

Masterflex SE ^{3) 4)}

February 26, 2016

Recommendation:	Buy	
before:	-	as of -
Target price (EUR)	7.00 (before: 7.50)	
Share price (Xetra) (EUR)	5.75	
02/25/16 5:36 PM		
Share price potential	22%	

Company data	
Sector	Industry
Market segment	Prime Standard
ISIN	DE0005492938
Reuters	MZXG.DE
Bloomberg	MZX

Share data	
Shares (m)	8.866
Freefloat	54.9%
Market cap. (EURm)	51.0
☒ Trading volume (shares)	3.294
52W High 03/03/2015	EUR7.41
52W Low 01/25/2016	EUR5.45

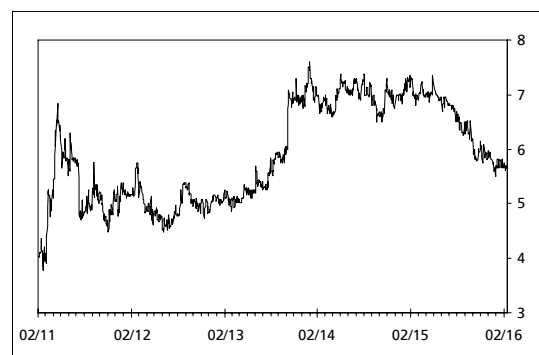
Profitability enhancement is the focus of the current business year

- The preliminary 2015 sales growth of 2.6% (our forecast: 3.0%) was within the company target of 2%-4%. EBIT fell, however, stronger than expected to EUR4.9m (6.3; our forecast: 5.8; Masterflex target: slightly below 6.3; among others, special items in Q4). After the 2015 margin underperformed the historical average the main focus of the current year lies on profitability enhancement. For this purpose a combination of measures consisting of in-house cost reductions, product portfolio optimisation as well as efficiency enhancements in production and warehouse announced recently are mainly to be implemented in 2016 according to the CFO. We thus expect in 2016 a recovery of the EBIT margin to 9.5% (so far: 10.0%) given sales of EUR66.2m (so far: 67.5). In 2017 we expect an EBIT margin of 10.1% (so far: 10.9%) given sales of EUR68.5m (so far: 72.0; in our opinion, a slower than expected pace of internationalisation).
- We have cut our price target to EUR7.00 (before: 7.50; DCF model). However, we reiterate our Buy recommendation (attractive 2016E valuation assuming successful implementation of the efficiency and optimisation measures).

Events	
final Q4 results	03/30/16
Q1 results	05/09/16

Performance		
	absolute	relative to DAX
1M	0.9%	6.2%
3M	-4.2%	16.2%
6M	-11.9%	-5.7%
12M	-21.4%	-4.6%

Index weighting	
No index membership	



Source: Bloomberg

	2012	2013	2014	2015(E)	2016E	2017E
Gross revenue	55.0	57.9	62.5	64.1	66.2	68.5
Growth in revenue	3.7%	5.3%	7.9%	2.6%	3.2%	3.5%
EBIT	7.6	6.1	6.3	4.9	6.3	6.9
EBIT margin	13.7%	10.6%	10.1%	7.6%	9.5%	10.1%
Net income	3.4	2.6	3.0	2.4	3.1	3.4
Net margin	6.3%	4.5%	4.9%	3.7%	4.8%	5.0%
EPS	0.39	0.29	0.34	0.27	0.35	0.39
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Net financial debt / EBITDA	2.0	2.2	1.8	2.1	2.0	1.9
Net gearing	1.1	0.8	0.7	0.6	0.7	0.6
Free cash flow (FCF)	0.9	4.0	3.0	0.4	-2.6	2.6
FCF per share	0.10	0.45	0.34	0.05	-0.29	0.30
EV/sales	1.2	1.2	1.3	1.2	1.0	1.0
EV/EBITDA	6.2	7.7	8.7	9.8	7.1	6.6
EV/EBIT	8.4	11.0	12.6	15.6	10.6	9.8
EV/FCF	57.6	16.0	26.2	174.5	-26.6	24.7
P/E	13.1	19.1	20.4	24.8	16.2	14.8
P/B	2.4	2.3	2.6	2.2	1.7	1.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Figures in EURm except EPS, DPS and FCF per share (EUR); source: Masterflex SE, own estimates

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Valuation

Valuation summary

Our valuation of the Masterflex share is further based solely on a DCF model. This produces a fair value of EUR62.7m (among others, reduction of the sales forecast for phase I and II; announced expansion investments mainly in 2016). This corresponds to a fair value per share of EUR7.07. Our adjusted price target is EUR7.00 (before: 7.50).

