MBH Corporation Plc

United Kingdom / Industrial Goods & Services
Frankfurt
Bloomberg: M8H GR
ISIN: GB00BF1GH114

Initiation of coverage

RATING	**BUY**
PRICE TARGET	**€ 2.25**
Return Potential	46.1%
Risk Rating	High

CREATING A LARGE HOLDING COMPANY THROUGH "AGGLOMERATION"

MBH Corporation plc (MBH) is a publicly listed holding company headquartered in London, England, which invests in small and medium-sized private companies (SMEs) with sound management and established business models. MBH envisages gaining substantial size in accordance with the Agglomeration Model, a proprietary methodology for acquiring and growing businesses in diverse sectors. Based on the Agglomeration Model, MBH acquires portfolio companies using its own shares, offering private companies the opportunity to benefit from the advantages of being part of a large listed group such as MBH. The primary focus of MBH is the acquisition of 100% holdings in profitable well managed companies within four core business sectors: education, construction services, engineering and telecommunications, media & technology (TMT). However, if attractive opportunities emerge, the company will also be keen to expand to other sectors. Since late 2018, MBH has successfully fully acquired its first six companies based in the UK, New Zealand and Singapore/Papua New Guinea within the education, construction and engineering sectors. All six companies are profitable. MBH intends to conduct a large number of accretive acquisitions during 2019, which should give the group critical mass and support the growth of the acquired companies. We believe MBH represents an attractive value proposition for investors. We initiate coverage of MBH with a Buy rating and a €2.25 price target.

We estimate that the first six acquisitions represent 2019E proforma sales volume of about GBP93.2m and EBITDA of GBP10.6m The six acquired companies are Acacia and Parenta (Education-UK), Cape (Construction services -New Zealand), du Boulay Contracts and Guildprime (Construction services-UK) and APEV (Engineering-Singapore/Papua New Guinea)

Increase in acquisition activity provides strong near-term catalysts MBH has an advanced-stage pipeline of 30-40 acquisition targets. Management intends to aggressively expand its investment portfolio by 15-20 new companies each year over the next few years, potentially adding significant value to the MBH group. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E	2022E
Revenue (GBP m)	0.00	12.51	65.94	97.81	102.68	107.81
Y-o-y growth	n.a.	n.a.	427.0%	48.3%	5.0%	5.0%
EBIT (GBP m)	0.00	1.56	6.53	10.28	11.09	11.86
EBIT margin	0.0	12.5%	9.9%	10.5%	10.8%	11.0%
Net income (GBP m)	0.00	1.25	5.17	8.16	8.81	9.42
EPS (diluted) (GBP)	0.00	0.11	0.13	0.14	0.15	0.16
DPS (GBP)	0.00	0.00	0.08	0.08	0.09	0.09
FCF (GBP m)	0.00	0.34	2.79	4.60	7.47	7.86
Net gearing	0.0	0.6%	-7.8%	-11.4%	-16.4%	-20.4%
Liquid assets (GBP m)	0.00	1.52	3.36	5.11	7.60	10.10

RISKS

Risks include, but are not limited to operations and share price underperformance, acquisition risk, shareholder dilution and competition risks.

COMPANY PROFILE

MBH is a London-based holding company operating in accordance with a proprietary Agglomeration Model to acquire and grow established, profitable small and medium-sized enterprises (SMEs) in different sectors and geographic regions. The company is currently focused on the following four sectors: education, construction services, engineering, and telecommunications, media & technology (TMT).

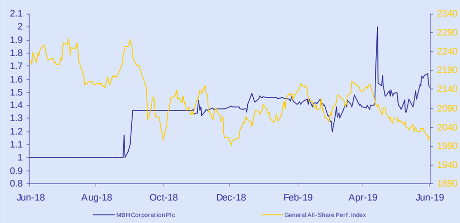
MARKET DATA

As of 6/26/2019

Closing Price	€ 1.54
Shares outstanding	30.85m
Market Capitalisation	€ 47.52m
52-week Range	€ 1.00 / 2.00
Avg. Volume (3 Months)	39,305
Avg. Volume (12 Months)	11,892

Multiples	2018	2019E	2020E
P/E	18.9	10.5	9.8
EV/Sales	1.2	0.6	0.4
EV/EBIT	15.9	6.5	4.1
Div. Yield	0.0%	5.7%	6.1%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2018

Liquid Assets	GBP 1.52m
Current Assets	GBP 9.79m
Intangible Assets	GBP 2.80m
Total Assets	GBP 42.54m
Current Liabilities	GBP 9.85m
Shareholders' Equity	GBP 28.36m

SHAREHOLDERS

A. Presland	38.6%
Grandose Limited	9.6%
Unity Group	8.2%
D. Howes	8.0%
Others	35.6%

Analyst: Christian Orquera, Tel. +49 (0)30 - 80 93 96 93

CONTENTS **PAGE**

INVESTMENT CASE

Based on the Agglomeration Model, the company's strategy entails acquiring 100% holdings in profitable SMEs in selected industries and regions worldwide MBH's strategy involves identifying and acquiring successfully established, profitable SMEs by swapping shares for 100% stakes at an EPS-accretive valuation. The Agglomeration Model is based on a highly decentralised structure under which the existing management teams of the SMEs are willing to remain committed to the future development of their businesses. Due to their small size, these companies usually lack access to larger contracts (e.g. large companies usually prioritise other large companies as suppliers) and the price for access to growth capital often dilutes autonomy. MBH offers private SMEs the chance to gain critical mass through joining a larger listed group providing them greater access to larger contracts and growth capital, while retaining a high degree of autonomy. They also become more attractive for top talent and become more competitive by sharing knowledge with group companies (e.g. sectoral expertise, modern IT systems). They can also exploit synergies and economies of scale (e.g. cross-selling, better procurement conditions). The MBH business model is collaborative so that companies within the group can cooperate with each other, but the management of the individual businesses have a great deal of freedom.

We see solid performance in the current holding portfolio accompanied by acceleration in acquisition activity in the period 2019-2022 MBH's first acquired companies delivered an outstanding organic sales growth of 21.8% in FY/18. The MBH group is well positioned to gain market share and capture higher margins from its current portfolio. We believe the company is on track to achieve sales of GBP65.9m in 2019 (+427.0%) and GBP97.8m in 2020. We forecast EBITDA of GBP7.5m in 2019E (2018: GBP1.8m) and GBP11.2m in 2020. We expect MBH to deliver solid organic sales growth and margin improvement in the period 2020-2022 with sales increasing at 5.0% p.a. and the EBITDA-margin expanding from 11.3% in 2019 to 11.9% in 2022. Furthermore, we anticipate that MBH will acquire 24 companies over the next four years. Based on a sound acquisition pipeline of 30-40 companies at an advanced due diligence stage, we believe our expectation is realistic (FBe: approx. 6 p.a.; MBH guidance: 15-20 p.a.). We estimate that these acquisitions have the potential to provide a proforma sales volume of about GBP272.9m and EBITDA of GBP20.9m.

MBH shares offer investors access to a portfolio of small to medium enterprises (SMEs) with attractive growth opportunities The companies in the MBH portfolio are characterised by positive business prospects. However, they are privately held and therefore not easily accessible to investors. Or they are too small, too illiquid or too time-consuming to audit for a direct investment. MBH's listed shares overcome these obstacles offering investors easy access to the SME business space. Investors also benefit from the diversification effect offered by MBH through indirect investment in various SMEs. Furthermore, we expect that the projected portfolio expansion through value accretive acquisitions will further increase diversification and lower risk.

MBH shares look undervalued; starting coverage with a €2.25 price target MBH shares have shown a positive performance since the IPO in March 2018 having appreciated more than 50%. Going forward, we believe sentiment will remain positive and continue to benefit from the company's solid fundamentals and appealing investment story: strong portfolio expansion, solid revenue growth and profitability. We believe the company will maintain a stable dividend payout ratio policy in the range of about 60% of net profit (or alternatively buy shares back in an equivalent amount). Based on FY/19 results the dividend to be paid would represent a 5.7% yield on the current share price of €1.54 which is attractive in the current low interest rate environment. Our proprietary sum-of-the-parts valuation model suggests a price target for MBH of GBP2.00 (€2.25) per share on a fully diluted basis. In our view, the stock will benefit from portfolio expansion newsflow over the coming months. We initiate coverage with a Buy rating.

SWOT ANALYSIS

STRENGTHS

- **Experienced board members** Mr. Callum Laing (CEO) and Mr. Victor Tan (CFO) are both highly qualified executives with over 35 years of combined experience in several industries. Their background encompasses company building and private equity investing. Mr. Allan Presland (non-executive Chairman of the Board) and Ms. Victoria Sylvester (executive Director of the Board) are seasoned entrepreneurs and founders/CEOs of Parenta/the Lara Group and Acacia Training. Mr. Toby Street and Mr. David Hallam (non-executive board members) round out the team. They both bring extensive experience and diverse skill sets honed across multiple fields including: sustainable growth, strategic collaboration, acquisition driven growth, and private equity investing.

- **Small and attractive portfolio of established companies** In a nine month period, MBH has built a portfolio of six established, profitable, and debt free companies within the education, construction service, and engineering sectors.

- **Implementation of Agglomeration Model and cooperation with Unity Group of Companies (UGC) increases chances of success** MBH applies the Agglomeration Model to acquire and grow its investments. The private equity firm Unity Group of Companies (UGC) based in Singapore has a long history of M&A transactions in the course of which it developed the Agglomeration Model. UGC licensed the model to MBH (one-time payment). UGC also provides MBH with M&A consulting services, such as identification of and introduction to acquisition targets.

- **Sustainable business model** MBH is committed to only acquiring companies with a solid track record of profitability and which are accretive to group EPS. Thanks chiefly to the successful implementation of its acquisition strategy, we estimate MBH will report EBITDA of GBP7.5m in FY/19E (FBe proforma EBITDA of GBP10.6m) and expand profitability over the next years.

WEAKNESSES

- **Young small cap with short acquisition track record** Founded in 2016, the company is still relatively young and small, plus management still has to prove its mid- to long-term ability to investment prowess by sustainably executing smart, value-enhancing acquisitions.

OPPORTUNITIES

- **Value-enhancing expansion with the aim of becoming a large holding firm** MBH's management aims to increase the company's critical mass by means of acquisitions. MBH currently has a promising acquisition pipeline of 30-40 companies. Within the upcoming 6-12 months MBH expects to acquire 15-20 companies with a target EBITDA of at least GBP1.0m each. Moreover, the acquired companies are expected to enhance shareholder value, given that transactions will only be conducted if they are EPS accretive.

- **Agglomeration model offers attractive upscale opportunities** Given that MBH invests in operationally healthy companies, the Agglomeration Model offers an ideal platform to scale. The participations benefit by being part of a large organization, which helps boost credibility and market perception: They also have increased access to larger contracts, greater ability to attract talent, and better access to financing, as well as the ability to capture synergies with the other holdings (e.g. cross selling).

THREATS

- **Operations and share price underperformance** Companies that MBH has invested in may underperform expectations and consequently negatively impact MBH's operational and share price performance. Given that MBH uses its shares as acquisition currency, a weak share price performance may hinder MBH's ability to carry out future value-enhancing acquisitions.

- **Acquisitions risk** The acquisition driven business model is subject to the risks typical of private equity investing. Errors in assessing operational and market potential during the due diligence process or overpaying for deals are among the biggest risks facing potential buyers. Today's M&A market is highly competitive, with a limited number of targets. Prices are quite high making financial arbitrage or the acquisition of good companies at low valuations highly challenging (source: Alloca, Top 15 risk factors for M&A, 2016).

- **Shareholder dilution** MBH plans to accelerate its acquisition activity substantially using its own stock as currency. While management has made a clear commitment to EPS-accretive deals, we cannot rule out that the company may overpay, leading to higher dilution.

