

## MBH Corporation plc <sup>\*5a,11</sup>

**Rating: BUY**

**Target price: € 1.72  
(GBP 1.55)**

Current share price: 0.44  
07.10.2020 / XETRA / 3:26pm  
Currency: EUR

**Key data:**

ISIN: GB00BF1GH114  
WKN: A2JDGJ  
Ticker symbol: M8H:GR  
Number of shares<sup>3</sup>: 61.4  
Market cap<sup>3</sup>: 27.02  
Enterprise Value <sup>3</sup>: 47.17  
<sup>3</sup> in million €/in million  
Free float: 30%.

Level of transparency:  
Entry Standard

Market segment:  
Open market  
Accounting:  
IFRS

End of GJ: 31.12

Designated Sponsor:  
Renell Bank  
MWB Fairtrade

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\* Catalogue of possible conflicts of interest on page 5

Date (time) Completion:  
08.10.20 (08:15 am)

Date (time) first transmission:  
08.10.20 (10:00 am)

Target price valid until:  
Max 31.12.2021

**Company profile**

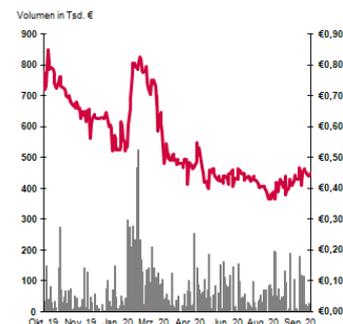
Industry: Holding company

Focus: education, construction, leisure, health, transportation, real estate

Foundation: 2016

Head office: London (United Kingdom)

Members of the board: Callum Laing CEO, Victor Tan CFO



MBH Corporation PLC (MBH) is an investment holding company with subsidiaries in the construction, education, leisure and healthcare sectors. The group brings together well established and profitable small companies with a buy-and-hold perspective. Most of these subsidiaries have been acquired through an exchange of shares by the company owners for new MBH shares. Against the background of a favourable interest rate environment, MBH has also recently started to make loan-financed acquisitions. One example is the acquisition of Robinsons Caravans in 2020, which was settled with a non-listed loan with a term of five years and a final payment in cash on maturity. MBH's excellent financial results for 2019 demonstrate its management skills and methods in selecting and supporting the development of various companies. Each segment was managed autonomously under a responsible board with a structured earn-out scheme. The acquisition pipeline remains strong, including strategic and tactical businesses. MBH's shares have been listed on the Quotation Board of the Frankfurt Stock Exchange ("FSE") and the Düsseldorf Stock Exchange (Prime Market) since November 2018.

P&L in GBPm	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e	31.12.2023e
Sales	50.78	55.90	112.44	163.30	213.97
EBITDA	5.23	5.05	12.46	18.62	24.40
EBIT	4.05	4.28	10.95	15.93	20.84
Net profit for the year	3.62	3.27	5.95	9.23	12.52

Key figures in GBP	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e	31.12.2023e
Earnings per share	0.11	0.05*	0.10*	0.15*	0.20*
Dividend per share	0.00	0.01	0.03	0.03	0.04

\* Calculated on the basis of 61.4 million shares

Key figures	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e	31.12.2023e
EV/Sales	0.84	0.77	0.38	0.26	0.20
EV/EBITDA	8.20	8.50	3.44	2.30	1.76
EV/EBIT	10.59	10.02	3.92	2.69	2.06
P/E	6.79	7.52	4.13	2.66	1.96
P/B	0.57				

**Financial calendar**

**\*\*last research by GBC:**

Date: Publication / Target price in EUR / Rating

26.08.2020: RS / 1.72 € / BUY

29.06.2020: RS / 1.89 € / BUY

03.03.2020: IC / 1.95 € / BUY

\*\* the above mentioned research studies can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "1. Research under MiFID II"

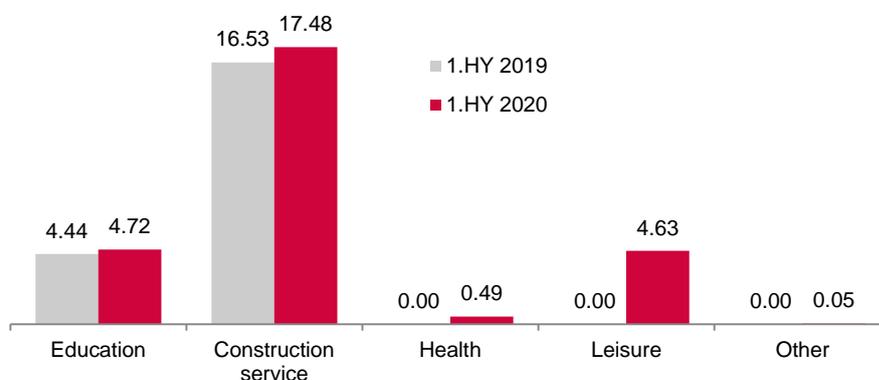
## With 8 acquisitions, the target for the year has almost been reached, high investment activity should continue, forecasts and price target unchanged

P&L (in GBPm)	1ST HY 2019	1ST HY 2020	Δ 2020/2019
Sales	20.97	27.37	+30.5%
EBITDA	1.34	1.50	+12.0%
EBITDA margin	6.4%	5.5%	
Net profit	0.67	0.66	-1.2%

