

mic

Financials

9 October 2018

Good for now

H118 results suggest continued progress in mic's 'remarkable change of course' although, in the absence of management commentary/guidance, underlying performance and immediate financial prospects are necessarily hard to judge. Gross profit was c 20% ahead of H217, while EBT was broadly maintained year-on-year after adjusting for one-off restructuring gains, which flattered the comparative. Significantly, there was also further marked reduction in liabilities (€0.5m vs €0.8m at December 2017) thanks to efficiencies. Restructuring was last reported in July to be largely completed, with management confident that its portfolio focus on three business areas with good potential is 'very much on track'.

H1 broadly positive

Interpretation of performance is curbed by scant management comment and no disclosure of individual business results. However, summary figures show resilient operating returns, as detailed on page 2, with improved finances (€0.25m cash and no bank debt), and are encouragingly free of write-downs, which dogged 2016 by more than halving the size of the balance sheet. As a measure of progress, comparison with H217 indicates further good headway with gross profit up by a fifth and labour costs, thanks to restructuring, down by a half. Management reference to steady like-for-like EBT suggests c €0.1m positive exceptional items in H118.

Management optimism

In the absence of financial guidance, we may rely only on management's July comment that products and services are 'selling well' and that customers are 'very satisfied'. The company regards 2017's outturn as a turning point and is confident that it is now on a promising footing. Management has been further stabilised with the extension of the contract of the sole board member, Andreas Empl, until 2021. mic's areas of focus are large-scale data retrieval (big data); digital factory and Industry 4.0, in particular automated optical inspection; and fibre-optic sensing.

Valuation: One for the long term

Given the scale of uncertainties about the refocusing, it is difficult to make firm assertions about mic's valuation. Also, in terms of comparing the price with the NAV, full 2017 accounts will offer only a rudimentary guide to the value of operating companies, as publication is in line with HGB and thus at written-down cost price. mic does not pay a dividend, so earnings-based measures are of limited value.

Historical financials

Year end	Net profit (€m)	Total equity (€m)	EPS (€)	NAV/share (€)	P/E (x)	P/NAV (%)
12/14	1.3	39.0	0.2	5.05	2.5	0.1
12/15	1.4	45.4	0.1	4.44	4.9	0.1
12/16	(29.7)	20.9*	(2.1)	1.51	N/A	0.3
12/17	0.1	21.9	N/M	1.47	N/A	0.3

Source: mic accounts. Note: *Including €5.1m from capital increase in progress at year-end.

Price	€0.49
Market cap	€7.5m

Share price graph

Share details

Code	M3BG
Listing	Deutsche Börse Scale
Shares in issue	15.3m
Equity ratio at June 2018	97%

Business description

mic is a diversified technology investment company focused on large-scale data handling, automated optical inspection systems for the automotive industry and acoustic and strain monitoring over fibre-optic networks. It holds majority stakes in companies through intermediate holding companies.

Bull

- Prospects for new technology businesses.
- Radical strategic refocus largely completed.
- Sound finances.

Bear

- Unproven business record.
- Execution risk of acquisition strategy.
- Risk of dilution from refinancing.

Analysts

Richard Finch +44 (0)20 3077 5700

financials@edisongroup.com
[Edison profile page](#)

Edison Investment Research provides qualitative research coverage on companies in the Deutsche Börse Scale segment in accordance with section 36 subsection 3 of the General Terms and Conditions of Deutsche Börse AG for the Regulated Unofficial Market (Freiverkehr) on Frankfurter Wertpapierbörse (as of 1 March 2017). Two to three research reports will be produced per year. Research reports do not contain Edison analyst financial forecasts.

Review of H118 results

mic conducts its operations through distinct business units, each focused on a specific area of technology and application, and incorporated in discrete corporate entities: micData (large-scale data handling), Smarteag (fibre-optic infrastructure monitoring) and 4industries (industrial applications). One of these – micData – has a stock market quotation in its own right.

However, mic publishes accounts in line with German HGB solely for the parent company. While the presence of intermediate holding companies dilutes the impact of trading performance at the operating subsidiaries, general trends may be derived from the figures.

Exhibit 1: Financial summary

€m, HGB	H117	H217	FY17	H118
Income statement				
Gross profit	0.92	0.42	1.34	0.50
Net profit	0.09	(0.01)	0.08	(0.04)
Balance sheet				
Equity in related companies	7.5		5.4	5.3
Loans to related companies	10.7		10.0	10.4
Investments	0.7		0.7	2.2
Equity	20.9		21.9	22.3
Total assets	23.5		23.0	23.0

Source: mic accounts

Exhibit 2: Gross and net profit evolution (€m)



Source: mic accounts

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Any information, data, analysis and opinions contained in this report do not constitute investment advice by Deutsche Börse AG or the Frankfurter Wertpapierbörse. Any investment decision should be solely based on a securities offering document or another document containing all information required to make such an investment decision, including risk factors.

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Deutsche Börse AG and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.