New price target of EUR7.00 (before: EUR7.50)

Masterflex SE										
DCF model										
in EURm	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Sales	66.2	68.5	71.5	75.2	79.6	84.8	89.9	94.8	99.6	104.1
Growth yoy	3.2%	3.5%	4.5%	5.2%	5.8%	6.5%	6.0%	5.5%	5.0%	4.5%
EBIT margin	9.5%	10.1%	10.8%	11.5%	12.5%	13.0%	12.9%	12.8%	12.6%	12.5%
EBIT	6.3	6.9	7.7	8.7	10.0	11.0	11.6	12.1	12.6	13.0
- Income taxes	-1.9	-2.1	-2.3	-2.6	-3.0	-3.3	-3.5	-3.6	-3.8	-3.9
+ Amortisation and depreciation	3.1	3.3	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.6
+/- Other non cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flow	7.5	8.1	8.7	9.4	10.4	11.2	11.6	12.0	12.3	12.8
-/+ Change in net working capital	-0.8	-1.1	-0.8	-1.0	-1.2	-1.4	-1.3	-1.3	-1.3	-1.2
- Investments in fixed assets	-9.3	-4.5	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.5	-3.6
Free cash flow	-2.6	2.6	4.3	4.9	5.6	6.2	6.7	7.1	7.5	7.9
Present values	-2.4	2.2	3.4	3.5	3.8	3.8	3.8	3.7	3.6	3.5
Total present values	29.0									
Terminal value	54.4									
										in % of total value: 65%
Value of operating business	83.4									
+ Cash and cash equivalents	4.1									
- Financial debt	-24.5									
- Pension provision	0.0									
- Minority interests	-0.4									
Fair market value of equity	62.7									
Number of shares outstanding (m)	8.866									
Fair value per share (EUR)	7.07									

Source: own estimates

Model parameters:

Target capital structure:	Equity:	70%	Financial debt:	30%	
Risk-free Rate	3.0%	Beta:	1.6	Risk prem. debt:	1.8%
		Risk premium	5.0%	Tax shield:	30.0%
		Cost of equity	10.8%	Cost of debt:	3.4%
Growth FCF (TV):	2.0%	WACC:	8.6%	Date	02/26/16

Sensitivity analysis (EUR)		Discount rate (WACC)			
		7.6%	8.1%	8.6%	9.1%
Growth FCF (TV)	1.0%	7.78	6.96	6.26	5.64
	1.5%	8.32	7.41	6.63	5.96
	2.0%	8.97	7.94	7.07	6.32
	2.5%	9.74	8.56	7.57	6.74

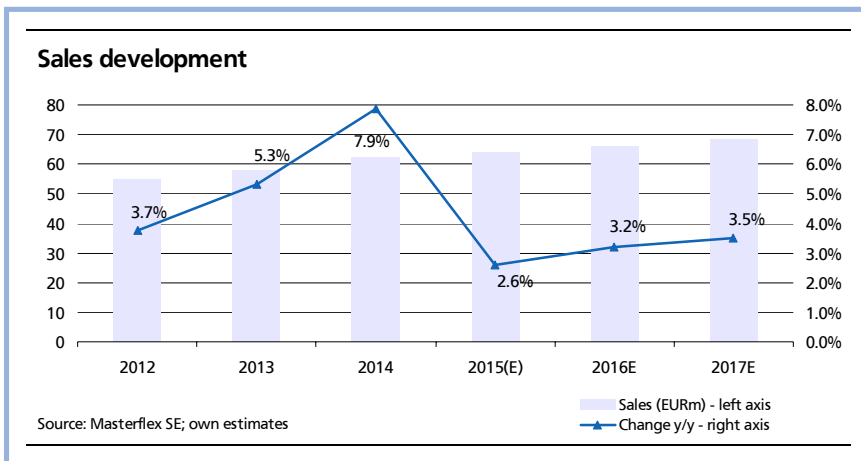
Source: own estimates

Strategic perspectives

After the successful phase of restructuring in 2008-2010 the leading supplier of high-tech hoses and connection systems began to implement its growth strategy in 2011. The two main pillars of this strategy are internationalisation and innovation. In the frames of internationalisation strategy Masterflex, whose focus has historically been set on Europe, plans to diversify geographically. Regions such as especially North America as well as Asia that have a total market volume of several hundred million euros and demonstrate an above-average market growth compared to Europe are to be specifically targeted. Masterflex has both production and distribution sites in North America (US) and since 2012 in Asia (China, Singapore). Mainly larger customers (OEMs as distribution channel) should be targeted while expanding into future markets.

Since 2011 focus on growth driven by internationalisation and innovation

Focus of internationalisation on North America and Asia (especially China)

