



Buy (old: Buy)

Price target: EUR 6.00 (old: EUR 7.70)

Price:	EUR 3.57	Next result:	Q4 29.04.16
Bloomberg:	MSAG GR	Market cap:	EUR 107.1 m
Reuters:	MSAG.DE	Enterprise Value:	EUR 174.6 m

05-February-16

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Market headwind resulting in lower volumes /chg in est & PT

The investment case remains intact on the back of (1) an increasing 'Weltmotor' penetration and (2) a dynamic development of the Ultrasonic business, however estimates and PT are reduced to mainly account for a weaker than expected US truck market development and diseconomies of scale. **This leads to a new PT of € 6.00 based on conservative estimates.**

The US class 8 truck market saw its best sales and production numbers in history in 2015, according to the latest numbers from *ACT research* (c. +11% yoy to 330k units). However, the latest market research (*ACT*) now expects **the US truck market (class 8) to decline by c. 18% yoy to 270k units in 2016**. That is a further decline of 26k units from its recent forecast published in Oct. last year (-10%yoy to 296k trucks) **implying the US truck market to contract at an even faster rate.**

Notably, Daimler expects the US truck market (class 8) to decline by 10% yoy in 2016 with Daimler truck unit sales to be below the 2015 level (+15% yoy to 158k units). Admittedly, Daimler's Q4'15 USA order intake for heavy trucks (-53% yoy) even suggest a more significant contraction of the US truck market.

Nevertheless, **MS's core business** (Powertrain Technology c. 74% of total sales) **should further develop dynamically** (c.12% sales CAGR 2015-17E) given that:

- **MS should still benefit from a catch-up effect** following the flat development of the Weltmotor unit sales in 2013 (one of Daimlers suppliers had delivery problems causing Daimler to partly assemble third party engines). Daimler US is still seen to equip about 10-20% (eH&A) of the US trucks with third party engines which should be gradually replaced with its own 'Weltmotor' engines helping to partly absorb the market decline.
- **High demand for US after-market services commences:** Service-kits (aluminium frame & bearing blocks) are seen to be routinely replaced in the US after defined driven miles per truck. These **replacements are seen to be sustainable** given that Daimler has now more than 270k trucks on US roads. The sustainable sales potential for MS is seen to be up to € 4.1m (eH&A) p.a. by 2017E (see page 3). EBIT-margins are expected to be on group level. Importantly, the aftermarket production should support high utilisation rates. **-continued-**



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	4.93 / 3.57
Price/Book Ratio:	2.2
Relative performance (SDAX):	
3 months	-5.1 %
6 months	-13.5 %
12 months	-7.2 %

Changes in estimates

		Sales	EBIT	EPS
2015	<i>old:</i>	251.8	11.6	0.19
	Δ	0.0%	0.0%	0.0%
2016	<i>old:</i>	293.1	17.5	0.33
	Δ	-5.2%	-15.2%	-18.3%
2017	<i>old:</i>	322.0	25.2	0.53
	Δ	-8.0%	-28.9%	-32.4%

Key share data:

Number of shares: (in m pcs)	30.0
Authorised capital: (in € m)	9.7
Book value per share: (in €)	1.6
Ø trading volume: (12 months)	52,941

Major shareholders:

Free Float	57.0 %
MS ProActive	20.0 %
Management	10.0 %
Ruffer, LLP	5.0 %
Allianz GI	5.0 %
Dreyer Ventures & Management	3.0 %

Company description:

Supplier of Diesel motor parts and systems for truck OEMs, of electric motors and of welding machines for the automotive and packaging industries.

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	154.3	174.8	179.8	218.5	251.8	278.0	296.2
Sales growth	32 %	13 %	3 %	22 %	15 %	10 %	7 %
EBITDA	20.9	16.3	17.3	21.2	22.6	27.1	31.3
EBIT	9.2	6.0	6.7	9.9	11.6	14.8	17.9
Net income	2.1	2.1	2.0	4.1	5.8	8.2	10.8
Net debt	74.3	81.8	84.9	66.4	67.5	68.4	59.0
Net gearing	218.8 %	237.5 %	237.9 %	158.7 %	141.6 %	122.4 %	88.4 %
Net Debt/EBITDA	3.5	5.0	4.9	3.1	3.0	2.5	1.9
EPS pro forma	0.14	0.09	0.08	0.14	0.19	0.27	0.36
CPS	-0.47	0.03	0.04	-0.04	0.20	0.35	0.44
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	42.5 %	42.2 %	45.7 %	42.1 %	42.1 %	43.7 %	43.3 %
EBITDA margin	13.6 %	9.3 %	9.6 %	9.7 %	9.0 %	9.7 %	10.6 %
EBIT margin	6.0 %	3.4 %	3.7 %	4.5 %	4.6 %	5.3 %	6.1 %
ROCE	7.9 %	4.6 %	5.0 %	7.9 %	9.6 %	11.5 %	12.6 %
EV/sales	1.2	1.1	1.1	0.8	0.7	0.6	0.6
EV/EBITDA	8.6	11.5	11.0	8.2	7.7	6.5	5.3
EV/EBIT	19.7	31.1	28.3	17.5	15.0	11.8	9.3
PER	25.4	40.3	47.4	26.0	18.5	13.1	9.9
Adjusted FCF yield	8.6 %	6.3 %	5.9 %	7.5 %	8.0 %	9.3 %	11.2 %

