

Masterflex SE

Germany / Industrial Products & Plastics
 Primary exchange: Frankfurt
 Bloomberg: MZX GR
 ISIN: DE0005492938

Preliminary FY 2012
 Indicators

RATING
BUY

PRICE TARGET
€7.50

Return Potential 47.7%
 Risk Rating High

PRELIMINARY RESULTS INDICATE FLAT Q4 2012 DEVELOPMENT

Masterflex SE published preliminary FY 2012 results on 6 March. Sales and operating income were marginally lower than expected, whereas bottom-line development was better than we had anticipated due to lower interest and tax burdens. Guidance for the current fiscal year will be given upon publication of the final results on 26 March. However, management already pointed out that it plans to further optimise Masterflex' internal structures. We reiterate our EUR7.50 price target and our Buy recommendation.

Moderate sales growth y/y in FY 2012 In the past fiscal year, sales increased by 3.8% y/y to EUR55.0m (FBe: EUR56.0m; FY11: EUR53.0m). As management had already announced upon publication of the 9M/12 figures in November (see our 21 November comment), Masterflex (MZX) missed its increasingly ambitious-looking original FY 2012 guidance (sales between EUR57m and EUR58m) due to the weaker than expected development on some foreign markets. According to MZX's preliminary FY indicators, Q4/12 sales amounted to EUR13.0m and were thus at the prior year's level (Q4/11: EUR12.9m).

FY 2012 operating profit margin in line with guidance MZX met its own profit margin guidance for the past fiscal year (around 14%). However, EBIT of EUR7.6m (FBe: EUR7.8m; FY11: EUR7.5m) and the corresponding EBIT margin of 13.8% (FBe: 14.0%; FY11: 14.2%) were marginally lower than we had anticipated.

Based on the firm's preliminary results, profitability increased somewhat in the last quarter of FY 2012. Q4/12 EBIT came in at EUR1.70m (Q4/11: EUR1.64m), which corresponds to an EBIT margin of 13.0% (Q4/11: 12.7%).

At the bottom-line, FY 2012 income (including discontinued operations) of EUR4.4m (FBe: EUR3.7m; FY11: EUR3.9m) was better than we had anticipated due to lower financing costs and a lower tax burden.

Q4/12's net income increased by roughly 11% y/y to EUR1.7m (Q4/11: EUR1.5m). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012	2013E	2014E	2015E
Revenue (€m)	46.06	53.00	55.00	59.40	64.39	69.41
Y-o-y growth	n.a.	15.1%	3.8%	8.0%	8.4%	7.8%
EBIT (€m)	6.45	7.50	7.60	8.42	9.24	10.09
EBIT margin	14.0%	14.2%	13.8%	14.2%	14.3%	14.5%
Net income (€m)	-2.33	3.88	4.40	4.86	5.61	6.28
EPS (diluted) (€)	-0.49	0.44	0.50	0.56	0.64	0.72
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.65	2.10	6.97	3.65	4.11	4.76
Net gearing	192.9%	123.3%	43.6%	24.6%	9.4%	-3.3%
Liquid assets (€m)	14.40	4.54	7.14	9.88	11.69	5.82

RISKS

Risks to our price target include debt servicing, dependency on raw material prices and burdened profitability due to regional expansion.

COMPANY PROFILE

Masterflex SE focuses on developing and manufacturing high grade connection and hose systems made of innovative high-tech plastics. The firm is a global market leader in high-tech hose systems.

MARKET DATA

As of 08 Mar 2013

Closing Price	€ 5.08
Shares outstanding	8.73m
Market Capitalisation	€ 44.33m
52-week Range	€ 4.44 / 5.77
Avg. Volume (12 Months)	7,399

Multiples	2012	2013E	2014E
P/E	10.3	9.3	8.1
EV/Sales	1.2	1.1	1.0
EV/EBIT	8.7	7.8	7.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2012

Liquid Assets	€ 2.67m
Current Assets	€ 20.87m
Intangible Assets	€ 4.09m
Total Assets	€ 51.98m
Current Liabilities	€ 13.17m
Shareholders' Equity	€ 18.39m

SHAREHOLDERS

SVB GmbH & Co. KG/Schmidt	19.9%
Familienmitglieder Bischoping	5.3%
BBC GmbH	4.6%
Other	8.1%
Free Float	62.1%



Unchanged price target and rating MZX will issue a detailed guidance for the current fiscal year upon publication of its final FY 2012 figures on 26 March. However, management already announced that there is still room for improvements with regard to the group's internal structure, which is in line with our profit margin expectations (gradual increase). Based on the firm's preliminary financial indicators for the past fiscal year, our former estimates for FY 2013E and subsequent years may be too ambitious. Changes to our forecasts shown in the table below are solely resulting from the changed basis (i.e. MZX's preliminary results) for our unchanged assumptions regarding sales growth, gross profit margins, etc. For the time being, our DCF model still yields a price target of EUR7.50. We reiterate our Buy recommendation.

Table 1: Estimates vs. reported figures

All figures in €m	FY-2012A	FY-2012E	Delta	FY-2011A	Delta
Sales	55.00	55.97	-1.7%	53.00	3.8%
EBIT	7.60	7.81	-2.7%	7.50	1.3%
margin	13.8%	14.0%	-	14.2%	-
Net income*	4.40	3.73	17.8%	3.73	18.0%
margin	8.0%	6.7%	-	7.0%	-

*net income including discontinued operations

Source: First Berlin Equity Research, Masterflex SE

Table 2: Changes to forecasts

All figures in €m	2013E			2014E			2015E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	60.44	59.40	-1.7%	65.52	64.39	-1.7%	70.63	69.41	-1.7%
EBIT	8.61	8.42	-2.2%	9.44	9.24	-2.1%	10.30	10.09	-2.0%
margin	14.2%	14.2%	-	14.4%	14.3%	-	14.6%	14.5%	-
Net income	4.99	4.86	-2.6%	5.75	5.61	-2.3%	6.42	6.28	-2.2%
margin	8.3%	8.2%	-	8.8%	8.7%	-	9.1%	9.0%	-
EPS (diluted)	0.57	0.56	-2.6%	0.66	0.64	-2.3%	0.74	0.72	-2.2%

Source: First Berlin Equity Research

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	5 December 2011	€4.61	Buy	€7.10
2...5	↓	↓	↓	↓
6	9 May 2012	€4.87	Buy	€7.50
7	14 August 2012	€4.81	Buy	€7.50
8	21 November 2012	€4.88	Buy	€7.50
9	Today	€5.08	Buy	€7.50

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

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