

M.A.X. Automation AG

BUY (BUY) | Target EUR 7.00 (EUR 7.00)

Price (last price) : EUR 4.93 | Upside : +42%

Est. change	2015e	2016e
EPS	-	-

2015 outlook looking conservative after sound 1Q results

Friday, 15 May 2015



Capital

MXHGY MXHG.DE	
Market Cap (EURm)	132
Enterprise value (EURm)	198
Extrema 12 months	3.71 - 5.36
Free Float (%)	59.8

Performance (%)	1m	3m	12m
Absolute	-6.9	6.6	0.2
Perf. rel. "sector"	-3.4	1.2	-13.0
Perf. rel. CDAX	-1.8	1.0	-16.7

P & L	12/15e	12/16e	12/17e
Sales (EURm)	366	383	401
EBITDA (EURm)	24	30	33
EBIT (EURm)	18	23	26
Attr. net profit (EURm)	12	16	19
EPS (EUR)	0.45	0.61	0.70
Dividend (EUR)	0.17	0.19	0.20
P/E (x)	11.0	8.1	7.1
P/B (x)	1.2	1.1	1.0
Dividend Yield (%)	3.4	3.9	4.1
FCF yield (%)	0.6	3.0	3.2
EV/Sales (x)	0.54	0.52	0.49
EV/EBITDA (x)	8.2	6.6	6.0
EV/EBIT (x)	11.1	8.5	7.6
Gearing (%)	61	49	38
Net Debt/EBITDA(x)	2.7	2.0	1.5

Next Events

AGM	30 June 2015
Q2 Results	14 August 2015

Sound 1Q results including strong order intake growth

M.A.X. Automation reported 1Q results in line with our expectations. The order intake surged 37% yoy to EUR 91m, revenues rose 4% to EUR 76m, EBIT before ppa amortisation swung from EUR -1.8m in 1Q14 to EUR 1.7m in 1Q15, and EPS from EUR -0.10 in 1Q14 to EUR 0.01 in 1Q15. That development was driven by both divisions. The order backlog hit a record level of EUR 174m (+18%).

Positive Q1 performance driven by both divisions

Industrial Automation. Order intake rose 44% to EUR 53m, which was quite strong for a 1Q; moreover, consolidation effects were probably minor (divestment of Euroroll, first-time consolidation of iNDAT Robotics). In April, framework contracts were signed for a total of ~EUR 50m with i) an automotive manufacturer and ii) a supplier of the automotive industry. These contracts will be booked as order intake and sales starting in 2H15 and running until 2018 and 2020, respectively. Divisional **revenues** decreased by 8% to EUR 45m as a multitude of new projects were started but billings were rather low. However, the order intake should ensure high capacity utilization in the following quarters. **EBIT before ppa amortisation** improved, however, by EUR 0.9m to EUR 0.7m due to a weak comparison base, i.e. rather unbalanced capacity utilisation at the divisional individual companies in 1Q 2014.

Environmental Technology. Order intake rose 27% yoy to EUR 38m mainly due to a major order in the US to build an alternative energy plant. Divisional **revenues** increased 27% to EUR 31m. The volume increase improved profitability given unchanged fixed costs; hence, **EBIT before ppa amortisation** swung from a loss of EUR -1.0m to EUR 1.9m.

Well on track to achieve the 2015 outlook

M.A.X. Automation confirmed its 2015 outlook, i.e. revenues of EUR 360-380m and EBIT before ppa amortization of EUR 20-22m. We estimate sales of EUR 366m and EBIT before ppa amortisation of EUR 22m, i.e. within the guided ranges. Following these sound 1Q results – strong demand in Q1, the likelihood of increasing revenue recognition in Industrial Automation in the remaining quarters of 2015e – and bearing in mind the framework contracts which could yield their first revenues in 2H15e, we believe the company could well exceed its guidance. For the time being, however, we will stick to our current estimates.

BUY recommendation with unchanged PT of EUR 7.00

We maintain our BUY recommendation with an unchanged PT of EUR 7.00. We think M.A.X. Automation is significantly undervalued (42% upside). In our view, the current valuation does not reflect the strategic realignment from a holding company towards a focused mechanical engineering company (e.g. adding robotics solutions to product portfolio by acquiring iNDAT Robotics) and the further realization of synergies across the individual group companies (e.g. purchasing, foreign subsidiaries and financing). Our PT implies a P/E of 15.6x for FY15e and 11.5x for FY16e.