Source: Company data, Hauck & Aufhäuser Close price as of: 04.02.2016

- **Daimler's 'Weltmotor' is expected to gain further market share** thanks to its value add (reduction of total cost of ownership). Daimler captures c. 38% US market share for the relevant class 8 truck segment according to company data. Hence, if the total market drops by 18% yoy to 270k units as forecasted by ACT's, Daimler would produce 103k heavy trucks in 2016 (eH&A new 105k).

Action: We reduce our estimates to take a more cautious stand with regard to the US truck market development.

Sales: With regard to the US market development, we reduce our total 'Weltmotor' unit sales estimates by 10k and 20k units to 190k and 210k for 2016E and 2017E respectively. The sales decline is partially offset by the introduction of the Aftermarket business (service-kits) with sales contribution of € 3.3m in 2016E and € 4.1m in 2017E.

EBIT: We reduce our 2016E and 2017E EBIT estimates to mainly reflect lower sales related to the US truck market development and diseconomies of scale.

- (1) Lower gross profits of the US Powertrain Technology business assuming enhanced volume driven price concessions as well as higher material input to ramp-up the Aftermarket business.
- (2) Higher capex (additional € 10m in 2016E and € 3m in '17E) and D&A respectively as management looks set to pull forward further growth investments into 2016 which were originally scheduled for 2017 to fulfil growth expectations in Europe and the ramp-up of the Aftermarkets business.
- (3) A slower materialisation of process improvements after the relocation of the production plant. The relocation of the Powertrain Technology business looks set to be completed mid of 2016 according to plan with full effects to become visible in 2017E. However, management considers re-scheduling the relocation of the Ultrasonic Technology business to 2018E (initially planned for H2 2017).

EPS: We reduce our 2016E and 2017E estimates slightly disproportionately due to a somewhat higher tax rate as especially the business in the US continues to increase as % of group result (US income tax rate c. 42%).

We arrive at a new PT of € 6.00 (old € 7.70) based on FCFY 2017E (FCFY 2018E yields a fair value of € 7.60).

Importantly, **our estimates are conservative and do not reflect the following upside potential** (*scenario analysis on page 3*):

- (1) Our US 'Weltmotor' unit sales are based on a FX rate of €/€ 1.15 in 2016 unchanged to 2015, which is in alignment with management planning. Assuming a FX rate of 1.08 would yield additional c. € 6.0m in sales in 2016 & 2017E respectively.
- (2) Our US 'Weltmotor' sales estimates do not consider any meaningful further market share gains of Daimler in 2016. However, Daimler expects to capture a market share (class 8) of at least 40% by 2016E according to the company. Hence, Daimler would produce 108k (eH&A 105k) units implying additional € 2.6m sales compared to our estimates based on an overall market output of 270k units.
- (3) Our sales estimates do not yet consider the potential ramp-up of the Aftermarkets business also in Germany/ Europe (SOP of the 'Weltmotor' was 2011 vs 2007 in the US). This provides solid upside to our sales estimates in the tune of € 4 to 4.5m p.a. from 2017E onwards given that Daimler has more than 200k 'Weltmotor' trucks on German/ European roads already.
- (4) We conservatively only assume margins for the Aftermarket business to be on group level. In general, Aftermarkets business usually carries significantly higher margins compared to the OEM business (e.g. 2x higher at ErlingKlinger, SAF-Holland).
- (5) We have not yet considered any efficiency effects after the relocation of the production plant in Germany e.g. based on simplified logistic processes. We merely assume that margins of the 'Weltmotor' Powertrain Technology in Germany should be at the levels of the US business from 2017E onwards.
- (6) We also do not reflect the upside potential stemming from a possible expansion of Daimler's Weltmotor into other countries nor the introduction of a comparable engine system supplied by a competitor equipped with MS components. The sales upside is seen to be up to € 21m by 2017E (eH&A: total units for China & Brazil c. 25k units).

