

**Buy** (old: Buy)

**Price target: EUR 3.50** (old: EUR 4.00)

<b>Price:</b>	EUR 2.24	<b>Next result:</b>	Q4 n/a
<b>Bloomberg:</b>	MSAG GR	<b>Market cap:</b>	EUR 67.2 m
<b>Reuters:</b>	MSAG.DE	<b>Enterprise Value:</b>	EUR 132.7 m

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**Christian Glowa**  
Analyst

christian.glowa@ha-research.de  
Tel.: +49 40 414 3885 95

### Weak Q3 figures – outlook reduced / chg. in est & PT

MS Industrie reported **lacklustre Q3 results which came in below our estimates**. Q3 results were subdued even stronger than expected by Daimler's temporary US plant closure reacting to the sustained sluggish truck market development (-30% yoy to 203k vehicles in 2016E accord. to ACT). As a result, **management again reduced its FY16E sales guidance now targeting adj. sales of about € 240m** (prev. € 255m; eH&A old € 252m) while all relevant adj. earnings figures should be down significantly yoy (prev. slightly down).

**Q3 adj. sales declined by 9% yoy to € 58.5m** (eH&A € 65m) mainly due to the muted development of the Powertrain Technology business in the US (c. 40% of total Weltmotor unit sales). This could not be offset by the core business in Europe (c. 60% of total units sales) which should have further benefitted from the ongoing release of pent-up demand (EU heavy trucks +14.1% yoy after 9M 2016).

**Q3 adj. EBIT declined sharply by c. 67% yoy to € 1.5m** (eH&A € 2m) driven by (1) diseconomies of scale following Daimler's US plant closure and (2) an elevated level of fixed costs in Germany after the relocation of the production plant. Positively, the weaker utilisation in the US is seen to be only temporary as we expect MS to adjust its headcount (mainly temps) respectively (no major one-offs expected). Moreover, inefficiencies in Germany should dissolve in the course of 2017E thanks to a streamlined production set-up combined with a higher degree of automation unlocking operating leverage.

**Action:** We reduce our estimates for 2016E reflecting a weaker than expected US truck market business and diseconomies of scale respectively. For 2017E and subsequent years we also cut our estimates reflecting a lower base in the US. Moreover, to take a conservative stance we factor in a somewhat softer growth of the European truck market (eH&A +5% yoy) for 2017E, which leads to an overall broadly flat top line development of the Powertrain Technology business in 2017E. To compare, markets experts (LMC) are more optimistic regarding the European truck market development expecting 9% yoy growth to 472k units in 2017E.

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Y/E 31.12 (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	174.8	179.8	218.5	274.4	242.3	244.5	256.0
Sales growth	13 %	3 %	22 %	26 %	-12 %	1 %	5 %
EBITDA	16.3	17.3	21.2	21.0	20.0	21.8	24.5
EBIT	6.0	6.7	9.9	9.1	8.6	11.0	13.3
Net income	2.1	2.0	4.1	3.5	3.9	6.1	7.6
Net debt	81.8	84.9	66.4	58.8	63.9	58.7	53.2
Net gearing	237.5 %	237.9 %	158.7 %	124.6 %	127.7 %	115.9 %	91.4 %
Net Debt/EBITDA	5.0	4.9	3.1	2.8	3.2	2.7	2.2
EPS pro forma	0.09	0.08	0.14	0.12	0.13	0.20	0.25
CPS	0.03	0.04	-0.04	0.46	0.20	0.29	0.29
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.08
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	3.4 %
Gross profit margin	42.2 %	45.7 %	42.1 %	39.1 %	41.9 %	42.2 %	42.8 %
EBITDA margin	9.3 %	9.6 %	9.7 %	7.7 %	8.3 %	8.9 %	9.6 %
EBIT margin	3.4 %	3.7 %	4.5 %	3.3 %	3.6 %	4.5 %	5.2 %
ROCE	4.6 %	5.0 %	7.9 %	7.6 %	6.8 %	8.5 %	10.1 %
EV/sales	0.8	0.8	0.6	0.5	0.5	0.5	0.5
EV/EBITDA	9.1	8.7	6.3	6.1	6.6	5.9	5.0
EV/EBIT	24.6	22.4	13.5	14.0	15.4	11.6	9.2
PER	25.3	29.7	16.3	19.4	17.3	11.0	8.9
Adjusted FCF yield	8.1 %	7.7 %	10.1 %	8.7 %	8.7 %	10.0 %	12.0 %

