). Given that all of these three companies are profitable and grow soundly, the downside risk for shareholders looks limited and visibility on a potential exit is high (see next page).

Key rationale behind the publication of the NAV is to provide investors with more transparency and insight into mutares' portfolio and the development of portfolio companies over time.

The NAV is calculated by mutares on the basis of individual DCF models for each portfolio company. These are based on the detailed three years budgets of the companies (2016-2018E), a terminal year growth rate of 0.5% p.a. as well as the respective company-specify WACCs between 5.5% to 11.4%.

NAV overview (01 September 2016)	€ m	% of total
Eupec/BSL	124.7	36%
STS Acoustics	52.8	15%
Elastomer Solutions	43.2	12%
A+F	33.0	9%
GeesinkNorba	30.8	9%
Artmadis	22.2	6%
Pixmania/Grossbill	16.8	5%
Zanders	15.7	4%
Klann Packaging	4.3	1%
FTW	3.1	1%
Holding cash	4.6	1%
<b>Total</b>	<b>351.2</b>	

Source: Company data; Hauck & Aufhäuser



Source: Company data; Hauck & Aufhäuser

Looking at the NAV composition, it is evident that the key value drivers of the portfolio are within mutares' engineering portfolio which provides a good base for potential exits given company-specific know-how as well as often a niche focus which is generally attractive for strategic buyers. Key constituents of the NAV are:

**I. Eupec/BSL (France):** Eupec and BSL are mutares' oil & gas pipeline specialists for pipeline coatings (Eupec) as well as pipeline component production (BSL) and together account for a NAV of € 125m (incl. c. € 20m related to North Stream project). Acquired in 2012, Eupec has been a very successful turnaround case and is among the most profitable firms in mutares' portfolio with more than € 60m in sales as well as an EBITDA of more than € 10m. BSL was acquired in August 2015 and comes with revenues of € 20m with an EBITDA of approximately €-1m, however offers attractive synergy potential especially on the customer side as well as process optimisation and hence is an attractive strategic fit.

- **Game changer:** Next to that, the major game changer for the group looks set to be the recently announced construction of two additional North Stream pipelines, connecting Russia and Germany through the Baltic Sea by 2019/20E. To that end Gazprom and major European energy firms such as BASF, E.ON and GDF Suez signed letters of intent for a timely start of the project which is of major strategic importance for both Russia and Europe. These commitments are based on existing feasibility studies which underline the economic as well as technical feasibility of the project.

Importantly, Eupec already was the exclusive supplier for pipeline coatings in the first North Stream project (€ 700m accumulated sales, >10% EBIT margin, 4 years duration) and has an excellent reference and high credentials in handling such a major infrastructure project. In addition, Eupec owns the only factory at the shores of the Baltic Sea which was build exclusively for the first project. As proximity to the water is essential, this currently is the only existing facility to realise such a project. Building a comparable facility would cost up to € 80m.

- **Significant value:** North Stream II could hence become a more than € 600m project with a duration of approximately four years for Eupec. The project alone would imply a net present value of at least € 35m (H&A: € 600m sales, 10% EBIT margin, 30% tax rate, WACC 8%).

NORTH STREAM II				
<b>Sales</b>	<b>600</b>			
<b>EBIT</b>	<b>60</b>			
EBIT margin	10.0%			
<b>NOPAT</b>	<b>42</b>			
<b>WACC</b>	<b>8%</b>			
<b>Years</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Cashflow	10.5	10.5	10.5	10.5
FV	9.7	9.0	8.3	7.7
<b>Total</b>	<b>34.8</b>			
NOSH	14.04			
<b>NPV/share</b>	<b>2.5</b>			

Source: company data; Hauck & Aufhäuser

Alternatively, Eupec would be in an excellent position to sell its factory for at least € 20-40m should a competitor receive the order. The facility was originally built for € 80m in 2007 by the former owner of Eupec and is the only possible capacity to realise such a project. Given the tight time scale of the project (the consortium plans completion in 2019/20), the construction of another facility looks unrealistic in our view as licences are required and any delays in construction could become very costly.

- **Exit chances:** Eupec is hence likely to earn a significant amount of money on the back of the North Stream project within the next years (either through the project win or factory sale).

The current NAV of Eupec & BSL hence includes around € 20-25m from the North Stream project, assuming a probability of 50-60% or alternatively a sale of the facility. In our view, Eupec itself should be valued at around € 80-90m given its current EBITDA of >€ 10m as well as a strong order book which is spread over many multi-year mid-sized projects as well as regions. Moreover, BSL should account for a value of approximately € 15-20m amid its mid-term EBITDA potential of € 3-4m.

In light of the attractive prospects of the North Stream project, a sale of the entire Eupec/BSL group is becoming much more likely and provides potential buyers with a) very sound visibility on earnings, b) an excellent reference for a major global infrastructure project and c) access to highly specific know-how.

Potential exit proceeds for Eupec/BSL could thus amount up to € 125m which would imply substantial payouts of >€ 60m or at least € 4.30 per share to shareholders given mutares' policy to distribute 40-80% of proceeds to investors.

