



**Buy** (old: Buy)

**Price target: EUR 22.00** (old: EUR 23.00)

<b>Price:</b>	EUR 14.55	<b>Next result:</b>	Final Q4 25.04.16
<b>Bloomberg:</b>	MUX GR	<b>Market cap:</b>	EUR 224.6 m
<b>Reuters:</b>	MUXG.BE	<b>Enterprise Value:</b>	EUR 172.2 m

22-March-16

**Torben Teichler**  
Analyst

torben.teichler@ha-research.de

Tel.: +49 40 414 3885 74

**Positive newsflow thanks to sound FY figures, Eupec & strong dividends, chg. in est. & PT**

Recently **very encouraging news regarding North Stream** strongly increased the chances of Eupec winning a major tender. Moreover, mutares looks set to report **very sound FY 2015E figures after Easter** and should announce to pay an attractive dividend. In addition, the recent sale of Pixmania has sharpened mutares' portfolio focus.

**Eupec:** Last week Europipe (a JV of Salzgitter & Dillinger) reported that it received the order for 44% of the pipes for the North Stream 2 project. Eupec had already done the outer concrete coating of the pipes in the first project with a project volume of € 600m at a c. 10% EBIT margin over 2-3 years (North Stream 2 should be comparable in size). This is great news for Eupec given that:

- Project start:** The announcement shows that **the project is actually being implemented with Europipe aiming to start production already in August.** It moreover shows that the project has the full backing of major European powers.
- German pipes: 44% of the pipes will now be produced in Germany which significantly increases the chances for Eupec to win the deal** as almost half of the entire pipeline volume of the project will be transported by train to the shores of the Baltic Sea where Eupec is the only company with a fully functional facility.

The news thus underscores that the **North Stream project is on track and Eupec is increasingly likely to participate** in it thanks to its track record in the previous North Stream project, the strategically important location of its plants as well as its state-of-the-art engineering knowhow. **A final decision on a potential tender win should be expected until July.** Until then mutares continues to review all options for a potential exit or partial sale of the business which should provide for **strong cash inflows (NAV ~€ 100m) which management plans to largely pay out to shareholders (>50%).**

**FY 2015 figures:** Mutares looks set to report a strong set of FY 2015 figures after Easter which should exceed last years figures.

**FY sales are expected to grow by 6% yoy to € 683m** largely thanks to recent acquisitions but also solid organic growth in all major portfolio companies. At the same time, **FY EBITDA looks set to grow disproportionately by 15% yoy to € 35.6m** primarily due to sound profitability improvements in key portfolio companies as well as goodwill releases which partly compensate for restructuring expenses at newly acquired companies.

- continued -

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	159.3	301.2	347.0	648.1	683.5	690.3	696.5
Sales growth	25 %	89 %	15 %	87 %	5 %	1 %	1 %
EBITDA	18.5	22.4	5.9	30.9	35.8	34.0	36.4
EBIT	12.6	14.1	-4.5	15.5	18.4	17.0	19.4
Net income	8.6	9.5	-7.9	8.5	13.6	11.6	12.1
Net debt	-20.7	-39.5	-19.2	-42.0	-52.4	-37.9	-35.5
Net gearing	-39.7 %	-49.4 %	-32.9 %	-51.5 %	-46.2 %	-46.2 %	-47.0 %
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	0.88	0.75	0.78
CPS	-0.43	-1.02	-2.76	-4.73	-3.15	-0.29	0.09
DPS	0.06	0.34	1.67	0.78	0.65	0.25	0.25
Dividend yield	0.4 %	2.3 %	11.5 %	5.4 %	4.5 %	1.7 %	1.7 %
Gross profit margin	55.0 %	54.0 %	41.9 %	35.5 %	36.0 %	36.5 %	36.5 %
EBITDA margin	11.6 %	7.4 %	1.7 %	4.8 %	5.2 %	4.9 %	5.2 %
EBIT margin	7.9 %	4.7 %	-1.3 %	2.4 %	2.7 %	2.5 %	2.8 %
ROCE	15.4 %	9.8 %	-2.5 %	7.8 %	7.6 %	6.8 %	8.3 %
EV/sales	1.1	0.5	0.5	0.3	0.3	0.3	0.3
EV/EBITDA	9.3	6.8	27.5	5.2	4.8	5.5	5.2
EV/EBIT	13.6	10.9	-35.9	10.5	9.3	11.0	9.7
PER	20.5	18.6	-22.5	24.0	16.5	19.4	18.6
Adjusted FCF yield	7.2 %	8.3 %	-2.4 %	10.3 %	8.9 %	7.1 %	7.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 21.03.2016