Source: Company data, Hauck & Aufhäuser Close price as of: 15.11.2016



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 4.20 / 2.24

**Price/Book Ratio:** 1.3

**Relative performance (SDAX):**

3 months -24.5 %

6 months -30.3 %

12 months -49.9 %

#### Changes in estimates

		Sales	EBIT	EPS
2016	old:	251.5	9.5	0.15
	Δ	-3.7%	-9.3%	-13.6%
2017	old:	259.8	12.8	0.25
	Δ	-5.9%	-14.5%	-17.2%
2018	old:	271.0	14.5	0.28
	Δ	-5.5%	-8.3%	-9.6%

#### Key share data:

Number of shares: (in m pcs) 30.0

Authorised capital: (in € m) 9.7

Book value per share: (in €) 1.7

Ø trading volume: (12 months) 52,941

#### Major shareholders:

Free Float 57.0 %

MS ProActive 20.0 %

Andreas Aufschneider 6.2 %

Universal-Investment GmbH 5.0 %

AGI 4.5 %

Bennjamin Mayer 3.3 %

#### 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.

Importantly, **MS business case is essentially intact and we expect MS to further benefit from its structural growth drivers:**

- Daimler started to launch the 'Weltmotor' in 2007 (2k units), **targeting sustainable unit sales of 200-250k p.a. by 2020** (eH&A 147k in 2016E). The Weltmotor engine has at least an estimated lifetime of about 20 years before the launch of a new engine generation. Hence, the **Weltmotor is still in the market entry/ ramp-up period**. That being said, **the ramp-up is fully on track** despite the two outliers in 2014 (Start of EURO 6) and 2016E (overall contracting US market). Accordingly, **MS should continue to benefit from structural growth** which should become fully visible by 2018 when the headwinds from the US market are seen to dissolve. **This assumption is in-line with Daimler's** expecting an increase in new registrations, and thus higher units numbers, from 2018E at the latest (eH&A *unit forecast see the overview below*).
- Moreover, sales growth should be supported by the launch of a new welding machine in Q4 2016 allowing MS to increasingly benefit from (1) cross selling opportunities as well as (2) a positive product mix effect (the Ultrasonic business and components business is seen to carry an EBITDA-margin > 20% vs 9.0% on group level).

**Valuation looks attractive** even on reduced estimates trading only at 11x PER 2017E. **The stock remains a BUY with a new PT of € 3.50** (old € 4.00) **conservatively based on FCFY 2017E.**

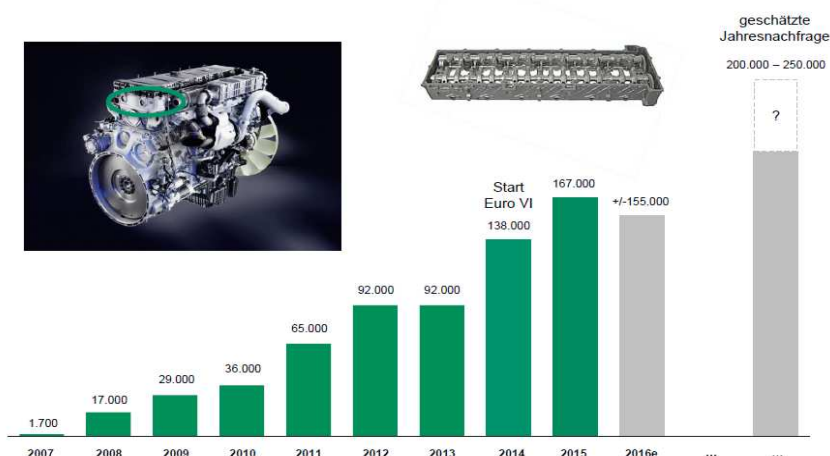
MS Industrie underlying key figures (EUR m)	Q3 2016	Q3 2015	yoy
Adj. Sales	58.5	64.2	-8.9%
Adj. EBITDA	4.6	7.4	-37.8%
Adj. EBITDA-margin	7.9%	11.5%	-3.7 pp
Adj. EBIT	1.5	4.6	-67.4%
Adj. EBIT-margin	2.6%	7.2%	-4.6 pp
Adj. EPS	0.06	0.08	-17.4%

Source: Company data; Hauck & Aufhäuser

Powertrain unit sales by region	2015	2016E	2017E	2018E
Powertrain unit sales USA	90,000	57,000	51,300	53,865
yoy		-36.7%	-10.0%	5.0%
Powertrain unit sales EU	75,000	90,000	94,500	102,060
yoy		20.0%	5.0%	8.0%
<b>Total Powertrain units sales</b>	<b>165,000</b>	<b>147,000</b>	<b>145,800</b>	<b>155,925</b>
yoy		-10.9%	-0.8%	6.9%