- **Low entry barriers and competition** No specific licenses or approval (e.g. patents) are required to enter the education, construction service or engineering markets, which facilitates entrance of new potential competitors. Although MBH's holdings have a proven track record of success, innovative newcomers (e.g. EdTech start-ups) or large peers with greater financial resources to fund innovation and commercial activities, will constantly challenge the abilty of MBH's portfolio companies to gain and defend their respective market shares.

VALUATION

SUM-OF-THE-PARTS VALUATION OF THE MBH GROUP

To determine the fair value of MBH, we have used a sum-of-the-parts approach. We believe this is the most appropriate valuation method for MBH because it reflects the implicit risk-adjusted value of the company's holdings. Our valuation approach considers the company's existing business as well as its acquisition pipeline. We have therefore classified the company's operations into two parts:

(1) The first part is the existing business which includes the six holdings acquired so far. We have valued these holdings using a DCF valuation model.

(2) The second part represents MBH's acquisition pipeline for the next four years. We have valued these potential holdings using a separate risk adjusted NPV valuation model.

The total value of the MBH group is obtained by adding the valuation obtained in both steps.

Taking into consideration typical life-cycle patterns in the education, construction and engineering service industries, we have used a two-stage discounted cash flow methodology, which includes detailed projections of future sales, operating profit and free cash flows for the existing business for the planning period 2019E-2030E. We have used these projections to calculate the enterprise value and shareholder value of the existing business. Including net cash of GBP0.1m, we value MBH's existing business at GBP116.3m. We then added the acquisition pipeline's PV of GBP131.7m (estimated in a separate NPV model – see pages 8-9), to obtain a fair value for the MBH group of GBP248.0m. Taking into account our projected total fully diluted number of shares outstanding of 124.0m (present value), we arrive at a fair value for the company of GBP2.00 (€2.25) per share on a fully diluted basis (see figure 1). Our proforma sharecount estimate includes future dilution for a) the existing business - from the conversion of the recently secured €1.1m convertible in 2020E, the pending share settlement of the APEV acquisition, and earn-out share payments from the achievement of holdings' growth targets (MBH rewards holdings' owners with shares for their EBITDA growth), as well as for b) conducting targeted pipeline acquisitions.

Figure 1: DCF Model

Existing business - FCF forecasts All figures in GBP '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	**65,936**	**97,807**	**102,683**	**107,808**	**113,198**	**118,858**	**124,801**	**131,041**
NOPLAT	**5,228**	**8,220**	**8,872**	**9,487**	**10,324**	**11,220**	**12,081**	**13,146**
+ depreciation & amortisation	923	880	924	970	1,019	1,070	1,123	1,572
Net operating cash flow	6,151	9,101	9,796	10,457	11,342	12,290	13,204	14,719
- total investments (CAPEX and WC)	-3,348	-4,493	-2,335	-2,617	-2,798	-3,071	-3,272	-3,547
Capital expenditures	-923	-1,418	-1,386	-1,434	-1,324	-1,486	-1,560	-1,835
Working capital	-2,425	-3,075	-949	-1,183	-1,474	-1,586	-1,712	-1,713
Free cash flows (FCF)	2,803	4,607	7,461	7,840	8,544	9,219	9,932	11,171
PV of FCF's	**2,668**	**3,987**	**5,869**	**5,607**	**5,555**	**5,448**	**5,337**	**5,457**

All figures in GBP '000	
PV of FCFs in explicit period	58,936
PV of FCFs in terminal period	57,268
Enterprise value (EV) existing business	**116,205**
+ Net cash / - net debt	100
Shareholder value existing business	**116,305**
+ PV of the acquisition pipeline	**131,744**
Shareholder value MBH Group	**248,049**
Share count (fully diluted, PV)	124,023
Fair value/share (GBP)	**2.00**
Fair value per share in EUR	**2.25**

WACC calculation	
Cost of equity	10.0%
Pre-tax cost of debt	5.0%
Tax rate	20.0%
After-tax cost of debt	4.0%
Share of equity capital	100.0%
Share of debt capital	0.0%
WACC	**10.0%**
GBP - EUR FX rate:	**1.12**

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes

Source: First Berlin Equity Research

DCF Model assumptions We have assumed a terminal free cash flow growth rate of 2.0%. Using the First Berlin methodology, which takes into account company-specific risk factors, we have derived a cost of equity (COE) of 10.0% for MBH's existent business. Based on a debt ratio of 0%, we arrive at a WACC of 10.0%, which we have used to discount projected cash flows. We have applied a GBPEUR exchange rate of 1.12.

How much would MBH be worth, if it does not carry out further acquisitions? If we value the company on a stand alone basis (excluding acquisitions) MBH's value of GBP116.3m equates to a value per share of GBP1.70 (€1.91), based on a fully diluted share count of 68.5m (present value).

NPV VALUATION OF THE ACQUISITION PIPELINE

According to management, the company currently has an acquisition pipeline of 30-40 companies at an advanced due diligence stage, which suggests that we will see several acquisitions in the coming months. We provide an overview of selected pipeline targets in the figure below. The overview shows a pipeline with 15 companies and a proforma sales volume of GBP103.5m (€116.3m).

Figure 2: Selected targets in the acquisition pipeline

Item	Sector	Specialty	Description	Country	Revenue
1	Construction services	Asbestos removal	Buoyant industry sector. The UK's Health and Safety Executive continues to educate company owners, building owners and members of the public regarding the dangers of asbestos exposure.	UK	£2.0m
2	Construction services	Hydro demolition	One of the UK's leading hydro demolition and concrete removal experts utilising ultra-high pressure manual lance and robotic hydro demolition methods.	UK	£3.0m
3	Construction services	Steel fabrication	All-inclusive and fully integrated stainless steel fabrication services.	UK	£4.0m
4	Construction services	Construction services	Operates a service-oriented construction model. The principal activity is building maintenance, refurbishment and new-build construction.	UK	£10.0m
5	Construction services	Mechanical engineering	Mechanical engineering company specialised in installation, modification, repair and maintenance in the power and industrial sectors.	UK	£19.0m
6	Construction services	Building Envelope	Building envelope specialists with a professional in-house design service and dedicated installation team that are well respected in the industry.	UK	£24.0m
7	Construction services	Service solutions	Specialist in Mechanical and Electrical engineering consultancy providing engineering services design and asset management for the built environment.	UK	£4.6m
8	Construction services	Pest Management & Control	Pest Management business that addresses rodents, crawling and flying insects with a variety of service that include fumigation, termite management, mosquito control.	Singapore	£8.0m
	TOTAL	**CONSTRUCTION SERVICES**			**£74.6m**
9	TMT	Broadcasting	Leading global provider of complex live broadcast facilities and production services operating under three core brands in UK, Australia USA, France, Germany and Qatar.	UK	£10.0m
10	TMT	Telecom network	Company offering 2G & 3G telecom network solutions, network deployment & integration, performance, RF optimization and drive testing, next generation networks, etc.	Slovakia	£1.5m
11	TMT	Telecom network	Company offering TV services that include fixed line telephony and IPTV.	Slovenia	£1.0m
12	TMT	IT solutions	Focus on system integration & consulting, project logistics, web and mobile app development, maintenance, etc.	Singapore	£5.0m
13	TMT	Events	Professional audio, lighting and video company, featuring the latest technologies and equipment for experiential events.	Singapore	£3.1m
14	TMT	Events	A leading sports marketing company that offers Branded real estate, Sports content, Partnership and Stadium and Arena Consulting.	Singapore	£3.0m
15	TMT	Events & digital media	Company with over 10 years event production experience in Hong Kong and China. The firm is specialised in integrated show management with innovative digital solutions coupled with delivering 5 star quality.	Hong Kong	£5.4m
	TOTAL	**TMT**			**£29.0m**

Source: First Berlin Equity Research, Unity Group

Management is confident in its ability to acquire 15-20 companies p.a. over the next few years with a target EBITDA of at least GBP1.0m each. We have conservatively assumed that MBH will be able to acquire 4-7 companies p.a. during 2019-2022, which is well below the company's target. Based on the characteristics of the companies acquired so far and the pipeline, we project that MBH will acquire a proforma sales volume of GBP47-80m p.a. and an EBITDA of GBP3.6-6.1m p.a., which implies an EBITDA margin in the range of 8-9%. In our scenario, we project that the company will acquire a total of 24 companies with a proforma sales volume of GBP272.9m and EBITDA of GBP20.9m during 2019-22E (see figure 3).

Figure 3: Parameters for fair value estimation of the acquisition pipeline

All figures in GBP '000	2019E	2020E	2021E	2022E	Total
Number of companies acquired	7	7	6	*4*	24
Proforma volume of sales acquired	75,294	80,000	70,588	47,059	272,941
Proforma EBITDA acquired	5,760	6,120	5,400	3,600	20,880
EBITDA multiple paid through shares	5x	5x	5x	*5x*	5x

Source: First Berlin Equity Research

MBH's management has made a clear commitment to acquiring companies at no more than 5x EBITDA. This is the multiple we assume for the estimation of share dilution. We estimate that on this basis the company will issue 55.4m shares (present value) to conduct the acquisitions. Besides the acquisition price, the price level at which MBH shares are exchanged for acquisitions is also a key variable in the value accretion equation. There is substantial dilution risk in our view if management overpays or proceeds with acquisitions despite weakness in the MBH share price. Taking dilution risk into account, MBH's short acquisition track record and the limited information on the potential acquisition targets, we estimate a higher WACC of 15% to discount projected cash flows from the acquisition pipeline. Our forecasting period runs through 2030. We arrive at a net present value of GBP131.7m for the acquisition pipeline (see figure 4).

Figure 4: Abbreviated risk adjusted NPV Model

All figures in GBP '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	**13,591**	**107,197**	**177,643**	**247,897**	**257,812**	**268,640**	**279,923**	**291,680**
NOPLAT	**783**	**6,926**	**11,687**	**16,361**	**18,253**	**20,524**	**23,401**	**26,251**
+ depreciation & amortisation	177	643	888	1,239	1,289	1,343	1,400	1,458
Net operating cash flow	960	7,569	12,575	17,600	19,542	21,867	24,801	27,709
- total investments (CAPEX and WC)	516	-1,936	-1,533	-2,172	-1,967	-1,843	-2,050	-2,037
Free cash flows (FCF)	1,476	5,633	11,042	15,429	17,575	20,024	22,751	25,672
PV of FCF's	**1,373**	**4,557**	**7,769**	**9,440**	**9,351**	**9,266**	**9,156**	**8,985**

All figures in GBP '000	
PV of FCFs in explicit period	87,704
PV of FCFs in terminal period	44,040
PV of the acquisition pipeline	**131,744**

Cost of equity	15.0%
Share of equity capital	100.0%
WACC	**15.0%**

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes

Source: First Berlin Equity Research

Using our ten-factor risk analysis, we have set a High Risk rating for MBH. The main risk factors that we have identified are operations and share price underperformance, acquisition, dilution and competition.

PEER GROUP ANALYSIS

We use a peer-group analysis as a cross check to our sum-of-the-parts valuation. The German universe of listed holding companies with a similar profile to MBH is limited. Despite difficulties in finding comparable companies in terms of business model, geographic focus, company size, etc., we have identified two German peers carrying out 100% investments in small to medium sized enterprises. These are Indus Holding AG and Gesco AG. Due to larger profile differences we discarded firms such as Deutsche Beteiligungs AG (takes minorities) or Aurelius (> 1 billion-euro market cap). We use a P/E multiple for comparison in this particular case, which reflects the diluted number of shares for MBH. This metric considers potential dilution or value accretion in scope of MBH's shares transactions (see figure 5 below).

Figure 5: Peer group analysis

Company	Market cap	Sales 2019e	EBITDA 2019e	P/E ratio 2019e
Indus Holding AG	€945m	€1.8bn	€230m	13.3x
Gesco AG	€257m	€578m	€69m	13.2x
MBH Corp. Plc	€48m	€74	€8m	10.5x

Source: Indus, Gesco: Bloomberg consensus estimates from 27.06.2019; MBH: First Berlin estimates

We remark that following MBH's recent acquisition of APEV, the settlement of up to 26m shares is still due within the coming months. MBH's market cap at current share price would rather be at the €90m level. Company's FY/19 proforma sales and EBITDA are also around GBP93m (€105m) and GBP11m (€12m), respectively. We see Gesco as the best comparable.