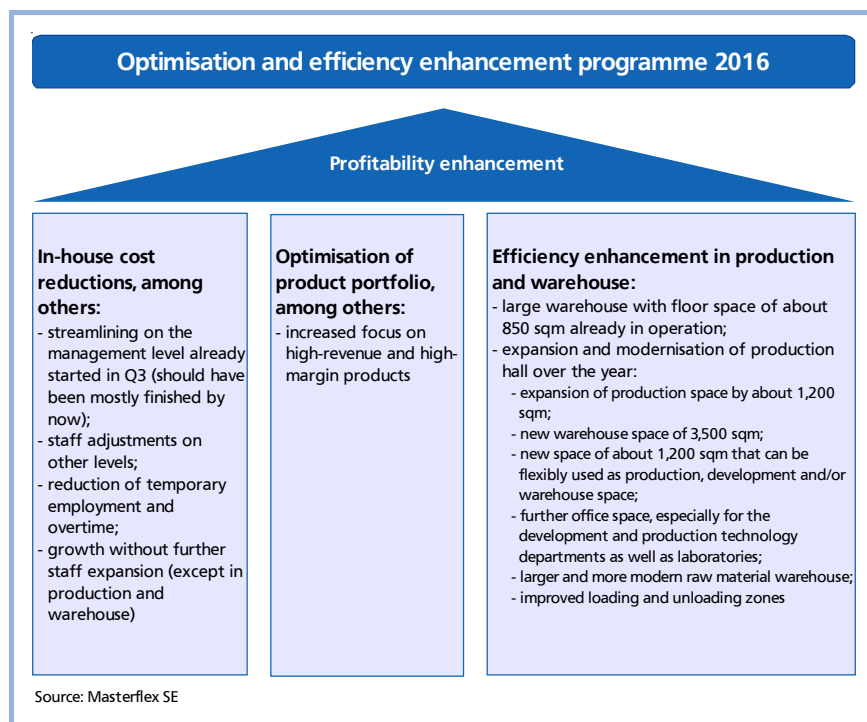


In the emergent market Asia, where China is primarily addressed, Masterflex generated a clearly seven-digit sales volume in 2014. The focus market North America has so far been proportionally the largest market outside Europe (sales of about EUR4m; activities since 2000). In the long run the expansion potential here is comparable to that of in Europe. The broad and high-quality product portfolio bears a competitive edge for the German high-tech hose manufacturer in the development of the North American market. However, in the past two years the US site demonstrated only a stable development. One of the reasons was the weak distribution owed to the local management. Masterflex has introduced measures to improve distribution in North America (among others, change in local management as of September 1, 2015; active participation in trade fairs). According to management the first positive effects of these measures may show already in 2016. In general we consider the internationalisation outside Europe as a long-term process (gradual expansion in the customer network). However, the expansion outside Europe can be accelerated by selected company acquisitions especially in North America in the mid-term (not part of our forecasts).

Internationalisation outside Europe is a long-term process, but...

could be accelerated by possible acquisitions, especially in North America, in our opinion

¹⁾²⁾³⁾⁴⁾⁶⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document



Innovation is also important for the growth. Masterflex performs its R&D activities mainly in cooperation with its clients and partly with its suppliers. Among the noteworthy examples of innovative products that Masterflex launched in the past years are the Master-PUR Performance (spiral hose used in bulk good transportation; launched in 2013), the Master-PUR Trivolution (launched in 2014) and the high-temperature exhaust hose FireFlex (used in fire departments; US market; launched in 2014).

The growth strategy having been implemented since 2011 has reaped the first fruit on the topline level. Till 2014 sales rose above average with a CAGR of 5.6% to EUR62.5m (2011: 53.0). The 2014 EBIT fell to EUR6.3m (2011: 7.5), which, however, was mainly due to the staff expansion as part of the internationalisation strategy (2013 - completion of the first stage; personnel expenses ratio in 2014 of 37.1% (2013: 37.5%; 2011: 33.9%)). Although the 2014 EBIT margin fell to 10.1% (2011: 14.1%), it still remained in the double-digit area. Due to the already communicated weakness of the US business and internal problems at the Novoplast Schlauchtechnik subsidiary (see our update of November 30, 2015) the preliminary 2015 sales growth of 2.6% (our forecast: 3.0%; Masterflex target: 2%-4%) was only moderate. The 2015 EBIT fell stronger than expected to EUR4.9m (our forecast: 5.8; Masterflex target: slightly below 6.3; several negative one-off items). The EBIT margin decreased to 7.6% (2014: 10.1%). To prevent the disappointing development of the preceding year in future and successfully continue the growth strategy followed since 2011 in the mid-term, Masterflex will mainly focus on its profitability enhancement in 2016. In addition to in-house cost reductions (among others, in the personnel area) and optimisation of the product portfolio Masterflex has recently announced efficiency enhancements within its production and warehouse. With this respect

Innovations are mostly client-driven

First success of the growth strategy on the topline level; double-digit EBIT margin till 2014

Below-average development in 2015 - burden on profitability

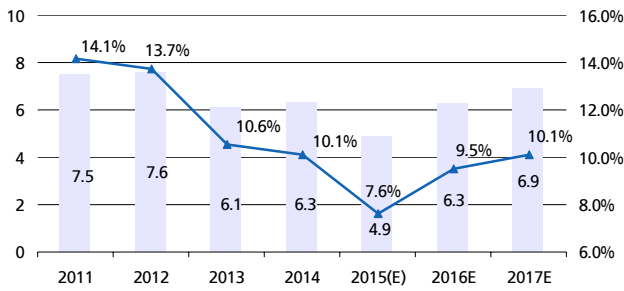
Focus on profitability enhancement in 2016 by...

Masterflex plans the capacity expansion at the headquarters in Gelsenkirchen, which aims at improving the delivery capacity especially for clients from the "Rest of Europe" region as well as optimising warehouse and logistics processes. The planned expansion investments of about EUR7m will mostly be made in the current year and mainly financed via a bank line (for buildings). Assuming a successful implementation of the optimisation and efficiency measures we consider a rebounding EBIT margin of 9.5% (so far: 10.0%) given sales of EUR66.2m (so far: 67.5) in 2016 realistic (EBIT of EUR6.3m (so far: 6.8). In 2017 we expect an EBIT margin of 10.1% (so far: 10.9%) given sales of EUR68.5m (so far: 72.0; EBIT of EUR6.9m (so far: 7.9)). We slightly cut our short-term sales forecasts, since the markets outside Europe should be developed at a slower pace than assumed so far.