We confirm our BUY rating with a new PT of € 6.00 based on FCFY 2017E.

Reconciliation of the 'Weltmotor' Powertrain Technology sales

	2015E FY	2016E FY	2017E FY	CAGR 2015-17E
OE Weltmotor Sales (valvetrain with dual camshafts incl service-kit)				
Weltmotor OE units, US	90,000	105,000	110,000	
	<i>in % of total units</i>	55%	55%	52%
Weltmotor OE units, Europe	75,000	85,000	100,000	
	<i>in % of total units</i>	45%	45%	48%
Total Units	165,000	190,000	210,000	
OE Weltmotor Sales Germany (in m €)	56.0	63.3	73.0	
	<i>in % of total units</i>	42%	41%	44%
OE Weltmotor Sales USA (in m €)	78.6	91.7	94.1	
	<i>in % of total units</i>	58%	59%	56%
Total OE Weltmotor Sales (in m €)	134.6	155.0	167.1	
	yoy	28.0%	15.2%	7.8%
Weltmotor Aftermarket Sales (Service-kits: Aluminium frame & bearing block)				
Weltmotor aftermarket units, US	7,300	12,000	15,000	
	<i>in % of total units</i>	4%	6%	7%
Weltmotor aftermarket units, Germany	0	0	0	
	<i>in % of total units</i>	0%	0%	0%
Total Units	7,300	12,000	15,000	
Weltmotor Aftermarkets Sales Germany (in m €)	0.0	0.0	0.0	
	<i>in % of total sales</i>	0%	0%	
Weltmotor Aftermarkets Sales USA (in m €)	2.2	3.3	4.1	
	<i>in % of total sales</i>	100%	100%	
Total Weltmotor Aftermarket Sales (in m €)	2.2	3.3	4.1	
	yoy		22.5%	
Total sales Weltmotor	136.8	158.3	171.2	11.9%
	yoy	30.1%	15.8%	8.1%

Reconciliation of total sales by segments

	2015E FY	2016E FY	2017E FY	CAGR 2015-17E
Divisional Sales				
Daimler Trucks - Weltmotor sales model (price x volume)	136.8	158.3	171.2	9.5%
	<i>in % of total sales</i>	54%	57%	58%
	yoy	30.1%	15.8%	8.1%
Other (e.g. MAN/Scania, MTU, ZF, Liebherr, DAI gearboxes)	48.5	50.0	51.5	3.0%
	<i>in % of total sales</i>	19%	18%	17%
	yoy	2.1%	3.0%	3.0%
Powertrain Technology	185.3	208.3	222.7	9.6%
	<i>in % of total sales</i>	74%	75%	75%
	yoy	21.4%	12.4%	6.9%
Machinery (Automotive sector)	44.7	46.9	48.8	4.5%
	<i>in % of total sales</i>	18%	17%	16%
	yoy	12.0%	5.0%	4.0%
Packaging	3.2	3.4	4.6	19.3%
	<i>in % of total sales</i>	1%	1%	2%
	yoy	3.9%	5.0%	35.6%
Ultrasonic Technology	47.9	50.3	53.4	5.6%
	<i>in % of total sales</i>	19%	18%	18%
	yoy	11.4%	5.0%	6.1%
Elektromotorenwerk Grünhain GmbH (EMGR)	18.6	19.4	20.2	
Sales	251.8	278.0	296.2	8.5%
	yoy	15.3%	10.4%	6.6%

Scenario Analysis

Scenario Analysis

		1	2	3	4	5	6
eH&A 2017E estimates	2017E Upside potential	FX of €/\$ 1.08	Daimler expanding market share to 40% (113k US unit vs 110)	Ramp-up of the Aftermarket business in Europe	Assuming the Aftermarket business carries EBITDA-margins of 15% instead of 8% both in Europe and the US	Efficiency effects after relocation results in 13% EBITDA margin from 2017E onwards	Expansion of additional 25k units to China & Brazil
Sales € 296.2	Incremental sales (m €)	6.4	2.6	4	€ 8m in total (€ 4m US, € 4m Europe)	-	21
EBITDA € 31.3m	Total EBITDA (in m €)	31.8	31.6	31.6	32.5	32.0	33.8
EPS € 0.36	EPS €	0.37	0.36	0.37	0.39	0.38	0.42
PT € 6.0	Implied fair value based on FCFY'17E	€ 6.20	€ 6.10	€ 6.10	€ 6.40	€ 6.30	€ 6.80

