

## Buy

PT: €22.00

## Key data

| Ticker                     | MUX GY  |
|----------------------------|---------|
| Price (6 September 2021)   | €26.20  |
| Upside to Price Target (%) | (16.0)  |
| Market Cap (m)             | 335     |
| Free Float (%)             | 50.0    |
| Daily Value Traded (m)     | 0.4     |
| No. of Shares (m)          | 15.20   |
| 1mth perf (%)              | 8.9     |
| 3mth perf (%)              | 13.7    |
| 12mth perf (%)             | 161.5   |
| 12mth high-low (€)         | 27 - 10 |

## Key financials

(In EUR M)

| Year to Dec        | 2019A | 2020E   | 2021E    |
|--------------------|-------|---------|----------|
| Group revenue      | 1,016 | 1,772   | 2,815    |
| EBITDA (rep.)      | 79.1  | 84.6    | (30.2)   |
| EBIT (rep.)        | 26.1  | (78.16) | (280.77) |
| DPS (c)            | 1.00  | 1.50    | 1.50     |
| Net debt/(cash)    | 262.9 | 77.5    | (170)    |
| ROCE (NOPAT) (%)   | 13.3  | 15.9    | 20.0     |
| EPS (adj.) y/y (%) | --    | --      | --       |
| Net debt/EBITDA    | 35.1  | (2.1)   | 6.76     |
| EV/Sales           | 0.7   | 0.3     | 0.1      |
| EV/EBITDA (adj.)   | 88.3  | (13.0)  | (9.1)    |
| EV/EBIT (adj.)     | 10.9  | 3.8     | 1.0      |
| P/E (adj.)         | --    | --      | --       |
| Dividend yield (%) | 3.8   | 5.7     | 5.7      |
| Free CF yield (%)  | (2.7) | 176.6   | 208.0    |
| EV/CE              | 1.5   | 0.6     | 0.2      |

Prices are as of close 6 September 2021

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All sources unless otherwise stated: Company data, FactSet, Stifel estimates

## Share price performance (indexed)



## H1 results – first take: focus on new mid-term guidance

## Key Points

Mutares reported solid H1 results, in our view, with consulting revenue in line with our forecasts. Management continues to execute almost flawlessly on its investment strategy with a total of seven acquisitions since the beginning of 2021. MUX also stepped up its efforts on the exit side as it finalised three exits in H1 and announced another five since the beginning of July. The company reiterated its FY21E guidance, which is in line with Refinitiv consensus. Management also expects to meet market expectations with regard to dividend payouts. Consensus and SFe sit on a DPS of €1.50, implying a yield of ~6%. However, management raised its mid-term outlook and now expects consolidated group revenue of at least €5bn, significantly higher than the previous target of at least €3bn. The net margin guidance remains unchanged, implying net income on the holding level of at least €100m. Deducting taxes, this could enable MUX to pay a dividend of up to €5.0 per share. At the same time, the company indicated that it may consider measures to finance its growth ambitions, including potential capital increases. Overall, a strong message, in our view, which shows that current market conditions for Private Equity participants with a focus on special situations remains highly benign.

- In our view, the most relevant figure in the H1 results set is consulting revenue, as this forms the basis for the company's dividend payout. This number grew by 58% yoy to €22.8m, ~4% above our forecast of €21.9m (no consensus figures available).
- On a consolidated group level, revenue grew by 76% yoy to €1.1bn (SFe €1.04bn), clearly heavily impacted by MUX's investment activities and corresponding consolidation effects. Net income amounted to €19.9m, which is significantly above our estimates (SFe -€32m), helped by book gains from the disposal of STS Group. Adj. EBITDA amounted to -€4.6m (SFe -€2.1m).
- The outlook for FY21E was reiterated as management continues to see growth in consolidated revenue of at least 50% or >€2.4bn. Refinitiv consensus sits at €2.6bn. In the press release, the company also expressed confidence to meet market expectations with regard to dividend payouts.
- In addition, MUX raised its mid-term outlook and now targets consolidated group revenue of at least €5bn, up from at least €3bn previously. Consensus / SFe forecast €3.0bn and €3.4bn, respectively. The net income margin, i.e., net income on the holding level, generated from profits from consulting services, dividend payouts from portfolio companies and disposal gains should still amount to 1.8-2.0%. This would imply a net income of ~€100m. Assuming a corporate tax rate of 25% and a 100% payout ratio, this could enable the company to pay a dividend of up to €5.0 per share for FY23E.
- MUX will host a CC at 2pm CEST.
- A CMD will take place on 15 September.