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 21.54 / 13.33

**Price/Book Ratio:** 2.0

**Relative performance (SDAX):**

3 months -6.1 %

6 months -27.9 %

12 months 5.4 %

**Changes in estimates**

		Sales	EBIT	EPS
2015	old:	726.7	12.2	0.56
	Δ	-6.0%	51.6%	58.3%
2016	old:	902.8	22.1	1.00
	Δ	-23.5%	-23.0%	-24.7%
2017	old:	925.9	24.1	1.00
	Δ	-24.8%	-19.5%	-21.7%

**Key share data:**

Number of shares: (in m pcs) 15.4

Authorised capital: (in € m) 7.0

Book value per share: (in €) 7.3

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.

**Dividend:** Against the backdrop of a sound expected increase in net cash (H&A: >€ 50m), we expect **management to pay out a dividend of € 0.65/share** which implies a total payout of c. € 10m. This implies an **attractive dividend yield of 4.5%** and underlines the undemanding valuation of the shares.

**Pixmania:** Positively, **mutares recently exited Pixmania**, its French e-commerce business, which is good news as it sharpens mutares' portfolio focus on more industrial companies.

Overall **Pixmania should have been a profitable deal for mutares** as the company should have earned around € 5m through fees over time. Given that the company remained unprofitable, we however expect no significant proceeds from the sale. Nevertheless, **the transaction shows that mutares is able to professionally and profitably manage even such difficult cases.**

The buyer, French e-commerce player "Vente du Diable" (actually its holding company VDD SAS), bought Pixmania to further consolidate the French e-commerce market. This and the recent takeover of "Rue de Commerce" by Carrefour shows the strong **consolidation trend within the French e-commerce market and is a good cross-read for Grossbill** which is owned by mutares and is an e-commerce specialist for computer components. Grossbill (c. € 95m of sales) is in fact a much more attractive asset thanks to its much clearer and stable customer focus and should move closer to break-even in 2016E.

**Portfolio:** Overall, mutares' **portfolio should have developed very soundly in 2015E** and most portfolio companies are well on track:

- **Mature businesses:** The more established companies (e.g. Elastomer, Artmadis, STS, A+F, GeesinkNorba, FTW, Klann) **have all done well, are profitable and look set to grow further in 2016E** thanks to further internationalisation and a more customer-oriented sales focus. Eupec has done very well in 2015, however the low oil price is having an impact on the investment spending for new and especially complex pipeline projects. Hence, business activity at Eupec looks set to come down in 2016 which should however be more than compensated once the company wins the North Stream deal.
- **Turnaround cases:** The "younger" companies (e.g. Grossbill, Zanders, Metsä Wood, BSL) **have seen deep restructuring efforts in 2015 which look set to notably reduce losses in 2016E.** 2016E will be about devising more strategic measures to drive growth in the future while cost cutting looks set to continue. All in all, also these companies are well on track.

**Action:** We adjust our 2015E estimates for weaker sales of Pixmania (consolidated until December) as well as a moderate deconsolidation gain in relation to the exit (H&A: >€ 5m). 2016/17E sales estimates are reduced by 23-25% to reflect the deconsolidation of Pixmania as well as a weaker business development at Eupec given lower oil prices. 2016/17E EBIT is reduced by 20-23% due to the deconsolidation of planned goodwill releases of Pixmania as well as a lower profitability at Eupec due to a lower expected sales level. This is also reflected in a slight adjustment of our PT to € 22 (old: € 23) given a lower NAV for Eupec/BSL (H&A: € 100m vs € 125m on 30 Sept 15) which should however be partly compensated by the first time consolidation of Metsä Woods (H&A: € 5-10m).