**STS Acoustics (Italy):** STS Acoustics is an automotive supplier for acoustic as well as thermal management solutions with annual sales of approximately € 116m. Acquired in 2013, the company has been a very successful turnaround case and turned cashflow positive one year ahead of schedule (H&A: € 3m EBITDA in 2015E; € 6m in 2016E).

- **Growth:** STS has turned to soundly grow again by 5-7% p.a. as the company through a more proactive sales setup was able to expand into 1) new OEM customers especially in the high-end segment, and 2) new geographies such as North America as well as Asia. In addition, the planned expansion into Eastern Europe with local production facilities should provide further growth opportunities going forward.
- **Profitability:** On the profitability side, the better than expected turnaround was driven by 1) the swift consolidation of the production footprint in Italy from five to three facilities along with headcount reductions, 2) a strong reduction of overhead costs as well as 3) improved production processes. Moreover, on the back of better product quality as well as improved competitiveness, mutares was able to reposition STS Acoustics as a profitable growth driver in its portfolio.
- **Cashflow:** mutares was able to install a better working capital management thanks to the consolidation of the production footprint, an improved workflow as well as more stringent w/c control. Thanks to this as well as economies of scale on a reduced cost base, operating cashflow has hence turned positive (H&A: € 1-2m in H1).
- **Exit chances:** On the back of the sound operating development, healthy growth perspective as well as niche focus on high-end acoustic & thermal solutions, STS is an attractive takeover candidate especially for major European automotive suppliers. Proceeds could be as high as € 53m and an exit is likely in 2016/17E in our view.

**Elastomer Solutions (Germany):** Elastomer Solutions is a specialist for grommets and wiring harnesses for the automotive industry. The company was acquired in 2009 and currently generates revenues of € 23m with an estimated EBITDA of € 1m which however looks set to increase significantly going forward as major growth investments are being completed.

- **Growth:** Elastomer is mutares' fastest growing portfolio company with sales growth rates between 20-30% p.a. The company thrives particularly on its dynamic internationalisation along with major customers. As a top-tier supplier for several OEMs, it has established additional production capacities in Morocco in 2013 as well as recently in Mexico (2014). As these facilities are currently ramping up, the company looks set to continue to grow very dynamically also going forward.
- **Profitability:** While the fast pace of expansion temporarily weighed on profitability, this looks set to change now as all investments in Morocco as well as Mexico have been completed and strong sales growth should allow for sound economies of scale. On the back of this, we expect EBITDA to increase to € 2m in 2015E and to increase further to almost € 4m in 2016E.
- **Exit chances:** Given the encouraging development of the company as well as an attractive international production setup, an exit to a strategic buyer (e.g. Leoni) is well in the cards for 2016/17E.

Next to mutares' three major portfolio companies, the remaining portfolio offers multiple other companies which are developing towards the exit stage such as Geesinknorba, Artmadis or A+F. At the same time, newly acquired companies (e.g. Zanders, Pixmania, Grosbill, Metsä Wood) offer future payoff potential, currently still being in the early restructuring phase.

Importantly, given that these companies are partly still undergoing the turnaround, the NAV calculation has been based on conservative estimates. The NAV of these companies hence bears potential upside as they progress throughout the turnaround.

## Newsflow pipeline

Following the encouraging development of mutares' portfolio and the promising prospects on the transaction side, we expect newsflow to remain positive going forward. Key newsflow drivers should be:

- 1) **Strong Q2 figures:** mutares looks set to report final Q2 figures on 17 September. These should confirm strong preliminary Q2 sales and EBITDA and add further insight into additional profitability metrics as well as the development of the individual portfolio companies.

Preliminary Q2 figures already highlighted the sound organic growth of major portfolio companies as well as a solid sequential improvement in profitability.

mutares AG	Q2 15	Q2 15 est	Q2 14	yoy	Q1 15	qoq	H1 15	H1 15 est	H1 14	yoy
Sales	141.7	145.0	144.8	-2.1%	169.9	-16.6%	311.6	314.9	307.5	1.3%
EBITDA	8.7	7.9	10.4	-16.0%	4.2	107.1%	12.9	12.1	10.4	24.5%
EBITDA margin	6.1%	5.4%	7.2%	- 1.0 pp	2.5%	+ 3.7 pp	4.1%	3.8%	3.4%	+ 0.8 pp

Source: company data, H&A

Q2 sales came down 2.1% yoy to € 142m (H&A: € 145m) which was however exclusively due to the retrospective deconsolidation of logistic service provider CGVL. The positive development of mutares' portfolio in general is reflected in organic sales growth of approximately 5% yoy which was driven by all major holdings. mutares' major portfolio companies Eupec, STS Acoustics, Elastomer as well as Geesinknorba developed particularly well and even grew by approximately 25% yoy organically according to management.

Q2 EBITDA came in at a sound level of € 8.7m (H&A: € 7.9m) and thrived on economies of scale at all major holdings driven by the sound organic sales growth. Positively, STS Acoustics achieved its operating turnaround earlier than expected and for the first time contributed positively to profitability as well as cashflow. This is reflected in the strong sequential EBITDA improvement of >100% qoq. On a yoy comparison, the deconsolidation of CGVL (H&A: € 0.5m) as well as slightly lower badwill releases explain the 16% yoy decline.

