26 April 2012

FIRST BERLIN
Equity Research

MASTERFLEX AG

GERMANY / INDUSTRIAL PRODUCTS & PLASTICS

Primary exchange: Frankfurt
Bloomberg symbol: MZX GR
ISIN: DE0005492938

PRELIMINARY
Q1 RESULTS

RATING:	**Buy**
PRICE TARGET:	**€7.50**
RETURN POTENTIAL:	**51.4%**
RISK RATING:	**High**

POSITIVE START TO 2012

Masterflex published preliminary Q1 2012 figures on 24 April. Sales were in line with our forecast and EBIT was better than we expected. Based on the solid Q1 figures, the company confirmed its 2012 guidance for sales in the range €57-58m and EBIT of €8m. We reiterate our Buy recommendation and our €7.50 price target.

Better than expected profitability According to preliminary figures, Q1 sales increased by 4% y/y to €14.5m (FBe: €14.5m; Q1/11: €13.9m). EBIT came in at €2.1m (FBe: €2.0m; Q1/11: €2.4m). Compared with the prior year's Q1, operating development in 2012 was presumably dragged-down by higher material and personnel costs.

2012 guidance confirmed In view of the positive start to 2012, Masterflex confirmed its guidance for the current fiscal year. Sales are expected in the range €57-58m (y/y sales growth of more than 7.5%). At the operating level, Masterflex predicts EBIT of €8m.

Unchanged forecasts In our opinion, the company will achieve its goal of organic sales growth of 8-10% y/y in the coming years due to continuous innovation (for example introduction of the new self-extinguishing hose series XFlame) and further internationalisation. However, associated costs (e.g. for R&D) may slightly retard the expected gradual improvement in profitability. We thus stick to our forecasts for 2012E and subsequent years even though Masterflex' Q1 2012 operating performance was slightly better than we had anticipated. We reiterate our Buy rating and our €7.50 price target.

FINANCIAL HISTORY & PROJECTIONS

	2010	2011	2012E	2013E	2014E	2015E
Revenue (€m)	46.06	53.00	57.87	62.91	68.19	73.58
Y-o-y growth	n.a.	15.1%	9.2%	8.7%	8.4%	7.9%
EBIT (€m)	6.45	7.50	8.16	8.99	9.85	10.70
EBIT margin	14.0%	14.2%	14.1%	14.3%	14.4%	14.5%
Net income (€m)	-2.33	3.88	4.48	5.35	5.99	6.66
EPS (diluted) (€)	-0.49	0.44	0.51	0.61	0.69	0.76
EV / Sales (x)	1.4	1.2	1.1	1.0	0.9	0.9
EV / EBIT (x)	10.0	8.6	7.9	7.2	6.6	6.1
P/E (x)	n.a.	11.1	9.7	8.1	7.2	6.5
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	2.65	2.10	3.34	3.89	4.34	5.02
Net gearing	192.9%	123.3%	67.7%	39.9%	19.5%	3.6%
Liquid assets (€m)	14.40	4.54	3.58	6.57	8.61	0.50

RISKS

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

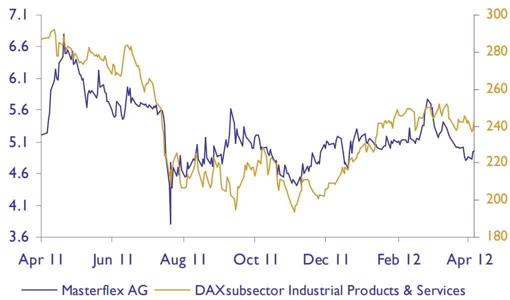
COMPANY PROFILE

Masterflex AG 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.

TRADING DATA

Closing price (25.04.12)	€4.95
Shares outstanding	8.73m
Market capitalisation	€43.25m
52-week range	€3.80 / 6.80
Average volume (12 months)	12,183

STOCK OVERVIEW



COMPANY DATA (as of 31 December 2011)

Liquid assets	€4.54m
Current assets	€19.61m
Intangible assets	€4.11m
Total assets	€50.93m
Current liabilities	€13.94m
Shareholders' equity	€15.68m

SHAREHOLDERS

SVB GmbH & Co. KG/Schmidt	19.6%
Familienmitglieder Bischoping	5.3%
BBC GmbH	4.6%
Other	8.1%
Free Float	62.4%

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FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommen-dation	Price target
Initial Report	5 December 2011	€4.61	Buy	€7.10
	↓	↓	↓	↓
2	19 December 2011	€4.95	Buy	€7.10
3	6 March 2012	€5.11	Buy	€7.20
4	4 April 2012	€5.27	Buy	€7.50
5	Today	€4.95	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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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