Source: Company data; Hauck & Aufhäuser

Reconciliation of EBITDA by segments

Reconciliation to EBITDA by segment	2015E	2016E	2017E	CAGR 2015-17E
Powertrain Technology Weltmotor, US	9.3	10.6	11.3	
EBITDA-margin	11.9%	11.6%	12.0%	
In % of total EBITDA	41%	39%	36%	
Powertrain Technology Weltmotor, Germany	5.8	6.6	8.8	
EBITDA-margin	10.3%	10.4%	12.0%	
In % of total EBITDA	25%	24%	28%	
Powertrain Technology Others incl Aftermarkets (e.g. MAN/Scania, MTU, ZF, Liebherr, DAI gearboxes)	4.0	4.3	4.6	
EBITDA-margin	8.0%	8.0%	8.3%	
In % of total EBITDA	18%	16%	15%	
Powertrain Technology	19.1	21.5	24.7	13.5%
EBITDA-margin	10.3%	10.3%	11.1%	
In % of total EBITDA	85%	79%	79%	
Elektromotorenwerk Grünhain GmbH (EMGR)	1.5	1.6	1.6	4.0%
EBITDA-margin	8.0%	8.0%	8.0%	
In % of total EBITDA	7%	6%	5%	
Machinery (Automotive sector)	3.3	3.4	3.8	
EBITDA-margin	7.3%	7.2%	7.8%	
In % of total EBITDA	14%	12%	12%	
Packaging (Beiersdorf, Unilever, KochPac)	0.6	0.7	1.2	
EBITDA-margin	20.0%	20.0%	25.8%	
In % of total EBITDA	3%	2%	4%	
Ultrasonic Technology	3.9	4.1	5.0	13.0%
EBITDA-margin	8.2%	8.1%	9.3%	
In % of total EBITDA	17%	15%	16%	
Others (one-off costs e.g. as FX & supplier change)	-1.9	0.0	0.0	
EBITDA-margin				
In % of total EBITDA				
Total	22.6	27.1	31.3	17.5%
EBITDA-margin	9.0%	9.7%	10.6%	

Source: Company data; Hauck & Aufhäuser

Profit & loss statement

Profit & loss statement	2015E	2016E	2017E	CAGR 2015-17E
	FY	FY	FY	
Net sales	251.8	278.0	296.2	8.5%
Change in finished goods & work-in-process; own work capacity	0.0	0.0	0.0	
in % of sales	0.0%	0.0%	0.0%	
Total sales	251.8	278.0	296.2	
Other operating income	4.0	4.0	4.0	
in % of sales	1.6%	1.4%	1.4%	
Total output	255.8	282.0	300.2	
in % of sales	101.6%	101.4%	101.4%	
Material expenses	145.8	156.5	167.9	
in % of sales	57.9%	56.3%	56.7%	
Gross profit	106.0	121.5	128.3	
Gross profit margin	42.1%	43.7%	43.3%	
Personnel expenses	54.9	59.5	62.5	
in % of sales	21.8%	21.4%	21.1%	
Other operating expenses	32.5	38.9	38.5	
in % of sales	12.9%	14.0%	13.0%	
EBITDA	22.6	27.1	31.3	17.5%
EBITDA margin	9.0%	9.7%	10.6%	
yoy	6.8%	19.6%	15.4%	
D&A	11.0	12.2	13.3	
in % of sales	4.4%	4.4%	4.5%	
thereof PPA amortisations	1.8	0.5	0.0	
EBIT	11.6	14.8	17.9	
EBIT margin	4.6%	5.3%	6.1%	
Financial result	-3.6	-3.0	-2.0	
in % of sales	-1.4%	-1.1%	-0.7%	
EBT	8.0	11.8	15.9	40.8%
EBT margin	3.2%	4.3%	5.4%	
yoy	44.2%	47.4%	34.5%	
Income tax	2.2	3.7	5.1	
Tax rate	28.0%	31.0%	32.0%	
Net profit	5.8	8.2	10.8	
Net profit margin	2.3%	2.9%	3.7%	
No. of shares	30.0	30.0	30.0	
EPS	0.19	0.27	0.36	36.8%
yoy	39.4%	41.3%	32.5%	

