

March March 17th, 2020
Research comment

SMC Research
Small and Mid Cap Research



Mensch und Maschine SE

Preliminary figures exceeded,
forecasts confirmed

Rating: Buy (prev.: Hold) | **Price:** 32.80 € | **Price target:** 50.00 € (prev.: 50.50 €)

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Profit growth expected to continue in 2020



Basic data

Based in:	Wessling
Sector:	CAD/CAM software
Headcount:	946
Accounting:	IFRS
ISIN:	DE0006580806
Ticker:	MUM:GR
Price:	32.80 Euro
Market segment:	Prime Standard
Number of shares:	17.2 m
Market Cap:	562.5 m Euro
Enterprise Value:	633.3 m Euro
Free Float:	45.2 %
Price high/low (12M):	55.80 / 26.50 Euro
Øturnover (Xetra, 12 M):	343,900 Euro / day

FY ends: 31.12.	2019	2020e	2021e
Sales (m Euro)	245.9	270.5	303.0
EBIT (m Euro)	27.2	32.0	39.8
Net Profit	16.7	19.7	24.5
EPS	0.99	1.17	1.46
Dividend per share	0.85	1.01	1.24
Sales growth	32.7%	10.0%	12.0%
Profit growth	42.6%	18.0%	24.7%
PSR	2.24	2.03	1.82
PER	33.0	28.0	22.4
PCR	20.9	18.1	16.0
EV / EBIT	22.8	19.4	15.6
Dividend yield	2.6%	3.1%	3.8%

Current development

With the presentation of the annual report, Mensch und Maschine has even exceeded the excellent preliminary figures. With sales growing by one third to EUR 246 m, EBIT rose by 38 percent (of which 25 percentage points organically) to EUR 27.2 m. Earnings per share increased from 71.5 to 99.0 cents, which is why the dividend of 0.85 cents per share will now even exceed the target range of 77 to 83 cents. Remarkably, despite the dramatic worsening of the corona crisis, M+M has also confirmed its own forecast for 2020 and aims to increase gross profit by 10 to 12 percent and earnings per share by 18 to 24 cents to 117 to 123 cents. Upon enquiry, the company justifies this confidence with a very strong first quarter, which has so far been ahead of plan and provides a buffer for the upcoming weaker weeks. In terms of costs, the company also sees sufficient scope to support the achievement of its profit targets. Finally, M+M refers to the usual conservative planning, which has regularly been exceeded in previous years.

Conclusion

With the final figures for 2019 and even more with the confirmed forecast for the current year, M+M has once again demonstrated its excellent condition. In view of the dramatic worsening of the corona crisis, the confirmed forecast may seem somewhat optimistic, but on the other hand, M+M has distinguished itself in recent years by an exceptionally strong forecast reliability. We have therefore kept our estimates within the M+M guidance but are now calculating with the lower end of the range. Together with the adjustments resulting from the integration of the final balance sheet and expenses figures from 2019 into the estimation model, our price target has been reduced slightly to EUR 50.00, but we are upgrading our rating back to "Buy" after the sharp correction of the share price.

Annex I: DCF model

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	270.5	303.0	334.8	370.0	408.8	451.7	499.2	551.6
Sales growth		12.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
EBIT margin	11.8%	13.1%	13.8%	14.5%	15.1%	15.6%	15.9%	16.2%
EBIT	32.0	39.8	46.3	53.7	61.6	70.4	79.5	89.1
Tax rate	30.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
Adjusted tax payments	9.6	12.3	14.4	16.7	19.1	21.8	24.7	27.6
NOPAT	22.4	27.5	31.9	37.1	42.5	48.6	54.9	61.5
+ Depreciation & Amortisation	9.1	7.8	7.1	6.2	5.5	5.0	5.1	5.2
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	31.5	35.3	39.1	43.2	48.1	53.6	60.0	66.7
- Increase Net Working Capital	-0.2	-0.3	-0.4	-0.5	-0.6	-0.7	-0.9	-1.0
- Investments in fixed assets	-2.4	-2.6	-2.7	-2.9	-3.0	-3.2	-3.3	-3.5
Free Cash Flows	28.8	32.4	35.9	39.9	44.5	49.7	55.8	62.2