Q2 operating EBITDA stood at around € 3.5m and equally underscores the strong sequential improvement in underlying profitability by ~50% qoq. Badwill releases of c. € 15m largely compensated for restructuring costs of approximately € 10m.

All in all, Q2 figures hence underscore that mutares' portfolio remains well on track. On the back of the dynamic M&A activity in H1, a strong increase in sales in H2 2015E bodes well for another record year.

- 2) **North Stream:** Newsflow on a potential project win for North Stream looks set to be a major catalyst for the stock. Given the tight project schedule potential suppliers including Eupec were already contacted to prepare for the upcoming tender by the end of the year/beginning 2016E.

Given Eupec's history as the exclusive supplier for the first project and the fact that it owns the only available factory at the Baltic Sea, a potential project win looks well in the cards. Alternatively, a sale of its facility at the Baltic Sea could come with significant proceeds and would imply a major book gain (built for € 80m in 2007) given that it had already been fully written off (at € 1 in the books).

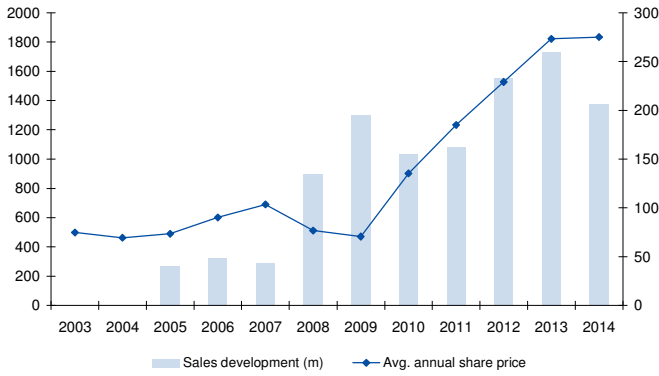
On the back of the sound visibility awarded by a potential North Stream project win, the attractive reference for a major global infrastructure project as well as highly specific know-how in a structurally growing niche market, an exit from Eupec looks well possible going forward.

- 3) **Dynamic growth:** Going forward, management seeks to grow sales to € 1.8bn by 2018E and hence looks set to engage into dynamic M&A activity going forward. This is part of a strategy to increase the average size of its acquisition targets from € 10-80m in the past to € 50-300m going forward.

This is positive news and should be an important driver for the share as examples such as Aurelius or Melrose clearly show the positive correlation between sales growth and the share price performance.

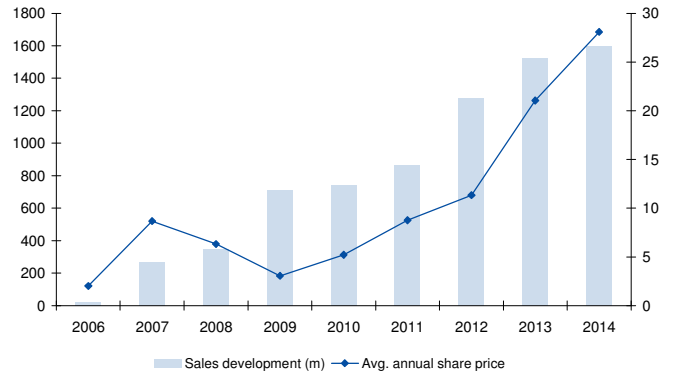


Melrose sales & share price development (GBP)



Source: Company data; Hauck & Aufhäuser, factset

Aurelius sales & share price development (EUR)



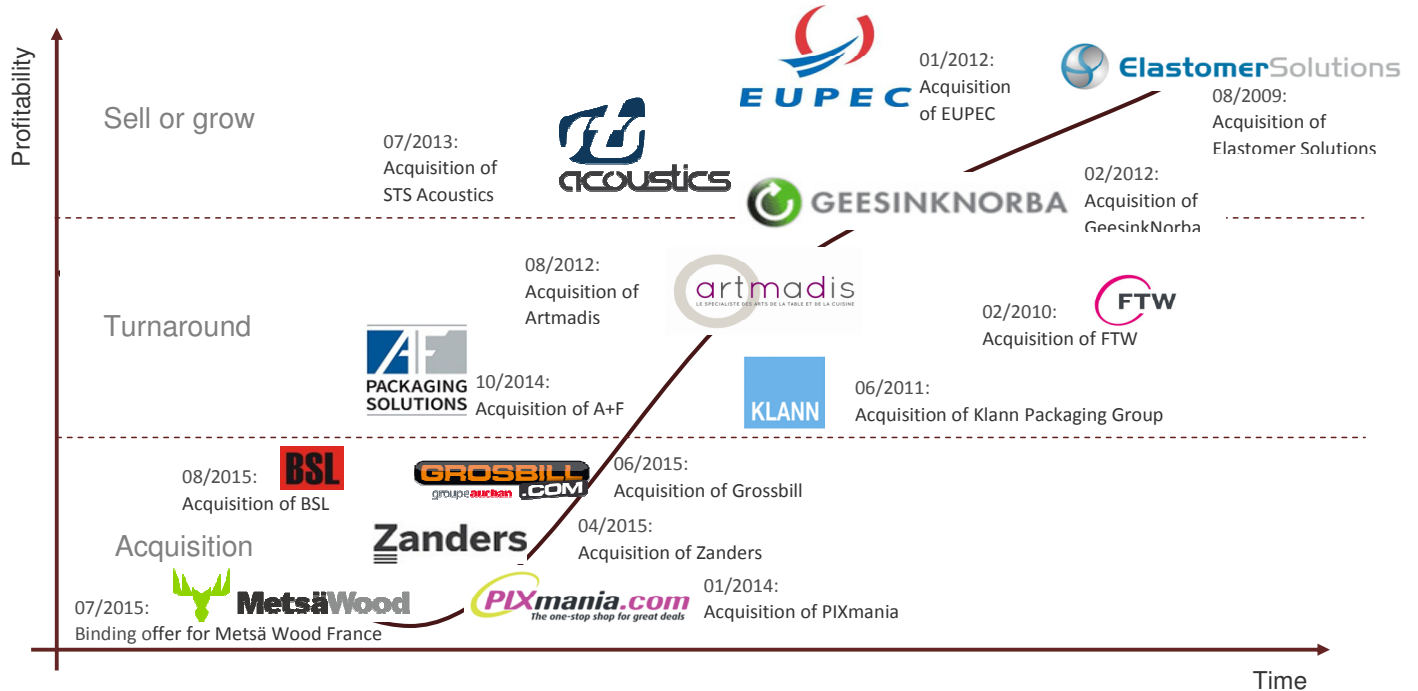
Source: Company data; Hauck & Aufhäuser, factset