MBH is trading at a discount to its peers. If we apply Gesco's 13.2x multiple to our projected 2019 EPS of 13 pence, we obtain a value per share for MBH of GBP1.72 (€1.93). This valuation roughly reflects our DCF valuation of GBP1.70 (€1.91) p/s for MBH's current business excluding potential acquisitions.

MBH's accretive acquisition strategy underpinned by a sound acquisition pipeline of 30-40 companies provides significantly superior growth potential compared to the peers. A simple P/E approach would miss the large growth opportunity embedded in the acquisition pipeline. Our NPV valuation captures MBH's future growth opportunities based on the acquisition pipeline. We thus conclude that our sum of the parts valuation which includes the acquisition pipeline – leading to a group valuation of €2.25p/s – reflects the fair value of the company.

COMPANY PROFILE

OVERVIEW

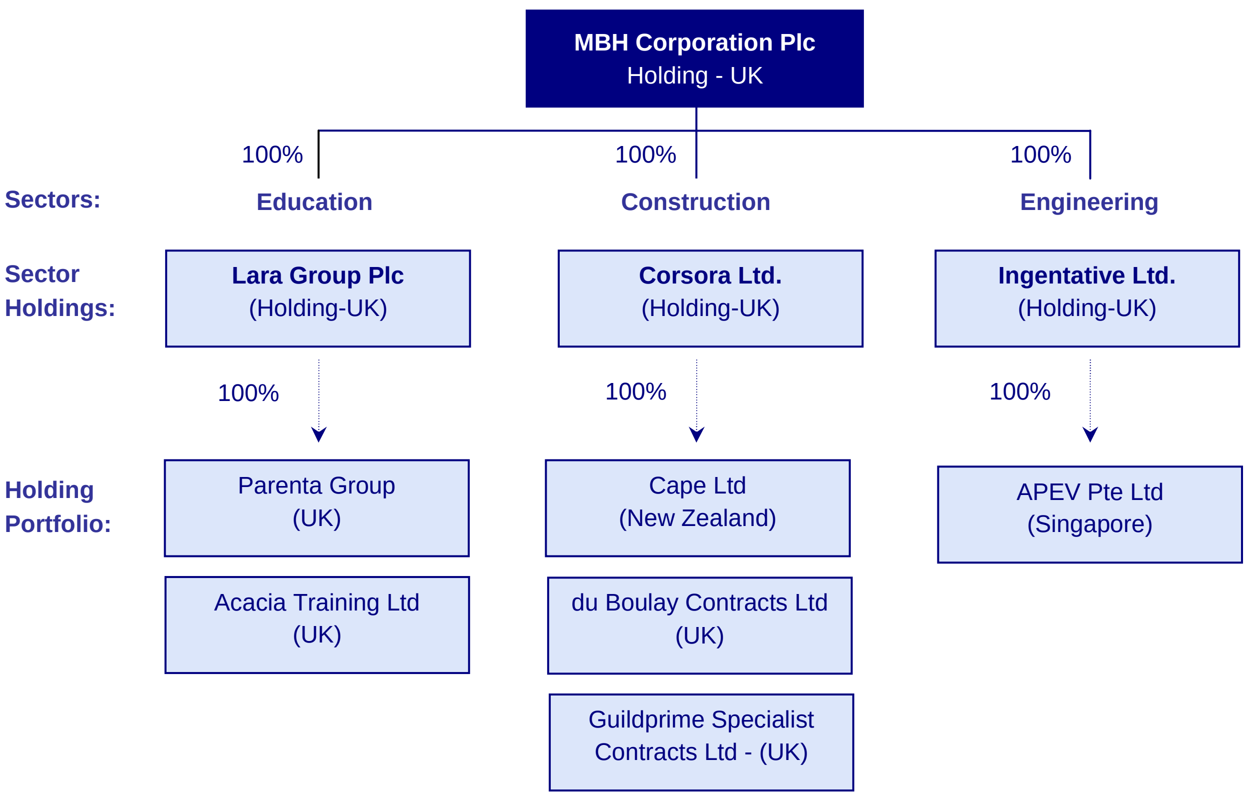
Company's short track record is underpinned by six successful acquisitions MBH is a London-based holding company that operates in accordance with a proprietary Agglomeration Model to acquire and grow established, profitable small and medium-sized enterprises (SMEs) in different sectors and regions. The company began operations in late 2016 and acquired its first four 100% holdings in H2/18. Two 100% acquisitions followed in the first six months of 2019 increasing the total number of holding to six. Furthermore, the company has an advanced-stage pipeline of 30-40 acquisition targets. Management intends to aggressively expand its investment portfolio by 15-20 new companies each year over the next few years, increasing the size and value of the MBH group significantly.

MBH has no specific geographical focus. However, during the next 1-2 years we anticipate to predominantly see acquisitions in countries where the company currently has a strong local network, such as the UK, Singapore (including neighbouring countries), Australia, and New Zealand. The company is currently focused on the following sectors:

- Education,
- Construction Services,
- Engineering, and
- Telecommunications, Media, Technology (TMT)

In the scope of this report we will focus our analysis on the company's first three core markets Education, Construction, and Engineering. We give an overview of the company's current structure in figure 6.

Figure 6: MBH Structure



Source: First Berlin Equity Research, MBH Corporation

Listing in early 2018 gave investors access to a portfolio of small to medium enterprises (SMEs) with attractive growth opportunities MBH went public in early 2018 in order to provide the SME shareholders an exit and establishing a financing vehicle for further acquisition growth. The company is currently listed on the Düsseldorf Stock Exchange in the Prime Market segment, the Quotation Board and the Xetra Platform of the Frankfurt Stock Exchange (Open Market). Due to its short history, awareness of the stock among investors has not gained momentum until recently. The 30 days average trading volume is about 70k shares per day, up from a 3 months average of approx 39k shares p/d and a 12 months average of only 12k shares p/d. In our view, this strong pick up over the last months reflects a trend to higher capital market awareness and stock liquidity.

The companies in the MBH portfolio are characterised by profitable operations with good business prospects. However, because they are privately held, they were not easily accessible to investors, or too small, illiquid and time-consuming to audit for a direct investment. MBH's listed shares overcome these obstacles offering investors easy access to the SME business space. Investors also benefit from diversification effects offered by MBH through indirect investment in various SMEs. Furthermore, we expect that the projected portfolio expansion through value accretive acquisitions will further increase diversification and lower the overall risk.

AGGLOMERATION BUSINESS MODEL

Based on the Agglomeration Model, the company's strategy entails acquiring 100% holdings in profitable SMEs in selected industries and regions worldwide MBH's strategy involves identifying and acquiring successfully established, profitable SMEs by swapping shares at an EPS-accretive valuation. The company applies a rigorous due diligence process to ensure that deals are only executed when they add value. MBH carefully evaluates management, the company structure, business merits, the financial position, as well as business perspectives. The company invests in profitable companies with sustainable business models and attractive growth perspectives, led by experienced entrepreneurs who have a proven track record. To join the agglomeration group, shareholders of each acquired SME exchange their shares for publicly-listed MBH stock at an agreed valuation.

The agglomeration business model is based on a highly decentralised structure under which the existing management teams of the SMEs are willing to remain committed to the future development of their businesses. The MBH business model is collaborative so that companies within the group can cooperate with each other, but the management of the individual businesses have a great deal of freedom. MBH offers private SMEs the chance to gain critical mass through joining a larger listed group while retaining a high degree of autonomy.

The agglomeration model aims to group together multiple SMEs to unlock value by exploiting economies of scale, synergies, and better access to financing and clients. By being part of a larger listed company, the SMEs benefit from advantages typical to larger operations including:

- **Exploit synergies and economies of scale:** By joining the MBH group, holdings benefit from cross-selling opportunities, better procurement conditions, etc.
- **Overcome scale paradox and gain greater access to larger contracts:** Due to their small size, these companies usually lack access to larger contracts. Large companies usually prioritise other large companies as suppliers.

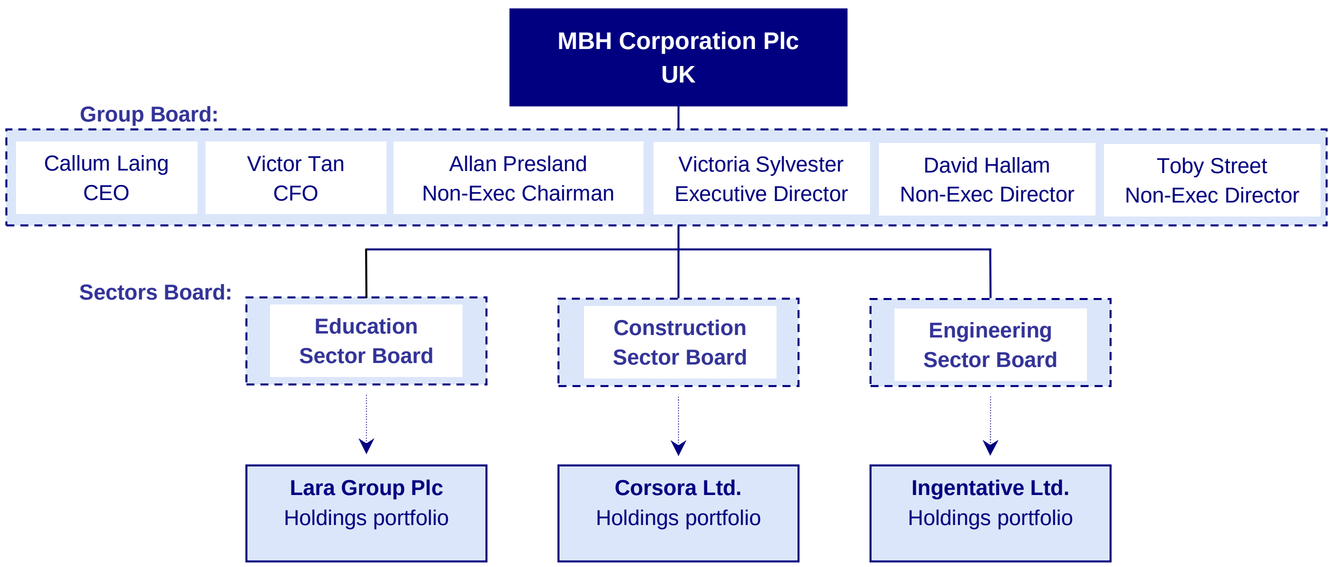
- **Gain access to capital without losing control:** Small companies usually have difficulty in accessing external funds and the price for growth capital often is highly dilutive to autonomy.
- **Increase efficiency:** As part of the group SMEs can become more competitive by sharing knowledge with other group companies, such as exchanging sectoral expertise, getting access to modern IT systems, etc.
- **Increase brand awareness:** Stronger brand awareness can translate into better access to clients and employees: SMEs will become more attractive to large clients as well as top talent.

MBH's CEO has a strong network and a cooperation with the Unity Group of Companies (UGC). This increases the chances for strong portfolio expansion**.** The Agglomeration Model applied by MBH to acquire and grow its investments was originally created by Mr. Jeremy Harbour (successful serial entrepreneur, founder and partner of the private equity firm UGC based in Singapore) and Mr. Callum Laing (CEO of MBH and partner at UGC). Mr Harbour and Mr Laing are both very well known advisors in the SME scene in Europe and Asia and host many seminars on buying and selling SMEs (e.g. www.harbourclubevents.com). As a result, UGC has a long history of M&A transactions, which led to the Agglomeration Model. UGC licensed the model to MBH for a one-time share payment in 2018. UGC also provides MBH with M&A consulting services, such as identification of and introduction to acquisition targets.

