

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 6.70** (6.70)

11 August 2014

Strong preliminary 2Q 2014 results

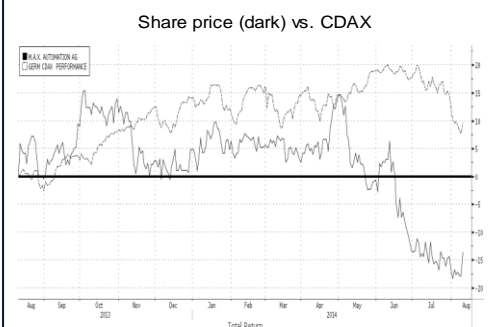
Weak 1Q was an exception, confirmation of FY 2014 guidance

- M.A.X. Automation reported preliminary 2Q results which came in better than expected. As anticipated, the weak 1Q 2014 performance was an exception due to project delays. In 2Q 2014, the order intake increased by 72% to EUR 94m (CBSRe EUR 92m), revenues by 45% to EUR 90.4m (CBSRe EUR 88m), EBIT before ppa amortization by 56% to EUR 5.0m (CBSRe EUR 4.5m) and the net income amounted to EUR 2.4m (PY: EUR 2.0m).
- Industrial Automation:** In 2Q 2014, the order intake grew by 99% to EUR 66.6m, revenues and EBIT before ppa amortization more than doubled to EUR 65m (PY: EUR 29.9m) and EUR 6.4m (PY: EUR 2.9m) respectively. The result was driven to a large extent by the initial consolidation of the AIM Group. However, adjusted for the consolidation effect, the revenue growth amounted to ~14%.
- Environmental Technology:** The performance was burdened by changes in the political environment (business with coal-fired power plants nearly stopped at all). This has affected the subsidiary altmeyer btd. VECOPLAN had a rather weak quarter also (project related). In 2Q 2014, the revenues declined by 21% to EUR 25.6m and the EBIT before ppa amortization amounted to EUR -0.8m (EUR 0.8m). 2H 2014 of Vecoplan should be stronger than 1H and should make up for the so far weak performance.
- Outlook FY 2014:** The guidance was reiterated. The management expects revenues in the range of EUR 360-380m and an EBIT before ppa amortisation (EUR 3m) of EUR 19-21m. According to the management, the demand is continuously strong. There is a certain risk that the cost cutting and efficiency measures announced by certain OEM's (VW, Daimler) will have an effect on the demand in the mid-term future. However, after the strong 2Q performance we are quite confident that our estimates will be achieved which are at the upper end of the guided range.
- We reiterate our **BUY recommendation** with a price target of EUR 6.70 (blended value of DCF and peer group valuation). The detailed 2Q 2014 report will be published on Thursday 14 August.

Key data

| FY 12/31, EUR m | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|-----------------|-------|-------|-------|-------|-------|-------|
| Sales | 260.0 | 244.3 | 270.1 | 378.3 | 406.3 | 422.6 |
| EBIT | 16.1 | 13.5 | 17.0 | 17.4 | 22.0 | 26.5 |
| Net result | 12.1 | 8.4 | 10.3 | 10.8 | 14.4 | 17.9 |
| EPS | 0.45 | 0.32 | 0.39 | 0.40 | 0.54 | 0.67 |
| DPS | 0.15 | 0.15 | 0.15 | 0.14 | 0.16 | 0.20 |
| EBIT margin | 6.2% | 5.5% | 6.3% | 4.6% | 5.4% | 6.3% |
| ROE | 14.3% | 9.6% | 11.0% | 10.6% | 12.9% | 15.3% |
| ROA | 6.6% | 4.2% | 3.5% | 3.6% | 4.6% | 5.9% |
| EV/EBITDA | 5.6 | 6.0 | 9.2 | 6.9 | 5.6 | 4.5 |
| EV/EBIT | 7.2 | 8.3 | 12.5 | 10.5 | 8.0 | 6.1 |
| P/E | 8.6 | 12.2 | 13.0 | 10.1 | 7.6 | 6.1 |

Source: M.A.X. Automation AG, CBS Research AG



Source: CBS Research, Bloomberg, M.A.X. Automation AG

| Change | 2014E | | 2015E | | 2016E | |
|--------|-------|-------|-------|-------|-------|-------|
| | new | old | new | old | new | old |
| Sales | - | 378.3 | - | 406.3 | - | 422.6 |
| EBIT | - | 17.4 | - | 22.0 | - | 26.5 |
| EPS | - | 0.40 | - | 0.54 | - | 0.67 |

Internet: maxautomation.de Sector: All Industrial
WKN: 658090 ISIN: DE0006580905
Reuters: MAXG.DE Bloomberg: MXH GY

Short company profile:

M.A.X. Automation AG is an international group operating in the two core segments "Environmental Technology" and "Industrial Automation". The company is committed to successfully developing and advancing medium-sized automation specialists.