Source: Company data; Hauck & Aufhäuser

**Development Weltmotor unit sales targeting sustainable sales of 200-250k units p.a.**



Source: Company data; Hauck & Aufhäuser

## Financials

Profit and loss (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net sales</b>	<b>174.8</b>	<b>179.8</b>	<b>218.5</b>	<b>274.4</b>	<b>242.3</b>	<b>244.5</b>	<b>256.0</b>
<i>Sales growth</i>	13.3 %	2.8 %	21.5 %	25.6 %	-11.7 %	0.9 %	4.7 %
Increase/decrease in finished goods and work-in-process	-0.6	2.3	1.8	2.6	0.0	0.0	0.0
<b>Total sales</b>	<b>174.3</b>	<b>182.1</b>	<b>220.2</b>	<b>277.1</b>	<b>242.3</b>	<b>244.5</b>	<b>256.0</b>
Other operating income	6.4	4.5	4.5	4.7	4.0	4.0	4.0
Material expenses	100.7	98.9	127.4	168.8	140.8	141.3	146.4
Personnel expenses	38.0	42.1	47.7	56.2	53.3	54.0	56.3
Other operating expenses	25.8	28.3	28.4	35.7	32.2	31.4	32.8
Total operating expenses	158.0	164.8	199.0	256.0	222.2	222.8	231.5
<b>EBITDA</b>	<b>16.3</b>	<b>17.3</b>	<b>21.2</b>	<b>21.0</b>	<b>20.0</b>	<b>21.8</b>	<b>24.5</b>
Depreciation	7.4	7.8	9.3	9.9	10.7	10.6	11.0
<b>EBITA</b>	<b>8.9</b>	<b>9.4</b>	<b>11.9</b>	<b>11.1</b>	<b>9.3</b>	<b>11.2</b>	<b>13.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.3	2.5	2.0	2.0	0.7	0.2	0.2
Impairment charges	0.5	0.3	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>6.0</b>	<b>6.7</b>	<b>9.9</b>	<b>9.1</b>	<b>8.6</b>	<b>11.0</b>	<b>13.3</b>
Interest income	1.4	0.3	0.3	1.0	0.0	0.0	0.0
Interest expenses	6.7	4.6	4.6	3.8	3.0	2.0	2.0
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-5.3	-4.3	-4.3	-2.8	-3.0	-2.0	-2.0
<b>Recurring pretax income from continuing operations</b>	<b>0.7</b>	<b>2.4</b>	<b>5.6</b>	<b>6.3</b>	<b>5.6</b>	<b>9.0</b>	<b>11.3</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>0.7</b>	<b>2.4</b>	<b>5.6</b>	<b>6.3</b>	<b>5.6</b>	<b>9.0</b>	<b>11.3</b>
Taxes	-1.3	0.2	1.4	2.9	1.7	2.9	3.7
<b>Net income from continuing operations</b>	<b>2.1</b>	<b>2.3</b>	<b>4.1</b>	<b>3.4</b>	<b>3.9</b>	<b>6.1</b>	<b>7.6</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>2.1</b>	<b>2.3</b>	<b>4.1</b>	<b>3.4</b>	<b>3.9</b>	<b>6.1</b>	<b>7.6</b>
Minority interest	0.0	0.3	0.0	0.0	0.0	0.0	0.0
<b>Net income (net of minority interest)</b>	<b>2.1</b>	<b>2.0</b>	<b>4.1</b>	<b>3.5</b>	<b>3.9</b>	<b>6.1</b>	<b>7.6</b>
Average number of shares	29.3	29.5	30.0	30.0	30.0	30.0	30.0
<b>EPS reported</b>	<b>0.07</b>	<b>0.07</b>	<b>0.14</b>	<b>0.12</b>	<b>0.13</b>	<b>0.20</b>	<b>0.25</b>