...optimisation and efficiency enhancement programme

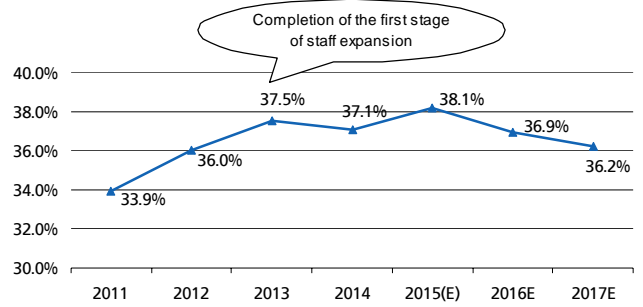
Our short-term forecasts

Development of EBIT and EBIT margin



Source: Masterflex SE; own estimates

Development of personnel expenses ratio



Source: Masterflex SE; own estimates

1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

Appendix

Masterflex SE

Consolidated income statement

EURm	2012	2013	2014	2015(E)	2016E	2017E
Sales	55.0	57.9	62.5	64.1	66.2	68.5
Changes in inventory of finished goods and work in progress	0.8	0.3	0.3	0.2	0.3	0.0
Work performed by the enterprise and capitalised	0.3	0.0	0.3	0.0	0.0	0.0
Other operating income	1.6	0.4	0.9	0.9	0.6	0.7
Gross revenue	57.7	58.7	63.9	65.2	67.1	69.1
Cost of materials	-17.8	-18.1	-20.4	-20.7	-21.2	-22.0
Staff costs	-20.1	-21.8	-23.3	-24.5	-24.5	-24.8
Depreciation	-2.6	-2.7	-2.9	-2.9	-3.1	-3.3
Other expenses	-9.6	-10.0	-11.1	-12.2	-11.9	-12.1
EBIT	7.6	6.1	6.3	4.9	6.3	6.9
Other interest and similar results	0.0	-0.1	0.0	0.1	0.1	0.1
Interest and similar expenses	-1.6	-1.5	-1.2	-1.1	-1.4	-1.5
Net profit/loss from investments carried at equity	0.0	0.0	0.0	0.0	0.0	0.0
Other financial results	0.0	0.0	0.0	0.0	0.0	0.0
Net financial income/expense	-1.6	-1.6	-1.1	-1.1	-1.3	-1.4
Extraordinary result	-0.2	0.0	0.0	0.0	0.0	0.0
EBT	5.8	4.5	5.2	3.8	5.0	5.5
Income tax expense	-1.9	-1.7	-2.0	-1.4	-1.8	-1.9
Net income	3.9	2.9	3.2	2.4	3.2	3.5
Extraordinary result (after taxes)	-0.3	-0.1	-0.2	0.0	0.0	0.0
Minority interests	-0.2	-0.2	0.0	0.0	-0.1	-0.1
Net income after minority interests	3.4	2.6	3.0	2.4	3.1	3.4
Number of shares (m)	8.87	8.87	8.87	8.87	8.87	8.87
Earnings per share (basic, EUR)	0.39	0.29	0.34	0.27	0.35	0.39

Source: Masterflex SE; own estimates

Masterflex SE

Consolidated income statement (as percentage of sales)

	2012	2013	2014	2015(E)	2016E	2017E
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Changes in inventory of finished goods and work in progress	1.4%	0.6%	0.5%	0.3%	0.5%	0.0%
Work performed by the enterprise and capitalised	0.5%	0.1%	0.4%	0.0%	0.0%	0.0%
Other operating income	3.0%	0.8%	1.4%	1.4%	0.9%	0.9%
Gross revenue	104.9%	101.4%	102.4%	101.7%	101.4%	100.9%
Cost of materials	-32.4%	-31.3%	-32.6%	-32.3%	-32.1%	-32.1%
Staff costs	-36.5%	-37.7%	-37.2%	-38.3%	-37.1%	-36.2%
Depreciation	-4.8%	-4.6%	-4.6%	-4.5%	-4.7%	-4.8%
Other expenses	-17.5%	-17.3%	-17.8%	-19.0%	-18.0%	-17.7%
EBIT	13.7%	10.6%	10.1%	7.6%	9.5%	10.1%
Other interest and similar results	0.1%	-0.1%	0.0%	0.1%	0.1%	0.1%
Interest and similar expenses	-2.9%	-2.6%	-1.8%	-1.8%	-2.1%	-2.2%
Net profit/loss from investments carried at equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other financial results	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net financial income/expense	-2.8%	-2.7%	-1.8%	-1.7%	-2.0%	-2.1%
Extraordinary result	-0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	10.6%	7.8%	8.3%	5.9%	7.5%	8.0%
Income tax expense	-3.4%	-2.9%	-3.1%	-2.2%	-2.7%	-2.8%
Net income	7.1%	5.0%	5.2%	3.7%	4.8%	5.2%
Extraordinary result (after taxes)	-0.5%	-0.1%	-0.2%	0.0%	0.0%	0.0%
Minority interests	-0.4%	-0.3%	-0.1%	0.0%	-0.1%	-0.1%
Net income after minority interests	6.3%	4.5%	4.9%	3.7%	4.8%	5.0%

