



Buy (old: Buy)

Price target: EUR 5.00 (old: EUR 5.00)

| | | | |
|-------------------|----------|--------------------------|---------------------|
| Price: | EUR 2.95 | Next result: | Q4/FY 2014 30.04.15 |
| Bloomberg: | MSAG GR | Market cap: | EUR 88.5 m |
| Reuters: | MSAG.DE | Enterprise Value: | EUR 146.3 m |

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Sound Q3 – outlook confirmed - chg. in est.

Yesterday, MS Industrie reported Q3 figures which were slightly better than anticipated.

Q3' sales were up 19% yoy to € 53.5m (eH&A: € 53.0m). This was clearly driven by a strong US truck market compensating the weaker development in Europe after last year's pull forward effects (ahead of the introduction of Euro VI) have dampened. Looking at the customer mix, MS Industrie benefitted strongly from the further roll-out of Daimler's Weltmotor in Europe where the increasing penetration clearly offset the market weakness. Furthermore, the company benefitted from Daimler's heavy duty engines gaining ground again in the US after last year's weakness related to a supply chain problem at Daimler. All in all, the very positive development at Daimler helped MS Industrie overcompensate the weakness at other clients (e.g. MAN).

Positively, Q3' EBITDA was up disproportionately by 30% yoy to € 6.0m (eH&A: € 5.5m), translating into an 11.2% margin. This was due to higher capacity utilisation in the truck business as well as a positive product mix with solid ultrasonic technology sales. On the back of nearly unchanged D&A, EBIT increased even more strongly by 62% yoy to € 3.2m (eH&A: € 2.8m). **Even more positively, net income more than doubled (+145% yoy) to € 1.5m (eH&A: € 1.3m)** on the back of a lower tax rate (28.6% vs. 45.5%).

Outlook: The company confirmed its targets for FY'14: sales are seen increasing by at least 10% yoy to at least € 200m (eH&A: € 212m) while EBITDA, EBIT, EBIT margin, EBT and EPS are expected to grow significantly. The wording regarding sales expectations improved vs. H1 with management stating that from today's perspective the target of "at least" € 200m (vs. c. € 200m previously) should be "clearly reached".

Change in estimates: We slightly cut our estimates for FY'14E reflecting the weaker European truck market resulting in lower sales with customers like MAN. This also results in a lower base for FY'15E and FY'16E. Going forward, we now reflect one-off costs related to the move of the main factory to a new site which (€ 1m extra costs in both FY'15E and FY'16E, eH&A). This comes on top of negative effects from operating leverage. At the same time, we forecast a better cash generation driven by an improving working capital and less maintenance CAPEX following the change in location to a more modern facility. Hence, our PT remains unchanged. **BUY. PT is € 5.00 based on FCFY'15E.**

| Y/E 31.12 (EUR m) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---------------------|---------|---------|---------|---------|---------|---------|--------|
| Sales | 116.7 | 154.3 | 174.8 | 179.8 | 209.4 | 229.5 | 256.8 |
| Sales growth | 14 % | 32 % | 13 % | 3 % | 16 % | 10 % | 12 % |
| EBITDA | 15.9 | 20.9 | 16.3 | 17.3 | 21.0 | 25.2 | 29.5 |
| EBIT | 5.6 | 9.2 | 6.0 | 6.7 | 10.0 | 14.4 | 20.2 |
| Net income | 0.8 | 2.1 | 2.1 | 2.0 | 4.9 | 7.8 | 11.7 |
| Net debt | 49.5 | 74.3 | 81.8 | 84.9 | 57.8 | 47.7 | 36.6 |
| Net gearing | 156.3 % | 218.8 % | 237.5 % | 237.9 % | 159.1 % | 108.2 % | 65.7 % |
| Net Debt/EBITDA | 3.1 | 3.5 | 5.0 | 4.9 | 2.8 | 1.9 | 1.2 |
| EPS pro forma | 0.03 | 0.14 | 0.09 | 0.08 | 0.16 | 0.26 | 0.39 |
| CPS | -0.29 | -0.47 | 0.03 | 0.04 | 0.20 | 0.23 | 0.25 |
| 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 | 42.6 % | 42.5 % | 42.2 % | 45.7 % | 43.7 % | 44.0 % | 43.6 % |
| EBITDA margin | 13.6 % | 13.6 % | 9.3 % | 9.6 % | 10.0 % | 11.0 % | 11.5 % |
| EBIT margin | 4.8 % | 6.0 % | 3.4 % | 3.7 % | 4.8 % | 6.3 % | 7.9 % |
| ROCE | 5.4 % | 7.9 % | 4.6 % | 5.0 % | 8.0 % | 11.9 % | 16.8 % |
| EV/sales | 1.1 | 1.1 | 1.0 | 1.0 | 0.7 | 0.6 | 0.5 |
| EV/EBITDA | 8.2 | 7.8 | 10.4 | 10.0 | 7.0 | 5.4 | 4.2 |
| EV/EBIT | 23.2 | 17.7 | 28.0 | 25.6 | 14.7 | 9.4 | 6.2 |
| PER | 96.5 | 21.0 | 33.3 | 39.1 | 18.0 | 11.3 | 7.6 |
| Adjusted FCF yield | 8.1 % | 9.7 % | 7.0 % | 6.6 % | 9.1 % | 11.0 % | 13.5 % |