SMC estimation model

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
ASSETS									
I. Total non-current assets	98.7	92.1	86.8	83.4	82.1	81.6	81.7	82.0	82.3
1. Intangible assets	54.1	60.5	59.9	59.3	58.7	58.1	57.6	57.1	56.6
2. Tangible assets	34.0	28.0	23.4	20.6	19.9	19.9	20.6	21.3	22.1
II. Total current assets	60.8	68.9	75.9	88.8	103.8	119.2	135.5	153.1	172.1
LIABILITIES									
I. Equity	73.5	80.9	89.5	98.6	109.0	120.5	133.5	147.8	163.5
II. Accruals	12.2	12.7	13.2	13.8	14.3	14.8	15.4	15.9	16.5
III. Liabilities									
1. Long-term liabilities	34.0	28.5	22.4	21.0	21.0	21.0	21.0	21.0	21.0
2. Short-term liabilities	39.9	38.8	37.6	38.9	41.6	44.4	47.3	50.3	53.4
TOTAL	159.5	160.9	162.7	172.3	185.9	200.8	217.2	235.1	254.4

P&L estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	245.9	270.5	303.0	334.8	370.0	408.8	451.7	499.2	551.6
Gross profit	127.9	140.7	157.9	174.9	193.7	214.5	237.6	263.1	291.4
EBITDA	36.5	41.1	47.7	53.4	59.9	67.2	75.4	84.6	94.3
EBIT	27.2	32.0	39.8	46.3	53.7	61.6	70.4	79.5	89.1
EBT	26.3	30.9	39.0	45.8	53.3	61.3	70.2	79.4	89.1
EAT (before minorities)	18.3	21.6	26.9	31.6	36.8	42.3	48.4	54.8	61.5
EAT	16.7	19.7	24.5	28.8	33.5	38.5	44.1	49.9	55.9
EPS	0.99	1.17	1.46	1.72	2.00	2.30	2.63	2.97	3.34

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
CF operating	26.4	30.5	34.4	38.3	42.5	47.3	52.7	59.0	65.6
CF from investments	-8.6	-2.4	-2.6	-2.7	-2.9	-3.0	-3.2	-3.3	-3.5
CF financing	-14.5	-21.3	-26.2	-24.3	-26.4	-30.8	-35.4	-40.5	-45.8
Liquidity beginning of year	9.6	12.9	19.7	25.3	36.6	49.8	63.2	77.3	92.6
Liquidity end of year	12.9	19.7	25.3	36.6	49.8	63.2	77.3	92.6	108.9

Key figures

percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	32.7%	10.0%	12.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Gross profit growth	23.1%	10.0%	12.3%	10.8%	10.8%	10.8%	10.8%	10.7%	10.7%
Gross margin	52.0%	52.0%	52.1%	52.2%	52.4%	52.5%	52.6%	52.7%	52.8%
EBITDA margin	14.9%	15.2%	15.7%	16.0%	16.2%	16.4%	16.7%	17.0%	17.1%
EBIT margin	11.1%	11.8%	13.1%	13.8%	14.5%	15.1%	15.6%	15.9%	16.2%
EBT margin	10.7%	11.4%	12.9%	13.7%	14.4%	15.0%	15.5%	15.9%	16.2%
Net margin (after minorities)	6.8%	7.3%	8.1%	8.6%	9.1%	9.4%	9.8%	10.0%	10.1%

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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II) Preparation and updating

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 17.03.2020 at 12:45 and published on 17.03.2020 at 12:55.

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Date	Rating	Target price	Conflict of interests
17.02.2020	Hold	50.50 Euro	1), 3), 4)
23.10.2019	Buy	38.50 Euro	1), 3)
06.08.2019	Buy	37.10 Euro	1), 3)
02.05.2019	Hold	35.80 Euro	1), 3), 4)
19.02.2019	Buy	35.00 Euro	1), 3), 4)
17.12.2018	Buy	33.70 Euro	1), 3), 4)
23.10.2018	Buy	31.30 Euro	1), 3)
30.07.2018	Buy	30.80 Euro	1), 3), 4)
24.04.2018	Buy	26.70 Euro	1), 3)

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The publishing dates for the financial analyses are not yet fixed at the present moment.

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