

Buy (old: Buy)

ESG Rating: BB

04-October-24

Price target: EUR 47.50 (old: EUR 47.50)

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Analyst

Price: EUR 24.20 Next result: CMD 24.10.24
Bloomberg: MUX GR Market cap: EUR 499.4 m
Reuters: MUXG.BE Enterprise Value: EUR 645.9 m

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Promising deal flow prospects into Q4; potential listing

MUX has supplied **more supportive news-flow for our BUY case** following the recent short attack. In a nutshell:

A strong Q4 is expected on the transaction side following a subdued Q3: five acquisitions are eyed with total investments of up to € 20m, so up to € 4m per ticket, in line with the company's intention to put less capital at risk, as described in [our most recent update](#).

At least two further exits are expected in 2024, which should help deliver the net income and dividend guidance. The cluster of companies having achieved their turnaround journey and in active divestiture processes represent **some € 175-210m in cumulative valuation uplifts**.

MUX mentions in this regard that it is **exploring a listing of Steyr Motors**, including selling down to "selected investors" by year-end 2024. The company is a supplier of specialty engines for defense applications (marine: light engines for commando operations; vehicle: light to heavy off-road segment, auxiliary power units, range extenders, gensets, according to the web site <https://www.steyr-motors.com/>). The asset is currently supported by the booming defense super cycle particularly for land forces. It was bought in 2022. Adj. EBIT for 2024 is targeted north of € 10m, quadrupling to a "conservative" € 40m by 2027 based on a strong order book and project pipeline, according to the press release.

Back-of envelope and assuming a conservative 10x multiple, knowing very little about the company at this stage, this looks like **a € 100m EV opportunity growing to € 400m by 2027**.

The **latest release should instill confidence in the turnaround competence, value generation capabilities and, more immediately, achievement of targets for 2024 following the Gotham attack**.

CMD is on October 24. We remain fundamental **BUYers PT € 47.50 on DDM**, the current dividend yield of > 4% looks particularly attractive for a base dividend alone. We however also caution against further follow-on Gotham reports (given how this outfit generally operates) potentially putting the stock under pressure.

Y/E 31.12 (EUR m)	2020	2021	2022	2023	2024E
Sales	1,583.9	2,504.0	3,751.7	4,689.1	5,405.4
Sales growth	56 %	58 %	50 %	25 %	15 %
Adj. EBITDA	-28.8	-41.3	-32.7	3.5	15.6
EBIT (inc revaluation net)	41.2	447.3	-3.1	436.9	197.4
Net income	27.1	435.6	-6.7	397.1	124.9
Net debt	173.1	275.6	448.1	172.9	-4.2
Net gearing	90.9 %	38.2 %	62.9 %	16.2 %	-0.4 %
Net debt/adj. EBITDA	-6.0	-6.7	-13.7	49.4	0.0
EPS pro forma	2.16	2.46	3.24	19.24	6.10
CPS	-8.92	-10.79	-1.49	-1.82	7.04
DPS	1.50	1.50	1.75	2.25	2.00
Dividend yield	13.3 %	6.8 %	9.1 %	9.3 %	8.3 %
Gross profit margin	37.6 %	37.1 %	35.8 %	40.2 %	41.0 %
Adj. EBITDA margin	-1.8 %	-1.6 %	-0.9 %	0.1 %	0.3 %
EBIT margin	2.6 %	17.9 %	-0.1 %	9.3 %	3.7 %
ROCE	6.4 %	38.4 %	-0.2 %	22.3 %	8.4 %
Holding Revenues	10.5	19.3	31.9	71.1	120.0
Portfolio Income	54.4	41.3	66.5	139.8	88.0
Net Income	20.1	22.5	33.4	72.9	114.1

Source: Company data, Hauck Aufhäuser Investment Banking Close price as of: 03.10.2024