Source: Company data; Hauck & Aufhäuser

Financials

Profit and loss (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Net sales	154.3	174.8	179.8	218.5	251.8	278.0	296.2
<i>Sales growth</i>	32.2 %	13.3 %	2.8 %	21.5 %	15.3 %	10.4 %	6.6 %
Increase/decrease in finished goods and work-in-process	0.9	-0.6	2.3	1.8	0.0	0.0	0.0
Total sales	155.2	174.3	182.1	220.2	251.8	278.0	296.2
Other operating income	10.9	6.4	4.5	4.5	4.0	4.0	4.0
Material expenses	89.2	100.7	98.9	127.4	145.8	156.5	167.9
Personnel expenses	33.2	38.0	42.1	47.7	54.9	59.5	62.5
Other operating expenses	22.8	25.8	28.3	28.4	32.5	38.9	38.5
Total operating expenses	134.3	158.0	164.8	199.0	229.2	250.9	265.0
EBITDA	20.9	16.3	17.3	21.2	22.6	27.1	31.3
Depreciation	7.5	7.4	7.8	9.3	9.0	11.5	13.1
EBITA	13.5	8.9	9.4	11.9	13.6	15.5	18.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.3	2.3	2.5	2.0	2.0	0.7	0.2
Impairment charges	2.0	0.5	0.3	0.0	0.0	0.0	0.0
EBIT	9.2	6.0	6.7	9.9	11.6	14.8	17.9
Interest income	0.1	1.4	0.3	0.3	0.0	0.0	0.0
Interest expenses	7.5	6.7	4.6	4.6	3.6	3.0	2.0
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-7.4	-5.3	-4.3	-4.3	-3.6	-3.0	-2.0
Recurring pretax income from continuing operations	1.8	0.7	2.4	5.6	8.0	11.8	15.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	1.8	0.7	2.4	5.6	8.0	11.8	15.9
Taxes	-0.4	-1.3	0.2	1.4	2.2	3.7	5.1
Net income from continuing operations	2.2	2.1	2.3	4.1	5.8	8.2	10.8
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	2.2	2.1	2.3	4.1	5.8	8.2	10.8
Minority interest	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Net income (net of minority interest)	2.1	2.1	2.0	4.1	5.8	8.2	10.8
Average number of shares	28.9	29.3	29.5	30.0	30.0	30.0	30.0
EPS reported	0.07	0.07	0.07	0.14	0.19	0.27	0.36

Profit and loss (common size)	2011	2012	2013	2014	2015E	2016E	2017E
Net sales	100.0 %						
Increase/decrease in finished goods and work-in-process	0.6 %	-0.3 %	1.3 %	0.8 %	0.0 %	0.0 %	0.0 %
Total sales	100.6 %	99.7 %	101.3 %	100.8 %	100.0 %	100.0 %	100.0 %
Other operating income	7.1 %	3.7 %	2.5 %	2.1 %	1.6 %	1.4 %	1.4 %
Material expenses	57.8 %	57.6 %	55.0 %	58.3 %	57.9 %	56.3 %	56.7 %
Personnel expenses	21.5 %	21.7 %	23.4 %	21.8 %	21.8 %	21.4 %	21.1 %
Other operating expenses	14.8 %	14.8 %	15.7 %	13.0 %	12.9 %	14.0 %	13.0 %
Total operating expenses	87.0 %	90.4 %	91.7 %	91.1 %	91.0 %	90.3 %	89.4 %
EBITDA	13.6 %	9.3 %	9.6 %	9.7 %	9.0 %	9.7 %	10.6 %
Depreciation	4.8 %	4.3 %	4.4 %	4.3 %	3.6 %	4.1 %	4.4 %
EBITA	8.7 %	5.1 %	5.2 %	5.5 %	5.4 %	5.6 %	6.1 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.5 %	1.3 %	1.4 %	0.9 %	0.8 %	0.3 %	0.1 %
Impairment charges	1.3 %	0.3 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	6.0 %	3.4 %	3.7 %	4.5 %	4.6 %	5.3 %	6.1 %
Interest income	0.1 %	0.8 %	0.2 %	0.1 %	0.0 %	0.0 %	0.0 %
Interest expenses	4.9 %	3.8 %	2.5 %	2.1 %	1.4 %	1.1 %	0.7 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-4.8 %	-3.0 %	-2.4 %	-2.0 %	-1.4 %	-1.1 %	-0.7 %
Recurring pretax income from continuing operations	1.2 %	0.4 %	1.4 %	2.6 %	3.2 %	4.3 %	5.4 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	1.2 %	0.4 %	1.4 %	2.6 %	3.2 %	4.3 %	5.4 %
Tax rate	-20.4 %	-177.6 %	6.5 %	25.8 %	28.0 %	31.0 %	32.0 %
Net income from continuing operations	1.4 %	1.2 %	1.3 %	1.9 %	2.3 %	2.9 %	3.7 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	1.4 %	1.2 %	1.3 %	1.9 %	2.3 %	2.9 %	3.7 %
Minority interest	0.0 %	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income (net of minority interest)	1.4 %	1.2 %	1.1 %	1.9 %	2.3 %	2.9 %	3.7 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Intangible assets	9.6	7.7	6.2	4.6	2.6	1.9	1.7
Property, plant and equipment	52.9	63.1	61.8	48.4	54.4	62.9	62.7
Financial assets	11.1	14.3	23.2	16.1	16.1	16.1	16.1
FIXED ASSETS	73.5	85.1	91.1	69.1	73.1	80.9	80.5
Inventories	25.6	23.7	28.4	31.8	36.6	40.3	42.9
Accounts receivable	21.8	22.7	23.1	27.0	29.7	30.5	32.5
Other current assets	16.1	10.4	8.5	6.1	6.1	6.1	6.1
Liquid assets	5.1	10.5	3.6	3.5	4.3	2.4	21.8
Deferred taxes	0.2	1.0	0.6	0.9	0.9	0.9	0.9
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	68.7	68.2	64.3	69.2	77.6	80.1	104.1
TOTAL ASSETS	142.2	153.3	155.5	138.3	150.7	161.0	184.7
SHAREHOLDERS EQUITY	34.0	34.4	35.7	41.8	47.7	55.9	66.7
MINORITY INTEREST	1.5	1.3	0.9	0.0	0.0	0.0	0.0
Long-term debt	59.1	76.0	74.9	59.2	61.2	50.1	52.1
Provisions for pensions and similar obligations	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	6.2	7.0	9.1	5.8	5.8	5.8	5.8
Non-current liabilities	68.5	83.0	84.0	64.9	66.9	55.8	57.8
short-term liabilities to banks	20.2	16.2	13.6	10.7	10.7	20.7	28.7
Accounts payable	11.1	10.3	14.2	11.3	15.9	19.0	21.9
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	3.7	6.5	5.9	8.2	8.2	8.2	8.2
Deferred taxes	3.3	1.6	1.1	1.3	1.3	1.3	1.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	38.3	34.6	34.9	31.5	36.1	49.3	60.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	142.2	153.3	155.5	138.3	150.7	161.0	184.7