Profit and loss (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Increase/decrease in finished goods and work-in-process	-0.3 %	1.3 %	0.8 %	1.0 %	0.0 %	0.0 %	0.0 %
<b>Total sales</b>	<b>99.7 %</b>	<b>101.3 %</b>	<b>100.8 %</b>	<b>101.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Other operating income	3.7 %	2.5 %	2.1 %	1.7 %	1.7 %	1.6 %	1.6 %
Material expenses	57.6 %	55.0 %	58.3 %	61.5 %	58.1 %	57.8 %	57.2 %
Personnel expenses	21.7 %	23.4 %	21.8 %	20.5 %	22.0 %	22.1 %	22.0 %
Other operating expenses	14.8 %	15.7 %	13.0 %	13.0 %	13.3 %	12.8 %	12.8 %
Total operating expenses	90.4 %	91.7 %	91.1 %	93.3 %	91.7 %	91.1 %	90.4 %
<b>EBITDA</b>	<b>9.3 %</b>	<b>9.6 %</b>	<b>9.7 %</b>	<b>7.7 %</b>	<b>8.3 %</b>	<b>8.9 %</b>	<b>9.6 %</b>
Depreciation	4.3 %	4.4 %	4.3 %	3.6 %	4.4 %	4.3 %	4.3 %
<b>EBITA</b>	<b>5.1 %</b>	<b>5.2 %</b>	<b>5.5 %</b>	<b>4.0 %</b>	<b>3.8 %</b>	<b>4.6 %</b>	<b>5.3 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.3 %	1.4 %	0.9 %	0.7 %	0.3 %	0.1 %	0.1 %
Impairment charges	0.3 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>3.4 %</b>	<b>3.7 %</b>	<b>4.5 %</b>	<b>3.3 %</b>	<b>3.6 %</b>	<b>4.5 %</b>	<b>5.2 %</b>
Interest income	0.8 %	0.2 %	0.1 %	0.4 %	0.0 %	0.0 %	0.0 %
Interest expenses	3.8 %	2.5 %	2.1 %	1.4 %	1.2 %	0.8 %	0.8 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-3.0 %	-2.4 %	-2.0 %	-1.0 %	-1.2 %	-0.8 %	-0.8 %
<b>Recurring pretax income from continuing operations</b>	<b>0.4 %</b>	<b>1.4 %</b>	<b>2.6 %</b>	<b>2.3 %</b>	<b>2.3 %</b>	<b>3.7 %</b>	<b>4.4 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>0.4 %</b>	<b>1.4 %</b>	<b>2.6 %</b>	<b>2.3 %</b>	<b>2.3 %</b>	<b>3.7 %</b>	<b>4.4 %</b>
Tax rate	-177.6 %	6.5 %	25.8 %	45.3 %	31.0 %	32.0 %	33.0 %
<b>Net income from continuing operations</b>	<b>1.2 %</b>	<b>1.3 %</b>	<b>1.9 %</b>	<b>1.3 %</b>	<b>1.6 %</b>	<b>2.5 %</b>	<b>3.0 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>1.2 %</b>	<b>1.3 %</b>	<b>1.9 %</b>	<b>1.3 %</b>	<b>1.6 %</b>	<b>2.5 %</b>	<b>3.0 %</b>
Minority interest	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income (net of minority interest)</b>	<b>1.2 %</b>	<b>1.1 %</b>	<b>1.9 %</b>	<b>1.3 %</b>	<b>1.6 %</b>	<b>2.5 %</b>	<b>3.0 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>7.7</b>	<b>6.2</b>	<b>4.6</b>	<b>4.2</b>	<b>3.5</b>	<b>3.3</b>	<b>3.1</b>
Property, plant and equipment	63.1	61.8	48.4	58.4	65.7	57.5	57.5
Financial assets	14.3	23.2	16.1	14.4	14.4	14.4	14.4
<b>FIXED ASSETS</b>	<b>85.1</b>	<b>91.1</b>	<b>69.1</b>	<b>77.0</b>	<b>83.6</b>	<b>75.2</b>	<b>75.0</b>
Inventories	23.7	28.4	31.8	39.8	37.9	39.4	41.3
Accounts receivable	22.7	23.1	27.0	25.5	26.5	26.8	28.1
Other current assets	10.4	8.5	6.1	4.2	4.2	7.3	7.3
Liquid assets	10.5	3.6	3.5	2.4	3.5	5.2	10.7
Deferred taxes	1.0	0.6	0.9	0.8	0.8	0.8	0.8
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>68.2</b>	<b>64.3</b>	<b>69.2</b>	<b>72.6</b>	<b>72.9</b>	<b>79.5</b>	<b>88.1</b>
<b>TOTAL ASSETS</b>	<b>153.3</b>	<b>155.5</b>	<b>138.3</b>	<b>149.6</b>	<b>156.4</b>	<b>154.7</b>	<b>163.1</b>
SHAREHOLDERS EQUITY	34.4	35.7	41.8	47.2	50.1	50.7	58.2
MINORITY INTEREST	1.3	0.9	0.0	0.0	0.0	0.0	0.0
Long-term debt	76.0	74.9	59.2	52.0	46.2	48.2	48.2
Provisions for pensions and similar obligations	0.0	0.0	0.0	1.6	1.6	1.6	1.6
Other provisions	7.0	9.1	5.8	11.4	11.4	11.4	11.4
<b>Non-current liabilities</b>	<b>83.0</b>	<b>84.0</b>	<b>64.9</b>	<b>64.9</b>	<b>59.2</b>	<b>61.2</b>	<b>61.2</b>
short-term liabilities to banks	16.2	13.6	10.7	9.2	21.2	15.7	15.7
Accounts payable	10.3	14.2	11.3	19.1	16.9	18.1	18.9
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)	6.5	5.9	8.2	6.4	6.4	6.4	6.4
Deferred taxes	1.6	1.1	1.3	2.7	2.7	2.7	2.7
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>34.6</b>	<b>34.9</b>	<b>31.5</b>	<b>37.4</b>	<b>47.2</b>	<b>42.9</b>	<b>43.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>153.3</b>	<b>155.5</b>	<b>138.3</b>	<b>149.6</b>	<b>156.4</b>	<b>154.7</b>	<b>163.1</b>