Source: Company data, HAIB

High/low 52 weeks: 43.30 / 22.20
Price/Book Ratio: 0.4
Relative performance (SDAX):
3 months -29.2 %
6 months -35.6 %
12 months -27.2 %

Changes in estimates

		Sales	EBIT	EPS
2024	old:	5,405.4	197.4	6.10
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 20.6
Authorised capital: (in € m) 7.0
Book value per share: (in €) 55.1
Ø trading volume: (12 months) 5,400

Major shareholders:

Free Float 63.0 %
Robin Laik 25.1 %
Management 11.9 %

Company description:

Turnaround investor focussed on corporate carve-outs with € 100-750m in revenues and ROIC target of 7-10x

Company guidance 2024E:

Group revenues € 5.7 - € 6.3 bn;
Holding Net Income € 108-132m

Mutares portfolio structure per June 30, 2024



Source: Company data; Hauck Aufhäuser Investment Banking

Company in a Nutshell

Mutares is a private equity investor focused on special situations active in Europe, the US and Asia. The company focuses on carve-outs and mid-sized companies in a distressed/turnaround phase. The portfolio comprises over 30 companies with an annualized revenue of over € 6 bn, grouped in four clusters: Automotive and Mobility (early cyclical c. € 2.2 bn in FY 23 sales); Engineering and technology (late-cyclical c. € 1.4 bn in FY 23 sales); Goods and Services (non-cyclical € 1.8 bn in FY 23 sales) and Retail and Food (cyclical c. € 1 bn in FY 23 sales).

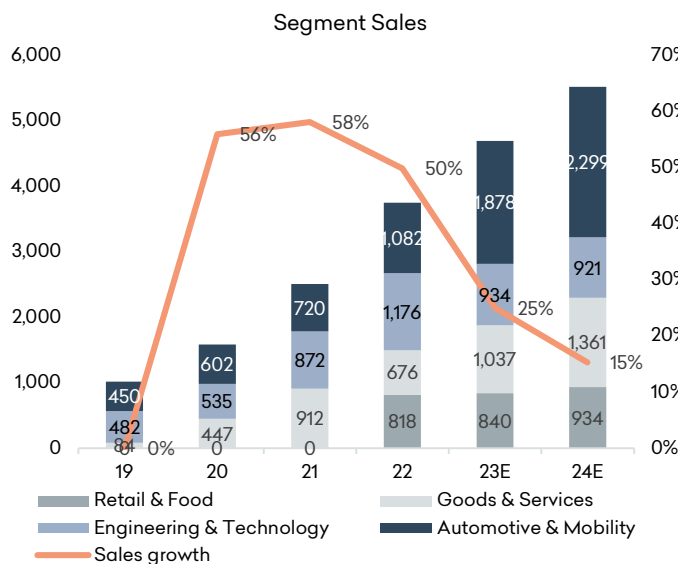
Upcoming Catalysts

- Upcoming exits could fuel news flow with a “Harvesting” portfolio that could generate valuation uplifts of some € 175-210m over the next 12 to 24 months
- This would pave the way for another “bonus” dividend in FY 24, supporting sound shareholder remuneration

Investment Case

- Unique turnaround focus with cycle and geographic diversification
- Portfolio growth drives predictable consulting revenues at Holding company level
- MUX targets ROICs of 7-10x with an average holding period of 3-5 years. Invested capital as of Q1 24 amounted to € 427m, pointing to a strong exit pipeline
- Exits typically are to strategic partners and can afford to get executed at low multiples considering the minimal initial cash outlays for MUX. The average exit multiples are around 5x-6x EBITDA
- Attractive shareholder remuneration evident in a € 2.00 base dividend commitment (5%+ yield at current levels) with potential for a special dividend on top
- BUY PT € 47.50 on a DDM valuation model