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Profit and loss account

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Sales			260.0	244.3	270.1	351.4	366.4	383.0	401.0
YoY growth			37.0%	-6.0%	10.6%	30.1%	4.3%	4.5%	4.7%
Change in inventories			-2.3	1.4	0.5	-3.4	1.5	1.5	1.5
Other activated own work			2.1	1.4	0.9	4.3	2.0	2.0	2.0
Total revenues			259.8	247.1	271.5	352.4	369.9	386.5	404.5
COGS			-146.4	-130.2	-137.6	-184.0	-186.9	-193.4	-200.5
in % of sales			-56.3%	-53.3%	-50.9%	-52.4%	-51.0%	-50.5%	-50.0%
Gross income			113.4	116.9	133.9	168.4	183.0	193.1	204.0
in % of sales			43.6%	47.9%	49.6%	47.9%	50.0%	50.4%	50.9%
Personnel expenses			-62.8	-69.3	-77.4	-103.0	-109.0	-113.0	-116.3
in % sales			-24.2%	-28.4%	-28.6%	-29.3%	-29.7%	-29.5%	-29.0%
Other operating expenses			-29.8	-29.0	-33.3	-38.9	-49.8	-50.3	-54.9
EBITDA			20.8	18.6	23.3	26.6	24.2	29.8	32.8
in % of sales			8.0%	7.6%	8.6%	7.6%	6.6%	7.8%	8.2%
Depreciation and amortisation			-4.7	-4.8	-5.3	-2.3	-2.3	-2.5	-2.7
in % of sales			-1.8%	-1.9%	-2.0%	-0.7%	-0.6%	-0.6%	-0.7%
EBIT before ppa amortisation			16.1	13.9	18.0	24.3	21.9	27.3	30.1
in % of sales			6.2%	5.7%	6.7%	6.9%	6.0%	7.1%	7.5%
PPA amortization			0.0	-0.4	-1.0	-3.7	-4.2	-4.2	-4.2
in % of sales			0.0%	-0.1%	-0.4%	-1.1%	-1.1%	-1.1%	-1.0%
EBIT			16.1	13.5	17.0	20.5	17.8	23.2	26.0
in % of sales			6.2%	5.5%	6.3%	5.8%	4.8%	6.1%	6.5%
Financial result			-1.3	-1.2	-2.3	-2.4	-1.8	-1.4	-1.0
EBT			14.8	12.3	14.7	18.1	16.0	21.8	25.0
in % of sales			5.7%	5.0%	5.4%	5.2%	4.4%	5.7%	6.2%
Taxes			-2.7	-3.8	-4.5	-4.2	-4.0	-5.4	-6.2
as % of EBT			-18.1%	-31.3%	-30.4%	-23.0%	-25.0%	-25.0%	-25.0%
Net income including minorities			12.1	8.4	10.2	14.0	12.0	16.3	18.7
Minority interests/discontinued operations			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders			12.1	8.4	10.2	14.0	12.0	16.3	18.7
in % of sales			4.7%	3.5%	3.8%	4.0%	3.3%	4.3%	4.7%
Shares outstanding (in millions)			26.8	26.8	26.8	26.8	26.8	26.8	26.8
Earnings per share (EUR)			0.45	0.32	0.38	0.52	0.45	0.61	0.70