GROUP BOARD AND GOVERNANCE

MBH's board comprises three executive board members including the CEO, the CFO, and a Director, as well as three non-executive board members. Further, given that the company operates in several sectors, each sector covered has its own board led by a CEO with specific responsibilities for the ongoing operations of the companies of the respective sector. The sector board is constituted by the entrepreneurs/CEOs of the respective sector companies, complemented by sector experts with track records of growing and selling businesses in their respective industries. Each sector board is tasked with facilitating the growth of the companies within its sector, maximising synergies between sector companies and securing the resources required to fuel projected growth. We give on overview of the company's board structure in figure 7 below.

Figure 7: MBH Board Structure



Source: First Berlin Equity Research, MBH Corporation

CEO

Mr. Callum Laing (CEO) has more than two decades of experience in starting, building, buying, and selling over half a dozen businesses in several sectors including: recruitment, sport and lifestyle, IT, and telecommunications. He has published two best-selling business books and is high commissioner of the World Business Angel Investor Forum in Singapore. He is also a partner in the Unity Group, a private equity firm, which pioneered the Agglomeration Model.

CFO

Mr. Victor Tan is a highly qualified executive with over 17 years of financial experience ranging from Big 4 chartered accounting firms, start-ups and SMEs to large listed multinational companies. Mr Tan has undertaken and led numerous due diligence, restructuring and post-acquisition integration roles in South East Asia and the UK. He is a member of the Institute of Chartered Accountants in Australia.

Non executive Chairman of the Board

Mr. Allan Presland is a seasoned entrepreneur with over 25 years of commercial and managerial experience having successfully built up the education services company Parenta to become the UK's largest supplier of services to the early year education sector. He joined MBH's Board following the acquisition of Parenta. Mr Presland is also a successful writer and published the Amazon best-selling book "Improving the Business of Childcare" where he referred to his extensive experience in the childcare education business. Mr Presland obtained an MBA from Oxford Business School, a bachelor's degree in Building Services Engineering and Management from Reading University, as well as a diploma in marketing from the Institute of Marketing, and is a member of both the Chartered Institute of Marketing and the Institute of Directors.

Executive Board member

Ms. Victoria Sylvester is executive director of the board with sound experience in the UK education and social care sectors. Ms. Sylvester started her own company, Acacia Training Limited plc, at the age of 21. Supported by a highly professional team, she managed the business successfully over the past 19 years bringing the business into MBH in 2018. She has experience in supporting business turnarounds with other companies and voluntary roles within education related governing boards.

Non executive Board member

Mr. David Hallam has over 30 years executive experience and built his own business in the IT sector before selling it in 2010 to a global player listed on the FTSE Index. He has built and provided strategic advise to many listed and privately-owned organisations across diverse sectors whilst working as a consultant. In scope of his consulting career, he helped build new services and products bringing them successfully to the market. Mr. Hallam has been involved in many acquisitions and helped numerous small businesses go to market for sale.

Non executive Board member

Mr. Toby Street has extensive experience in helping businesses grow sustainably, structuring joint ventures and strategic collaboration, as well as private equity investing. He also advises owners on how to build their assets, create and leverage strategic alliances, and how to expand and grow their businesses.

SUMMARY OF COMPANY HISTORY

Figure 8: Key milestones in the company's history

Time	Corporate events
Jun. 2016	MBH Corporation plc was established as a holding company for acquisition of SMEs in selected sectors.
Mar. 2018	The company listed on the Düsseldorf Stock Exchange.
Aug. 2018	Acquisition of Parenta and Acacia in the UK, the first two companies within the Education sector.
Sep. 2018	Acquisition of Corsora in New Zealand, the first company within the Construction services sector.
Nov. 2018	Upgraded its listing on the Düsseldorf Stock Exchange in the Prime Market segment and listed on the Quotation Board and the Xetra Platform of the Frankfurt Stock Exchange (Open Market).
Dec. 2018	Secured a €1.1m convertible bond with the Mutual Fund Undertakings for Collective Investments in Transferable Securities (UCITS) in the UK (interest rate 0%, 2 years maturity, convertible price €1.20 per share). As of the 21 May 2019, UCITS had converted €637.5k.
Dec. 2018	Acquisition of du Boulay Contracts in the UK, the second company within the Construction services sector.
Apr. 2019	MBH secured commitment for a financing facility with Global Emerging Markets Group (GEM). Based on the agreement MBH can draw down an equity facility worth up to €20m, which provides additional flexibility for potential acquisitions requiring a cash component.
Jun. 2019	Mr. Callum Laing, hitherto non-executive chairman took over the CEO position, switching positions with Mr. Allan Presland (hitherto CEO). Mr. Laing has been very active in setting up company's strategy, carrying out the acquisitions and talking to investors, which is why the new positions reflect better their respective roles.
Jun. 2019	Completion of the acquisition of Guildprime Specialist Contracts Ltd in the UK, the third company within the Construction sector. This acquisition nicely complements the du Boulay's business.
Jun. 2019	Acquisition of Asia Pacific Energy Ventures Pte Ltd (APEV) in Singapore, the first company within the new Engineering sector.

Source: First Berlin Equity Research, MBH Corporation

PORTFOLIO OF HOLDINGS

CONSTRUCTION INDUSTRY

High quality portfolio of three profitable investments in the UK and New Zealand
MBH's construction portfolio consists of a diverse group of companies offering construction services. Their main focus is fit-out and engineering. We believe the companies are well positioned with a strong client base in their respective local markets. As of FY/18, the construction portfolio represented 62% of the total portfolio sales and 26% of total portfolio net profit (IFRS). MBH's holdings in the Construction services sector will be built up around New Zealand's industry leader Cape and the UK's high-end fit-out specialist du Boulay.

Cape Ltd - New Zealand (https://cape.net.nz/)
In September 2018, MBH acquired Cape Limited, which is one of the top three profitable independent construction services firms specialized in fit-outs in New Zealand. Founded by David Howes in 2005 and based in Auckland, Cape provides a variety of services including design implementation for commercial interiors, project management and related procurement activities.

The company was established in 2005 with an initial focus on commercial office fit outs, which encompasses flooring, partitions, ceilings, services and finishes and occasionally furniture in an office environment. Over the last 13 years, Cape has expanded the business to offer shop fitting, seismic upgrades, hospitality, building re-clads and refurbishment. Commercial building refurbishment has evolved to become Cape's main business focus. The company has grown steadily to become an established and leading contractor in the Auckland local market. Cape has carried out refurbishments projects across both New Zealand islands as well as two large refurbishments in Fiji. The company wants to expand its operations beyond its home market into Australia, and increase scale either through partnerships or acquisitions. Cape's main competitors include Alaska Construction Interiors, Focus Construction Group and Aspect Business Interiors.

The company has a staff of 30 employees and around 50 to 60 contractors. Cape achieved proforma sales of GBP16.4m and an EBITDA margin of 6.3% in 2017. We estimate that MBH paid a multiple of approx. 10.8 times 2017 pro-forma EBITDA for Cape—equal to 12.5m shares at €1.0 per share.

du Boulay Contracts Ltd – UK (http://duboulay.co.uk/)
In December 2018, MBH acquired du Boulay Contracts, a fit-out specialist with a +40 year track record in the UK's high-end commercial sector. The construction company is active in the commercial fit-out and refurbishment sector. Du Boulay Contracts was founded in the mid 1970's and enjoys a first class reputation in hospitality fit-out, specialising in restaurants, hotels, coffee shops and bars. The company also undertakes retail and high-end residential projects. The company's clients include restaurants, bars, pubs, nightclubs as well as offices, casinos, hotels, airport lounges, and high street multiple units in both the UK & Europe. The company's highly skilled staff is experienced with high quality finishes, involving hardwood joinery, marble and stonework, structural and decorative glass, architectural metalwork, upholstery, decorative plaster work and specialist decorating and fine furnishing.

du Boulay Contracts' 2017 proforma sales amounted to GBP7.0m with an EBITDA margin of approx. 4.0%. MBH paid a multiple of approx. 3.7 times 2017 proforma EBITDA for du Boulay according to our estimate (755k shares at €1.36 p/s).

Guildprime Specialist Contracts Ltd – UK (https://www.guildprime.com/)
In June 2018, MBH acquired Guildprime Specialist Contracts. The company is a renowned fit-out specialist and refurbishment contractor with a focus on luxury retail fit-outs and

refurbishments, high-end commercial office spaces, and residential across the UK, Europe, Russia, the Middle East and South America. The company has worked for some of the world's most well-known and prestigious High Street brands, blue chip architects and discerning private clients. The services portfolio includes end-to-end retail shop fitting, residential refurbishment and office fit-out services including design development, manufacture, and installation.

Guildprime generated revenues of GBP5.4m (approx. €6.2m) for the year ended 30 September 2018 and is profitable and debt free. MBH reported that it will pay a total share consideration worth GBP1.5 to GBP1.8m. This price may equate to about 5 times our estimated EBITDA for the company of about GBP360k (EBITDA margin of approx. 7% in 2018). This acquisition complements well and expands MBH's existing construction services portfolio.

EDUCATION INDUSTRY

Promising portfolio of two leading education companies in the UK MBH's education portfolio consists of companies offering education services and software in the UK. We believe these are attractive segments where the market is gaining good traction. The company has plenty of expansion opportunities in the currently acquired segments, as well as in additional market segments such as age group (e.g. older children) or stage of education (e.g. school, higher education). The goal is to identify synergies between the holdings so that technology and infrastructure costs can be shared thus increasing efficiency and profitability. MBH acquired its first two companies, Parenta and Acacia, in August 2018. As of FY/18, the education portfolio represented about 38% of the total portfolio sales and 74% of total portfolio net profit (IFRS).

Parenta Group Ltd. – UK (https://www.parenta.com/)
Parenta provides market leading software systems to early year nursery institutions. The main products comprise management and back office software (e.g. customer relationship management (CRM) and billing), child progress tracking software and online learning journals. Interestingly, parents can monitor their child's activity throughout the day through a special software. The company also provides services for collecting fees from the parents on behalf of the nurseries. Parenta is the largest nursery fee collector in the UK. The company also offers marketing services including the creation of lead-generation websites, promotional material and social media solutions. The company has smartly positioned itself as an all-around provider in the back-office management of nurseries. Parenta has created an ecosystem offering its clients a single portal through which an early year nursery can manage and monitor all aspects of its nursery and even staff training. This creates cross-selling opportunities for Parenta.

In addition, the company provides vocational training for professionals in the early year sector. With over 3,000 early year students p.a., Parenta is currently the leading provider of these services in the UK. The company's focus is on apprenticeships at levels 2 and 3 which are 90% state funded. In order to qualify for government funding to train apprentices, the company meets high quality standards, is listed with the Employment & Skills Funding Agency ("ESFA") and is registered on both RoATP & ROTO as an approved provider. Overall, Parenta markets its products and services to over 6,500 early year customers in the UK. The company achieved pro-forma sales of GBP4.7m and an attractive EBITDA margin of 37.1% in 2017.

Parenta's main local competitors in the nursery software business are Connect Childcare, First Steps Software, and Family in the nursery management field, and Tapestry and Eylog in the learning journal segment. The main early year vocational training local competitors are

Smart Training and Hawk Training. Nevertheless none of them has such a strong position at the back office management of nurseries.

Acacia Training Ltd. – UK (https://www.acaciatraining.co.uk/)
Acacia is an award-winning provider of vocational training services for apprentices and adults. The company specialises in the healthcare and social sectors (e.g. approved supplier to the UK's National Health Services agency NHS). Acacia is registered with a number of accreditation bodies such as the Employment and Skills Funding Agency (ESFA), the Register of Apprenticeship Training Providers (RoATP) and the Register of Training Organisations (ROTO). These accreditations qualify the company to receive government funding to train apprentices. Furthermore, Acacia has achieved the Centre of Excellence Status from Skills for Care every year since 2014. The 'Excellence' endorsement is a mark of high quality across the social care sector.