Source: MBH Corporation plc; GBC AG

With the publication of the half-year figures for 2020, MBH Corporation plc (short: MBH) is showing strong growth in sales of 30.5% to GBP 27.37 million (previous year: GBP 20.97 million). This strong growth is primarily due to the three company acquisitions, which enabled MBH to expand its investment portfolio to a total of 13 investment companies as of 30 June 2020. Particularly noteworthy here is the acquisition of Robinson Caravans, a UK-based manufacturer of caravans, in March 2020. The company should benefit from increased demand, particularly in the environment of pandemic-related travel restrictions. Since the acquisition, Robinson Caravans has contributed a total of GBP 4.63 million to Group sales. In parallel, the Samuel Hobson House nursing home, newly acquired in January 2020, also contributed GBP 0.49 million to MBH sales for the first time. Logistica Training, the third acquisition in the first half of 2020, is unlikely to have made a relevant contribution to revenue due to the fact that it was not acquired until 9 June 2020. The breakdown of revenue by segment shows the contribution of the new leisure segment (Robinson Caravans) to the dynamic growth achieved.

### Breakdown of turnover by business area (in million GBP)



Source: MBH Corporation plc; GBC AG

Negative effects in connection with the Covid 19 pandemic can be observed particularly in the construction services segment. Cape Ltd., which is active in New Zealand in the field of renovation services, suffered a decline in sales to GBP 5.55 million (previous year: GBP 11.46 million). However, this was offset by sales increase in UK and overall the construction services segment nevertheless achieved sales growth of 5.8% to GBP 17.48 million (previous year: GBP 16.53 million).

The higher costs associated with the increased investment activity led to a disproportionately low increase in EBITDA of 12.0% to GBP 1.50 million (previous year: GBP 1.34 million). All companies acquired in 2020 are reporting positive earnings. Against this backdrop, the only constant development of the after-tax result of GBP 0.66 million (previous year: GBP 0.67 million) is due to a significant increase in depreciation and amortisation as well as higher financing costs. MBH financed the expansion of its portfolio in

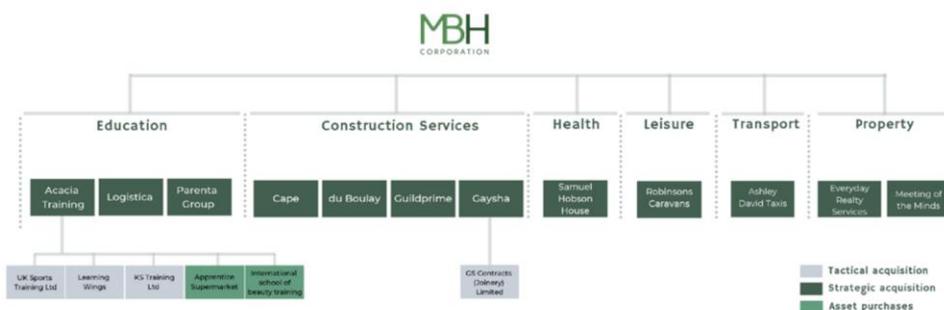
2020 mainly through the €50 million bond programme it launched. This enables the company to finance acquisitions without dilution even if the MBH share price is low. At the balance sheet date, bonds with a volume of GBP 14.27 million had been issued.

### Forecasts and Valuation

in GBPm	FY 2019	FY 2020e	FY 2021e	FY 2022e	FY 2023e
Sales	50.78	55.90	112.44	163.30	213.97
EBITDA	5.23	5.05	12.47	18.62	24.40
EBITDA margin	10.3%	9.0%	11.1%	11.4%	11.4%
Net profit for the year	3.62	2.84	5.95	9.23	12.52

Source: GBC AG

After 30.06.2020 MBH continued to show very high transaction activity. After the acquisition of GS Contracts was announced at the end of July 2020, the company took over Ashley David Taxis in August, thus establishing a new "Transportation" segment. At the beginning of September 2020, the new "Real Estate" segment was established with the takeover of the US-based companies Meeting of the Minds (MOTM) and Everyday Realty Services (ERS), while at the same time addressing the US market for the first time. MOTM provides events and mentoring services for real estate companies and ERS is a real estate broker and commercial finance company.



Source: MBH plc

With the acquisition of the two US-based companies, MBH has so far made 8 acquisitions and is thus very close to its target of acquiring 10 new companies over the year as a whole. Our forecast, in which we assumed 8 acquisitions for 2020, has thus also been achieved ahead of schedule. We are adjusting our estimates to the company guidance. However, the sales revenues of the most recently acquired companies were well below our assumptions, which assumed an average increase in pro forma sales per acquisition of GBP 3.8 million p.a. In 2019, MOTM and ERS had total revenue of USD 1.23 million (GBP 0.95 million).

Even though we assume that MBH is likely to acquire further companies by the end of the year, we are maintaining our previous sales and earnings forecasts. The higher number of transactions will be offset by a lower inorganic revenue contribution. We do not expect any changes for the following years and continue to assume 10 company acquisitions per year. In view of the unchanged forecasts, we confirm our previous target price of GBP 1.55 (€1.72) and, with a current share price of €0.44, continue to assign the BUY rating.

## ANNEX

### I.

#### **Research under MiFID II**

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2. The research report is simultaneously made available to all interested investment services companies.

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The analysts responsible for this analysis are:

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**Marcel Goldmann, M.Sc., Financial Analyst**

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