Balance sheet (common size)	2012	2013	2014	2015	2016E	2017E	2018E
<b>Intangible assets</b>	<b>5.0 %</b>	<b>4.0 %</b>	<b>3.3 %</b>	<b>2.8 %</b>	<b>2.2 %</b>	<b>2.1 %</b>	<b>1.9 %</b>
Property, plant and equipment	41.2 %	39.7 %	35.0 %	39.0 %	42.0 %	37.2 %	35.2 %
Financial assets	9.3 %	14.9 %	11.6 %	9.7 %	9.2 %	9.3 %	8.9 %
<b>FIXED ASSETS</b>	<b>55.5 %</b>	<b>58.6 %</b>	<b>50.0 %</b>	<b>51.5 %</b>	<b>53.4 %</b>	<b>48.6 %</b>	<b>46.0 %</b>
Inventories	15.5 %	18.3 %	23.0 %	26.6 %	24.2 %	25.5 %	25.3 %
Accounts receivable	14.8 %	14.9 %	19.5 %	17.1 %	17.0 %	17.3 %	17.2 %
Other current assets	6.8 %	5.5 %	4.4 %	2.8 %	2.7 %	4.7 %	4.5 %
Liquid assets	6.8 %	2.3 %	2.5 %	1.6 %	2.2 %	3.4 %	6.6 %
Deferred taxes	0.6 %	0.4 %	0.6 %	0.5 %	0.5 %	0.5 %	0.5 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>44.5 %</b>	<b>41.4 %</b>	<b>50.0 %</b>	<b>48.6 %</b>	<b>46.6 %</b>	<b>51.4 %</b>	<b>54.0 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
SHAREHOLDERS EQUITY	22.5 %	23.0 %	30.3 %	31.6 %	32.0 %	32.7 %	35.7 %
MINORITY INTEREST	0.8 %	0.6 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	49.6 %	48.2 %	42.8 %	34.8 %	29.5 %	31.2 %	29.6 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	1.1 %	1.0 %	1.0 %	1.0 %
Other provisions	4.6 %	5.8 %	4.2 %	7.6 %	7.3 %	7.4 %	7.0 %
<b>Non-current liabilities</b>	<b>54.1 %</b>	<b>54.0 %</b>	<b>47.0 %</b>	<b>43.4 %</b>	<b>37.8 %</b>	<b>39.5 %</b>	<b>37.5 %</b>
short-term liabilities to banks	10.6 %	8.8 %	7.7 %	6.2 %	13.6 %	10.2 %	9.6 %
Accounts payable	6.7 %	9.1 %	8.2 %	12.8 %	10.8 %	11.7 %	11.6 %
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)	4.3 %	3.8 %	5.9 %	4.3 %	4.1 %	4.2 %	3.9 %
Deferred taxes	1.0 %	0.7 %	1.0 %	1.8 %	1.7 %	1.7 %	1.6 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>22.6 %</b>	<b>22.4 %</b>	<b>22.8 %</b>	<b>25.0 %</b>	<b>30.2 %</b>	<b>27.7 %</b>	<b>26.8 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Net profit/loss	2.1	2.3	4.1	3.4	3.9	6.1	7.6
Depreciation of fixed assets (incl. leases)	7.4	7.8	9.3	9.9	10.7	10.6	11.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.3	2.5	2.0	2.0	0.7	0.2	0.2
Others	-1.0	0.3	-1.7	5.5	0.0	0.0	0.0
Cash flow from operations before changes in w/c	10.8	12.9	13.7	20.8	15.3	16.9	18.8
Increase/decrease in inventory	-0.7	-2.9	-3.4	-8.0	1.9	-1.6	-1.8
Increase/decrease in accounts receivable	0.0	0.0	-3.9	1.5	-1.0	-0.2	-1.3
Increase/decrease in accounts payable	-2.5	-1.8	0.4	7.8	-2.2	1.2	0.8
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	-3.3	-4.6	-6.9	1.3	-1.3	-0.7	-2.3
<b>Cash flow from operating activities</b>	<b>7.6</b>	<b>8.2</b>	<b>6.8</b>	<b>22.2</b>	<b>13.9</b>	<b>16.2</b>	<b>16.5</b>
CAPEX	17.2	7.5	5.6	19.8	18.0	11.0	11.0
Payments for acquisitions	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Financial investments	0.0	4.3	0.1	0.0	0.0	0.0	0.0
Income from asset disposals	1.4	0.5	5.2	0.3	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-15.9</b>	<b>-11.3</b>	<b>-0.4</b>	<b>-19.5</b>	<b>-18.0</b>	<b>-11.0</b>	<b>-11.0</b>
Cash flow before financing	-8.4	-3.0	6.4	2.7	-4.1	5.2	5.5
Increase/decrease in debt position	14.2	-3.7	-6.6	-8.7	6.2	-3.5	0.0
Purchase of own shares	0.0	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	-0.1	0.0	0.0	4.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.4	-0.1	0.1	-1.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>14.1</b>	<b>-3.7</b>	<b>-6.6</b>	<b>-3.8</b>	<b>6.2</b>	<b>-3.5</b>	<b>0.0</b>