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## Company Snapshot

### Investment case summary

The Mutares equity story is based on the company's transformation from an investment holding to a private equity firm in the niche area of special situations. As a result, earnings streams should become much more transparent and, as such, easier to value for analysts and investors alike. Consequently, we expect a continued rerating of the shares over the next 12 months. Recurring revenues from consulting services to and dividends from its portfolio companies should cover management's ambitions for attractive dividend payouts to shareholders. Mutares also plans to reduce significantly the holding period of portfolio companies. Hence, a higher exit frequency over the next few years should not only strengthen investor trust in the quality of the portfolio companies, but also result in potential performance dividends.

### Target price methodology

Mutares has decided to provide more transparency on the revenue and profit streams at the holding level, which form the basis for our valuation framework. We also take into account that management is highly committed to dividend payments. Our financial forecasts therefore flow into a private equity peer group analysis (FY21E P/E target multiple of 16x) as well as a dividend discount model (DDM). The average of the two implied equity values, result in our price target of €22.00.

### Risk to our valuation and rating

While a larger portfolio is the prerequisite for growth, it will naturally be more complex to manage. This requires more investment professionals, consultants and, as a consequence, higher fixed costs. We could argue that Mutares's holdings are in a restructuring mode for a reason and a longer-than-expected optimisation phase would postpone dividend income. In some cases, the turnaround does not materialise and potentially results in insolvency procedures. This would naturally lead to either a low or even negative selling price, or trigger a costly liquidation process. That said, we note that Mutares has a strong track record since inception and, in addition, has baked in such, probability-weighted, scenarios in its financial guidance.

### Key dates

- FY20 results: 8 April
- Q1 2021 results: 11 May

### Company description

Mutares is an investment holding company, headquartered in Munich, Germany. It was founded in 2008 and went public in the same year. It is currently listed in the SCALE segment of the Frankfurt stock exchange.

### Key products, clients and end markets

Mutares's investments are focused on medium-sized companies located throughout continental Europe. Management claims to have a particular expertise in investing in and managing special situations or turnaround cases, facilitated by its ~70 consultants FTEs. With offices in Munich, Frankfurt am Main, Vienna, Paris, Madrid, Milan, Stockholm, Helsinki, as well as London, and investment activities in Europe, North Africa, North and South America and Asia, Mutares has a global footprint. The current portfolio comprises 19 equity investments. The firm takes a sector-agnostic approach to investment, albeit with a focus on targets which operate in the industrial sector.

### Key shareholders

- Robin Laik (founder and CEO): 29%
- Mutares management: 11%
- Treasury shares: 3%

### Senior management

- Robin Laik: CEO
- Johannes Laumann: CIO
- Mark Friedrich: CFO
- Dr. Kristian Schleede is CRO

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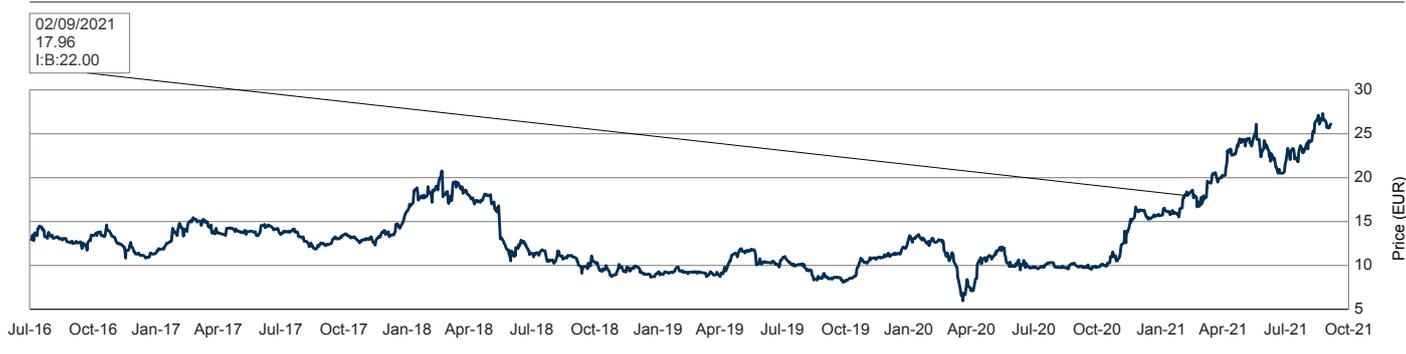
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### Mutares SE & Co KGaA (MUX GY) as of September 06, 2021 (in EUR)



\*Represents the value(s) that changed.

Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

For a price chart with our ratings and any applicable target price changes for MUX GY go to [http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=MUX\\_GY](http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=MUX_GY)

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**Hold** - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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<sup>1</sup> This rating is only utilised by Stifel Canada.

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