Source: Company data, Hauck & Aufhäuser Close price as of: 17.11.2014



Source: Company data, Hauck & Aufhäuser

| | |
|-------------------------------------|-------------|
| High/low 52 weeks: | 4.20 / 2.25 |
| Price/Book Ratio: | 2.4 |
| Relative performance (SDAX): | |
| 3 months | -15.4 % |
| 6 months | -5.5 % |
| 12 months | 25.4 % |

Changes in estimates

| | | Sales | EBIT | EPS |
|------|------|-------|--------|--------|
| 2014 | old: | 212.1 | 10.5 | 0.18 |
| | Δ | -1.3% | -4.7% | -7.9% |
| 2015 | old: | 237.3 | 16.1 | 0.30 |
| | Δ | -3.3% | -10.3% | -13.5% |
| 2016 | old: | 267.8 | 23.0 | 0.46 |
| | Δ | -4.1% | -12.3% | -16.1% |

Key share data:

| | |
|-------------------------------|--------|
| Number of shares: (in m pcs) | 30.0 |
| Authorised capital: (in € m) | 9.7 |
| Book value per share: (in €) | 1.2 |
| Ø trading volume: (12 months) | 52,941 |

Major shareholders:

| | |
|--------------------------|--------|
| Free Float | 66.6 % |
| MS ProActive | 20.7 % |
| Dr. Andreas Aufschneider | 6.2 % |
| Allianz GI * | 5.1 % |
| Ruffer * | 4.8 % |
| Christian Dreyer * | 3.3 % |

* included in free float

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.

Financials

| Profit and loss (EUR m) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 116.7 | 154.3 | 174.8 | 179.8 | 209.4 | 229.5 | 256.8 |
| <i>Sales growth</i> | 13.9 % | 32.2 % | 13.3 % | 2.8 % | 16.5 % | 9.6 % | 11.9 % |
| Increase/decrease in finished goods and work-in-process | 3.1 | 0.9 | -0.6 | 2.3 | 0.0 | 0.0 | 0.0 |
| Total sales | 119.8 | 155.2 | 174.3 | 182.1 | 209.4 | 229.5 | 256.8 |
| Other operating income | 11.5 | 10.9 | 6.4 | 4.5 | 3.3 | 2.5 | 2.0 |
| Material expenses | 68.7 | 89.2 | 100.7 | 98.9 | 117.9 | 128.5 | 144.8 |
| Personnel expenses | 29.3 | 33.2 | 38.0 | 42.1 | 46.2 | 48.2 | 51.7 |
| Other operating expenses | 17.4 | 22.8 | 25.8 | 28.3 | 27.7 | 30.0 | 32.8 |
| Total operating expenses | 103.9 | 134.3 | 158.0 | 164.8 | 188.4 | 204.3 | 227.3 |
| EBITDA | 15.9 | 20.9 | 16.3 | 17.3 | 21.0 | 25.2 | 29.5 |
| Depreciation | 7.7 | 7.5 | 7.4 | 7.8 | 9.0 | 8.8 | 8.6 |
| EBITA | 8.2 | 13.5 | 8.9 | 9.4 | 12.0 | 16.4 | 20.9 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 2.6 | 2.3 | 2.3 | 2.5 | 2.0 | 2.0 | 0.7 |
| Impairment charges | 0.0 | 2.0 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 |
| EBIT | 5.6 | 9.2 | 6.0 | 6.7 | 10.0 | 14.4 | 20.2 |
| Interest income | 0.5 | 0.1 | 1.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Interest expenses | 4.8 | 7.5 | 6.7 | 4.6 | 4.5 | 3.6 | 3.2 |
| Other financial result | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial result | -4.9 | -7.4 | -5.3 | -4.3 | -4.5 | -3.6 | -3.2 |
| Recurring pretax income from continuing operations | 0.7 | 1.8 | 0.7 | 2.4 | 5.5 | 10.8 | 16.9 |
| Extraordinary income/loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings before taxes | 0.7 | 1.8 | 0.7 | 2.4 | 5.5 | 10.8 | 16.9 |
| Taxes | -0.2 | -0.4 | -1.3 | 0.2 | 0.6 | 3.0 | 5.3 |
| Net income from continuing operations | 0.9 | 2.2 | 2.1 | 2.3 | 4.9 | 7.8 | 11.7 |
| Result from discontinued operations (net of tax) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income | 0.9 | 2.2 | 2.1 | 2.3 | 4.9 | 7.8 | 11.7 |
| Minority interest | 0.1 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Net income (net of minority interest) | 0.8 | 2.1 | 2.1 | 2.0 | 4.9 | 7.8 | 11.7 |
| Average number of shares | 26.4 | 28.9 | 29.3 | 29.5 | 30.0 | 30.0 | 30.0 |
| EPS reported | 0.03 | 0.07 | 0.07 | 0.07 | 0.16 | 0.26 | 0.39 |