Source: Masterflex SE; own estimates

1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

Masterflex SE

Consolidated balance sheet

EURm	2012	2013	2014	2015(E)	2016E	2017E
Goodwill	3.3	3.3	3.3	3.3	3.3	3.3
Other intangible assets	0.9	1.0	0.8	0.9	1.0	1.1
Property, plant and equipment	21.2	21.8	22.6	23.2	29.3	30.4
Non-current financial assets	0.4	0.3	0.3	0.3	0.3	0.3
Other non-current receivables and assets	0.1	0.1	0.0	0.0	0.0	0.0
Deferred taxes	4.3	3.5	2.6	2.7	2.5	2.4
Non-current assets	30.2	29.9	29.6	30.4	36.5	37.6
Inventories	11.1	10.7	11.7	13.0	13.8	14.7
Trade receivables	5.5	5.1	5.4	6.2	6.7	7.3
Other current assets	1.2	1.3	0.9	1.4	1.2	1.0
Cash and cash equivalents	2.8	4.7	4.4	5.8	7.7	8.4
Current assets	20.6	21.8	22.4	26.4	29.4	31.4
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	50.8	51.7	52.0	56.8	65.9	69.0
Subscribed capital	8.7	8.7	8.7	8.7	8.7	8.7
Capital reserve	26.3	26.3	26.3	26.3	26.3	26.3
Other comprehensive income	-15.3	-12.7	-9.7	-9.7	-9.7	-9.7
Other components of equity	-1.4	-1.8	-1.9	-1.9	-1.9	-1.9
Treasury shares	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated profit	0.0	0.0	0.0	2.4	5.5	8.9
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	18.3	20.5	23.4	25.8	28.9	32.4
Minority interests	0.5	0.6	0.4	0.4	0.4	0.4
Total equity	18.9	21.1	23.8	26.2	29.3	32.8
Other non-current provisions	0.2	0.2	0.2	0.2	0.2	0.2
Non-current financial liabilities	17.1	18.2	15.1	16.8	22.7	22.2
Deferred tax liabilities	0.8	0.6	0.6	0.6	0.6	0.6
Other non-current liabilities	1.5	1.5	1.3	1.3	1.4	1.5
Non-current liabilities and provisions	19.6	20.4	17.2	18.9	24.8	24.5
Current provisions	2.6	2.5	2.3	2.5	2.6	2.4
Current financial liabilities	6.1	4.4	5.2	5.7	5.4	5.1
Trade payables	1.7	1.6	1.5	1.6	1.7	2.0
Other current liabilities	1.5	1.5	1.8	1.7	1.8	1.9
Current liabilities	11.9	10.0	10.8	11.5	11.5	11.5
Liabilities directly connected with assets held for sale	0.4	0.2	0.2	0.2	0.2	0.2
Total equity and liabilities	50.8	51.7	52.0	56.8	65.9	69.0

Source: Masterflex SE; own estimates

Masterflex SE

Consolidated balance sheet (as percentage of total assets)

	2012	2013	2014	2015(E)	2016E	2017E
Goodwill	6.5%	6.4%	6.3%	5.8%	5.0%	4.8%
Other intangible assets	1.8%	1.8%	1.5%	1.6%	1.5%	1.6%
Property, plant and equipment	41.8%	42.1%	43.6%	40.9%	44.5%	44.1%
Non-current financial assets	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%
Other non-current receivables and assets	0.2%	0.2%	0.0%	0.0%	0.0%	0.1%
Deferred taxes	8.4%	6.7%	4.9%	4.7%	3.9%	3.5%
Non-current assets	59.4%	57.9%	57.0%	53.6%	55.4%	54.5%
Inventories	21.9%	20.7%	22.5%	22.9%	20.9%	21.3%
Trade receivables	10.8%	9.9%	10.3%	10.9%	10.2%	10.6%
Other current assets	2.4%	2.4%	1.7%	2.5%	1.8%	1.4%
Cash and cash equivalents	5.5%	9.2%	8.5%	10.2%	11.7%	12.2%
Current assets	40.6%	42.1%	43.0%	46.4%	44.6%	45.5%
Assets held for sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	17.2%	16.9%	16.8%	15.4%	13.3%	12.7%
Capital reserve	51.7%	50.8%	50.5%	46.2%	39.8%	38.1%
Other comprehensive income	-30.2%	-24.6%	-18.6%	-17.0%	-14.7%	-14.0%
Other components of equity	-2.7%	-3.5%	-3.6%	-3.3%	-2.8%	-2.7%
Treasury shares	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consolidated profit	0.0%	0.0%	0.0%	4.2%	8.4%	13.0%
Dividend payment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shareholder's equity	36.1%	39.6%	45.1%	45.4%	43.9%	47.0%
Minority interests	1.1%	1.2%	0.8%	0.7%	0.6%	0.6%
Total equity	37.1%	40.7%	45.9%	46.1%	44.5%	47.5%
Other non-current provisions	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%
Non-current financial liabilities	33.7%	35.1%	29.0%	29.5%	34.4%	32.2%
Deferred tax liabilities	1.6%	1.1%	1.2%	1.1%	0.9%	0.9%
Other non-current liabilities	3.0%	2.9%	2.5%	2.3%	2.1%	2.2%
Non-current liabilities and provisions	38.6%	39.5%	33.0%	33.2%	37.7%	35.5%
Current provisions	5.1%	4.8%	4.4%	4.4%	3.9%	3.5%
Current financial liabilities	12.0%	8.4%	9.9%	10.0%	8.2%	7.4%
Trade payables	3.3%	3.1%	2.9%	2.9%	2.6%	2.9%
Other current liabilities	3.0%	2.9%	3.5%	3.0%	2.8%	2.8%
Current liabilities	23.4%	19.3%	20.7%	20.3%	17.5%	16.6%
Liabilities directly connected with assets held for sale	0.8%	0.5%	0.4%	0.4%	0.3%	0.3%
Total equity and liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Masterflex SE; own estimates