Balance sheet (common size)	2011	2012	2013	2014	2015E	2016E	2017E
Intangible assets	6.7 %	5.0 %	4.0 %	3.3 %	1.7 %	1.2 %	0.9 %
Property, plant and equipment	37.2 %	41.2 %	39.7 %	35.0 %	36.1 %	39.1 %	34.0 %
Financial assets	7.8 %	9.3 %	14.9 %	11.6 %	10.7 %	10.0 %	8.7 %
FIXED ASSETS	51.7 %	55.5 %	58.6 %	50.0 %	48.5 %	50.2 %	43.6 %
Inventories	18.0 %	15.5 %	18.3 %	23.0 %	24.3 %	25.0 %	23.2 %
Accounts receivable	15.3 %	14.8 %	14.9 %	19.5 %	19.7 %	18.9 %	17.6 %
Other current assets	11.3 %	6.8 %	5.5 %	4.4 %	4.0 %	3.8 %	3.3 %
Liquid assets	3.6 %	6.8 %	2.3 %	2.5 %	2.9 %	1.5 %	11.8 %
Deferred taxes	0.2 %	0.6 %	0.4 %	0.6 %	0.6 %	0.5 %	0.5 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	48.3 %	44.5 %	41.4 %	50.0 %	51.5 %	49.8 %	56.4 %
TOTAL ASSETS	100.0 %						
SHAREHOLDERS EQUITY	23.9 %	22.5 %	23.0 %	30.3 %	31.6 %	34.7 %	36.1 %
MINORITY INTEREST	1.0 %	0.8 %	0.6 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	41.6 %	49.6 %	48.2 %	42.8 %	40.6 %	31.1 %	28.2 %
Provisions for pensions and similar obligations	2.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	4.4 %	4.6 %	5.8 %	4.2 %	3.8 %	3.6 %	3.1 %
Non-current liabilities	48.2 %	54.1 %	54.0 %	47.0 %	44.4 %	34.7 %	31.3 %
short-term liabilities to banks	14.2 %	10.6 %	8.8 %	7.7 %	7.1 %	12.8 %	15.5 %
Accounts payable	7.8 %	6.7 %	9.1 %	8.2 %	10.5 %	11.8 %	11.9 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	2.6 %	4.3 %	3.8 %	5.9 %	5.4 %	5.1 %	4.4 %
Deferred taxes	2.3 %	1.0 %	0.7 %	1.0 %	0.9 %	0.8 %	0.7 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	26.9 %	22.6 %	22.4 %	22.8 %	23.9 %	30.6 %	32.6 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %						