| Profit and loss (common size) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Increase/decrease in finished goods and work-in-process | 2.7 % | 0.6 % | -0.3 % | 1.3 % | 0.0 % | 0.0 % | 0.0 % |
| Total sales | 102.7 % | 100.6 % | 99.7 % | 101.3 % | 100.0 % | 100.0 % | 100.0 % |
| Other operating income | 9.9 % | 7.1 % | 3.7 % | 2.5 % | 1.6 % | 1.1 % | 0.8 % |
| Material expenses | 58.9 % | 57.8 % | 57.6 % | 55.0 % | 56.3 % | 56.0 % | 56.4 % |
| Personnel expenses | 25.2 % | 21.5 % | 21.7 % | 23.4 % | 22.1 % | 21.0 % | 20.1 % |
| Other operating expenses | 14.9 % | 14.8 % | 14.8 % | 15.7 % | 13.2 % | 13.1 % | 12.8 % |
| Total operating expenses | 89.0 % | 87.0 % | 90.4 % | 91.7 % | 90.0 % | 89.0 % | 88.5 % |
| EBITDA | 13.6 % | 13.6 % | 9.3 % | 9.6 % | 10.0 % | 11.0 % | 11.5 % |
| Depreciation | 6.6 % | 4.8 % | 4.3 % | 4.4 % | 4.3 % | 3.8 % | 3.3 % |
| EBITA | 7.1 % | 8.7 % | 5.1 % | 5.2 % | 5.7 % | 7.2 % | 8.1 % |
| Amortisation of goodwill | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Amortisation of intangible assets | 2.3 % | 1.5 % | 1.3 % | 1.4 % | 1.0 % | 0.9 % | 0.3 % |
| Impairment charges | 0.0 % | 1.3 % | 0.3 % | 0.1 % | 0.0 % | 0.0 % | 0.0 % |
| EBIT | 4.8 % | 6.0 % | 3.4 % | 3.7 % | 4.8 % | 6.3 % | 7.9 % |
| Interest income | 0.4 % | 0.1 % | 0.8 % | 0.2 % | 0.0 % | 0.0 % | 0.0 % |
| Interest expenses | 4.1 % | 4.9 % | 3.8 % | 2.5 % | 2.1 % | 1.6 % | 1.3 % |
| Other financial result | -0.5 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Financial result | -4.2 % | -4.8 % | -3.0 % | -2.4 % | -2.1 % | -1.6 % | -1.3 % |
| Recurring pretax income from continuing operations | 0.6 % | 1.2 % | 0.4 % | 1.4 % | 2.6 % | 4.7 % | 6.6 % |
| Extraordinary income/loss | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Earnings before taxes | 0.6 % | 1.2 % | 0.4 % | 1.4 % | 2.6 % | 4.7 % | 6.6 % |
| Tax rate | -34.6 % | -20.4 % | -177.6 % | 6.5 % | 11.0 % | 28.0 % | 31.0 % |
| Net income from continuing operations | 0.8 % | 1.4 % | 1.2 % | 1.3 % | 2.3 % | 3.4 % | 4.6 % |
| Income from discontinued operations (net of tax) | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Net income | 0.8 % | 1.4 % | 1.2 % | 1.3 % | 2.3 % | 3.4 % | 4.6 % |
| Minority interest | 0.1 % | 0.0 % | 0.0 % | 0.2 % | 0.0 % | 0.0 % | 0.0 % |
| Net income (net of minority interest) | 0.7 % | 1.4 % | 1.2 % | 1.1 % | 2.3 % | 3.4 % | 4.6 % |