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Assets									
Noncurrent assets			66.9	71.4	101.5	104.0	107.5	110.9	114.0
as % of total assets			36.2%	35.8%	34.7%	35.2%	34.6%	34.1%	33.4%
Intangible assets			32.1	34.6	61.6	64.4	64.4	64.4	64.4
Fixed assets			34.4	36.2	39.0	39.3	42.8	46.2	49.3
Financial assets			0.4	0.6	0.9	0.3	0.3	0.3	0.3
Current assets			118.0	128.2	190.6	191.4	203.3	213.9	227.0
as % of total assets			63.8%	64.2%	65.3%	64.8%	65.4%	65.9%	66.6%
Inventories			37.4	37.4	45.8	42.0	55.0	57.5	60.2
Accounts receivables			49.2	53.4	98.4	82.0	85.4	88.1	92.2
Other receivables and other assets			5.3	3.3	6.5	7.9	7.3	7.7	8.0
Deferred taxes			6.7	7.2	7.4	6.3	6.1	6.0	5.9
Other assets			2.8	4.2	6.3	0.9	2.0	2.0	2.0
Cash			16.7	22.8	26.3	52.4	47.5	52.7	58.7
Total Assets			184.9	199.6	292.1	295.4	310.8	324.8	341.0
Shareholders' equity and liabilities									
Shareholders' equity			85.0	88.4	94.2	99.8	107.8	119.5	133.2
as % of total equity and liabilities			46.0%	44.3%	32.3%	33.8%	34.7%	36.8%	39.0%
Capital stock			26.8	26.8	26.8	26.8	26.8	26.8	26.8
Capital reserve			3.1	3.1	3.1	3.1	3.1	3.1	3.1
Retained earnings			55.2	58.5	64.4	69.9	77.9	89.7	103.3
Minorities			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noncurrent liabilities			23.1	40.6	75.8	77.6	75.3	74.6	73.9
as % of total equity and liabilities			12.5%	20.4%	25.9%	26.3%	24.2%	23.0%	21.7%
Pension provision and other liabilities			0.6	0.7	0.8	1.0	1.0	1.1	1.1
Deferred taxes			10.4	12.6	16.2	15.6	15.7	15.9	16.1
Financial liabilities			8.7	22.6	54.0	56.0	54.9	53.8	52.7
Other liabilities			3.3	4.7	4.7	5.0	3.7	3.8	4.0
Current liabilities			76.8	70.6	122.1	118.0	127.7	130.6	133.9
as % of total equity and liabilities			41.5%	35.4%	41.8%	39.9%	41.1%	40.2%	39.3%
Other provisions			11.9	10.9	16.4	12.0	16.5	17.2	18.0
Financial liabilities			22.8	6.9	36.5	44.3	43.4	42.6	41.7
Trade accounts payables			32.3	43.5	50.9	45.8	53.1	55.5	58.2
Other liabilities			9.8	9.3	18.3	15.8	14.7	15.3	16.0
Total equity and liabilities			184.9	199.6	292.1	295.4	310.8	324.8	341.0

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Net income			12.1	8.4	10.2	10.0	12.0	16.3	18.7
Depreciation and amortisation			4.7	5.1	6.2	10.0	6.4	6.6	6.9
Disposal of PPE and intangible assets			0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
Change in deferred taxes			0.2	1.4	0.7	-0.5	0.3	0.3	0.3
Change in provisions			0.1	0.1	0.1	-2.5	2.9	1.5	1.7
Other changes			3.5	-0.3	3.7	-0.9	0.0	0.0	0.0
Change in inventories			-6.1	-0.2	4.3	0.2	-13.0	-2.5	-2.7
Change in receivables			-15.3	-3.4	3.9	14.3	-3.9	-3.1	-4.5
Change in trade payables			0.6	11.1	-7.1	-12.7	7.3	2.4	2.6
Cash flow from operating activities			-0.2	22.0	21.9	17.8	12.1	21.7	22.9
Additions to PPE and intangible assets			-8.4	-6.7	-5.8	-9.7	-10.0	-10.0	-10.0
Acquisitions/ Divestments			-2.0	-0.7	-34.9	-0.9	0.0	0.0	0.0
Income from disposal of PPE and intangible assets			0.5	0.6	0.6	0.5	0.0	0.0	0.0
Other changes			-1.0	-0.2	0.0	7.8	0.0	0.0	0.0
Cash flow from investing activities			-10.9	-7.0	-40.1	-2.3	-10.0	-10.0	-10.0
Cash inflow from capital increases			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes			0.8	-2.9	0.9	5.1	0.0	0.0	0.0
Net borrowings/retirements of financial debt			2.3	-2.0	24.8	9.3	-3.0	-1.9	-1.8
Dividends paid			-2.7	-4.0	-4.0	-4.0	-4.0	-4.6	-5.1
Cash flow from financing activities			0.5	-8.9	21.7	10.3	-7.0	-6.4	-6.9
Total change in cash and cash equivalents			-10.6	6.1	3.5	25.8	-4.9	5.2	6.0
Cash and cash equivalents at the start of the period			27.3	16.7	22.8	26.3	52.4	47.5	52.7
Effect of exchange rates on cash and cash equivalents			0.1	0.0	-0.1	0.2	0.0	0.0	0.0
Cash and cash equivalents at the end of the period			16.7	22.8	26.3	52.4	47.5	52.7	58.7

Source: Company Data, Oddo Seydler Bank AG

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

Date	Recommendation	Price at change date	Price target
15 May 2015	BUY	EUR 4.93	EUR 7.00
06 March 2015	BUY	EUR 4.92	EUR 7.00
19 December 2014	BUY	EUR 4.18	EUR 5.20
13 November 2014	BUY	EUR 4.18	EUR 5.20

12 November 2014	BUY	EUR 4.25	EUR 5.70
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

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