Increase/decrease in liquid assets	5.4	-6.8	-0.1	-2.2	2.2	1.7	5.5
<b>Liquid assets at end of period</b>	<b>10.5</b>	<b>3.6</b>	<b>3.5</b>	<b>1.3</b>	<b>3.5</b>	<b>5.2</b>	<b>10.7</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Domestic	88.0	96.2	0.0	0.0	0.0	0.0	0.0
yoy change	12.3 %	9.3 %	n/a	n/a	n/a	n/a	n/a
Rest of Europe	9.4	11.4	0.0	0.0	0.0	0.0	0.0
yoy change	-39.4 %	20.6 %	n/a	n/a	n/a	n/a	n/a
NAFTA	74.1	66.1	0.0	0.0	0.0	0.0	0.0
yoy change	33.1 %	-10.8 %	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.9	0.2	0.0	0.0	0.0	0.0	0.0
yoy change	796.2 %	-76.0 %	n/a	n/a	n/a	n/a	n/a
Rest of world	2.4	5.9	0.0	0.0	0.0	0.0	0.0
yoy change	-48.0 %	143.2 %	n/a	n/a	n/a	n/a	n/a
<b>TTL</b>	<b>174.8</b>	<b>179.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
yoy change	13.3 %	2.8 %	n/a	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
<b>P&amp;L growth analysis</b>							
Sales growth	13.3 %	2.8 %	21.5 %	25.6 %	-11.7 %	0.9 %	4.7 %
EBITDA growth	-22.2 %	6.1 %	22.7 %	-0.9 %	-4.8 %	8.7 %	12.5 %
EBIT growth	-34.4 %	11.8 %	47.3 %	-8.2 %	-5.3 %	27.2 %	21.1 %
EPS growth	-1.8 %	-2.1 %	96.6 %	-16.2 %	12.1 %	57.3 %	24.0 %
<b>Efficiency</b>							
Total operating costs / sales	90.4 %	91.7 %	91.1 %	93.3 %	91.7 %	91.1 %	90.4 %
Sales per employee	177.5	173.9	203.8	245.6	211.8	213.8	223.7
EBITDA per employee	16.5	16.7	19.8	18.8	17.5	19.0	21.4
<b>Balance sheet analysis</b>							
Avg. working capital / sales	20.7 %	20.4 %	19.4 %	17.1 %	19.3 %	20.2 %	20.5 %
Inventory turnover (sales/inventory)	7.4	6.3	6.9	6.9	6.4	6.2	6.2
Trade debtors in days of sales	47.4	46.9	45.1	33.9	40.0	40.0	40.0
A/P turnover [(A/P*365)/sales]	21.5	28.8	18.9	25.5	25.5	27.0	27.0
Cash conversion cycle (days)	96.1	99.4	103.8	78.5	94.3	95.1	95.7
<b>Cash flow analysis</b>							
Free cash flow	-9.7	0.7	1.2	2.4	-4.1	5.2	5.5
Free cash flow/sales	-5.5 %	0.4 %	0.5 %	0.9 %	-1.7 %	2.1 %	2.2 %
FCF / net profit	-463.6 %	35.3 %	28.7 %	69.8 %	-104.7 %	85.7 %	72.9 %
Capex / depre	176.9 %	114.6 %	50.7 %	165.9 %	157.9 %	101.9 %	98.2 %
Capex / maintenance capex	272.7 %	113.0 %	71.4 %	236.9 %	225.6 %	145.5 %	140.3 %
Capex / sales	9.9 %	6.6 %	2.6 %	7.2 %	7.4 %	4.5 %	4.3 %
<b>Security</b>							
Net debt	81.8	84.9	66.4	58.8	63.9	58.7	53.2
Net Debt/EBITDA	5.0	4.9	3.1	2.8	3.2	2.7	2.2
Net debt / equity	2.4	2.4	1.6	1.2	1.3	1.2	0.9
Interest cover	0.9	1.5	2.2	2.4	2.9	5.5	6.6
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	30.0 %
<b>Asset utilisation</b>							
Capital employed turnover	1.3	1.3	1.9	2.3	1.9	1.9	1.9
Operating assets turnover	1.8	1.8	2.3	2.6	2.1	2.3	2.4
Plant turnover	2.8	2.9	4.5	4.7	3.7	4.3	4.5
Inventory turnover (sales/inventory)	7.4	6.3	6.9	6.9	6.4	6.2	6.2
<b>Returns</b>							
ROCE	4.6 %	5.0 %	7.9 %	7.6 %	6.8 %	8.5 %	10.1 %
ROE	6.1 %	5.5 %	9.9 %	7.3 %	7.7 %	12.0 %	13.0 %
<b>Other</b>							
Interest paid / avg. debt	7.8 %	5.1 %	5.8 %	5.8 %	4.7 %	3.0 %	3.1 %
No. employees (average)	985	1034	1072	1118	1144	1144	1144
Number of shares	29.3	29.5	30.0	30.0	30.0	30.0	30.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.1
EPS reported	0.07	0.07	0.14	0.12	0.13	0.20	0.25
<b>Valuation ratios</b>							
P/BV	1.9	1.9	1.6	1.4	1.3	1.3	1.2
EV/sales	0.8	0.8	0.6	0.5	0.5	0.5	0.5
EV/EBITDA	9.1	8.7	6.3	6.1	6.6	5.9	5.0
EV/EBITA	16.7	16.0	11.2	11.5	14.2	11.4	9.1
EV/EBIT	24.6	22.4	13.5	14.0	15.4	11.6	9.2
EV/FCF	-15.2	216.7	112.9	52.9	-32.7	24.4	22.2
Adjusted FCF yield	8.1 %	7.7 %	10.1 %	8.7 %	8.7 %	10.0 %	12.0 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	3.4 %