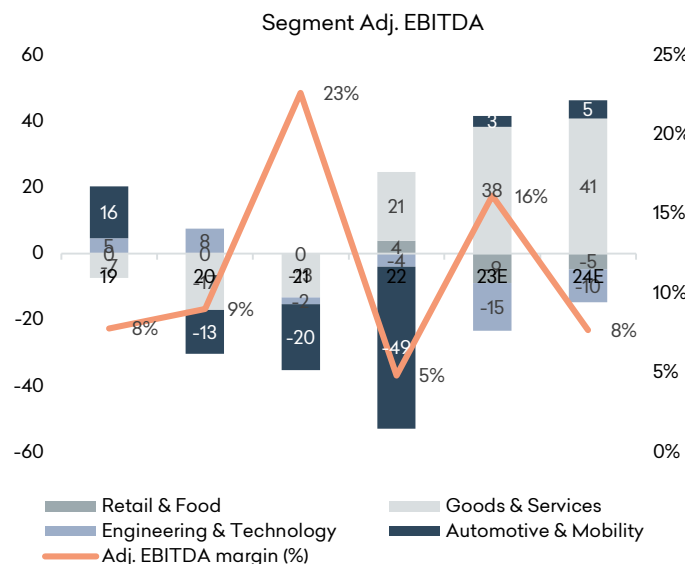
Key Performance Indicators



Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow summary	2022	2023	2024E
Operating cash flow	-20.8	-27.5	367.9
Capex	102.9	164.5	100.0
FCF	-123.7	-192.0	267.9
FCF per share	neg.	neg.	13.0
FCF yield	18.0 %	102.5 %	36.3 %
Net debt/adj. EBITDA	-13.7	49.4	0.0

Source: Company data, Hauck Aufhäuser Investment Banking



Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios summary	2022	2023	2024E
EPS growth	-101.6 %	-5881.8 %	-67.2 %
Capital Turnover	2.2	2.1	2.3
Avg. working capital / sales	10.1 %	10.4 %	10.4 %
Cash conversion cycle (days)	35.5	38.1	38.1
FCF / Net profit	neg.	neg.	205.6 %
Interest cover	0.0	4.7	1.9

Source: Company data, Hauck Aufhäuser Investment Banking

Financials

Profit and loss (EUR m)	2020	2021	2022	2023	2024E
Net sales	1,583.9	2,504.0	3,751.7	4,689.1	5,405.4
Sales growth	55.9 %	58.1 %	49.8 %	25.0 %	15.3 %
Increase/decrease in finished goods and work-in-process	-23.1	6.8	-16.4	-4.4	-5.1
Total sales	1,560.8	2,510.8	3,735.3	4,684.7	5,400.3
Other operating income	241.3	770.1	355.5	986.1	1,081.1
Material expenses	974.6	1,579.7	2,398.6	2,799.5	3,186.2
Personnel expenses	423.9	660.4	909.6	1,369.6	1,458.1
Other operating expenses	260.8	474.3	601.1	744.8	1,421.5
Total operating expenses	1,418.1	1,944.3	3,553.8	3,927.8	4,984.7
EBITDA	142.7	566.5	181.5	756.9	415.6
Depreciation	88.7	109.2	174.6	320.0	216.2
EBITA	54.0	457.3	6.9	436.9	199.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	1.0
Amortisation of intangible assets	12.8	10.0	10.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	1.0
EBIT (inc revaluation net)	41.2	447.3	-3.1	436.9	197.4
Interest income	3.9	8.5	15.1	19.5	19.5
Interest expenses	28.2	27.2	68.4	92.9	104.9
Other financial result	0.0	0.0	0.0	0.0	1.0
Financial result	-24.3	-18.7	-53.3	-73.4	-86.4
Recurring pretax income from continuing operations	16.9	428.6	-56.5	363.5	111.0
Extraordinary income/loss	0.0	0.0	0.0	0.0	1.0
Earnings before taxes	16.9	428.6	-56.5	363.5	112.0
Taxes	-2.8	-13.7	35.5	-3.6	-1.2
Net income from continuing operations	19.7	442.3	-21.0	367.1	114.3
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0
Net income	19.7	442.3	-21.0	367.1	114.3
Minority interest	-7.4	6.7	-14.2	-30.0	-15.0
Net profit (reported)	27.1	435.6	-6.7	397.1	129.3
Average number of shares	15.2	20.6	20.6	20.6	20.6
EPS reported	1.78	21.11	-0.33	19.08	6.26