Overall, **2015 results should come in on a sound level** and mutares' portfolio remains well on track for 2016E. Importantly, a **potential order win of Eupec for the North Stream project until July would be major positive newsflow** and should act as a strong catalyst for the stock. In addition, thanks to an expected dividend payment of some € 10m (€ 0.65/share), **the stock offers an attractive dividend yield of 4.5%** which underscores its undemanding valuation. The stock remains a **BUY** with a **PT of € 22** based on NAV.

**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>683.5</b>	<b>690.3</b>	<b>696.5</b>
<i>Sales growth</i>	24.8 %	89.1 %	15.2 %	86.8 %	5.5 %	1.0 %	0.9 %
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>683.5</b>	<b>690.3</b>	<b>696.5</b>
Other operating income	20.9	52.8	40.2	74.7	54.7	55.2	55.7
Material expenses	69.6	138.7	210.3	417.1	437.4	438.3	442.3
Personnel expenses	50.9	90.1	106.5	156.7	157.2	158.8	156.7
Other operating expenses	36.6	103.0	79.7	116.6	107.7	114.4	116.8
Total operating expenses	136.2	279.0	356.3	615.7	647.7	656.3	660.1
<b>EBITDA</b>	<b>18.5</b>	<b>22.4</b>	<b>5.9</b>	<b>30.9</b>	<b>35.8</b>	<b>34.0</b>	<b>36.4</b>
Depreciation	5.9	8.3	10.4	15.4	17.4	17.0	17.0
<b>EBITA</b>	<b>12.6</b>	<b>14.1</b>	<b>-4.5</b>	<b>15.5</b>	<b>18.4</b>	<b>17.0</b>	<b>19.4</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>18.4</b>	<b>17.0</b>	<b>19.4</b>
Interest income	0.1	0.2	1.0	0.1	0.9	0.7	0.7
Interest expenses	1.0	1.1	1.8	2.5	2.3	2.3	2.8
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	-1.4	-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>17.0</b>	<b>15.4</b>	<b>17.3</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>17.0</b>	<b>15.4</b>	<b>17.3</b>
Taxes	0.6	1.0	1.8	4.6	3.4	3.9	5.2
<b>Net income from continuing operations</b>	<b>8.6</b>	<b>9.5</b>	<b>-7.9</b>	<b>8.5</b>	<b>13.6</b>	<b>11.6</b>	<b>12.1</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>13.6</b>	<b>11.6</b>	<b>12.1</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>13.6</b>	<b>11.6</b>	<b>12.1</b>
Average number of shares	12.2	12.2	12.2	14.0	15.4	15.4	15.4
<b>EPS reported</b>	<b>0.71</b>	<b>0.78</b>	<b>-0.65</b>	<b>0.61</b>	<b>0.88</b>	<b>0.75</b>	<b>0.78</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 %	8.0 %	8.0 %
Material expenses	43.7 %	46.0 %	60.6 %	64.4 %	64.0 %	63.5 %	63.5 %
Personnel expenses	32.0 %	29.9 %	30.7 %	24.2 %	23.0 %	23.0 %	22.5 %
Other operating expenses	23.0 %	34.2 %	23.0 %	18.0 %	15.8 %	16.6 %	16.8 %
Total operating expenses	85.5 %	92.6 %	102.7 %	95.0 %	94.8 %	95.1 %	94.8 %
<b>EBITDA</b>	<b>11.6 %</b>	<b>7.4 %</b>	<b>1.7 %</b>	<b>4.8 %</b>	<b>5.2 %</b>	<b>4.9 %</b>	<b>5.2 %</b>
Depreciation	3.7 %	2.7 %	3.0 %	2.4 %	2.5 %	2.5 %	2.4 %
<b>EBITA</b>	<b>7.9 %</b>	<b>4.7 %</b>	<b>-1.3 %</b>	<b>2.4 %</b>	<b>2.7 %</b>	<b>2.5 %</b>	<b>2.8 %</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>2.7 %</b>	<b>2.5 %</b>	<b>2.8 %</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 %	0.3 %	0.4 %
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 %	-0.3 %