The company achieved proforma sales of GBP3.7m and an EBITDA margin of 8.3% in 2017. We estimate that MBH paid a multiple of approx. 8.0 times 2017 proforma EBITDA for acquiring Parenta and Acacia altogether (16.4m shares at €1.0 p/s).

Acacia's main local competitors are Learndirect and Staffline. Learndirect was UK's largest provider of adult learning and apprenticeship education until 2018. However, following a negative assessment on company's education performance rated as inadequate by the UK's education watchdog Ofsted, the company was at risk of insolvency and was sold to the investor Van Rensburg. Mr Rensburg kept the adult learning business and sold the apprenticeship business to the listed employment company Staffline (Source: Financial Times). Staffline became UK's new market leading skills and training provider, with the combined business training approx. 5,000 apprentices and having approx. 10% of the market. (Source: Staffline).

ENGINEERING INDUSTRY

MBH's investment in the Engineering sector inaugurated with its largest acquisition in company's history MBH acquired the Singapore based engineering company Asia Pacific Energy Ventures Pte Ltd (APEV) in June 2019. The transaction gave MBH's portfolio significant critical mass. MBH projects that APEV will generate revenues of about SGD92m (GBP54m) and EBIT of around SGD10.3m (GBP5.8m) in the financial year ending 31 July 2019. We estimate that APEV's EBITDA will be slightly above GBP6.0m (EBITDA margin >11%). APEV's EBITDA was thus almost double the FY/2018 pro-forma annualised EBITDA of GBP 3.3m for the existing portfolio. The final price for the acquisition is performance orientated and will amount to SGD45m to 60m (GBP26m to 35m), which includes an undisclosed value of net assets. We therefore estimate that MBH paid less than 6x EBITDA for the acquisition. The transaction will be fully settled with shares and is EPS accretive. The share price was confirmed at EUR 1.47, which represents up to 26.6m new shares.

APEV - headquartered in Singapore, but generating revenues in Papua New Guinea
The company was founded in 2014 in Singapore and has grown rapidly and currently staffs 210 employees. The engineering group has four core business divisions serving a diversified portfolio of governmental and industrial clients. The divisions are: Energy & Electrical, Fire & Hydraulics, Building & Construction Services, and Power Generation. The group is currently focused on the Papua New Guinea (PNG) market and has a large exposure to the energy market. It carries out operations through two subsidiaries:

- Singapore based Twenty20 Energy Systems Ltd – T20 (http://www.twenty20.com.sg/) holds an extensive network of international supplier relationships and acts as a trading company. The subsidiary offers best fit products at the highest quality and best prices for clients' desired applications.

- Papua New Guinea based Pacific Energy Consulting Ltd – PEC (http://www.pacificenergy.com.pg/) advises governmental institutions and enterprises on key energy topics, including implementation of energy generation projects (from traditional as well as from renewable sources), energy efficiency solutions, energy audits, etc.

Thanks to an experienced management team, the APEV group has built a leading market position in the developing country PNG. Accompanied by a strong reputation, the company has rapidly become a reliable partner of governments and key industry sectors. The company distinguishes itself by offering first world country services with a significant expats team of experts at a competitive rate. Furthermore, according to MBH's management the group has a sound project pipeline in place projected to provide substantial revenue streams in 2019 and 2020 and support future growth.

RELEVANT MARKETS

The MBH holdings are well positioned in niches and regions within the education, construction service and engineering markets. We will take a broad view of the respective global industries, with a particular focus on three key geographical markets for MBH, the UK (construction, education), Australia/New Zealand (construction) and Papua New Guinea (engineering).

THE INTERNATIONAL CONSTRUCTION MARKET

The construction industry is large and fragmented The construction industry employs about 7% of the world's working-age population and is one of the world's largest economic sectors. With close to USD10 trillion spent on construction-related goods and services every year, the sector accounts for approx. 13% of global GDP (Source: McKinsey Global Institute, 2017). The construction market mainly comprises three segments:

- Residential,
- Commercial, and
- Infrastructure

According to McKinsey, the sector is highly fragmented and splits broadly in two main groups

- Large-scale players engaged in heavy construction such as civil and industrial work and large-scale housing.
- A large number of firms engaged in specialized areas such as mechanical, electrical, and plumbing work. These smaller companies will usually act as subcontractors or work on smaller projects like refurbishing single-family housing.

Construction is a highly cyclical sector of the economy The economic environment, particularly GDP growth and interest rates, has a strong influence on the construction market. For example, increases in purchasing power (e.g. wage or net income) or declining interest rates are large drivers of property demand. There are a few additional factors to consider when assessing the shape of the construction market, such as the existing level of construction, existing supply and demand, government investment and demographics.

Global construction is expected to grow moderately in the period 2018-2023 A report published in 2018 by Lucintel projects that the global construction industry will expand at a CAGR of 4.2% in the period 2018-2023, reaching USD10.5 trillion by 2023. The major growth drivers are increasing housing starts and rising infrastructure needs due to urbanization trends and swelling populations. The residential segment is expected to show above average growth and remain the largest segment fuelled by low interest rates, low debt service ratios and healthy job creation. The Asian pacific region (APAC) which includes the large markets in China, Japan and India, is expected to remain the largest market mainly due to increasing urbanization, higher expenditure on infrastructure development, and affordable housing projects.

Global economic environment slightly weaker in 2019 and 2020 According to the International Monetary Fund (IMF), the global economy will continue to post healthy rates of growth in 2019-2020. However, the global expansion is weakening slightly. After an estimated 3.7% growth in 2018, the IMF anticipates a 3.5% growth in 2019 and 3.6% in 2020. The main reasons behind the expected economic slowdown are negative affects of the tariff increases between the US and China and Brexit issues in Europe. While it is possible that monetary policy in the major markets keeps tightening in 2019 (e.g., US, UK) pushing up the cost of borrowing slightly, interest rates will still likely be at historic lows and therefore remain supportive of construction activity in 2019 and 2020.

Positive sentiment and outlook for the global construction industry, but challenges may gain relevance in the future An international market survey conducted across 46 countries by the construction consulting specialist Turner and Townsend (Turner) in 2018 states that there is a global expectation of increasing construction activity in the years to come. However, market participants point out that the industry is facing several challenges:

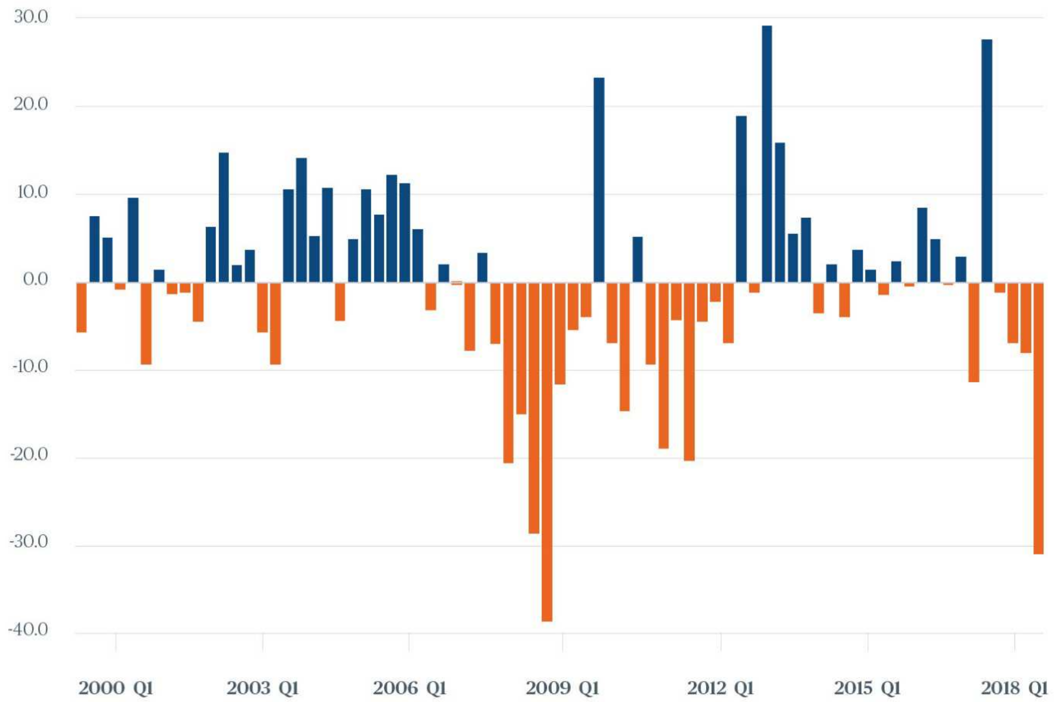
- Skilled labour shortage
- Stagnant level of productivity on construction projects
- Shortage of materials leading to increasing costs
- Technology development/integration
- Green construction techniques
- Improving safety practices/meeting standard compliance.

Market participants interviewed by Turner suggest that in the coming years, labour shortage, inflationary costs pressure and stagnated level of productivity will increase in relevance for the industry. Moreover, 67% of responders expect that labour shortage will have a major impact in the delivery of construction projects in the near future. According to McKinsey, global labour productivity growth in construction has averaged only 1.0% per year over the past two decades, compared with 2.8% growth for the total world economy and 3.6% in manufacturing. As a result, the industry is challenged to increase productivity in order to achieve more work with the fewer workers available and compensate for rising costs.

UK construction market softening due to Brexit uncertainties In the UK, the triggering of Article 50 and the country's decision to exit from the EU has created political and economic uncertainty. The latest UK analysis conducted in Q4/18 on the construction market by Turner and Townsend points to falling demand, rising input costs and lower margins. Following the Brexit referendum of June 2016, new order growth slowed down and after a few quarters turned into decline. One exception took place in Q3/17, when several contracts for the high-speed railway (HS2) were signed and the new orders figure jumped significantly. The negative new orders trend continued through 2018, in Q3/18 it peaked dropping by 30.8% compared to Q3/17.

Figure 9: Construction new orders in the UK

Year on year
(% change)



Source: UK Office for National Statistics

UK construction outlook calls for 2% decline in 2019 followed by 3% rise in 2020 The UK's leading housing research and guidance foundation NHBC, as well as the market intelligence provider Barbour ABI stated disappointment on the weak number of construction contracts in H2/18. Going forward both firms anticipate growth of new home registration numbers across the majority of the UK, although there is substantial risk for some flattening of output levels in the short to medium term. The latest construction industry forecasts for 2019 and 2020 from the market intelligence specialist Glenigan look for the construction market to shrink in 2019. Project starts dropped 6.0% in 2018, and the market is expected to decline by 2.0% in 2019 before recovering in 2020 with an increase of 3.0%. We note that UK economy is still anticipated to grow in the coming years despite Brexit risks. Current GDP projections show an increase of 1.6% in 2019 and 1.7% in 2020 (Source: IMF). Higher government spending and short-term tax cuts are anticipated to boost to growth in 2019.

UK's House Price Index still on the rise, but Brexit remains a strong risk The UK Halifax House Price Index reported that in December 2018 housing prices increased by 1.3% over the prior year period. Halifax projects that housing price growth will rise 2% - 4% in 2019. However, this will depend on Brexit, which may negatively impact the market due to economic uncertainty on buyer confidence. As a result, many projects are being put on hold or delayed, as clients wait to see how or if the UK will exit the EU and if there will be a deal or not.

New Zealand's (NZ) construction industry has experienced a sustained growth during the last years, which is expected to continue NZ's construction industry showed a strong annual average growth rate of 7.3% during the last years (Source: Timetric's review for the period 2012–2016). After a boom phase, construction growth is anticipated to continue but at a slower pace, driven by a strong residential demand and the governmental development of the country's infrastructure. A government infrastructure plan for 2015-2025 foresees a budget of NZD157.9 billion (USD110.0 billion) to develop transport networks, electricity and telecommunications infrastructure, clean drinking water pipelines, schools and hospitals. According to Timetric, NZ's construction market will expand at a solid CAGR of 4.0% through 2021. The current government's expectation expressed in the 2018 National Construction Pipeline Report looks for a more modest growth scenario for the years to come, projecting the construction industry will expand at a CAGR of approx. 2.6% in the period 2018-2023. Some regions, such as Auckland, Waikato/Bay of Plenty and Wellington will experience an above average growth in the forecasting period.