Profit and loss (common size)	2020	2021	2022	2023	2024E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	neg.	0.3 %	neg.	neg.	neg.
Total sales	98.5 %	100.3 %	99.6 %	99.9 %	99.9 %
Other operating income	15.2 %	30.8 %	9.5 %	21.0 %	20.0 %
Material expenses	61.5 %	63.1 %	63.9 %	59.7 %	58.9 %
Personnel expenses	26.8 %	26.4 %	24.2 %	29.2 %	27.0 %
Other operating expenses	16.5 %	18.9 %	16.0 %	15.9 %	26.3 %
Total operating expenses	89.5 %	77.6 %	94.7 %	83.8 %	92.2 %
EBITDA	9.0 %	22.6 %	4.8 %	16.1 %	7.7 %
Depreciation	5.6 %	4.4 %	4.7 %	6.8 %	4.0 %
EBITA	3.4 %	18.3 %	0.2 %	9.3 %	3.7 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.8 %	0.4 %	0.3 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	2.6 %	17.9 %	neg.	9.3 %	3.7 %
Interest income	0.2 %	0.3 %	0.4 %	0.4 %	0.4 %
Interest expenses	1.8 %	1.1 %	1.8 %	2.0 %	1.9 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	1.1 %	17.1 %	neg.	7.8 %	2.1 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	1.1 %	17.1 %	neg.	7.8 %	2.1 %
Tax rate	0.0 %	0.0 %	-62.8 %	-1.5 %	-2.0 %
Net income from continuing operations	1.2 %	17.7 %	neg.	7.8 %	2.1 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	1.2 %	17.7 %	neg.	7.8 %	2.1 %
Minority interest	neg.	0.3 %	neg.	neg.	neg.
Net profit (reported)	1.7 %	17.4 %	neg.	8.5 %	2.4 %

Source: Company data, Hauck Aufhäuser Investment Banking

Balance sheet (EUR m)	2020	2021	2022	2023	2024E
Intangible assets	76.0	134.0	143.9	245.3	244.3
Property, plant and equipment	390.0	875.3	1,140.9	1,632.8	1,556.6
Financial assets	8.7	73.6	73.0	137.1	136.1
FIXED ASSETS	474.7	1,082.9	1,357.8	2,015.2	1,937.0
Inventories	203.5	423.2	560.7	673.4	776.3
Accounts receivable	258.5	285.9	407.1	491.0	566.0
Other current assets	226.2	485.8	437.2	620.3	632.1
Liquid assets	145.3	255.1	246.4	520.2	755.6
Deferred taxes	18.9	27.4	20.4	28.6	29.5
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	852.5	1,477.4	1,671.8	2,333.5	2,759.4
TOTAL ASSETS	1,327.2	2,560.3	3,029.6	4,348.7	4,696.4
SHAREHOLDERS EQUITY	190.3	721.2	712.7	1,069.3	1,137.1
MINORITY INTEREST	16.9	15.2	1.4	50.3	35.3
Long-term debt	318.4	530.7	694.5	693.1	747.0
Provisions for pensions and similar obligations	116.1	153.0	94.4	130.6	150.7
Other provisions	94.1	172.8	225.3	240.9	325.7
Non-current liabilities	528.6	856.5	1,014.2	1,064.6	1,223.4
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0
Accounts payable	250.4	372.8	588.0	674.6	777.7
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	289.5	412.3	440.5	1,128.5	1,128.5
Deferred taxes	15.1	137.8	116.1	141.0	167.9
Deferred income	36.3	44.5	156.7	220.4	226.5
Current liabilities	591.4	967.4	1,301.3	2,164.5	2,300.6
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,327.2	2,560.3	3,029.6	4,348.7	4,696.4

