



Buy

Recommendation unchanged

Share price: EUR 4.92

closing price as of 15/05/2014

Target price: EUR 6.00

from Target Price: EUR 6.40

Reuters/Bloomberg

MAXG.DE/MXH GR

Market capitalisation (EURm)	132
Current N° of shares (m)	27
Free float	49%
Daily avg. no. trad. sh. 12 mth	32,094
Daily avg. trad. vol. 12 mth (m)	158
Price high 12 mth (EUR)	5.54
Price low 12 mth (EUR)	4.12
Abs. perf. 1 mth	-0.61%
Abs. perf. 3 mth	-4.28%
Abs. perf. 12 mth	10.76%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	270	379	424
EBITDA (m)	23	21	30
EBITDA margin	8.6%	5.6%	7.0%
EBIT (m)	17	17	25
EBIT margin	6.3%	4.4%	5.9%
Net Profit (adj.)(m)	10	10	16
ROCE	6.3%	5.9%	8.5%
Net debt/(cash) (m)	79	80	74
Net Debt/Equity	0.8	0.8	0.7
Debt/EBITDA	3.4	3.7	2.5
Int. cover(EBITDA/Fin. int)	12.1	6.4	10.6
EV/Sales	0.7	0.5	0.5
EV/EBITDA	8.6	9.4	6.6
EV/EBITDA (adj.)	8.6	9.4	6.6
EV/EBIT	11.7	12.2	7.9
P/E (adj.)	13.4	12.6	8.5
P/BV	1.4	1.3	1.2
OpFCF yield	12.7%	-1.9%	-7.2%
Dividend yield	3.0%	3.0%	5.5%
EPS (adj.)	0.38	0.39	0.58
BVPS	3.52	3.68	4.21
DPS	0.15	0.15	0.27



Shareholders: Günther Group 30%; DWS 7%; Stüber & Co. KG 6%; Baden-Württemb. Versorgungsanstalt 5%; Universa 3%;

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A surprisingly slow start into the year

The facts: Yesterday, MAX Automation (MAX) reported its results 1Q 14 which were weaker than expected. For the first time the newly acquired AIM business (Assembly in Motion) will be fully consolidated for the whole quarter.

MAX results 1Q 14

EUR m	1Q 14	1Q 14e	1Q 13	YoY	2014e
Orders	66.6	68.0	64.3	4%	310.0
Sales	73.0	75.0	55.9	31%	379.0
EBIT rep.	-2.8	2.0	2.6	nm	16.6
EBIT rep. margin	-3.8%	2.7%	4.6%		4.4%
Net income	-2.60	1.08	1.57	nm	8.24

Source: Company data, equinet Research

Analysis: Results 1Q with full consolidation of AIM throughout a whole quarter for the first time: Results 1Q 14 are below expectations in all metrics. According to MAX postponements of projects (not lost) have been the major reason for the comparatively low order intake. MAX is currently in negotiations about a bunch of larger orders totalling >€40m which could however not yet be signed.

Sales 1Q 14 were up by ~34% yoy mainly due to full consolidation of AIM for a complete quarter. Stripping out AIM which we expect to have contributed ~€20m in 1Q, organic sales have been flat yoy. **EBIT of €-2.8m (incl. ppa effects of €0.9m) and net income of €-2.6m** turned negative thus falling short of expectations. Reasons are mainly to be seen in a strongly unbalanced CU of the operations with some activities having too low and others having a too high workload.

Segment development: Both segments - *Environmental Automation (EA)* and *Industrial Automation (IA)* – recorded negative EBIT contributions. In EA sales rose by +8% yoy (organic development) and still EBIT of €-1.1m was worse than in 1Q 13. It was however the smaller (non-core) subsidiary *BTD Behältertechnik* that caused the loss whereas the main part of EA – Vecoplan – developed positive. In IA sales jumped by 65% yoy to €49m. The increase should have solely been due to the 1st time consolidation of Assembly in Motion (AIM) whilst the core IA business seems to have only stalled. The major decline in EBIT to €-0.2m was attributable to 1/ underutilisation of some operations and 2/ a too high workload in one sub segment of AIM (*ELWEMA*) which in turn required sourcing of 3rd party supplies and services.

Conclusion: To conclude, results 1Q were below expectations thus marking a weak start into the new year. There seem to have been postponements (in orders) and operating issues (unbalanced CU and workload). M'ment expects these hiccups to be offset during the year and particularly during 2H (order book of €150m) and thus reiterated its full year guidance. Several replacements of head of operations/divisions have been made. We continue to believe in the strong underlying potential of the group (incl. AIM) over the mid-term. With the integration of AIM into MAX an Industrial Automation (IA) specialist with automotive as a core end market has been created. Over time the underlying synergy potential related to the AIM integration could add ~€5m+. Recent information points towards an ongoing healthy demand for capital goods out of the important end market automotive. Hence we think that 1Q has rather been an exception than a trend. We have revised our forecasts and thus also have reduced our PT for MAX to €6.0 (previously: €6.4) whilst we reiterate our Buy recommendation.