Masterflex SE

Consolidated cash flow statement

EURm	2012	2013	2014	2015(E)	2016E	2017E
EBIT	7.0	5.6	6.1	4.9	6.3	6.9
Depreciation	2.1	2.7	2.9	2.9	3.1	3.3
Paid/received income tax	-1.8	-0.9	-1.3	-1.4	-1.8	-1.9
Other non-cash expenses/income	-0.1	0.1	-0.3	0.0	0.0	0.0
Changes in pension provisions and other non-current liabilities	-0.8	-0.1	-0.2	0.0	0.0	0.0
Gross cash flow	6.4	7.4	7.2	6.3	7.6	8.3
Change in inventories, trade receivables and other assets	-1.8	1.1	-0.4	-2.7	-1.1	-1.3
Change in trade payables and other liabilities	-1.0	-0.6	0.0	0.4	0.3	0.2
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0
Net cash from operating activities	3.6	8.0	6.8	4.0	6.8	7.2
Payments to acquire property, plant and equipment	-2.1	-3.4	-3.6	-3.5	-9.2	-4.4
Payments to acquire financial assets	-0.1	0.0	0.0	0.0	0.0	0.0
Payments to acquire intangible assets	-0.4	-0.4	-0.1	-0.1	-0.1	-0.1
Payments made for investments in non-current assets	-2.6	-3.8	-3.7	-3.6	-9.3	-4.5
Payments received from the disposal of consolidated subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the disposal of non-current assets	0.0	0.3	0.3	0.0	0.0	0.0
Proceeds/payments relating to financial assets	0.2	0.2	0.0	0.0	0.0	0.0
Payments received from the sale of consolidated subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	-0.1	0.0	0.0	0.0	0.0	0.0
Net cash from/used in investing activities	-2.5	-3.3	-3.4	-3.6	-9.3	-4.5
Increase/decrease from financial liabilities	-0.9	-0.5	-2.3	2.2	5.6	-0.7
Payments to owners and minority interests	-0.3	-0.2	-0.2	0.0	0.0	0.0
Dividend payout	0.0	0.0	0.0	0.0	0.0	0.0
Change in deferred taxes	0.0	0.0	0.0	-0.2	0.1	0.1
Proceeds/payments from capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Interest payments/interest received	-1.5	-1.5	-1.0	-1.1	-1.3	-1.4
Proceeds/payments of financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Net cash from/used in financing activities	-2.7	-2.2	-3.6	0.9	4.4	-2.0
Changes in cash and cash equivalents	-1.6	2.5	-0.2	1.3	1.9	0.7
Exchange rates/consolidation/others	-0.2	-0.6	-0.1	0.0	0.0	0.0
Cash and cash equivalents at the beginning of the period	4.6	2.8	4.8	4.4	5.8	7.7
Cash and cash equivalents at the end of the period	2.8	4.8	4.4	5.8	7.7	8.4
Payments/debt positions held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Funds balance	2.8	4.8	4.4	5.8	7.7	8.4