<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>2.5 %</b>	<b>2.2 %</b>	<b>2.5 %</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>2.5 %</b>	<b>2.2 %</b>	<b>2.5 %</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>2.0 %</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>2.0 %</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>2.0 %</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	63.4	62.4
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>73.2</b>	<b>72.2</b>
Inventories	34.8	75.7	82.5	93.9	94.3	90.8	91.6
Accounts receivable	41.2	102.5	133.9	175.8	174.1	170.2	167.9
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	87.7	73.2	70.8
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>359.7</b>	<b>337.9</b>	<b>334.0</b>
<b>TOTAL ASSETS</b>	<b>148.4</b>	<b>301.3</b>	<b>334.0</b>	<b>403.0</b>	<b>433.9</b>	<b>411.1</b>	<b>406.2</b>
SHAREHOLDERS EQUITY	52.1	79.9	58.4	81.5	113.3	82.1	75.4
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	35.3	35.3	35.3
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>148.6</b>	<b>154.2</b>	<b>154.2</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	93.6	94.6	95.4
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>172.0</b>	<b>174.8</b>	<b>176.5</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>433.9</b>	<b>411.1</b>	<b>406.2</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>2.1 %</b>	<b>2.2 %</b>	<b>2.2 %</b>
Property, plant and equipment	24.0 %	15.6 %	9.5 %	11.4 %	14.8 %	15.4 %	15.4 %
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>17.1 %</b>	<b>17.8 %</b>	<b>17.8 %</b>
Inventories	23.4 %	25.1 %	24.7 %	23.3 %	21.7 %	22.1 %	22.6 %
Accounts receivable	27.8 %	34.0 %	40.1 %	43.6 %	40.1 %	41.4 %	41.3 %
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 %	20.2 %	17.8 %	17.4 %
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 %	0.8 %	0.9 %	0.9 %
<b>CURRENT ASSETS</b>	<b>72.7 %</b>	<b>82.4 %</b>	<b>89.5 %</b>	<b>86.2 %</b>	<b>82.9 %</b>	<b>82.2 %</b>	<b>82.2 %</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 %	26.1 %	20.0 %	18.6 %
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 %	8.1 %	8.6 %	8.7 %
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 %	26.1 %	28.9 %	29.3 %
<b>Non-current liabilities</b>	<b>27.9 %</b>	<b>37.5 %</b>	<b>34.8 %</b>	<b>34.8 %</b>	<b>34.2 %</b>	<b>37.5 %</b>	<b>38.0 %</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 %	21.6 %	23.0 %	23.5 %
Advance payments received on orders	2.8 %	4.7 %	12.5 %	8.5 %	8.1 %	8.8 %	8.9 %
Other liabilities (incl. from lease and rental contracts)	17.4 %	12.2 %	14.7 %	10.2 %	9.6 %	10.4 %	10.7 %
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>39.6 %</b>	<b>42.5 %</b>	<b>43.5 %</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	13.6	11.6	12.1
Depreciation of fixed assets (incl. leases)	5.9	8.3	10.4	15.4	17.4	17.0	17.0
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	-26.3	-15.0
Cash flow from operations before changes in w/c	4.7	10.0	-28.2	-44.3	-33.6	2.2	14.1
Increase/decrease in inventory	-0.8	66.1	-14.6	61.5	-0.4	3.4	-0.8