Serious skills shortages and cost increase represent a challenge for the construction industry in NZ During the recent boom, the NZ construction industry has struggled to source sufficient skilled employees to meet demand. The building and construction minister Salesa is approaching industry leaders to solve the problem. If not addressed adequately, these shortcomings can negatively impact the industry growth prospects (Source: RNZ–Radio New Zealand).

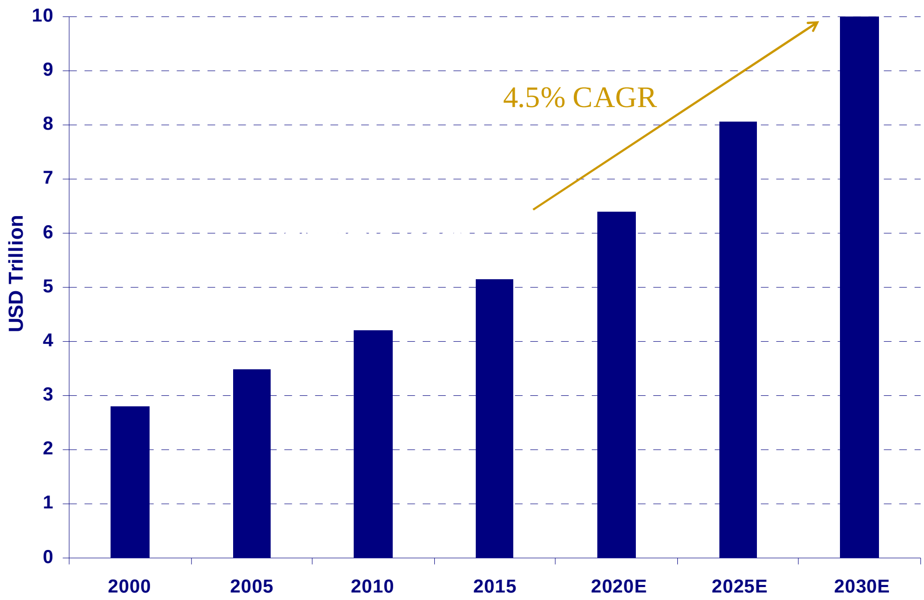
THE INTERNATIONAL EDUCATION MARKET

Education is highly relevant for progress and society growth Education is the process of learning and cultural expansion. Education contributes to the improvement of the human condition through better knowledge, health, living conditions, social equity and productivity, and is therefore a central pillar for social progress. The expansion of formal education, which took place through the emergence of the nation states and modern economies, is one of the most visible indicators of social progress. Education is therefore a relevant industry as it plays a major role in the growth and progress of a society.

The education industry usually behaves counter cyclically to the economy The educational industry is widely considered to be counter-cyclical. In general, when the economy performs poorly and unemployment rises, more working adults proceed to upgrade their education in order to improve their career prospects. This leads to higher enrolment and profit at the schools. Traditional undergraduate education of young students is non-cyclical (Source: Value line).

The Education market is projected to grow at a CAGR of 4.5% through 2030 reaching the USD10 trillion by 2030 The education industry is developing at a fast pace worldwide. Triggered by globalization, demand for better education has increased substantially. This opportunity has been well recognized by the private sector. As a result, education is increasingly populated by organizations motivated by profit (so-called edu-businesses). According to HolonIQ, the worldwide education market is projected to rise at a CAGR of 4.5% in the period 2018-2025, amounting to USD 10.0 trillion in revenues by 2030. The education sector is expected to generate over 6% of the Gross World Product (GDP) by 2030. Geographically, Asia (especially India and China) and Africa are the driving regions behind the expansion.

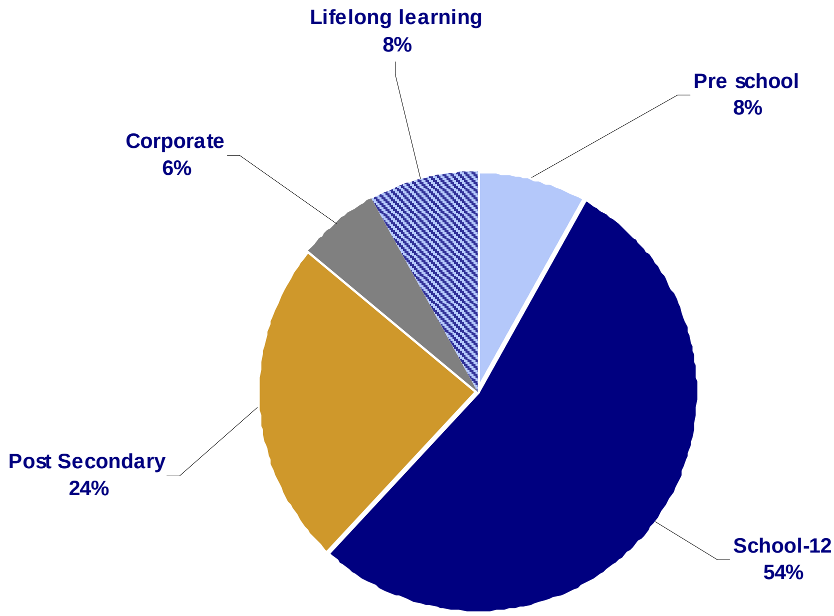
Figure 10: Global education expenditure



Source: HolonIQ and various underlying estimates from Goldman Sachs, GSV, IBIS Capital, Citigroup

Established formal education is normally built upon a complex network of institutions distributed according to different paths along the life course. This covers early education and schooling all the through higher education systems. The education industry at present comprises organisations that provide instruction and training of subjects to all ages on a wide variety of areas. These institutions include pre-schools, schools, colleges, universities and training centres. They are either publicly or privately owned. Private institutions can also be classified as "for-profit" or "not-for-profit". (Source: Spiel et al, 2018).

Figure 11: Global Education expenditure by segment in 2030E



USD10Trillion in 2030E

Source: HolonIQ and various underlying estimates from Goldman Sachs, GSV, IBIS Capital, Citigroup

Digitalization and E-education, a game changer in the industry? Digitalization is driving the E-education segment to become a burgeoning industry with attractive growth potential. Some market estimates (e.g. IBIS capital) suggest that the E-learning markets have been growing at annualised growth rates above 20% in the past few years. Today's "E-learning" goes beyond simply producing videos that are easy to view on consumer phones or computers but targets "bringing the learning experience to the place where consumers (e.g. students, employees) are." As a result, several segments such as higher education or corporates are already being transformed by E-learning-technologies. For example, universities such as Stanford, Harvard and MIT (edex.com) are gaining global presence by offering online courses. Standford began offering these courses in 2011. Harvard and MIT followed in 2012 with a joint offering called edX (www.edex.com) which now includes 90 global partners and more than 1500 courses. In this way, students are gaining access to top education at a renowned university from their homes. The new offerings are finding high demand. In 2016, 58 million students took 6,850 online courses from 700+ universities.

Table 1: Top 5 E-learning providers worldwide

Ranking	Provider	Founders	Country	Number of users
1	Coursera	Stanford University	US	23 million
2	edX	MIT and Harvard University	US	10 million
3	XuetangX	Tsinghua University	China	6 million
4	FutureLearn	The Open University	UK	5.3 million
5	Udacity	Private in cooperation with Standford University	US	4 million

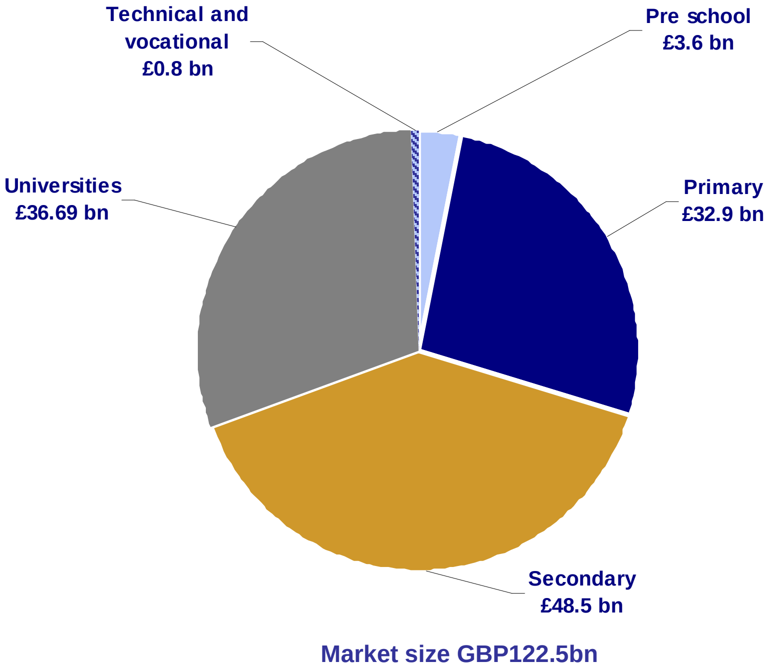
Source: Class Central, 2016

Main market participants A very broad category of economic actors are involved in the production of educational services, some main players include:

- Chains of private schools, such as GEMS Education, ARK, Bridge International Academies or the Omega Schools: These institutions are contributing to the diversification of the private school sector that has been traditionally provided by religious or NGO-based organizations.
- Large education companies such as Pearson, which provide a broad range of publishing and educational services.
- Large IT/software companies, such as Microsoft, Intel, Hewlett Packard or Blackboard.
- Large consultancy firms such as PriceWaterhouseCoopers or McKinsey which offer broad portfolios and apply business logic to education.
- Philanthropic foundations, such as the Bill and Melinda Gates Foundation or the Hewlett Foundation.

UK education industry expected to grow moderately in the years to come According the research intelligence company IBIS world, the education market in the UK will expand at a CAGR of 2.5% in the period 2019-2024. The market size is estimated to amount to GBP122.7bn in 2019. The market is highly fragmented with approx. 29.2k organisations active in the field (Source: IBIS world).

Figure 12: UK market size by segment in 2019E



Source: IBIS World, First Berlin

Positive prospects for MBH's core UK target segments in Pre-School training… According to LangBiosson's market report, there are 4.9 million children aged five or under in the UK today. Approx. 17% of these children are in formal nursery education and demand is growing steadily. The main growth drivers are the increasing number of mothers of young children working (2017: 70% of them with children under 4) and a growing recognition that good education during early years has a positive impact on child development. Triggered by UK Government's steps to increase the affordability and supply of childcare, the market shows strong dynamics. At present, parents receive partial support with their childcare costs, with all three- and four-year-old children eligible for free part-time education. This funding has increased since September 2017 under the Universal Credit and new Tax Free Childcare Scheme, doubling the number of free early education hours to approx. 30 hours per week. The Department for Education (DfE) has calculated that an additional 45,000 full-time nursery places will be needed to cope with the extra demand caused by the extension of free early education. This required additional trained workforce can potentially become a bottleneck for growth in the industry. (Source: Family and Childcare Trust in association with the British Educational Suppliers Association - BESA). This creates a great market opportunity for providers of apprenticeship early year education such as Parenta

… and technical and vocational training According to the market intelligence provider Technavio, this market is set to grow at a CAGR of 8.4% in the period 2016-2020. A relevant market driver will be the government's favourable legislation intending to promote apprenticeship programmes in order to up skill the country's workforce.

THE ENGINEERING MARKET IN PAPUA NEW GUINEA (PNG)

Engineering markets are highly heterogeneous with a vast variety of technologies, players, types of businesses as well as country specific and industry specific characteristics. Considering that the Asian island, Papua New Guinea (PNG), is currently MBH-APEV's sole market within the engineering sector, we will briefly describe this local competitive environment. The target market for APEV in PNG is medium to large commercial and government clients, who own, develop or manage new or existing buildings or infrastructure.

