

Max Automation AG

Germany/Industrial Engineering

Analysers



Buy

from Hold

Share price: EUR 4.00

closing price as of 07/02/2012

Target price: EUR 5.00

 from Target Price: EUR **4.00**

Reuters/Bloomberg

MAXG.DE/MXH GR

Market capitalisation (EURm)	107
Current N° of shares (m)	27
Free float	67%
Daily avg. no. trad. sh. 12 mth	34,882
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	5.15
Price low 12 mth (EUR)	3.35
Abs. perf. 1 mth	2.59%
Abs. perf. 3 mth	4.71%
Abs. perf. 12 mth	0.00%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	190	260	276
EBITDA (m)	13	18	20
EBITDA margin	7.0%	6.8%	7.1%
EBIT (m)	10	14	16
EBIT margin	5.0%	5.5%	5.8%
Net Profit (adj.)(m)	6	9	12
ROCE	7.0%	9.2%	9.5%
Net debt/(cash) (m)	5	14	13
Net Debt/Equity	0.1	0.2	0.1
Debt/EBITDA	0.4	0.8	0.6
Int. cover(EBITDA/Fin. int)	12.5	17.1	39.0
EV/Sales	0.5	0.4	0.4
EV/EBITDA	6.7	6.4	5.9
EV/EBITDA (adj.)	6.7	6.4	5.9
EV/EBIT	9.4	8.0	7.3
P/E (adj.)	14.7	11.4	9.0
P/BV	1.2	1.2	1.1
OpFCF yield	5.5%	-6.6%	4.6%
Dividend yield	2.5%	2.6%	3.8%
EPS (adj.)	0.23	0.34	0.44
BVPS	2.88	3.14	3.48
DPS	0.10	0.10	0.15



Source: Factset

— MAX AUTOMATION AG — Stoxx Industrial Engineering(Rebased)

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2011e results preview – MAX likely to achieve further top line growth – We raise forecasts – U/G to Buy (Hold)

The facts: Within next days, MAX Automation is expected to reporting preliminary 4Q 11e and FY 11e results.

MAX results preview 4Q 11e

EUR m	4Q 11e	4Q 10	YoY	QoQ	cons. '4Q	2011e	YoY	cons. '2011e
Order backlog	101.1	96.1	5%	-5%		101.1	5%	
Orders	56.1	61.2	-8%	3%		265.0	26%	
Sales	69.8	59.5	17%	1%	65.5	260.0	37%	255.7
EBIT adj.	5.3	5.1	3%	46%	5.3	14.3	51%	14.4
EBIT adj. margin	7.6%	8.6%			8.1%	5.5%		5.6%
Net income	3.5	3.6	-3%	43%	3.89	9.2	47%	9.5
EPS (EUR)	0.13	0.14	-3%	43%	0.15	0.34	47%	0.35

Source: Company data, equinet Research

Our analysis: Double digit increases for all metrics as compared to last year: For the full year we expect MAX reporting yoy increases of 26% and 37% in order intake and sales, respectively. EBIT 11e is thus set to improve even more strongly by ~51%. Nevertheless the incremental improvement of operating profitability (+50bps) is not as high as one could have expected given the large increase in volumes. Here we think that MAX has invested (i.e. R&D efforts) in improving its capabilities/competences as a system supplier to provide complete systems based on the components it already offers also in the area of environmental applications. This is a strategy that had been implemented several years ago in Industrial Automation. Based on recent quarterly results this strategy had proved to be highly successful as it provided MAX with access to larger contracts (i.e. from the major car manufacturer) and also provided the base for raising the operating profitability in industrial automation towards 10%.

Sound growth perspectives ...: At the end of 11e, the order book should stand at ~EUR 101m thus providing a sound base for sales growth 12e. With the two larger orders in the beginning of 12, the order book visibility has further improved. Moreover, there are some follow up orders possible. Going forward we see for example the sophisticated assembly solutions for twin-clutch gearboxes as a future driver for sales growth. Currently, MAX is in negotiations to provide further assembly solutions for twin-clutch gearbox. Over the next several years we expect twin-clutch gearboxes to become a mass product and thus common technology for most cars whilst so far twin-clutch gearboxes are solely used in premium cars.

... leads to lift estimates for 12e and beyond: Our current estimates for 12e (sales decline of ~11% coupled with a slight decline in profitability and EPS) incorporated a more pronounced setback in global economic growth with detrimental effects on industrial production volumes. In recent month financial markets seem to have stabilized whilst global growth 12e is set to only decelerate to ~2.5% yoy. Also order intake for the German engineering sector has shown a rather stable development over the last four months and has not experienced a major downturn. We see substantial upside to our forecasts and thus raise sales and EBIT 12e to EUR 276m (implying sales growth of 6% yoy) and EUR 15.9m (implying an EBIT margin 12e of 5.8%). New EPS 12e are thus EUR 0.44 (was: EUR 0.31).

Conclusion: Based on a stabilizing economic development which should allow for top line growth in 12e and beyond, we see upside for consensus estimates. Applying a target PER of 11x we set a new PT of EUR 5.0 and upgrade to Buy (Hold).