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	1.6	3.9	2.3
Increase/decrease in accounts payable	-3.2	-80.3	20.1	-70.8	-11.3	0.9	0.9
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	-0.1	8.3	2.3
<b>Cash flow from operating activities</b>	<b>0.7</b>	<b>-4.1</b>	<b>-22.7</b>	<b>-54.5</b>	<b>-33.7</b>	<b>10.6</b>	<b>16.4</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	1.3	-4.4	1.4
Increase/decrease in debt position	0.4	11.0	8.0	2.0	3.0	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	24.5	0.0	0.0
Dividends paid	0.2	0.7	4.1	20.3	11.0	10.0	3.9
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>16.5</b>	<b>-10.0</b>	<b>-3.9</b>
Increase/decrease in liquid assets	7.2	30.0	-6.1	24.7	17.9	-14.5	-2.4
<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>87.7</b>	<b>73.2</b>	<b>70.8</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>TTL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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 %	5.5 %	1.0 %	0.9 %
EBITDA growth	6.8 %	21.0 %	-73.6 %	424.0 %	15.8 %	-5.1 %	7.1 %
EBIT growth	16.0 %	11.6 %	-132.1 %	-443.4 %	18.8 %	-7.7 %	14.2 %
EPS growth	4.0 %	10.1 %	-182.8 %	-193.7 %	45.4 %	-14.9 %	4.6 %
<b>Efficiency</b>							
Total operating costs / sales	85.5 %	92.6 %	102.7 %	95.0 %	94.8 %	95.1 %	94.8 %
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 %	19.8 %	19.5 %	18.5 %
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	93.0	90.0	88.0
A/P turnover [(A/P*365)/sales]	53.9	66.4	70.3	59.1	50.0	50.0	50.0
Cash conversion cycle (days)	153.6	179.3	167.9	89.3	93.5	86.9	84.9
<b>Cash flow analysis</b>							
Free cash flow	-3.3	-13.1	-33.4	-71.1	-48.7	-4.4	1.4
Free cash flow/sales	-2.0 %	-4.4 %	-9.6 %	-11.0 %	-7.1 %	-0.6 %	0.2 %
FCF / net profit	-37.8 %	-138.2 %	424.9 %	-835.3 %	-357.6 %	-38.4 %	11.7 %
Capex / depre	67.2 %	76.9 %	103.5 %	109.3 %	86.2 %	88.2 %	88.2 %
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	-52.4	-37.9	-35.5
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	-0.5	-0.5	-0.5
Interest cover	12.4	12.9	0.0	6.2	8.0	7.4	6.9
Dividend payout ratio	8.2 %	43.5 %	100.0 %	129.2 %	73.8 %	33.3 %	31.9 %
<b>Asset utilisation</b>							
Capital employed turnover	1.7	1.6	2.0	2.9	2.6	2.9	3.0
Operating assets turnover	1.9	1.9	2.5	3.7	3.4	3.6	3.7
Plant turnover	4.5	6.4	11.0	14.2	10.6	10.9	11.2
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 %	7.6 %	6.8 %	8.3 %
ROE	16.6 %	11.9 %	-13.5 %	10.4 %	12.0 %	14.1 %	16.0 %
<b>Other</b>							
Interest paid / avg. debt	130.3 %	15.7 %	8.8 %	8.2 %	6.8 %	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	15.4	15.4	15.4
DPS	0.1	0.3	1.7	0.8	0.7	0.3	0.3
EPS reported	0.71	0.78	-0.65	0.61	0.88	0.75	0.78
<b>Valuation ratios</b>							
P/BV	3.4	2.2	3.0	2.5	2.0	2.7	3.0
EV/sales	1.1	0.5	0.5	0.3	0.3	0.3	0.3
EV/EBITDA	9.3	6.8	27.5	5.2	4.8	5.5	5.2
EV/EBITA	13.6	10.9	-35.9	10.5	9.3	11.0	9.7
EV/EBIT	13.6	10.9	-35.9	10.5	9.3	11.0	9.7
EV/FCF	-52.3	-11.6	-4.9	-2.3	-3.5	-42.0	133.1
Adjusted FCF yield	7.2 %	8.3 %	-2.4 %	10.3 %	8.9 %	7.1 %	7.3 %
Dividend yield	0.4 %	2.3 %	11.5 %	5.4 %	4.5 %	1.7 %	1.7 %