Balance sheet (common size)	2020	2021	2022	2023	2024E
Intangible assets	5.7 %	5.2 %	4.7 %	5.6 %	5.2 %
Property, plant and equipment	29.4 %	34.2 %	37.7 %	37.5 %	33.1 %
Financial assets	0.7 %	2.9 %	2.4 %	3.2 %	2.9 %
FIXED ASSETS	35.8 %	42.3 %	44.8 %	46.3 %	41.2 %
Inventories	15.3 %	16.5 %	18.5 %	15.5 %	16.5 %
Accounts receivable	19.5 %	11.2 %	13.4 %	11.3 %	12.1 %
Other current assets	17.0 %	19.0 %	14.4 %	14.3 %	13.5 %
Liquid assets	11.0 %	10.0 %	8.1 %	12.0 %	16.1 %
Deferred taxes	1.4 %	1.1 %	0.7 %	0.7 %	0.6 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	64.2 %	57.7 %	55.2 %	53.7 %	58.8 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	14.3 %	28.2 %	23.5 %	24.6 %	24.2 %
MINORITY INTEREST	1.3 %	0.6 %	0.0 %	1.2 %	0.8 %
Long-term debt	24.0 %	20.7 %	22.9 %	15.9 %	15.9 %
Provisions for pensions and similar obligations	8.7 %	6.0 %	3.1 %	3.0 %	3.2 %
Other provisions	7.1 %	6.7 %	7.4 %	5.5 %	6.9 %
Non-current liabilities	39.8 %	33.5 %	33.5 %	24.5 %	26.1 %
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	18.9 %	14.6 %	19.4 %	15.5 %	16.6 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	21.8 %	16.1 %	14.5 %	26.0 %	24.0 %
Deferred taxes	1.1 %	5.4 %	3.8 %	3.2 %	3.6 %
Deferred income	2.7 %	1.7 %	5.2 %	5.1 %	4.8 %
Current liabilities	44.6 %	37.8 %	43.0 %	49.8 %	49.0 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow statement (EUR m)	2020	2021	2022	2023	2024E
Net profit/loss	19.7	442.3	-21.0	367.1	114.3
Depreciation of fixed assets (incl. leases)	88.7	109.2	0.0	-180.0	217.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	1.0
Amortisation of intangible assets	12.8	10.0	10.0	0.0	0.0
Others	-186.8	-677.0	-53.9	-102.0	110.2
Cash flow from operations before changes in w/c	-65.6	-115.5	-64.9	82.5	442.7
Increase/decrease in inventory	16.5	-22.4	-137.5	-112.7	-102.9
Increase/decrease in accounts receivable	7.1	43.1	-121.2	-83.9	-75.0
Increase/decrease in accounts payable	48.0	38.4	215.2	86.6	103.1
Increase/decrease in other working capital positions	-40.4	-47.1	87.6	0.0	0.0
Increase/decrease in working capital	31.2	12.0	44.1	-110.0	-74.8
Cash flow from operating activities	-34.4	-103.5	-20.8	-27.5	367.9
CAPEX	35.5	59.7	102.9	164.5	100.0
Payments for acquisitions	-78.6	-188.8	-152.0	-421.7	120.0
Financial investments	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	8.3	42.3	35.0	197.2	80.0
Cash flow from investing activities	51.4	171.5	84.1	454.4	-140.0
Cash flow before financing	17.0	68.0	63.3	426.9	227.9
Increase/decrease in debt position	104.0	44.0	163.8	47.3	53.9
Purchase of own shares	2.5	-5.4	0.0	0.0	0.0
Capital measures	0.0	94.3	0.0	0.0	0.0
Dividends paid	15.2	23.1	31.0	36.1	46.4
Others	-28.4	-72.8	-188.6	-155.8	0.0
Effects of exchange rate changes on cash	-9.2	-6.0	-16.1	-8.6	0.0
Cash flow from financing activities	57.9	47.8	-55.8	-144.6	7.5
Increase/decrease in liquid assets	65.7	109.7	-8.6	273.7	235.4
Liquid assets at end of period	145.4	255.1	246.5	520.2	755.6