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Net profit/loss	2.2	2.1	2.3	4.1	5.8	8.2	10.8
Depreciation of fixed assets (incl. leases)	7.5	7.4	7.8	9.3	9.0	11.5	13.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.3	2.3	2.5	2.0	2.0	0.7	0.2
Others	-1.0	-1.0	0.3	-1.7	0.0	0.0	0.0
Cash flow from operations before changes in w/c	10.9	10.8	12.9	13.7	16.8	20.4	24.2
Increase/decrease in inventory	-11.4	-0.7	-2.9	-3.4	-4.9	-3.7	-2.6
Increase/decrease in accounts receivable	0.0	0.0	0.0	-3.9	-2.7	-0.8	-2.0
Increase/decrease in accounts payable	-6.7	-2.5	-1.8	0.4	4.6	3.2	2.9
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-18.0	-3.3	-4.6	-6.9	-2.9	-1.3	-1.8
Cash flow from operating activities	-7.1	7.6	8.2	6.8	13.8	19.1	22.4
CAPEX	11.0	17.2	7.5	5.6	15.0	20.0	13.0
Payments for acquisitions	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Financial investments	0.0	0.0	4.3	0.1	0.0	0.0	0.0
Income from asset disposals	3.7	1.4	0.5	5.2	0.0	0.0	0.0
Cash flow from investing activities	-7.3	-15.9	-11.3	-0.4	-15.0	-20.0	-13.0
Cash flow before financing	-14.5	-8.4	-3.0	6.4	-1.2	-0.9	9.4
Increase/decrease in debt position	13.7	14.2	-3.7	-6.6	2.0	-1.1	10.0
Purchase of own shares	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.9	-0.1	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.4	-0.1	0.1	0.0	0.0	0.0
Cash flow from financing activities	12.5	14.1	-3.7	-6.6	2.0	-1.1	10.0
Increase/decrease in liquid assets	-2.0	5.4	-6.8	-0.1	0.8	-2.0	19.4
Liquid assets at end of period	5.1	10.5	3.6	3.5	4.4	2.4	21.8