Source: Company data, Hauck & Aufhäuser

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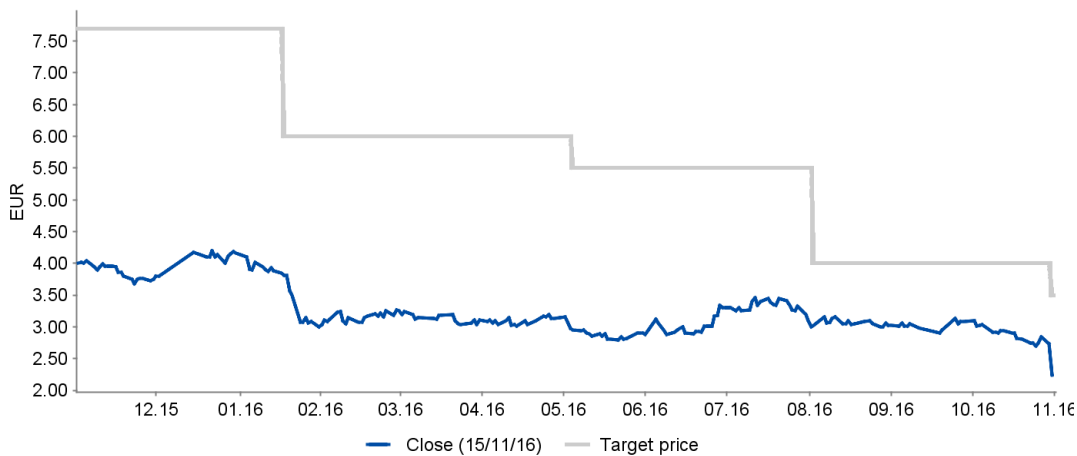
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Company	Disclosure
MS Industrie AG	

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

**Price and Rating History  
MS Industrie AG as of 16/11/16**

**Initiation coverage**  
12-March-13



Company	Date	Analyst	Rating	Target price	Close
MS Industrie AG	24.10.2016		Buy	EUR 4.00	-
	19.08.2016		Buy	EUR 4.00	-
	01.06.2016		Buy	EUR 5.50	-
	20.05.2016		Buy	EUR 5.50	-
	02.05.2016		Buy	EUR 6.00	-
	05.02.2016		Buy	EUR 6.00	-

18.01.2016	Buy	EUR 7.70	-
18.01.2016	Buy	EUR 7.70	-
18.01.2016	Buy	EUR 7.70	-
16.12.2015	Buy	EUR 7.70	-
16.12.2015	Buy	EUR 7.70	-
16.12.2015	Buy	EUR 7.70	-
16.12.2015	Buy	EUR 7.70	-
04.12.2015	Buy	EUR 7.70	-
19.11.2015	Buy	EUR 7.70	-
17.11.2015	Buy	EUR 7.70	-
17.11.2015	Buy	EUR 7.70	-
17.11.2015	Buy	EUR 7.70	-

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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## Contacts: Hauck&Aufhäuser Privatbankiers KGaA