Source: Masterflex SE; own estimates

Masterflex SE

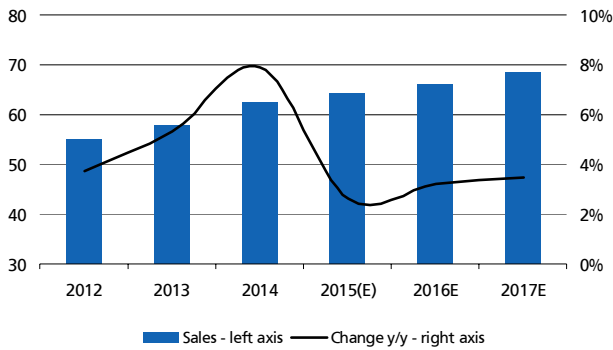
Key figures

	2012	2013	2014	2015(E)	2016E	2017E
Growth rates						
Gross revenue growth	3.7%	5.3%	7.9%	2.6%	3.2%	3.5%
EBITDA growth	2.1%	-13.8%	4.6%	-15.1%	20.6%	8.8%
EBIT growth	0.8%	-19.1%	3.3%	-22.7%	28.7%	10.0%
EBT growth	-6.0%	-21.8%	14.5%	-26.8%	31.4%	10.0%
EPS growth	-6.4%	-24.7%	17.2%	-22.5%	33.2%	9.5%
Margins						
EBITDA margin	18.5%	15.1%	14.7%	12.1%	14.2%	14.9%
EBIT margin	13.7%	10.6%	10.1%	7.6%	9.5%	10.1%
EBT margin	10.6%	7.8%	8.3%	5.9%	7.5%	8.0%
Net margin	6.3%	4.5%	4.9%	3.7%	4.8%	5.0%
Yield analysis						
ROI	6.8%	5.1%	5.9%	4.3%	5.1%	5.1%
ROCE	15.7%	11.6%	11.1%	8.3%	9.7%	9.7%
ROE	19.7%	13.0%	13.5%	9.4%	11.3%	11.1%
ROIC	15.0%	11.3%	11.0%	8.3%	9.7%	9.8%
Balance sheet analysis						
Equity ratio	37.1%	40.7%	45.9%	46.1%	44.5%	47.5%
Equity/Non-current assets ratio	62.5%	70.4%	80.5%	86.1%	80.4%	87.2%
Equity + non-current debt/Non-current assets ratio	127.5%	138.7%	138.5%	148.1%	148.4%	152.5%
Asset intensity	59.4%	57.8%	57.0%	53.6%	55.4%	54.5%
Inventory turnover	5.4	5.3	5.6	5.2	4.9	4.8
Receivables turnover	10.6	10.9	12.0	11.1	10.3	9.8
Days of sales outstanding	34.5	33.4	30.5	32.9	35.6	37.3
Working capital/Sales ratio	18.7%	20.9%	19.8%	21.9%	23.6%	24.2%
Days of payables outstanding	32.8	33.2	27.6	27.6	28.7	30.7
Debt ratios						
Net financial debt (EURm)	20.4	17.8	15.8	16.7	20.3	18.9
Net financial debt/EBITDA	2.0	2.2	1.8	2.1	2.0	1.9
Net gearing	1.1	0.8	0.7	0.6	0.7	0.6
EBITDA interest coverage	6.3	5.8	8.0	6.8	6.9	6.8
EBIT interest coverage	4.7	4.0	5.5	4.3	4.6	4.6
Cash flow analysis						
Free cash flow (FCF)	0.9	4.0	3.0	0.4	-2.6	2.6
FCF/Sales	1.6%	6.9%	4.8%	0.7%	neg.	3.9%
FCF/Net income	26.1%	154.6%	98.8%	18.5%	neg.	76.6%
FCF per share (EUR)	0.10	0.45	0.34	0.05	-0.29	0.30
FCF yield	2.0%	8.1%	4.9%	0.7%	neg.	5.2%
Capex (EURm)	2.6	3.8	3.7	3.6	9.3	4.5
Capex/Depreciation	1.0%	1.3%	1.3%	1.2%	3.0%	1.4%
Capex/Sales	4.7%	5.4%	6.0%	5.6%	14.1%	6.6%
Valuation multiples						
EV/Sales	1.2	1.2	1.3	1.2	1.0	1.0
EV/EBITDA	6.2	7.7	8.7	9.8	7.1	6.6
EV/EBIT	8.4	11.0	12.6	15.6	10.6	9.8
EV/FCF	57.6	16.0	26.2	174.5	neg.	24.7
P/E	13.1	19.1	20.4	24.8	16.2	14.8
P/B	2.4	2.3	2.6	2.2	1.7	1.6
P/CF	12.6	6.2	9.1	14.5	7.5	7.0
P/S	0.8	0.9	1.0	0.9	0.8	0.7
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Masterflex SE; own estimates

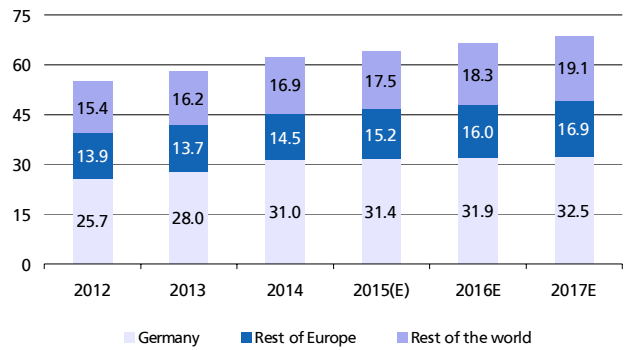
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Sales performance (EURm)



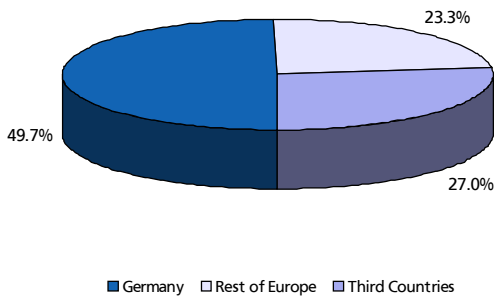
- ⇒ Successful restructuring in years 2008-2010
- ⇒ 2015: only moderate sales growth of 2.6%. For 2016 and 2017 we expect growth rates of 3.2% and 3.5%, respectively

Sales development by region (EURm)



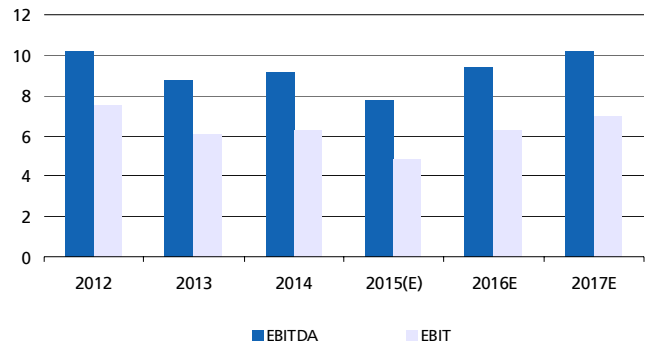
- ⇒ Sales in the German region contain indirect exports, among others
- ⇒ Above-average growth in the "Rest of Europe" region (success from efficiency enhancement in production and warehouse)