4) **Exit potential:** On the exit side, mutares' current portfolio offers a large share of mature companies which have been successfully turned around and are potential exit candidates going forward.

Attractive exit targets in our view are pipeline coating specialist Eupec as well as STS Acoustics and Elastomer which could come with exit proceeds of up to € 221m in total.

Potential exits going forward should not only be major catalysts for the stock but also allow for attractive dividend payments to shareholders (40-80% payout of proceeds). On the back of the expected proceeds of € 221m over the next four years, this would imply total special dividends of up to € 12.60 per share (at 80% payout) which is not yet reflected in our estimates.

Portfolio overview



Source: Company data; Hauck & Aufhäuser

## Valuation

Looking at valuation, mutares' NAV of € 351m or € 25 per share adequately reflects the company's portfolio value in our view and underscores the attractive upside to the current share price.

The NAV is backed by our SOTP valuation based on 2016E estimates which derives a fair value of € 354m or € 25 per share. This implies a fair value of € 334m or € 23.80 per share for mutares' existing business as well as conservatively a value of only € 20m or € 1.40 per share for the second North Stream project (note: assumes sale of factory at low end of the range and not the likely execution of the project which implies a value potential of € 35m or € 2.50 per share).

The SOTP analysis is based on our estimates for mutares' two segments "Engineering" and "Retail" and its individual portfolio companies as well as their respective peer group multiples.

mutares AG: Sum of the parts	Fair EV 2016E	EBITDA 2016E	Peer group average	EV/EBITDA 2016E
Engineering	212.8	30.8		6.9
Retail	94.9	9.6		9.8
<b>Total fair EV</b>	<b>307.7</b>	<b>40.5</b>		
- Net debt	-15.7			
- Pension provisions	0.0			
+ Dividends	11.0			
<b>Fair market cap</b>	<b>334.3</b>			
Number of shares	14.0			
<b>Fair value per share</b>	<b>23.8</b>			
North Stream II potential (€ 20m)	1.4			
	<b>25.2</b>			
<b>Current share price</b>	<b>19.6</b>			
Upside (+)/downside (-)	29%			