Key ratios (EUR m)	2020	2021	2022	2023	2024E
P&L growth analysis					
Sales growth	55.9 %	58.1 %	49.8 %	25.0 %	15.3 %
EBITDA growth	80.2 %	296.9 %	-68.0 %	317.0 %	-45.1 %
EBIT growth	57.3 %	985.2 %	-100.7 %	-	-54.8 %
EPS growth	27.9 %	1085.7 %	-101.6 %	-	-67.2 %
Efficiency					
Total operating costs / sales	89.5 %	77.6 %	94.7 %	83.8 %	92.2 %
Sales per employee	138.0	178.9	197.2	171.5	n/a
EBITDA per employee	12.4	40.5	9.5	27.7	n/a
Balance sheet analysis					
Avg. working capital / sales	10.4 %	10.9 %	9.5 %	9.3 %	9.8 %
Inventory turnover (sales/inventory)	7.8	5.9	6.7	7.0	7.0
Trade debtors in days of sales	59.6	41.7	39.6	38.2	38.2
A/P turnover [(A/P*365)/sales]	57.7	54.3	57.2	52.5	52.5
Cash conversion cycle (days)	42.0	53.3	35.5	38.1	38.1
Cash flow analysis					
Free cash flow	-69.9	-163.2	-123.7	-192.0	267.9
Free cash flow/sales	-4.4 %	-6.5 %	-3.3 %	-4.1 %	5.0 %
FCF / net profit	neg.	neg.	neg.	neg.	207.3 %
Capex / depn	35.0 %	50.0 %	1029.0 %	-91.4 %	45.8 %
Capex / maintenance capex	49.3 %	50.0 %	0.0 %	0.0 %	45.8 %
Capex / sales	n/a	n/a	n/a	n/a	n/a
Security					
Net debt	173.1	275.6	448.1	172.9	-8.6
Net Debt/EBITDA	1.2	0.5	2.5	0.2	0.0
Net debt / equity	0.9	0.4	0.6	0.2	neg.
Interest cover	1.5	16.4	0.0	4.7	1.9
Dividend payout ratio	84.3 %	7.1 %	100.0 %	11.7 %	31.9 %
Asset utilisation					
Capital employed turnover	2.2	1.6	2.2	2.1	2.3
Operating assets turnover	2.6	2.1	2.5	2.2	2.5
Plant turnover	4.1	2.9	3.3	2.9	3.5
Inventory turnover (sales/inventory)	7.8	5.9	6.7	7.0	7.0
Returns					
ROCE	6.4 %	38.4 %	-0.2 %	22.3 %	8.6 %
ROE	14.3 %	60.4 %	-0.9 %	37.1 %	11.4 %
Other					
Interest paid / avg. debt	10.9 %	6.4 %	11.2 %	13.4 %	14.6 %
No. employees (average)	11480	14000	19021	27345	0
Number of shares	15.2	20.6	20.6	20.6	20.6
DPS	1.5	1.5	1.8	2.3	2.0
EPS reported	1.78	21.11	-0.33	19.08	6.26
Valuation ratios					
P/BV	0.9	0.6	0.6	0.6	0.6
EV/sales	0.3	0.4	0.3	0.2	0.1
EV/EBITDA	3.2	1.6	5.2	1.2	1.9
EV/EBITA	8.5	1.9	136.2	2.1	3.9
EV/EBIT	11.2	2.0	-303.2	2.1	3.9
EV/FCF	-6.6	-5.4	-7.6	-4.9	2.9
Adjusted FCF yield	11.8 %	57.6 %	18.0 %	102.5 %	36.3 %
Dividend yield	13.3 %	6.8 %	9.1 %	7.4 %	6.5 %