Distribution of sales by region (2014)



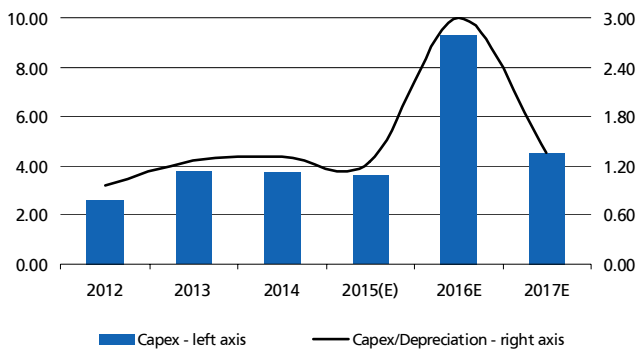
- ⇒ Europe (including Germany) is Masterflex' main market for historical reasons
- ⇒ Mid-term growth focus on North America and Asia (especially China)

Earnings performance (EURm)



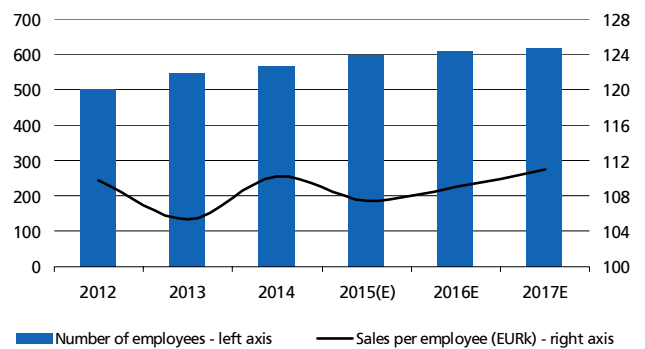
- ⇒ The operating profit in 2013 was temporarily burdened by the upfront costs of internationalisation
- ⇒ 2015: weak sales dynamics and one-off items weighed down on the operating result; 2016E: Focus on optimisation and efficiency enhancement

Investments (EURm)



- ⇒ 2016E: largest share of expansion investments of EUR7.0m (mainly new warehouse capacities and expansion of production area at the headquarters)

Number of employees and sales/employees



- ⇒ 2011-2013: strong staff expansion (first level of internationalisation strategy); 2015: weak sales dynamics burdened sales/employee
- ⇒ From 2016 on increase in sales per employee (according to the CFO growth without further staff expansion (excluding the production and warehouse area))

Source: Masterflex SE; own estimates

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Disclaimer

Recommendations concerning particular shares

- Buy: According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
- Hold: According to our assessment, the stock should register an absolute profit between 0 and 15% within a 6-month period.
- Sell: According to our assessment, the stock should register an absolute loss within a 6-month period.

Compulsory information required under § 34b of the German Securities Trading Law (WpHG) and the Financial Analysis Regulation

Key sources of information

Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsenzeitung, Handelsblatt, FAZ, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers analysed.

Quarterly overview

A quarterly overview of all financial analysis reports of the past quarter with all recommendations sorted by recommendation categories (quarterly overview in accordance with Section 5 Paragraph 4 Number 3 of the Financial Analysis Regulation (FinAnV)) is available on the website of the WGZ BANK under <https://www.wgzbank.de/de/wgzbank/produkte-leistungen/finanzmarkt-research/wgzbank-research/quartalsuebersicht/>.

Summary of the evaluation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer-Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer-Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. share price / profit ratio, share price / book value ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

Sensitivity of the evaluation parameters:

The figures taken from the income statement, the cash-flow statement and the balance sheet upon which the evaluation of companies is based are numerical estimates and therefore subject to risks. These may change at any time without prior notice.

Quite apart from the evaluation method applied, there exists a very real risk that the share price goal may not be reached in the anticipated period of time. These risks include unforeseen changes in competitive pressure or in the demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in business moral concepts. Changes in tax law, in currency exchange rates and, in certain business segments, in regulations are further factors which can influence evaluations. This discussion of evaluation methods and risk factors makes no claim to be exhaustive.

Timing conditions of planned up-dates:

Analyses of shares:

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Further possible conflicts of interest are indicated as follows:

The WGZ BANK and/or its affiliated companies:

- 1) own at least 1% of the issuers share capital.
- 2) were involved within the last twelve months in the management of a consortium issuing financial instruments of the issuer by way of a public offer.
- 3) look after financial instruments of the issuer in a market through the placement of buying or selling orders.
- 4) have within the last twelve months concluded an agreement with issuers, which are either themselves or through their financial instruments the object of a financial analysis, covering services related to investment banking transactions or have received a service or a promise of services in such an agreement.
- 6) have concluded an agreement with the issuers which are either themselves or through their financial instruments the object of the financial analysis regarding the preparation of the financial analysis.

As at: 02/26/2016

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