Source: company data; Hauck & Aufhäuser

**Financials**

Profit and loss (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
<b>Net sales</b>	<b>159.3</b>	<b>301.2</b>	<b>347.0</b>	<b>648.1</b>	<b>726.7</b>	<b>902.8</b>	<b>925.9</b>
<i>Sales growth</i>	24.8 %	89.1 %	15.2 %	86.8 %	12.1 %	24.2 %	2.6 %
Increase/decrease in finished goods and work-in-process	-4.6	0.1	15.2	-1.4	0.0	0.0	0.0
<b>Total sales</b>	<b>154.7</b>	<b>301.3</b>	<b>362.2</b>	<b>646.6</b>	<b>726.7</b>	<b>902.8</b>	<b>925.9</b>
Other operating income	20.9	52.8	40.2	74.7	58.1	63.2	64.8
Material expenses	69.6	138.7	210.3	417.1	457.8	419.8	430.5
Personnel expenses	50.9	90.1	106.5	156.7	167.1	266.3	273.1
Other operating expenses	36.6	103.0	79.7	116.6	130.3	239.4	244.4
Total operating expenses	136.2	279.0	356.3	615.7	697.2	862.4	883.3
<b>EBITDA</b>	<b>18.5</b>	<b>22.4</b>	<b>5.9</b>	<b>30.9</b>	<b>29.6</b>	<b>40.5</b>	<b>42.6</b>
Depreciation	5.9	8.3	10.4	15.4	17.4	18.4	18.5
<b>EBITA</b>	<b>12.6</b>	<b>14.1</b>	<b>-4.5</b>	<b>15.5</b>	<b>12.2</b>	<b>22.1</b>	<b>24.1</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>12.6</b>	<b>14.1</b>	<b>-4.5</b>	<b>15.5</b>	<b>12.2</b>	<b>22.1</b>	<b>24.1</b>
Interest income	0.1	0.2	1.0	0.1	0.5	0.5	0.5
Interest expenses	1.0	1.1	1.8	2.5	2.1	2.1	2.6
Other financial result	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Financial result	-0.9	-0.9	-1.4	-2.4	-1.6	-1.6	-2.1
<b>Recurring pretax income from continuing operations</b>	<b>11.7</b>	<b>13.2</b>	<b>-6.0</b>	<b>13.1</b>	<b>10.6</b>	<b>20.5</b>	<b>22.0</b>
Extraordinary income/loss	-2.5	-2.7	-0.2	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>9.2</b>	<b>10.5</b>	<b>-6.1</b>	<b>13.1</b>	<b>10.6</b>	<b>20.5</b>	<b>22.0</b>
Taxes	0.6	1.0	1.8	4.6	2.1	5.1	6.6
<b>Net income from continuing operations</b>	<b>8.6</b>	<b>9.5</b>	<b>-7.9</b>	<b>8.5</b>	<b>8.4</b>	<b>15.3</b>	<b>15.4</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>8.6</b>	<b>9.5</b>	<b>-7.9</b>	<b>8.5</b>	<b>8.4</b>	<b>15.3</b>	<b>15.4</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income (net of minority interest)</b>	<b>8.6</b>	<b>9.5</b>	<b>-7.9</b>	<b>8.5</b>	<b>8.4</b>	<b>15.3</b>	<b>15.4</b>
Average number of shares	12.2	12.2	12.2	14.0	14.0	14.0	14.0
<b>EPS reported</b>	<b>0.71</b>	<b>0.78</b>	<b>-0.65</b>	<b>0.61</b>	<b>0.60</b>	<b>1.09</b>	<b>1.10</b>

Profit and loss (common size)	2011	2012	2013	2014	2015E	2016E	2017E
<b>Net sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Increase/decrease in finished goods and work-in-process	-2.9 %	0.0 %	4.4 %	-0.2 %	0.0 %	0.0 %	0.0 %
<b>Total sales</b>	<b>97.1 %</b>	<b>100.0 %</b>	<b>104.4 %</b>	<b>99.8 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Other operating income	13.1 %	17.5 %	11.6 %	11.5 %	8.0 %	7.0 %	7.0 %
Material expenses	43.7 %	46.0 %	60.6 %	64.4 %	63.0 %	46.5 %	46.5 %
Personnel expenses	32.0 %	29.9 %	30.7 %	24.2 %	23.0 %	29.5 %	29.5 %
Other operating expenses	23.0 %	34.2 %	23.0 %	18.0 %	17.9 %	26.5 %	26.4 %
Total operating expenses	85.5 %	92.6 %	102.7 %	95.0 %	95.9 %	95.5 %	95.4 %
<b>EBITDA</b>	<b>11.6 %</b>	<b>7.4 %</b>	<b>1.7 %</b>	<b>4.8 %</b>	<b>4.1 %</b>	<b>4.5 %</b>	<b>4.6 %</b>
Depreciation	3.7 %	2.7 %	3.0 %	2.4 %	2.4 %	2.0 %	2.0 %
<b>EBITA</b>	<b>7.9 %</b>	<b>4.7 %</b>	<b>-1.3 %</b>	<b>2.4 %</b>	<b>1.7 %</b>	<b>2.4 %</b>	<b>2.6 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>7.9 %</b>	<b>4.7 %</b>	<b>-1.3 %</b>	<b>2.4 %</b>	<b>1.7 %</b>	<b>2.4 %</b>	<b>2.6 %</b>
Interest income	0.1 %	0.1 %	0.3 %	0.0 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.6 %	0.4 %	0.5 %	0.4 %	0.3 %	0.2 %	0.3 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-0.5 %	-0.3 %	-0.4 %	-0.4 %	-0.2 %	-0.2 %	-0.2 %
<b>Recurring pretax income from continuing operations</b>	<b>7.4 %</b>	<b>4.4 %</b>	<b>-1.7 %</b>	<b>2.0 %</b>	<b>1.5 %</b>	<b>2.3 %</b>	<b>2.4 %</b>
Extraordinary income/loss	-1.6 %	-0.9 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>5.8 %</b>	<b>3.5 %</b>	<b>-1.8 %</b>	<b>2.0 %</b>	<b>1.5 %</b>	<b>2.3 %</b>	<b>2.4 %</b>
Tax rate	6.6 %	9.3 %	-28.8 %	35.1 %	20.0 %	25.0 %	30.0 %
<b>Net income from continuing operations</b>	<b>5.4 %</b>	<b>3.2 %</b>	<b>-2.3 %</b>	<b>1.3 %</b>	<b>1.2 %</b>	<b>1.7 %</b>	<b>1.7 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>5.4 %</b>	<b>3.2 %</b>	<b>-2.3 %</b>	<b>1.3 %</b>	<b>1.2 %</b>	<b>1.7 %</b>	<b>1.7 %</b>
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income (net of minority interest)</b>	<b>5.4 %</b>	<b>3.2 %</b>	<b>-2.3 %</b>	<b>1.3 %</b>	<b>1.2 %</b>	<b>1.7 %</b>	<b>1.7 %</b>