The emerging country PNG PNG's an emerging economy driven by two key sectors; the agricultural, forestry, and fishing sector, where most of the country's labour force is engaged, and the mining, oil and gas sector, where the majority of export earnings are generated. After several years of strong GDP growth, expansion slowed to 2.5% in 2017 and, due to the impact of an earthquake in February 2018, to 0.3% in 2018. However, GDP growth is projected to rebound to 5.1% in 2019, driven by an expected resumption of full annual production—particularly in mining and agriculture. GDP growth may dip back to 4% by 2020, if major petroleum and mining projects proceed as expected (Source: World Bank's Papua New Guinea Economic Update: Slower Growth, Better Prospects).

Competitive environment in PNG's engineering market According to MBH's management, there is a small number of competing companies in each industrial sector in PNG. Moreover, only a few of the competitors offer services across the whole range of sectors in which PNG operates. The most relevant direct competitor is ODG (http://www.ptodg.com/#/home), an Indonesian company with a subsidiary in PNG where it is probably the market leader. This company has a much longer operating history and a wider regional presence. There are several competitors in one or two sectors such as Port Moresby Electrical - electrical and plumbing (https://www.pmepng.com/), QMEC - Electrical and Fire (http://www.qmecpng.innotechdealer.com/) or Daikin – refrigeration and air conditioning (http://www.daikinpng.com.pg/). These firms are generally smaller and focused on contracting work.

Finally, there are some international players biding for larger projects in the country. These are from example Australian companies such as the electrical engineering specialist CEQ (https://www.ceq.com.au/) or the engineering VAE Group (https://www.vaegroup.com.au/) which can combine forces with infrastructure companies such as CBP Contractors (https://www.cpbcon.com.au/) or the construction and property consultancy firm Beacon Consulting (http://www.beaconconsulting.com.au/), However, they are usually more expensive and less competitive than APEV.

FINANCIAL HISTORY AND OUTLOOK

FINANCIAL HISTORY

In May 2019, MBH published its FY/18 financial report in accordance with IFRS standards. Founded in late 2016, the company did not conduct relevant financial transactions until the period October 2018 – June 2019, when it acquired the first six companies Parenta, Acacia, Cape, Du Boulay, Guildprime Specialist Contracts and APEV. All these transactions strongly impacted the FY/18 group figures and the financial outlook. They will shape future financial performance as well. We provide an overview of some key data on these transactions in the table below.

Table 2: Overview of acquisitions and key data

Company	Date of closing	Country	Sector	Proforma Sales	Proforma EBITDA Margin	Price / EBITDA
Parenta	October 2018	UK	Education	GBP 4.7m	37.1%	8.0x
Acacia	October 2018	UK	Education	GBP 3.7m	8.3%	8.0x
Cape	November 2018	New Zealand	Construction	GBP 16.4m	6.3%	10.8x
Du Boulay	December 2018	UK	Construction	GBP 7.0m	4.0%	3.7x
Guildprime	June 2019	UK	Construction	GBP 5.4m	7.0%	approx 5.0x
APEV	June 2019	Singapore/PNG	Engineering	GBP 54.0m	>11.0%	<6.0x

Source: First Berlin Equity Research, MBH Corporation Plc

Income Statement FY/18 Group revenues amounted to GBP12.5m (FY/17: GBP0). Revenue growth was driven organically as well as by the impact of first consolidation of the four new holdings. The sound underlying organic growth is reflected in pro-forma revenues growing by 21.8% to GBP30.3m.

In FY/18, company's gross profit came in at GBP3.8m (FY/17: GBP0), which thus implied a gross margin of 30.7% of sales. Administrative expenses were GBP2.3m (FY/17: GBP0) which largely reflects the company's larger structure following the acquisitions. The company achieved EBITDA of GBP1.8m (FY/17: GBP0), which corresponds to an EBITDA margin of 14.4%. On a pro-forma basis EBITDA increased by 6.4% to GBP3.3m, which equates to an EBITDA margin of 10.9%. These pro-forma figures exclude the financial results of the subsidiary du Boulay, which was acquired in December 2018. MBH reported EBIT of GBP1.6m (FY/17: GBP0) and net income of GBP1.2m in FY/18. Based on 11.1m weighted average number of shares on diluted basis, MBH achieved earnings per share of 11.2 pence. We give an overview of the main P&L positions in table 3.

Table 3: Income Statement (selected items)

All figures in GBP '000	2018	2017	*Delta*
Revenues	**12,511**	**0**	***n.a.***
Gross profit	**3,839**	**0**	***n.a.***
Administrative expenses	-2,280	0	*n.a.*
EBITDA	**1,798**	**0**	***n.a.***
Operating income (EBIT)	**1,559**	**0**	***n.a.***
Net financial result & other expenses	-141	0	*n.a.*
Tax result	-172	0	*n.a.*
Net income / loss	**1,246**	**0**	***n.a.***
Diluted EPS (in pence)	11.21	-0.01	
Margins in %			
Gross profit	*30.7%*	*n.a.*	*n.a.*
EBITDA	*14.4%*	*n.a.*	*n.a.*
Operating income (EBIT)	*12.5%*	*n.a.*	*n.a.*

Source: First Berlin Equity Research, MBH Corporation Plc

Despite having a successful FY/18, the management decided against paying a dividend in the first year of group full operations and rather increase group's company's capital base to prepare for future growth. However, the company is committed to either pay dividends or conduct share buybacks in the following years.

Balance Sheet FY/18 The balance sheet total was GBP42.5m. The company reported a higher cash position of GBP1.5m (2017: GBP0), which in view of the company's operational profitability, suggests a solid funds base to finance ongoing operations and organic growth. Due to the consolidation of the first four companies, the company's receivables increased significantly to GBP8.3m in FY/18 (2017: GBP0). Non-current assets increased to GBP32.7m (2017: GBP250k), mainly driven by an acquisition-related surge in goodwill and other intangible assets to GBP32.5m. Furthermore, in order to incentivise management of the acquired companies, MBH has established a share based earn-out scheme. This policy entitles these managers to receive stock worth an undisclosed percentage of excess profit compared to the previous year (we estimate the company offers 3x excess EBITDA). This contingent consideration for earn out (short and long term) amounted to GBP6.8m in FY/18.

Table 4: Balance sheet (selected items)

All figures in GBP '000	2018	2017	*Delta*
Cash and cash equivalents	1,523	0	n.a.
Receivables	8,270	0	n.a.
Current assets, total	**9,793**	**0**	**n.a.**
Goodwill & other intangibles	32,497	250	n.a.
Property, plant & equipment	246	0	n.a.
Non-current assets, total	**32,745**	**250**	**n.a.**
Debt (ST+LT)	1,702	0	n.a.
Contingent consideration (ST+LT)	6,836	0	n.a.
Accounts payable	4,620	0	n.a.
Liabilities, total (ST+LT)	**14,183**	**0**	**n.a.**
Shareholders' equity	28,355	250	n.a.
Equity ratio	*67%*	*100%*	*n.a.*
Balance sheet, total	**42,538**	**250**	**n.a.**

Source: First Berlin Equity Research, MBH Corporation Plc

Total equity amounted to GBP28.4m, which corresponds to a solid equity ratio of 67% (2017: 100%). Total liabilities (ST+LT) came in at GBP1.7m, which include an interest free convertible loan amounting to €1.1m (convertible at €1.20 per share until October 2019). At the end of FY/18 the remaining not converted loan value was GBP0.7m.

Cash Flow Statement FY/18 In FY/18, net cash flow from operating activities came in at GBP0.8m (FY/17: GBP0). Capital expenditures increased to GBP0.4m in FY/18 mainly due to investments in goodwill and intangible assets relating to the first four acquired companies (FY/17: GBP0). Free cash flow was GBP0.3m. Cash flow from financing activities amounted to GBP1.2m (FY/17: GBP0). The increase is largely attributable to the placement of the convertible note. Thus, net cash flow came in at GBP1.5m (FY/17: GBP0).

Table 5: Cash flow statement (selected items)

All figures in GBP '000	2018	2017	*Delta*
Net operating cash flow	**777**	**0**	**n.a.**
CapEx	-435	0	n.a.
Other investments and disposals	-2	0	n.a.
Free cash flow	**340**	**0**	**n.a.**
Cash flow from financing	1,170	0	n.a.
Net cash flow	**1,523**	**0**	**n.a.**

Source: First Berlin Equity Research, MBH Corporation Plc

FINANCIAL OUTLOOK

Income Statement – On track for significant expansion in 2019E We forecast sales will grow by 427.0% to GBP65.9m in 2019E driven by solid organic growth of approx. 10.0% and the effect of the acquired holdings' consolidation. Going forward, we estimate that group revenues will increase organically at a growth rate of 5.0% p.a. (2020E-2022E). We estimate that the organic growth will be generated in the companies within all three sectors. Our financial forecasts include only the acquisitions closed until publication date. However, considering that the company is guiding towards 15-20 acquisitions p.a., we see room for further significant sales expansion.

In 2019E, we project gross profit of GBP17.4m (FY/18: GBP3.8m) which implies a gross margin of 26.4% (FY/18: 30.7%). The margin reduction in 2019E and 2020E is due to the consolidation of APEV which has a lower gross margin. Although increasing sales volume may lead to margin improvement due to economies of scale, we conservatively forecast a constant gross margin of 25.1% through 2022E.

We forecast operating expenses will increase during the period but at a slower pace than sales due to economies of scale. The staff and infrastructure necessary to manage higher sales volume are largely in place. We forecast OPEX of GBP10.9m in 2019E (2018: GBP2.3m). We project this position to grow to GBP15.2m in 2022E.

We expect that the company will achieve EBITDA of GBP7.5m in 2019E (FY/18: GBP1.8m), which equates to an EBITDA margin of 11.3% (FY/18: 14.4%). We expect EBIT of GBP6.5m in 2019E and project that economies of scale will lead to continuously higher EBITDA and EBIT margins in coming years progressively growing to 11.9% and 11.0% respectively in 2022E. We have assumed a 20% effective tax rate on profit for our financial projections in the period 2019E-2022E. Due to MBH's improving operating performance, we project the net result to also improve accordingly in the period 2019E-2022E. We forecast a net result of GBP5.2m (EPS: pence 13.0) in 2019E and a net profit of GBP9.4m (EPS: pence 15.7) in 2022E (see table 6).

Table 6: Revenue, gross profit, EBITDA and EBIT forecasts

All figures in GBP '000	2017	2018	2019E	2020E	2021E	2022E
Revenue	0	12,511	65,936	97,807	102,683	107,808
Gross profit	0	3,839	17,402	24,521	25,742	27,027
EBITDA	0	1,798	7,458	11,156	12,014	12,829
Operating income (EBIT)	0	1,559	6,534	10,275	11,090	11,859
Net income / loss	0	1,246	5,170	8,161	8,811	9,424
Average diluted EPS (in pence)	-0.01	11.21	13.04	14.01	14.90	15.73
Margins in %						
Gross profit	*n.a.*	*30.7%*	*26.4%*	*25.1%*	*25.1%*	*25.1%*
EBITDA	*n.a.*	*14.4%*	*11.3%*	*11.4%*	*11.7%*	*11.9%*
Operating income (EBIT)	*n.a.*	*12.5%*	*9.9%*	*10.5%*	*10.8%*	*11.0%*
Y-Y Growth						
Revenue	*n.a.*	*n.a.*	*427.0%*	*48.3%*	*5.0%*	*5.0%*
Gross profit	*n.a.*	*n.a.*	*353.3%*	*40.9%*	*5.0%*	*5.0%*
EBITDA	*n.a.*	*n.a.*	*314.8%*	*49.6%*	*7.7%*	*6.8%*
Operating income (EBIT)	*n.a.*	*n.a.*	*319.1%*	*57.2%*	*7.9%*	*6.9%*
Net income / loss	*n.a.*	*n.a.*	*314.9%*	*57.9%*	*8.0%*	*7.0%*

Source: First Berlin Equity Research, MBH Corporation Plc

Balance Sheet We project the company will increase its receivables in 2019E to GBP14.5m (2018: GBP8.3m), which we project to expand further to GBP25.7m in 2022E. Considering that our financial forecast does not model further acquisitions, we have assumed a stable goodwill and slightly increasing intangible assets due to minor investment. We therefore project that goodwill and other intangibles will slightly grow from GBP32.2m in 2019E (2018: GBP32.5m) to GBP32.4m in 2022E. Going forward, we also project that company's liabilities (mainly comprising debt, contingent consideration for acquisition earn-out and accounts payable) will increase from GBP17.0m in 2019E to GBP23.0m in 2022E. The attractiveness of MBH's business model is that it is self-sustainable. The company will be generating enough cash to finance further organic growth. This is reflected in a progressively growing cash position.