Share data:

| | |
|---|-------------|
| Share price (EUR, last price): | 4.07 |
| Shares outstanding (m): | 26.8 |
| Market capitalisation (EUR m): | 101.8 |
| Enterprise value (EUR m): | 179.8 |
| Ø daily trading volume (3 m., no. of shares): | 24,380 |

Performance data:

| | |
|-----------------------------------|--------|
| High 52 weeks (EUR): | 5.59 |
| Low 52 weeks (EUR): | 3.71 |
| Absolute performance (12 months): | -16.7% |
| Relative performance vs. CDAX: | |
| 1 month | 5.9% |
| 3 months | -14.7% |
| 6 months | -19.2% |
| 12 months | -24.0% |

Shareholders:

| | |
|------------------------------------|-------|
| Günther group | 29.9% |
| DWS | 7.4% |
| Stüber & Co.KG | 6.0% |
| Baden-Württemb. Versorgungsanstalt | 5.2% |
| Universal Investment | 3.0% |
| Free float | 48.5% |

Financial calendar:

| | |
|----------------|------------------|
| 1H 2014 report | 14 August 2014 |
| 9M 2014 report | 14 November 2014 |

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Profit and loss account

| | IFRS | EURm | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|--|------|------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | | | 260.0 | 244.3 | 270.1 | 378.3 | 406.3 | 422.6 |
| YoY growth | | | 37.0% | -6.0% | 10.6% | 40.1% | 7.4% | 4.0% |
| Change in inventories | | | -2.3 | 1.4 | 0.5 | 1.5 | 1.5 | 1.5 |
| Other activated own work | | | 2.1 | 1.4 | 0.9 | 2.0 | 2.0 | 2.0 |
| Total revenues | | | 259.8 | 247.1 | 271.5 | 381.8 | 409.8 | 426.1 |
| COGS | | | -146.4 | -130.2 | -137.6 | -200.5 | -211.3 | -217.6 |
| in % of sales | | | -56.3% | -53.3% | -50.9% | -53.0% | -52.0% | -51.5% |
| Gross income | | | 113.4 | 116.9 | 133.9 | 181.3 | 198.5 | 208.5 |
| in % of sales | | | 43.6% | 47.9% | 49.6% | 47.9% | 48.9% | 49.3% |
| Personnel expenses | | | -62.8 | -69.3 | -77.4 | -105.9 | -111.7 | -116.2 |
| in % sales | | | -24.2% | -28.4% | -28.6% | -28.0% | -27.5% | -27.5% |
| Other operating expenses | | | -29.8 | -29.0 | -33.3 | -48.8 | -55.3 | -56.0 |
| EBITDA | | | 20.8 | 18.6 | 23.3 | 26.6 | 31.5 | 36.3 |
| in % of sales | | | 8.0% | 7.6% | 8.6% | 7.0% | 7.7% | 8.6% |
| Depreciation and amortisation | | | -4.7 | -5.1 | -6.2 | -9.2 | -9.5 | -9.8 |
| in % of total revenues | | | -1.8% | -2.1% | -2.3% | -2.4% | -2.3% | -2.3% |
| EBIT | | | 16.1 | 13.5 | 17.0 | 17.4 | 22.0 | 26.5 |
| in % of sales | | | 6.2% | 5.5% | 6.3% | 4.6% | 5.4% | 6.3% |
| Financial result | | | -1.3 | -1.2 | -2.3 | -3.1 | -2.8 | -2.6 |
| EBT | | | 14.8 | 12.3 | 14.7 | 14.3 | 19.2 | 23.9 |
| in % of sales | | | 5.7% | 5.0% | 5.4% | 3.8% | 4.7% | 5.6% |
| Taxes | | | -2.7 | -3.8 | -4.3 | -3.6 | -4.8 | -6.0 |
| as % of EBT | | | -18.1% | -31.3% | -29.6% | -25.0% | -25.0% | -25.0% |
| Net income including minorities | | | 12.1 | 8.4 | 10.3 | 10.7 | 14.4 | 17.9 |
| Minority interests/discontinued operations | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income attributable to shareholders | | | 12.1 | 8.4 | 10.3 | 10.7 | 14.4 | 17.9 |
| in % of sales | | | 4.7% | 3.5% | 3.8% | 2.8% | 3.5% | 4.2% |
| Shares outstanding (in millions) | | | 26.8 | 26.8 | 26.8 | 26.8 | 26.8 | 26.8 |
| Earnings per share (EUR) | | | 0.45 | 0.32 | 0.39 | 0.40 | 0.54 | 0.67 |

Source: CBS Research AG, M.A.X. Automation AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

| Date | Recommendation | Price at change date | Price target |
|----------------|----------------|----------------------|--------------|
| 11 August 2014 | BUY | EUR 4.07 | EUR 6.70 |
| 30 July 2014 | BUY | EUR 3.95 | EUR 6.70 |
| 16 May 2014 | BUY | EUR 4.92 | EUR 6.70 |
| 21 March 2014 | BUY | EUR 5.04 | EUR 6.70 |

| | | | |
|------------------|-----|----------|----------|
| 15 November 2013 | BUY | EUR 4.82 | EUR 6.70 |
| 07 November 2013 | BUY | EUR 5.35 | EUR 6.70 |
| 01 October 2013 | BUY | EUR 5.23 | EUR 6.00 |
| 16 August 2013 | BUY | EUR 5.00 | EUR 6.00 |

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