Source: Company data, Hauck &amp; Aufhäuser

Balance sheet (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
<b>Intangible assets</b>	<b>4.7</b>	<b>4.0</b>	<b>2.3</b>	<b>8.9</b>	<b>8.9</b>	<b>8.9</b>	<b>8.9</b>
Property, plant and equipment	35.7	47.1	31.6	45.8	64.4	62.0	59.5
Financial assets	0.1	2.0	1.1	0.9	0.9	0.9	0.9
<b>FIXED ASSETS</b>	<b>40.5</b>	<b>53.1</b>	<b>35.0</b>	<b>55.6</b>	<b>74.2</b>	<b>71.8</b>	<b>69.3</b>
Inventories	34.8	75.7	82.5	93.9	100.2	118.8	121.8
Accounts receivable	41.2	102.5	133.9	175.8	179.2	197.9	202.9
Other current assets	9.0	15.0	32.8	0.0	0.0	0.0	0.0
Liquid assets	21.7	52.4	47.7	74.3	49.9	47.9	49.3
Deferred taxes	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	1.1	2.6	2.1	3.4	3.5	3.6	3.6
<b>CURRENT ASSETS</b>	<b>107.9</b>	<b>248.2</b>	<b>299.0</b>	<b>347.4</b>	<b>332.9</b>	<b>368.3</b>	<b>377.7</b>
<b>TOTAL ASSETS</b>	<b>148.4</b>	<b>301.3</b>	<b>334.0</b>	<b>403.0</b>	<b>407.1</b>	<b>440.1</b>	<b>447.0</b>
SHAREHOLDERS EQUITY	52.1	79.9	58.4	81.5	83.7	60.2	62.5
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	1.0	12.9	28.5	32.3	32.3	32.3	32.3
Provisions for pensions and similar obligations	14.6	15.4	2.1	0.0	0.0	0.0	0.0
Other provisions	25.8	84.6	85.7	107.9	113.3	119.0	119.0
<b>Non-current liabilities</b>	<b>41.4</b>	<b>113.0</b>	<b>116.3</b>	<b>140.2</b>	<b>145.6</b>	<b>151.2</b>	<b>151.2</b>
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	23.5	54.8	66.9	104.9	99.6	148.4	152.2
Advance payments received on orders	4.1	14.3	41.8	34.2	35.3	36.3	36.3
Other liabilities (incl. from lease and rental contracts)	25.9	36.8	49.2	41.0	41.8	42.6	43.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	1.4	2.6	1.5	1.2	1.3	1.3	1.3
<b>Current liabilities</b>	<b>54.9</b>	<b>108.5</b>	<b>159.3</b>	<b>181.3</b>	<b>177.9</b>	<b>228.7</b>	<b>233.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>148.4</b>	<b>301.3</b>	<b>334.0</b>	<b>403.0</b>	<b>407.1</b>	<b>440.1</b>	<b>447.0</b>