Source: Company data, Hauck & Aufhäuser

| Balance sheet (EUR m) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Intangible assets | 11.3 | 9.6 | 7.7 | 6.2 | 4.2 | 2.2 | 1.5 |
| Property, plant and equipment | 56.8 | 52.9 | 63.1 | 61.8 | 49.8 | 45.4 | 41.1 |
| Financial assets | 13.1 | 11.1 | 14.3 | 23.2 | 4.0 | 4.0 | 4.0 |
| FIXED ASSETS | 81.3 | 73.5 | 85.1 | 91.1 | 57.9 | 51.5 | 46.5 |
| Inventories | 20.5 | 25.6 | 23.7 | 28.4 | 29.9 | 32.8 | 36.7 |
| Accounts receivable | 19.1 | 21.8 | 22.7 | 23.1 | 25.8 | 28.3 | 31.7 |
| Other current assets | 11.4 | 16.1 | 10.4 | 8.5 | 8.5 | 8.5 | 8.5 |
| Liquid assets | 7.1 | 5.1 | 10.5 | 3.6 | 13.0 | 25.1 | 12.4 |
| Deferred taxes | 1.9 | 0.2 | 1.0 | 0.6 | 0.6 | 0.6 | 0.6 |
| Deferred charges and prepaid expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CURRENT ASSETS | 60.1 | 68.7 | 68.2 | 64.3 | 77.9 | 95.4 | 90.0 |
| TOTAL ASSETS | 141.4 | 142.2 | 153.3 | 155.5 | 135.9 | 146.9 | 136.5 |
| SHAREHOLDERS EQUITY | 31.7 | 34.0 | 34.4 | 35.7 | 36.3 | 44.1 | 55.8 |
| MINORITY INTEREST | 2.1 | 1.5 | 1.3 | 0.9 | 0.0 | 0.0 | 0.0 |
| Long-term debt | 50.9 | 59.1 | 76.0 | 74.9 | 57.2 | 59.2 | 33.5 |
| Provisions for pensions and similar obligations | 3.1 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other provisions | 13.6 | 6.2 | 7.0 | 9.1 | 9.1 | 9.1 | 9.1 |
| Non-current liabilities | 67.6 | 68.5 | 83.0 | 84.0 | 66.3 | 68.3 | 42.6 |
| short-term liabilities to banks | 5.7 | 20.2 | 16.2 | 13.6 | 13.6 | 13.6 | 15.6 |
| Accounts payable | 11.9 | 11.1 | 10.3 | 14.2 | 12.6 | 13.8 | 15.5 |
| 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) | 16.3 | 3.7 | 6.5 | 5.9 | 5.9 | 5.9 | 5.9 |
| Deferred taxes | 6.2 | 3.3 | 1.6 | 1.1 | 1.1 | 1.1 | 1.1 |
| Deferred income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 40.0 | 38.3 | 34.6 | 34.9 | 33.3 | 34.5 | 38.2 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 141.4 | 142.2 | 153.3 | 155.5 | 135.9 | 146.9 | 136.5 |