Table 7: Balance sheet KPIs 2017 – 2022E

All figures in GBP '000	2017	2018	2019E	2020E	2021E	2022E
Cash and cash equivalents	0	1,523	3,357	5,114	7,604	10,104
Receivables	0	8,270	14,452	22,000	23,800	25,667
Current assets, total	**0**	**9,793**	**17,809**	**27,114**	**31,404**	**35,772**
Goodwill & other intangibles	250	32,497	32,233	32,282	32,333	32,366
Property, plant & equipment	0	246	510	999	1,410	1,841
Non-current assets, total	**250**	**32,745**	**32,745**	**33,283**	**33,745**	**34,209**
Debt (ST+LT)	0	1,702	750	658	577	507
Contingent consideration (ST+LT)	0	6,836	6,794	6,759	6,730	6,707
Accounts payable	0	4,620	8,377	12,850	13,702	14,386
Liabilities, total (ST+LT)	**0**	**14,183**	**17,029**	**21,463**	**22,301**	**22,995**
Shareholders' equity	250	28,355	33,525	38,934	42,848	46,985
Equity ratio	*100%*	*67%*	*66%*	*64%*	*66%*	*67%*
Balance sheet, total	**250**	**42,538**	**50,554**	**60,397**	**65,149**	**69,980**

Source: First Berlin Equity Research, MBH Corporation Plc

Cash Flow Statement We expect increasing revenues and earnings to result in a large improvement in operating cash flow in 2019E. We forecast net operating cash flow of GBP3.8m in 2019E (FY/18: GBP0.8m) and expect this figure to improve to GBP9.3m in 2022E. CapEx should amount to GBP0.9m in 2019E (2018: GBP0.4m). We anticipate this figure to grow to about GBP1.4m in 2022E. Our forecast cash flow from financing of GBP-1.0m in 2019E is chiefly attributable to debt repayment. The negative cash flow from financing in the period 2020-2022E reflects the dividends paid by the company. We have assumed that MBH will maintain a payout ratio of 60%. We anticipate net cash flow to total GBP1.8m in 2019E and GBP2.5m in 2022E. Going forward we estimate that the positive trend of strengthening operating performance and cash flow will continue having a positive impact on the company's free cash flow and net cash flow.

Table 8: Cash Flow Statement KPIs 2017 – 2022E

All figures in GBP '000	2017	2018	2019E	2020E	2021E	2022E
Net operating cash flow	**0**	**777**	**3,759**	**6,070**	**8,903**	**9,341**
CapEx	0	-435	-923	-1,418	-1,386	-1,434
Other investments and disposals	0	-2	-50	-50	-50	-50
Free cash flow	**0**	**340**	**2,786**	**4,602**	**7,467**	**7,857**
Cash flow from financing	0	1,170	-952	-2,844	-4,977	-5,357
Net cash flow	**0**	**1,523**	**1,834**	**1,757**	**2,490**	**2,500**

Source: First Berlin Equity Research, MBH Corporation Plc

NEWSFLOW

In our view, MBH's stock price will be driven by news about acquisition deals as well as by achievement of financial milestones. We expect the company to make a number of announcements during the coming 12 months which will act as catalysts for the stock. These include:

Acquisitions news & financial reporting

- Completion of at least 6-8 further acquisitions during the next 6-12 months.
- Further, we expect updates of the company in scope of the publication of financial figures. Publication of H1/19 financial results is due on 30 September 2019. Publication FY/19 results will approximately take place in April 2020.

SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	GB00BF1GH114
WKN	A2JDGJ
Bloomberg ticker	M8H GR
No. of issued shares	30.85m
Transparency Standard	Prime market
Country	Germany
Sector	Industrial Goods & Services
Index	All share

Source: Börse Frankfurt, First Berlin Equity Research

Shareholder Structure	
A. Presland	38.6%
Grandose Limited	9.6%
Unity Group	8.2%
D. Howes	8.0%
SME founders	17.2%
Others	18.4%
TOTAL	100.0%

Source: MBH Corporation Plc

INCOME STATEMENT

All figures in GBP '000	2017	2018	2019E	2020E	2021E	2022E
Revenues	**0**	**12,511**	**65,936**	**97,807**	**102,683**	**107,808**
Cost of goods sold	0	-8,672	-48,534	-73,286	-76,941	-80,781
Gross profit	**0**	**3,839**	**17,402**	**24,521**	**25,742**	**27,027**
Administrative expenses	0	-2,280	-10,868	-14,245	-14,653	-15,168
Operating income (EBIT)	**0**	**1,559**	**6,534**	**10,275**	**11,090**	**11,859**
Net financial result	0	-20	-22	-24	-27	-29
Non-operating expenses	0	-121	-50	-50	-50	-50
Pre-tax income (EBT)	**0**	**1,418**	**6,462**	**10,201**	**11,013**	**11,780**
Tax result	0	-172	-1,292	-2,040	-2,203	-2,356
Net income / loss	**0**	**1,246**	**5,170**	**8,161**	**8,811**	**9,424**
Other comprehensive income	0	7	0	0	0	0
Total comprehensive income	**0**	**1,253**	**5,170**	**8,161**	**8,811**	**9,424**
Average diluted EPS (in pence)	**-0.01**	**11.21**	**13.04**	**14.01**	**14.90**	**15.73**
EBITDA	**0**	**1,798**	**7,458**	**11,156**	**12,014**	**12,829**
Ratios						
Gross margin	n.a.	30.7%	26.4%	25.1%	25.1%	25.1%
EBIT margin on revenues	n.a.	12.5%	9.9%	10.5%	10.8%	11.0%
EBITDA margin on revenues	n.a.	14.4%	11.3%	11.4%	11.7%	11.9%
Net margin on revenues	n.a.	10.0%	7.8%	8.3%	8.6%	8.7%
Tax rate	n.a.	17.5%	20.0%	20.0%	20.0%	20.0%
Expenses as % of revenues						
Administrative expenses	n.a.	18.2%	16.5%	14.6%	14.3%	14.1%
Y-Y Growth						
Revenues	n.a.	n.a.	427.0%	48.3%	5.0%	5.0%
Operating income (EBIT)	n.a.	n.a.	319.1%	57.2%	7.9%	6.9%
Net income/ loss	n.a.	n.a.	314.9%	57.9%	8.0%	7.0%

BALANCE SHEET

All figures in GBP '000	2017	2018	2019E	2020E	2021E	2022E
Assets						
Current assets, total	**0**	**9,793**	**17,809**	**27,114**	**31,404**	**35,772**
Cash and cash equivalents	0	1,523	3,357	5,114	7,604	10,104
Receivables	0	8,270	14,452	22,000	23,800	25,667
Non-current assets, total	**250**	**32,745**	**32,745**	**33,283**	**33,745**	**34,209**
Property, plant & equipment	0	246	510	999	1,410	1,841
Goodwill & other intangibles	250	32,497	32,233	32,282	32,333	32,366
Other assets	0	2	2	2	2	2
Total assets	**250**	**42,538**	**50,554**	**60,397**	**65,149**	**69,980**
Shareholders' equity & debt						
Current liabilities, total	**0**	**9,851**	**12,753**	**17,160**	**17,962**	**18,611**
Short-term debt	0	1,218	400	360	324	292
Accounts payable	0	4,620	8,377	12,850	13,702	14,386
Contingent consideration (earn out)	0	2,988	2,868	2,754	2,644	2,538
Other current liabilities	0	1,025	1,107	1,196	1,292	1,396
Long-term liabilities, total	**0**	**4,332**	**4,276**	**4,303**	**4,339**	**4,384**
Long-term debt	0	484	350	298	253	215
Deferred taxes	0	10	11	12	13	15
Contingent consideration (earn out)	0	3,848	3,926	4,005	4,086	4,169
Shareholders' equity	**250**	**28,355**	**33,525**	**38,934**	**42,848**	**46,985**
Total consolidated equity and debt	**250**	**42,538**	**50,554**	**60,397**	**65,149**	**69,980**
Ratios						
Current ratio (x)	n.a.	1.0	1.4	1.6	1.7	1.9
Quick ratio (x)	n.a.	1.0	1.4	1.6	1.7	1.9
Net debt/(net cash)	0	179	-2,607	-4,457	-7,027	-9,598
Net gearing	0.0%	0.6%	-7.8%	-11.4%	-16.4%	-20.4%
Return on equity (ROE)	0.0%	15.2%	15.4%	21.0%	20.6%	20.1%

CASH FLOW STATEMENT

All figures in GBP '000	2017	2018E	2019E	2020E	2021E	2022E
Net income	**0**	**1,246**	**5,170**	**8,161**	**8,811**	**9,424**
Depreciation and amortisation	0	239	923	880	924	970
Tax expense	0	172	1,292	2,040	2,203	2,356
Changes in working capital	0	-1,462	-2,384	-3,021	-882	-1,103
Other adjustments	0	494	0	0	0	0
Net interest result	0	141	72	74	77	79
Operating cash flow	**0**	**830**	**5,074**	**8,134**	**11,132**	**11,726**
Tax paid	0	-54	-1,292	-2,040	-2,203	-2,356
Interest income	0	1	-22	-24	-27	-29
Net operating cash flow	**0**	**777**	**3,759**	**6,070**	**8,903**	**9,341**
CapEx	0	-435	-923	-1,418	-1,386	-1,434
Other investments and disposals	0	-2	-50	-50	-50	-50
Cash flow from investing	**0**	**-437**	**-973**	**-1,468**	**-1,436**	**-1,484**
Free cash flow	**0**	**340**	**2,786**	**4,602**	**7,467**	**7,857**
Cash flow from financing	**0**	**1,170**	**-952**	**-2,844**	**-4,977**	**-5,357**
Consolidation adjustments	0	13	0	0	0	0
Net cash flow	**0**	**1,523**	**1,834**	**1,757**	**2,490**	**2,500**
Cash, start of the year	0	0	1,523	3,357	5,114	7,604
Cash, end of the year	**0**	**1,523**	**3,357**	**5,114**	**7,604**	**10,104**
EBITDA/share (in GBP)	**0.00**	**0.16**	**0.19**	**0.19**	**0.20**	**0.21**

Y-Y Growth						
Operating cash flow	n.a.	n.a.	511.3%	60.3%	36.9%	5.3%
Free cash flow	n.a.	n.a.	719.5%	65.2%	62.3%	5.2%
EBITDA/share	n.a.	n.a.	16.3%	1.9%	6.1%	5.4%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	Today	€ 1.54	Buy	€ 2.25

Authored by: Christian Orquera, Analyst

Company responsible for preparation:

First Berlin Equity Research GmbH
Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 93 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com
www.firstberlin.com

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

INFORMATION PURSUANT TO SECTION 34B OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO THE GERMAN ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS [FINANV]

First Berlin Equity Research GmbH (hereinafter referred to as: “First Berlin”) prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG] (2ND FIMANOG) OF 23 JUNE 2017, DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014)

First Berlin notes that is has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author’s own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

can be accessed through the following internet link: http://firstberlin.com/disclaimer-english-link/

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.