Balance sheet (common size)	2011	2012	2013	2014	2015E	2016E	2017E
<b>Intangible assets</b>	<b>3.2 %</b>	<b>1.3 %</b>	<b>0.7 %</b>	<b>2.2 %</b>	<b>2.2 %</b>	<b>2.0 %</b>	<b>2.0 %</b>
Property, plant and equipment	24.0 %	15.6 %	9.5 %	11.4 %	15.8 %	14.1 %	13.3 %
Financial assets	0.1 %	0.6 %	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %
<b>FIXED ASSETS</b>	<b>27.3 %</b>	<b>17.6 %</b>	<b>10.5 %</b>	<b>13.8 %</b>	<b>18.2 %</b>	<b>16.3 %</b>	<b>15.5 %</b>
Inventories	23.4 %	25.1 %	24.7 %	23.3 %	24.6 %	27.0 %	27.3 %
Accounts receivable	27.8 %	34.0 %	40.1 %	43.6 %	44.0 %	45.0 %	45.4 %
Other current assets	6.0 %	5.0 %	9.8 %	0.0 %	0.0 %	0.0 %	0.0 %
Liquid assets	14.6 %	17.4 %	14.3 %	18.4 %	12.3 %	10.9 %	11.0 %
Deferred taxes	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.7 %	0.9 %	0.6 %	0.9 %	0.9 %	0.8 %	0.8 %
<b>CURRENT ASSETS</b>	<b>72.7 %</b>	<b>82.4 %</b>	<b>89.5 %</b>	<b>86.2 %</b>	<b>81.8 %</b>	<b>83.7 %</b>	<b>84.5 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
SHAREHOLDERS EQUITY	35.1 %	26.5 %	17.5 %	20.2 %	20.6 %	13.7 %	14.0 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	0.7 %	4.3 %	8.5 %	8.0 %	7.9 %	7.3 %	7.2 %
Provisions for pensions and similar obligations	9.8 %	5.1 %	0.6 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	17.4 %	28.1 %	25.7 %	26.8 %	27.8 %	27.0 %	26.6 %
<b>Non-current liabilities</b>	<b>27.9 %</b>	<b>37.5 %</b>	<b>34.8 %</b>	<b>34.8 %</b>	<b>35.8 %</b>	<b>34.4 %</b>	<b>33.8 %</b>
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	15.8 %	18.2 %	20.0 %	26.0 %	24.5 %	33.7 %	34.0 %
Advance payments received on orders	2.8 %	4.7 %	12.5 %	8.5 %	8.7 %	8.2 %	8.1 %
Other liabilities (incl. from lease and rental contracts)	17.4 %	12.2 %	14.7 %	10.2 %	10.3 %	9.7 %	9.7 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred income	0.9 %	0.9 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %
<b>Current liabilities</b>	<b>37.0 %</b>	<b>36.0 %</b>	<b>47.7 %</b>	<b>45.0 %</b>	<b>43.7 %</b>	<b>52.0 %</b>	<b>52.2 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Net profit/loss	8.6	9.5	-7.9	8.5	8.4	15.3	15.4
Depreciation of fixed assets (incl. leases)	5.9	8.3	10.4	15.4	17.4	18.4	18.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	3.8	0.4	0.0	0.0	0.0	0.0
Others	-9.8	-11.5	-31.2	-68.2	-64.6	-21.3	-10.0
Cash flow from operations before changes in w/c	4.7	10.0	-28.2	-44.3	-38.8	12.4	23.9
Increase/decrease in inventory	-0.8	66.1	-14.6	61.5	-6.3	-18.6	-3.0
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	-3.4	-18.7	-5.1
Increase/decrease in accounts payable	-3.2	-80.3	20.1	-70.8	-5.4	48.9	3.8
Increase/decrease in other working capital positions	0.0	0.0	0.0	-0.9	10.0	0.0	0.0
Increase/decrease in working capital	-4.0	-14.2	5.5	-10.2	-5.1	11.6	-4.3
<b>Cash flow from operating activities</b>	<b>0.7</b>	<b>-4.1</b>	<b>-22.7</b>	<b>-54.5</b>	<b>-43.9</b>	<b>24.0</b>	<b>19.6</b>
CAPEX	3.9	9.0	10.7	16.6	15.0	15.0	15.0
Payments for acquisitions	0.0	0.0	0.0	-85.5	-47.0	0.0	0.0
Financial investments	0.0	0.3	0.5	0.2	0.0	0.0	0.0
Income from asset disposals	9.5	33.3	23.9	4.4	3.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>5.6</b>	<b>24.0</b>	<b>12.7</b>	<b>73.0</b>	<b>35.0</b>	<b>-15.0</b>	<b>-15.0</b>
Cash flow before financing	6.2	19.9	-10.0	18.6	-8.9	9.0	4.6
Increase/decrease in debt position	0.4	11.0	8.0	2.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.8	0.0	0.0	25.0	0.0	0.0	0.0
Dividends paid	0.2	0.7	4.1	20.3	11.0	11.0	3.3
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.2	0.0	-0.5	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>0.9</b>	<b>10.3</b>	<b>3.9</b>	<b>6.6</b>	<b>-11.0</b>	<b>-11.0</b>	<b>-3.3</b>
Increase/decrease in liquid assets	7.2	30.0	-6.1	24.7	-19.9	-2.0	1.3
<b>Liquid assets at end of period</b>	<b>21.2</b>	<b>51.2</b>	<b>45.1</b>	<b>69.8</b>	<b>49.9</b>	<b>47.9</b>	<b>49.3</b>

