

MBH Corporation plc^{*5a,11}

Rating: BUY
Target price: € 1.82
(GBP 1.64)

Current share price: 0.38
 14.12.2020 / XETRA / 5:35 pm
 Currency: EUR

Key data:

ISIN: GB00BF1GH114
 WKN: A2JDGJ
 Ticker symbol: M8H:GR
 Number of shares³: 67.0
 Market cap³: 25.46
 Enterprise Value³: 45,61
³ 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:
 16.12.20 (08:32 am)

Date (time) first transmission:
 16.12.20 (10:00 am)

Target price valid until:
 Max 31.12.2021

Company profile

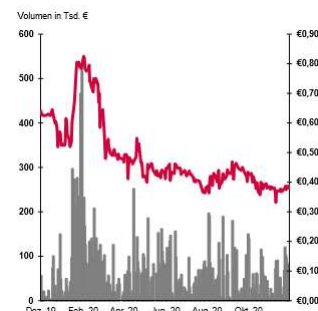
Industry: Holding company

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	62.06	114.05	165.75	216.44
EBITDA	5.23	3.73	12.75	19.88	25.69
EBIT	4.05	2.71	11.06	17.37	22.58
Net profit for the year	3.62	2.06	6.08	10.48	14.03

Key figures in GBP					
Earnings per share	0.11	0.03*	0.09*	0.16*	0.21*
Dividend per share	0.00	0.01	0.03	0.03	0.04

* Calculated on the basis of 67.0 million shares

Key figures					
EV/Sales	0.82	0.67	0.36	0.25	0.19
EV/EBITDA	7.93	11.12	3.25	2.09	1.61
EV/EBIT	10.24	15.31	3.75	2.39	1.84
P/E	6.40	11.25	3.81	2.21	1.65
P/B	0.54				

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 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 "I. Research under MiFID II"

With four further acquisitions, our expectations were exceeded; price target slightly increased; share clearly undervalued

in GBPm	FY 2019	FY 2020e	FY 2021e	FY 2022e	FY 2023e
Sales	50.78	62.06	114.05	165.75	216.44
EBITDA	5.23	3.73	12.75	19.88	25.69
EBITDA margin	10.3%	6.0%	11.2%	12.0%	11.9%
Net profit for the year	3.62	2.06	6.08	10.48	14.03

Source: GBC AG

MBH Corporation plc (MBH for short) has continued to show a high level of acquisition activity compared to our last research report (see report dated 08.10.2020), as has been the case so far this year. On 30 October, the company had further strengthened its construction segment with the acquisition of 100% shares in Australian Cobul Constructions ("Cobul"). Cobul, which was founded in 2001, primarily acts as a developer of commercial properties, mainly in the public sector. According to MBH management, average annual revenues for the past financial years are A\$11.6 million (GBP6.5 million) and as at 30 September 2020, the company has a 12-month EBIT of A\$2.7 million (GBP1.5 million). The purchase price of up to GBP 8.0 million is to be paid primarily through the listed 5.0% convertible bond. Only a small portion is to be paid through the issue of MBH shares.

In mid-November 2020, the acquisition of NVQ Nail & Beauty Specialists Training Academy Ltd ("NVQ") marked the tenth acquisition of the current financial year. With revenue of £0.3m generated in the last financial year (ending March 2020) and a positive earnings level, this company is a comparatively smaller acquisition. It is a strategic acquisition, as NVQ had already worked together with Acacia Training, which belongs to the MBH Group. Accordingly, this company will be included under Acacia Training. The purchase price of approximately GBP 0.6 million will be covered exclusively by the issue of convertible bonds.

On 26 November, MBH announced the further strengthening of its education segment through the acquisition of Academy One Group, a leading provider of sports education programmes. In the last financial year (ending 31 March 2020), Academy One had achieved revenues of £3.7m and should, in our view, show a positive earnings level. In this acquisition, too, the total purchase price of up to GBP 3.0m will be paid largely via a listed bond.

Finally, on 14 December 2020, MBH announced the acquisition of Victoria Gosden Travel Ltd. (VGT), a taxi company based in the UK. With revenues of approximately GBP 2.0 million, the company generated EBIT of GBP 0.28 million in 2020. Based on this, the purchase price of GBP 1.3 to 2 million also appears very attractive for this investment.

In our last research study in October 2020, we had only assumed the acquisition of two additional companies, which means that this assumption has now been exceeded. Consequently, we are adjusting our revenue estimates upwards for the current financial year and, on the basis of the higher forecasts, for the coming financial years. At the same time, we are reducing our earnings forecasts for 2020. These are to be understood as a consequence of the lower-than-expected construction sector, which was particularly affected by the impact of the Covid 19 pandemic. Two lock-downs in the UK and the increased restrictions in New Zealand have led to project postponements into the coming financial year.

We have calculated a new target price of GBP 1.64 (previously: GBP 1.55) or € 1.82 per share in our updated DCF valuation model. The slight price target increase is a conse-

quence of our higher sales forecasts for the current and the coming financial years. We also assume that the shipped orders in the construction segment can be processed in the coming financial year. Based on the current price level of € 0.38, which is significantly lower, we continue to give the share a BUY rating and see it as clearly undervalued.

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 recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return. based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return. based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return. based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

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The analysts responsible for this analysis are:

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