

M.A.X. Automation AG

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

Price (last price) : EUR 5.62 | Upside : +25%

Est. change	2015e	2016e
EPS	-	-

Q2 2015 results, Buy intact

Friday, 14 August 2015



H1 2015 results in line with expectations

M.A.X. Automation posted H1 2015 results. Order intake increased by 10% yoy to € 176m (Q2: -10% yoy to € 85m; our estimate: € 87m); sales were up 4% to € 171m (Q2: +5% to € 95m; our estimate: € 88m; difference was due to higher sales volume in Environmental Technology), EBIT before ppa amortisation grew from € 3.1m to € 7.6m (Q2: € 5.8m, our estimate: € 5.7m).

Divisional performances

Industrial Automation. Order intake up 8% to € 111m in H1 2015 (Q2: -13%); sales down -6% to € 107m due to the start-up of new projects (Q2: -4%) and EBIT before ppa amortisation up 13% to € 7m (Q2: -2%).

Environmental Technology. Order intake up 13% to € 65m in H1 2015 (Q2: -2%), sales up 27% to € 63m (Q2: 28%); EBIT before ppa amortisation swung (due to an improved capacity utilisation) from € -1.9m in H1 2014 to € 2.3m in H1 2015.

Net debt decreased by € 23m to € 52m mainly on working capital improvements and a reduction of the financial debt. M.A.X. Automation closed a new syndicated loan in the amount of € 150m with a term of 5 years, thus putting group financing on a new and firmer foundation. The loan will replace the prior syndicated loan of the AG and the individual loans of the group companies.

2015 outlook confirmed; backlog to assure strong cap utilisation

Management confirmed its 2015 outlook: sales of € 360-380m and EBIT before ppa amortisation of € 20-22m. MXH is well on track to achieve its guidance. Our estimates are in line with the guidance: revenues of € 366m and EBIT before ppa amortisation of € 22m. The order backlog – € 164m at the end of Q2 2015 – should assure strong capacity utilisation at the group's individual companies. We expect improved order intake in Q3 2015 as two framework contracts closed in April should start to contribute as well (total contract volume: € ~50m, one contract runs until 2018, the other until 2020). However, we see certain risks from the slowing economic environment.

Buy maintained, PT unchanged at EUR 7.00

We maintain our Buy recommendation and leave our PT unchanged at EUR 7.00. We see the stock significantly undervalued with 25% upside; in our view, the current valuation does not adequately reflect the strategic transformation from a holding company towards a focused mechanical engineering company (e.g. adding robotics solutions to the product portfolio by acquiring iNDAT Robotics) and the further realization of synergies across the individual group companies (e.g. purchasing, foreign subsidiaries and financing). We think that trends like increasingly strict CO2 requirements, micro assembly and driver-assistance systems should drive demand for M.A.X. Automation's assembly systems. The stock is currently trading at an EV/ EBITDA of 8.9x for 2015e. Our PT implies an EV/ EBITDA of 10.5x for 2015e.

Carsten Kunold, CFA (Analyst)
 +49 (0)69 920 54 8 (28)
 Carsten.Kunold@oddoseydler.com

Capital	
MXHGY MXHG.DE	
Market Cap (EURm)	151
Enterprise value (EURm)	216
Extrema 12 months	3.81 - 5.94
Free Float (%)	59.2

Performance (%)	1m	3m	12m
Absolute	-3.6	12.4	44.1
Perf. rel. "sector"	-2.1	16.8	24.6
Perf. rel. CDAX	-0.3	16.5	18.9

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)	12.6	9.2	8.0
P/B (x)	1.4	1.3	1.1
Dividend Yield (%)	3.0	3.4	3.6
FCF yield (%)	0.3	3.1	3.2
EV/Sales (x)	0.59	0.56	0.54
EV/EBITDA (x)	8.9	7.3	6.6
EV/ EBIT (x)	12.2	9.3	8.3
Gearing (%)	61	49	38
Net Debt/EBITDA(x)	2.7	2.0	1.5

Next Events	
Q3 Results	13 November 2015

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	-1.0	0.1	0.1
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	11.1	21.7	23.0
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	-2.0	-2.0	-1.9
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	-6.0	-6.5	-7.0
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
14 August 2015	BUY	EUR 5.62	EUR 7.00
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

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Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800