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
<b>P&amp;L growth analysis</b>							
Sales growth	24.8 %	89.1 %	15.2 %	86.8 %	12.1 %	24.2 %	2.6 %
EBITDA growth	6.8 %	21.0 %	-73.6 %	424.0 %	-4.5 %	37.0 %	5.3 %
EBIT growth	16.0 %	11.6 %	-132.1 %	-443.4 %	-21.6 %	81.6 %	9.2 %
EPS growth	4.0 %	10.1 %	-182.8 %	-193.7 %	-0.8 %	81.7 %	0.5 %
<b>Efficiency</b>							
Total operating costs / sales	85.5 %	92.6 %	102.7 %	95.0 %	95.9 %	95.5 %	95.4 %
Sales per employee	95.1	102.0	139.0	240.6	n/a	n/a	n/a
EBITDA per employee	11.0	7.6	2.4	11.5	n/a	n/a	n/a
<b>Balance sheet analysis</b>							
Avg. working capital / sales	22.8 %	26.2 %	31.2 %	18.4 %	18.9 %	15.3 %	14.5 %
Inventory turnover (sales/inventory)	4.6	4.0	4.2	6.9	7.3	7.6	7.6
Trade debtors in days of sales	94.4	124.2	140.8	99.0	90.0	80.0	80.0
A/P turnover [(A/P*365)/sales]	53.9	66.4	70.3	59.1	50.0	60.0	60.0
Cash conversion cycle (days)	153.6	179.3	167.9	89.3	90.5	54.3	54.3
<b>Cash flow analysis</b>							
Free cash flow	-3.3	-13.1	-33.4	-71.1	-58.9	9.0	4.6
Free cash flow/sales	-2.0 %	-4.4 %	-9.6 %	-11.0 %	-8.1 %	1.0 %	0.5 %
FCF / net profit	-37.8 %	-138.2 %	424.9 %	-835.3 %	-697.7 %	58.8 %	29.9 %
Capex / depre	67.2 %	76.9 %	103.5 %	109.3 %	86.2 %	81.5 %	81.1 %
Capex / maintenance capex	0.0 %	0.0 %	101.7 %	100.0 %	106.7 %	106.7 %	106.7 %
Capex / sales	2.5 %	n/a	n/a	n/a	n/a	n/a	n/a
<b>Security</b>							
Net debt	-20.7	-39.5	-19.2	-42.0	-17.6	-15.7	-17.0
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	-0.4	-0.5	-0.3	-0.5	-0.2	-0.3	-0.3
Interest cover	12.4	12.9	0.0	6.2	5.8	10.5	9.3
Dividend payout ratio	8.2 %	43.5 %	100.0 %	129.2 %	130.3 %	21.4 %	22.8 %
<b>Asset utilisation</b>							
Capital employed turnover	1.7	1.6	2.0	2.9	3.2	4.3	4.3
Operating assets turnover	1.9	1.9	2.5	3.7	3.5	4.7	4.7
Plant turnover	4.5	6.4	11.0	14.2	11.3	14.6	15.6
Inventory turnover (sales/inventory)	4.6	4.0	4.2	6.9	7.3	7.6	7.6
<b>Returns</b>							
ROCE	15.4 %	9.8 %	-2.5 %	7.8 %	5.4 %	10.0 %	11.3 %
ROE	16.6 %	11.9 %	-13.5 %	10.4 %	10.1 %	25.5 %	24.7 %
<b>Other</b>							
Interest paid / avg. debt	130.3 %	15.7 %	8.8 %	8.2 %	6.5 %	6.5 %	8.0 %
No. employees (average)	1674	2953	2496	2693	0	0	0
Number of shares	12.2	12.2	12.2	14.0	14.0	14.0	14.0
DPS	0.1	0.3	1.7	0.8	0.8	0.2	0.3
EPS reported	0.71	0.78	-0.65	0.61	0.60	1.09	1.10
<b>Valuation ratios</b>							
P/BV	4.6	3.0	4.1	3.4	3.3	4.6	4.4
EV/sales	1.5	0.7	0.7	0.4	0.4	0.3	0.3
EV/EBITDA	12.5	9.6	39.4	7.5	8.7	6.4	6.0
EV/EBITA	18.4	15.2	-51.5	15.0	21.1	11.7	10.7
EV/EBIT	18.4	15.2	-51.5	15.0	21.1	11.7	10.7
EV/FCF	-71.0	-16.3	-7.0	-3.3	-4.4	28.7	55.8
Adjusted FCF yield	5.3 %	6.1 %	-1.8 %	7.3 %	4.4 %	7.2 %	7.3 %
Dividend yield	0.3 %	1.7 %	8.5 %	4.0 %	4.0 %	1.2 %	1.3 %

Source: Company data, Hauck & Aufhäuser

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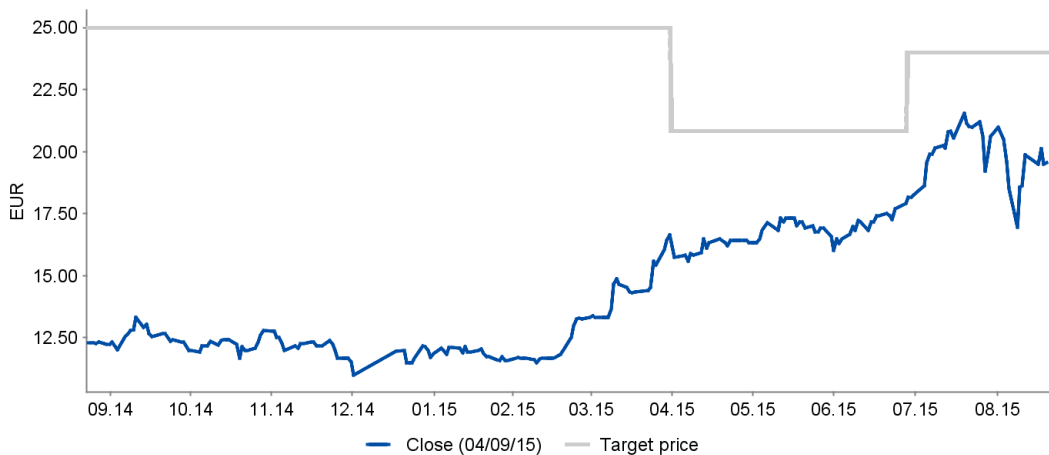
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Company	Disclosure
mutares AG	5

**Historical target price and rating changes for mutares AG in the last 12 months**

**Price and Rating History  
mutares AG as of 07/09/15**

**Initiation coverage**  
24-March-14



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