Source: Company data, Hauck & Aufhäuser

**Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers KGaA pursuant to section 34b of the German Securities Trading Act (WpHG) and the regulations of the German Financial Analysis Ordinance (FinAnV)**

Pursuant to section 34b of the German Securities Trading Act (WpHG) and section 5 of the Financial Analysis Ordinance (FinAnV) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if Hauck & Aufhäuser Privatbankiers KGaA

- (1) or its affiliate(s) was, within the past twelve months, a member in a consortium that acquired the financial instruments of the analysed company,
- (2) has entered into an agreement on the production of the research report with the analysed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds 5% or more of the share capital of the analysed company,
- (5) or its affiliate(s) regularly holds a trading position in shares of the analysed company or derivatives thereof,
- (6) or its affiliate(s) manages the financial instruments of the analysed company on the basis of an existing contractual relationship,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company.
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

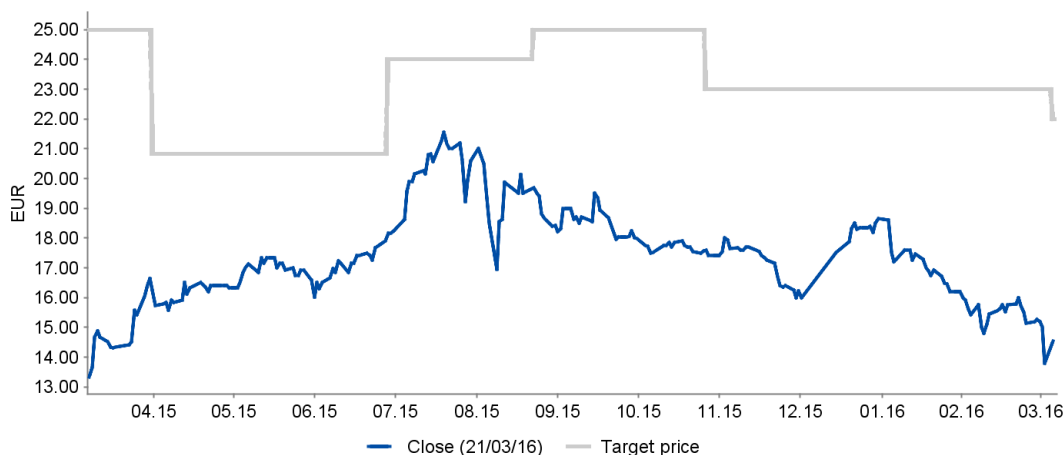
**Conflicts of interest that existed at the time when this research report was published:**

Company	Disclosure
mutares AG	3, 5

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

**Price and Rating History  
mutares AG as of 22/03/16**

**Initiation coverage**  
24-March-14



**Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services**

<b>Buy</b>	66.92 %	100.00 %
<b>Sell</b>	8.46 %	0.00 %
<b>Hold</b>	24.62 %	0.00 %



## 1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck & Aufhäuser Privatbankiers KGaA, exclusively to selected recipients [in DE, GB, FR, CH, US, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck & Aufhäuser Privatbankiers KGaA. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers KGaA. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers KGaA, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

## 2. Responsibilities

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently.

The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

## 3. Organisational Requirements

Hauck & Aufhäuser Privatbankiers KGaA took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck & Aufhäuser Privatbankiers KGaA involved in the preparation of the research report are subject to internal compliance regulations.

No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis.

## 4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck & Aufhäuser Privatbankiers KGaA uses the following three-step rating system for the analysed companies:

Buy: Sustainable upside potential of more than 10% within 12 months  
Sell: Sustainable downside potential of more than 10% within 12 months.  
Hold: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of Hauck & Aufhäuser Privatbankiers KGaA are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck & Aufhäuser Privatbankiers KGaA. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck & Aufhäuser Privatbankiers KGaA whether and when it publishes an update to this research report.

## 5. Major Sources of Information

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck & Aufhäuser Privatbankiers KGaA has checked the information for plausibility but not for accuracy or completeness.

## 6. Competent Supervisory Authority

Hauck & Aufhäuser Privatbankiers KGaA are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

## 7. Specific Comments for Recipients Outside of Germany

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the „Order“) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order. This document shall not be made available - whether directly or indirectly - to another group of people in or from the United Kingdom.