| Balance sheet (common size) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Intangible assets | 8.0 % | 6.7 % | 5.0 % | 4.0 % | 3.1 % | 1.5 % | 1.1 % |
| Property, plant and equipment | 40.2 % | 37.2 % | 41.2 % | 39.7 % | 36.6 % | 30.9 % | 30.1 % |
| Financial assets | 9.3 % | 7.8 % | 9.3 % | 14.9 % | 2.9 % | 2.7 % | 2.9 % |
| FIXED ASSETS | 57.5 % | 51.7 % | 55.5 % | 58.6 % | 42.6 % | 35.1 % | 34.1 % |
| Inventories | 14.5 % | 18.0 % | 15.5 % | 18.3 % | 22.0 % | 22.3 % | 26.9 % |
| Accounts receivable | 13.5 % | 15.3 % | 14.8 % | 14.9 % | 19.0 % | 19.3 % | 23.2 % |
| Other current assets | 8.1 % | 11.3 % | 6.8 % | 5.5 % | 6.3 % | 5.8 % | 6.3 % |
| Liquid assets | 5.0 % | 3.6 % | 6.8 % | 2.3 % | 9.6 % | 17.1 % | 9.1 % |
| Deferred taxes | 1.4 % | 0.2 % | 0.6 % | 0.4 % | 0.5 % | 0.4 % | 0.5 % |
| Deferred charges and prepaid expenses | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| CURRENT ASSETS | 42.5 % | 48.3 % | 44.5 % | 41.4 % | 57.4 % | 64.9 % | 65.9 % |
| TOTAL ASSETS | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| SHAREHOLDERS EQUITY | 22.4 % | 23.9 % | 22.5 % | 23.0 % | 26.7 % | 30.0 % | 40.9 % |
| MINORITY INTEREST | 1.5 % | 1.0 % | 0.8 % | 0.6 % | 0.0 % | 0.0 % | 0.0 % |
| Long-term debt | 36.0 % | 41.6 % | 49.6 % | 48.2 % | 42.1 % | 40.3 % | 24.5 % |
| Provisions for pensions and similar obligations | 2.2 % | 2.3 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Other provisions | 9.6 % | 4.4 % | 4.6 % | 5.8 % | 6.7 % | 6.2 % | 6.6 % |
| Non-current liabilities | 47.8 % | 48.2 % | 54.1 % | 54.0 % | 48.8 % | 46.5 % | 31.2 % |
| short-term liabilities to banks | 4.0 % | 14.2 % | 10.6 % | 8.8 % | 10.0 % | 9.3 % | 11.4 % |
| Accounts payable | 8.4 % | 7.8 % | 6.7 % | 9.1 % | 9.3 % | 9.4 % | 11.3 % |
| 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) | 11.5 % | 2.6 % | 4.3 % | 3.8 % | 4.4 % | 4.0 % | 4.4 % |
| Deferred taxes | 4.4 % | 2.3 % | 1.0 % | 0.7 % | 0.8 % | 0.8 % | 0.8 % |
| Deferred income | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Current liabilities | 28.3 % | 26.9 % | 22.6 % | 22.4 % | 24.5 % | 23.5 % | 28.0 % |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

Source: Company data, Hauck & Aufhäuser

| Cash flow statement (EUR m) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|--|-------------|-------------|--------------|--------------|-------------|-------------|--------------|
| Net profit/loss | 0.9 | 2.2 | 2.1 | 2.3 | 4.9 | 7.8 | 11.7 |
| Depreciation of fixed assets (incl. leases) | 7.7 | 7.5 | 7.4 | 7.8 | 9.0 | 8.8 | 8.6 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 2.6 | 2.3 | 2.3 | 2.5 | 2.0 | 2.0 | 0.7 |
| Others | -4.7 | -1.0 | -1.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations before changes in w/c | 6.5 | 10.9 | 10.8 | 12.9 | 15.9 | 18.6 | 21.0 |
| Increase/decrease in inventory | -13.1 | -11.4 | -0.7 | -2.9 | -1.5 | -2.9 | -3.9 |
| Increase/decrease in accounts receivable | 0.0 | 0.0 | 0.0 | 0.0 | -2.7 | -2.5 | -3.4 |
| Increase/decrease in accounts payable | 5.5 | -6.7 | -2.5 | -1.8 | 1.7 | 1.2 | 1.6 |
| 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 | -7.6 | -18.0 | -3.3 | -4.6 | -2.5 | -4.1 | -5.6 |
| Cash flow from operating activities | -1.2 | -7.1 | 7.6 | 8.2 | 13.4 | 14.5 | 15.4 |
| CAPEX | 3.8 | 11.0 | 17.2 | 7.5 | 6.0 | 4.4 | 4.3 |
| Payments for acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial investments | 0.3 | 0.0 | 0.0 | 4.3 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 2.0 | 3.7 | 1.4 | 0.5 | 0.0 | 0.0 | 0.0 |
| Cash flow from investing activities | -2.0 | -7.3 | -15.9 | -11.3 | -6.0 | -4.4 | -4.3 |
| Cash flow before financing | -3.2 | -14.5 | -8.4 | -3.0 | 7.4 | 10.1 | 11.1 |
| Increase/decrease in debt position | 0.5 | 13.7 | 14.2 | -3.7 | 2.0 | 2.0 | -23.7 |
| Purchase of own shares | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital measures | 2.6 | 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 | -1.0 | -0.9 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effects of exchange rate changes on cash | 0.0 | 0.0 | -0.4 | -0.1 | 0.0 | 0.0 | 0.0 |
| Cash flow from financing activities | 2.2 | 12.5 | 14.1 | -3.7 | 2.0 | 2.0 | -23.7 |
| Increase/decrease in liquid assets | -1.0 | -2.0 | 5.4 | -6.8 | 9.4 | 12.1 | -12.6 |
| Liquid assets at end of period | 7.1 | 5.1 | 10.5 | 3.6 | 13.0 | 25.1 | 12.4 |