### Hauck & Aufhäuser Research

Hauck & Aufhäuser  
Privatbankiers KGaA  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 93  
Fax: +49 (0) 40 414 3885 71  
Email: info@ha-research.de  
www.ha-research.de

**Sascha Berresch, CFA**  
Head of Research  
Tel.: +49 40 414 3885 85  
E-Mail: sascha.berresch@ha-research.de

**Leonhard Bayer**  
Analyst  
Tel.: +49 40 414 3885 79  
E-Mail: leonhard.bayer@ha-research.de

**Henning Breiter**  
Analyst  
Tel.: +49 40 414 3885 73  
E-Mail: henning.breiter@ha-research.de

**Lars Dannenberg**  
Analyst  
Tel.: +49 40 414 3885 92  
E-Mail: lars.dannenberg@ha-research.de

**Nils-Peter Gehrman**  
Analyst  
Tel.: +49 40 414 3885 86  
E-Mail: nils-peter.gehrman@ha-research.de

**Pierre Gröning**  
Analyst  
Tel.: +49 40 450 6342 30 92  
E-Mail: pierre.groening@ha-research.de

**Christian Glowa**  
Analyst  
Tel.: +49 40 414 3885 95  
E-Mail: christian.glowa@ha-research.de

**Aliaksandr Halitsa**  
Analyst  
Tel.: +49 40 414 3885 83  
E-Mail: aliaksandr.halitsa@ha-research.de

**Christian Salis**  
Analyst  
Tel.: +49 40 414 3885 96  
E-Mail: christian.salis@ha-research.de

**Christian Schwenkenbecher**  
Analyst  
Tel.: +49 40 414 3885 76  
E-Mail: christian.schwenkenbecher@ha-research.de

**Torben Teichler**  
Analyst  
Tel.: +49 40 414 3885 74  
E-Mail: torben.teichler@ha-research.de

**Tim Wunderlich, CFA**  
Analyst  
Tel.: +49 40 414 3885 81  
E-Mail: tim.wunderlich@ha-research.de

### Hauck & Aufhäuser Sales

**Oliver Anderson**  
Sales  
Tel.: +44 207 408 1100  
E-Mail: oliver.anderson@ha-research.de

**Toby Woods**  
Sales  
Tel.: +44 207 408 1100  
E-Mail: toby.woods@ha-research.de

**Hugues Madelin**  
Sales  
Tel.: +33 1 78 41 40 62  
E-Mail: hugues.madelin@ha-research.de

**Christian Alisch**  
Sales  
Tel.: +49 40 414 3885 99  
E-Mail: christian.alisch@ha-research.de

**Vincent Bischoff**  
Sales  
Tel.: +49 40 414 3885 88  
E-Mail: vincent.bischoff@ha-research.de

**Alexander Lachmann**  
Sales  
Tel.: +41 43 497 30 23  
E-Mail: alexander.lachmann@ha-research.de

**Georgina Harrold**  
Sales  
Tel.: +49 69 2161 1299  
E-Mail: georgina.harrold@hauck-aufhaeuser.de

**Jan Neynaber**  
Sales  
Tel.: +49 69 2161 1268  
E-Mail: jan.neynaber@hauck-aufhaeuser.de

**Marco Schumann**  
Sales  
Tel.: +49 69 2161 1250  
E-Mail: marco.schumann@hauck-aufhaeuser.de

**JPP Eurosecurities Inc.**  
Sales North America  
**Quinn Raftery**  
Tel.: + 1 231 649 4998  
E-Mail: quinn.raftery@haa-na.com

### Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser  
Privatbankiers KGaA  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 40 414 3885 75  
Fax: +49 40 414 3885 71  
Email: info@hauck-aufhaeuser.de  
www.hauck-aufhaeuser.de

**Mirko Brueggemann**  
Trading  
Tel.: +49 40 414 3885 75  
E-Mail: mirko.brueggemann@hauck-aufhaeuser.de

**Joseph Kaselak**  
Trading  
Tel.: +49 40 450 6342 3093  
E-Mail: joseph.kaselak@hauck-aufhaeuser.de

**Christian von Schuler**  
Trading  
Tel.: +49 40 414 3885 77  
E-Mail: christian.schuler@hauck-aufhaeuser.de

**Fin Schaffer**  
Trading  
Tel.: +49 40 414 3885 98  
E-Mail: fin.schaffer@hauck-aufhaeuser.de

**Kathleen Jonas**  
Middle-Office  
Tel.: +49 40 414 3885 97  
E-Mail: kathleen.jonas@hauck-aufhaeuser.de

**Carolin Weber**  
Middle-Office  
Tel.: +49 40 414 3885 87  
E-Mail: carolin.weber@hauck-aufhaeuser.de