Source: Company data, Hauck Aufhäuser Investment Banking

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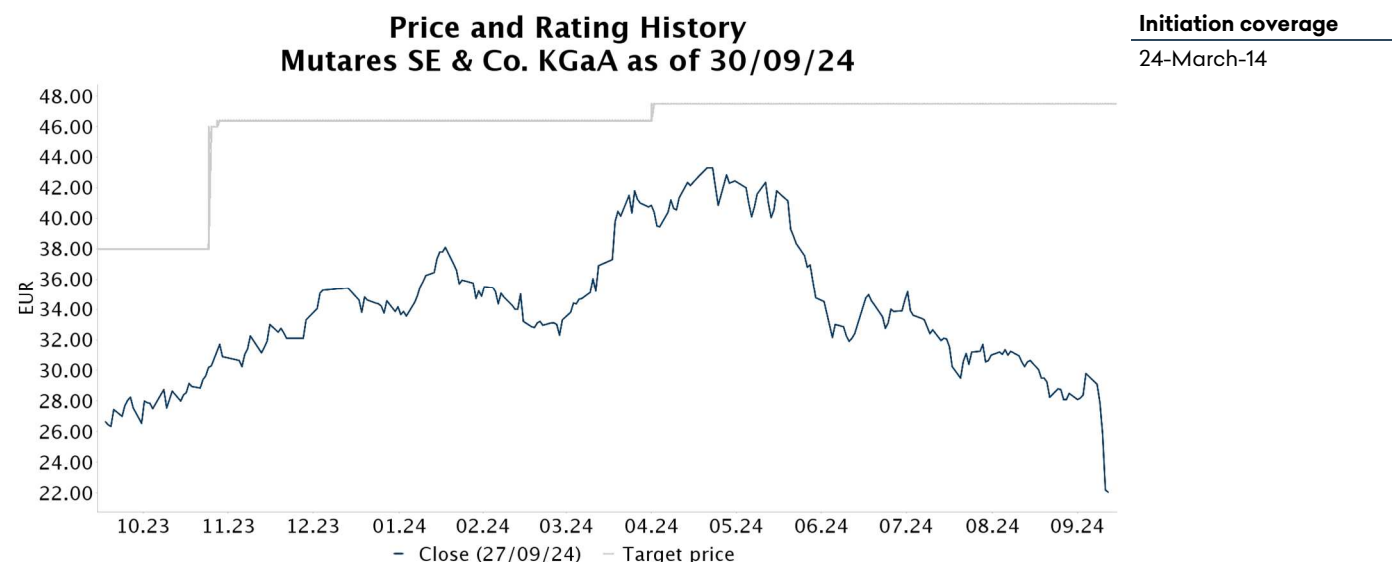
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Company	Disclosure
Mutares SE & Co. KGaA	2, 6

Historical target price and rating changes for Mutares SE & Co. KGaA in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
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Mutares SE & Co. KGaA

Mutares SE & Co. KGaA	07.08.2024	Gruebner, Marie-Therese	Buy	EUR 47,50	EUR 31,10
	10.05.2024	Gruebner, Marie-Therese	Buy	EUR 47,50	EUR 40,85
	18.04.2024	Gruebner, Marie-Therese	Buy	EUR 47,50	EUR 39,50
	11.03.2024	Gruebner, Marie-Therese	Buy	EUR 46,40	EUR 33,10
	13.11.2023	Gruebner, Marie-Therese	Buy	EUR 46,40	EUR 31,70

Hauck Aufhäuser Investment Banking distribution of ratings and in proportion to investment banking services

Buy	69.23 %	78.57 %
Sell	5.64 %	3.57 %
Hold	25.13 %	17.86 %

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