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Domestic	78.3	88.0	96.2	0.0	0.0	0.0	0.0
yoy change	7.4 %	12.3 %	9.3 %	n/a	n/a	n/a	n/a
Rest of Europe	15.5	9.4	11.4	0.0	0.0	0.0	0.0
yoy change	185.6 %	-39.4 %	20.6 %	n/a	n/a	n/a	n/a
NAFTA	55.7	74.1	66.1	0.0	0.0	0.0	0.0
yoy change	58.1 %	33.1 %	-10.8 %	n/a	n/a	n/a	n/a
Asia Pacific	0.1	0.9	0.2	0.0	0.0	0.0	0.0
yoy change	-45.8 %	796.2 %	-76.0 %	n/a	n/a	n/a	n/a
Rest of world	4.6	2.4	5.9	0.0	0.0	0.0	0.0
yoy change	61.4 %	-48.0 %	143.2 %	n/a	n/a	n/a	n/a
TTL	154.3	174.8	179.8	0.0	0.0	0.0	0.0
yoy change	32.2 %	13.3 %	2.8 %	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
P&L growth analysis							
Sales growth	32.2 %	13.3 %	2.8 %	21.5 %	15.3 %	10.4 %	6.6 %
EBITDA growth	31.6 %	-22.2 %	6.1 %	22.7 %	6.8 %	19.6 %	15.4 %
EBIT growth	63.4 %	-34.4 %	11.8 %	47.3 %	17.4 %	27.6 %	20.8 %
EPS growth	138.2 %	-1.8 %	-2.1 %	96.6 %	40.1 %	41.3 %	32.5 %
Efficiency							
Total operating costs / sales	87.0 %	90.4 %	91.7 %	91.1 %	91.0 %	90.3 %	89.4 %
Sales per employee	208.2	177.5	173.9	203.8	225.3	243.0	258.9
EBITDA per employee	28.3	16.5	16.7	19.8	20.3	23.7	27.3
Balance sheet analysis							
Avg. working capital / sales	20.8 %	20.7 %	20.4 %	19.4 %	19.4 %	18.4 %	17.8 %
Inventory turnover (sales/inventory)	6.0	7.4	6.3	6.9	6.9	6.9	6.9
Trade debtors in days of sales	51.6	47.4	46.9	45.1	43.0	40.0	40.0
A/P turnover [(A/P*365)/sales]	26.3	21.5	28.8	18.9	23.0	25.0	27.0
Cash conversion cycle (days)	110.8	96.1	99.4	103.8	95.0	89.6	85.7
Cash flow analysis							
Free cash flow	-18.2	-9.7	0.7	1.2	-1.2	-0.9	9.4
Free cash flow/sales	-11.8 %	-5.5 %	0.4 %	0.5 %	-0.5 %	-0.3 %	3.2 %
FCF / net profit	-862.2 %	-463.6 %	35.3 %	28.7 %	-20.0 %	-10.8 %	86.7 %
Capex / depre	113.1 %	176.9 %	114.6 %	50.7 %	136.4 %	163.5 %	97.5 %
Capex / maintenance capex	170.5 %	272.7 %	113.0 %	71.4 %	194.8 %	233.6 %	139.3 %
Capex / sales	7.2 %	9.9 %	6.6 %	2.6 %	6.0 %	7.2 %	4.4 %
Security							
Net debt	74.3	81.8	84.9	66.4	67.5	68.4	59.0
Net Debt/EBITDA	3.5	5.0	4.9	3.1	3.0	2.5	1.9
Net debt / equity	2.2	2.4	2.4	1.6	1.4	1.2	0.9
Interest cover	1.2	0.9	1.5	2.2	3.2	4.9	9.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation							
Capital employed turnover	1.2	1.3	1.3	1.9	2.0	2.1	1.9
Operating assets turnover	1.7	1.8	1.8	2.3	2.4	2.4	2.5
Plant turnover	2.9	2.8	2.9	4.5	4.6	4.4	4.7
Inventory turnover (sales/inventory)	6.0	7.4	6.3	6.9	6.9	6.9	6.9
Returns							
ROCE	7.9 %	4.6 %	5.0 %	7.9 %	9.6 %	11.5 %	12.6 %
ROE	6.2 %	6.1 %	5.5 %	9.9 %	12.1 %	14.6 %	16.2 %
Other							
Interest paid / avg. debt	11.1 %	7.8 %	5.1 %	5.8 %	5.1 %	4.2 %	2.6 %
No. employees (average)	741	985	1034	1072	1118	1144	1144
Number of shares	28.9	29.3	29.5	30.0	30.0	30.0	30.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.07	0.07	0.07	0.14	0.19	0.27	0.36
Valuation ratios							
P/BV	3.0	3.0	3.0	2.6	2.2	1.9	1.6
EV/sales	1.2	1.1	1.1	0.8	0.7	0.6	0.6
EV/EBITDA	8.6	11.5	11.0	8.2	7.7	6.5	5.3
EV/EBITA	13.4	21.1	20.2	14.6	12.8	11.3	9.2
EV/EBIT	19.7	31.1	28.3	17.5	15.0	11.8	9.3
EV/FCF	-10.0	-19.3	273.0	146.7	-151.2	-198.7	17.7
Adjusted FCF yield	8.6 %	6.3 %	5.9 %	7.5 %	8.0 %	9.3 %	11.2 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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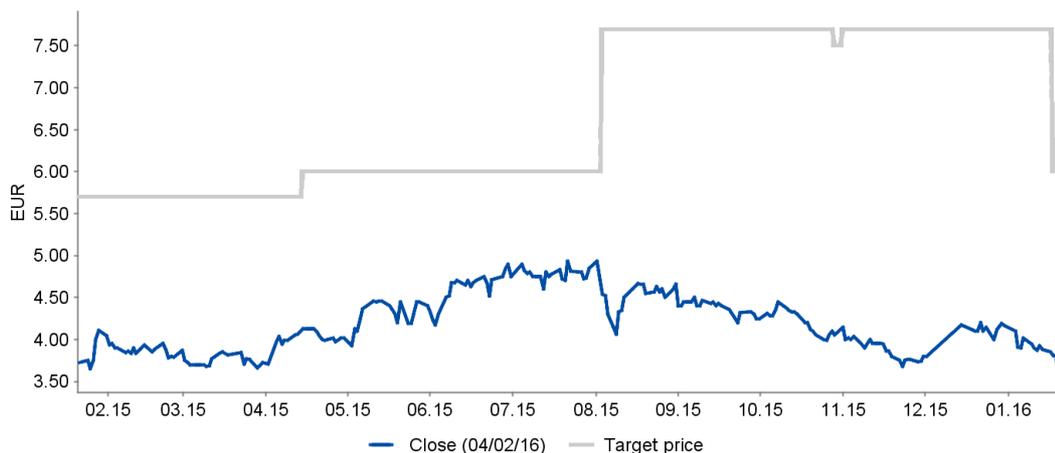
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Company	Disclosure
MS Industrie AG	5

Historical target price and rating changes for MS Industrie AG in the last 12 months

Price and Rating History
MS Industrie AG as of 05/02/16

Initiation coverage
12-March-13



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