Source: Company data, Hauck & Aufhäuser

| Key ratios (EUR m) | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|--------------------------------------|----------|----------|----------|---------|---------|---------|--------|
| P&L growth analysis | | | | | | | |
| Sales growth | 13.9 % | 32.2 % | 13.3 % | 2.8 % | 16.5 % | 9.6 % | 11.9 % |
| EBITDA growth | 155.8 % | 31.6 % | -22.2 % | 6.1 % | 21.4 % | 20.2 % | 16.9 % |
| EBIT growth | -238.7 % | 63.4 % | -34.4 % | 11.8 % | 48.2 % | 44.5 % | 39.9 % |
| EPS growth | -108.6 % | 138.2 % | -1.8 % | -2.1 % | 134.1 % | 58.8 % | 49.9 % |
| Efficiency | | | | | | | |
| Total operating costs / sales | 89.0 % | 87.0 % | 90.4 % | 91.7 % | 90.0 % | 89.0 % | 88.5 % |
| Sales per employee | 171.6 | 208.2 | 177.5 | 173.9 | 195.3 | 205.4 | 224.5 |
| EBITDA per employee | 23.4 | 28.3 | 16.5 | 16.7 | 19.6 | 22.6 | 25.8 |
| Balance sheet analysis | | | | | | | |
| Avg. working capital / sales | 20.9 % | 20.8 % | 20.7 % | 20.4 % | 19.2 % | 19.7 % | 19.5 % |
| Inventory turnover (sales/inventory) | 5.7 | 6.0 | 7.4 | 6.3 | 7.0 | 7.0 | 7.0 |
| Trade debtors in days of sales | 59.9 | 51.6 | 47.4 | 46.9 | 45.0 | 45.0 | 45.0 |
| A/P turnover [(A/P*365)/sales] | 37.2 | 26.3 | 21.5 | 28.8 | 22.0 | 22.0 | 22.0 |
| Cash conversion cycle (days) | 105.8 | 110.8 | 96.1 | 99.4 | 98.5 | 98.8 | 98.4 |
| Cash flow analysis | | | | | | | |
| Free cash flow | -5.0 | -18.2 | -9.7 | 0.7 | 7.4 | 10.1 | 11.1 |
| Free cash flow/sales | -4.3 % | -11.8 % | -5.5 % | 0.4 % | 3.5 % | 4.4 % | 4.3 % |
| FCF / net profit | -618.6 % | -862.2 % | -463.6 % | 35.3 % | 150.5 % | 129.0 % | 94.7 % |
| Capex / depre | 39.5 % | 113.1 % | 176.9 % | 114.6 % | 54.5 % | 40.7 % | 46.2 % |
| Capex / maintenance capex | 58.8 % | 170.5 % | 272.7 % | 113.0 % | 81.5 % | 57.5 % | 54.3 % |
| Capex / sales | 3.5 % | 7.2 % | 9.9 % | 6.6 % | 2.9 % | 1.9 % | 1.7 % |
| Security | | | | | | | |
| Net debt | 49.5 | 74.3 | 81.8 | 84.9 | 57.8 | 47.7 | 36.6 |
| Net Debt/EBITDA | 3.1 | 3.5 | 5.0 | 4.9 | 2.8 | 1.9 | 1.2 |
| Net debt / equity | 1.6 | 2.2 | 2.4 | 2.4 | 1.6 | 1.1 | 0.7 |