**Contacts: Hauck&Aufhäuser Privatbankiers KGaA**

**Hauck & Aufhäuser Research**

Hauck & Aufhäuser  
Privatbankiers KGaA  
Mittelweg 16/17

20148 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 - 70  
Fax: +49 (0) 40 414 3885 - 71  
Email: info@ha-research.de  
www.ha-research.de

**Sascha Berresch, CFA**  
Head of Research  
Tel.: +49 (0)40 414 3885 - 85  
E-Mail: sascha.berresch@ha-research.de

**Leonhard Bayer**  
Analyst  
Tel.: +49 (0)40 414 3885 - 79  
E-Mail: leonhard.bayer@ha-research.de

**Henning Breiter**  
Analyst  
Tel.: +49 (0)40 414 3885 - 73  
E-Mail: henning.breiter@ha-research.de

**Lars Dannenberg**  
Analyst  
Tel.: +49 (0)40 414 3885 - 92  
E-Mail: lars.dannenberg@ha-research.de

**Nils-Peter Gehrman**  
Analyst  
Tel.: +49 (0)40 414 3885 - 86  
E-Mail: nils-peter.gehrman@ha-research.de

**Christian Glowa**  
Analyst  
Tel.: +49 (0)40 414 3885 - 95  
E-Mail: christian.glowa@ha-research.de

**Aliaksandr Halitsa**  
Analyst  
Tel.: +49 (0)40 414 3885 - 83  
E-Mail: aliaksandr.halitsa@ha-research.de

**Christian Schwenkenbecher**  
Analyst  
Tel.: +49 (0)40 414 3885 - 76  
E-Mail: christian.schwenkenbecher@ha-research.de

**Torben Teichler**  
Analyst  
Tel.: +49 (0)40 414 3885 - 74  
E-Mail: torben.teichler@ha-research.de

**Tim Wunderlich, CFA**  
Analyst  
Tel.: +49 (0)40 414 3885 - 81  
E-Mail: tim.wunderlich@ha-research.de

**Hauck & Aufhäuser Sales**

**Christian Alisch**  
Sales  
Tel.: +49 (0)40 414 3885 - 99  
E-Mail: christian.alisch@ha-research.de

**Vincent Bischoff**  
Sales  
Tel.: +49 (0)40 414 3885 - 88  
E-Mail: vincent.bischoff@ha-research.de

**Alexander Lachmann**  
Sales  
Tel.: +49 (0)40 414 3885 - 96  
E-Mail: alexander.lachmann@ha-research.de

**Hugues Madelin**  
Sales  
Tel.: +33 1 78 41 40 62  
E-Mail: hugues.madelin@ha-research.de

**Jan Neynaber**  
Sales  
Tel.: +49 (0) 69 2161-1268  
E-Mail: jan.neynaber@hauck-aufhaeuser.de

**Marco Schumann**  
Sales  
Tel.: +49 (0) 69 2161-1250  
E-Mail: marco.schumann@hauck-aufhaeuser.de

**Markus Weiss**  
Sales  
Tel.: +49 (0)40 414 3885 - 89  
E-Mail: markus.weiss@ha-research.de

**Toby Woods**  
Sales  
Tel.: +44 207 408 1100  
E-Mail: toby.woods@ha-research.de

**Hauck & Aufhäuser Sales Trading**

Hauck & Aufhäuser  
Privatbankiers KGaA  
Mittelweg 16/17

20148 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 - 75  
Fax: +49 (0) 40 414 3885 - 71  
Email: info@hauck-aufhaeuser.de  
www.hauck-aufhaeuser.de

**Mirko Brueggemann**  
Trading  
Tel.: +49 (0)40 414 3885 75  
E-Mail: mirko.brueggemann@hauck-aufhaeuser.de

**Christian von Schuler**  
Trading  
Tel.: +49 (0)40 414 3885 77  
E-Mail: christian.schuler@hauck-aufhaeuser.de

**Fin Schaffer**  
Trading  
Tel.: +49 (0)40 414 3885 98  
E-Mail: fin.schaffer@hauck-aufhaeuser.de

**Nadia Elias**  
Middle-Office  
Tel.: +49 40 414 388 597  
nadia.elias@hauck-aufhaeuser.de

**Carolin Weber**  
Middle-Office  
Tel.: +49 (0)40 414 3885 87  
E-Mail: carolin.weber@hauck-aufhaeuser.de