| Interest cover | 1.2 | 1.2 | 0.9 | 1.5 | 2.2 | 4.0 | 6.3 |
| Dividend payout ratio | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Asset utilisation | | | | | | | |
| Capital employed turnover | 1.1 | 1.2 | 1.3 | 1.3 | 1.8 | 1.8 | 2.3 |
| Operating assets turnover | 1.4 | 1.7 | 1.8 | 1.8 | 2.3 | 2.5 | 2.7 |
| Plant turnover | 2.1 | 2.9 | 2.8 | 2.9 | 4.2 | 5.1 | 6.3 |
| Inventory turnover (sales/inventory) | 5.7 | 6.0 | 7.4 | 6.3 | 7.0 | 7.0 | 7.0 |
| Returns | | | | | | | |
| ROCE | 5.4 % | 7.9 % | 4.6 % | 5.0 % | 8.0 % | 11.9 % | 16.8 % |
| ROE | 2.5 % | 6.2 % | 6.1 % | 5.5 % | 13.5 % | 17.7 % | 21.0 % |
| Other | | | | | | | |
| Interest paid / avg. debt | 8.7 % | 11.1 % | 7.8 % | 5.1 % | 5.6 % | 5.0 % | 5.3 % |
| No. employees (average) | 680 | 741 | 985 | 1034 | 1072 | 1118 | 1144 |
| Number of shares | 26.4 | 28.9 | 29.3 | 29.5 | 30.0 | 30.0 | 30.0 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPS reported | 0.03 | 0.07 | 0.07 | 0.07 | 0.16 | 0.26 | 0.39 |
| Valuation ratios | | | | | | | |
| P/BV | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 | 2.0 | 1.6 |
| EV/sales | 1.1 | 1.1 | 1.0 | 1.0 | 0.7 | 0.6 | 0.5 |
| EV/EBITDA | 8.2 | 7.8 | 10.4 | 10.0 | 7.0 | 5.4 | 4.2 |
| EV/EBITA | 15.8 | 12.1 | 19.1 | 18.2 | 12.2 | 8.3 | 6.0 |
| EV/EBIT | 23.2 | 17.7 | 28.0 | 25.6 | 14.7 | 9.4 | 6.2 |
| EV/FCF | -26.1 | -9.0 | -17.4 | 246.7 | 19.8 | 13.5 | 11.3 |
| Adjusted FCF yield | 8.1 % | 9.7 % | 7.0 % | 6.6 % | 9.1 % | 11.0 % | 13.5 % |
| 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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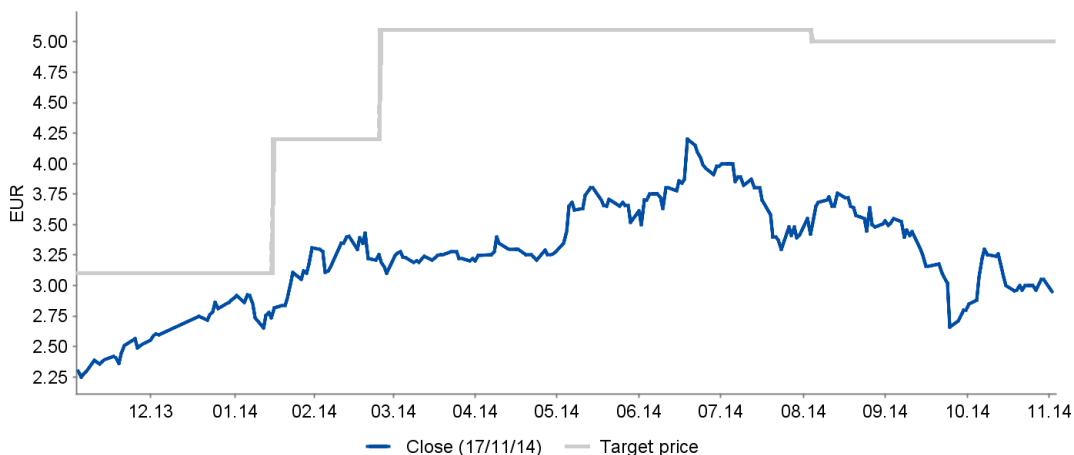
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|-----------------|------------|
| MS Industrie AG | 5 |

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

Price and Rating History
MS Industrie AG as of 18/11/14

Initiation coverage
12-March-13



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| | | |
|-------------|---------|----------|
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