

Scale research report - Update

mic

New beginning

The latest announcement appears to end the days of mic's broader ambitions. The new management is committed to a simple strategy of extracting value for shareholders from three distinct and specific operating businesses. Further sharp cost-cutting initiatives should help to reduce operating losses, which are believed to be around €3m in 2016. Valuation is hampered by the lack of 2016 accounts and ongoing refinancing talks.

Total change in management

The founder, major shareholder and chief executive Claus-Georg Müller is leaving all his positions for health reasons. The recently appointed chief operating officer, Christian Damjakob, has also left the management board. In future, Andreas Empl will run the company as sole board member. Herr Müller is foregoing potential payments including pay-off and loans to the company.

Cost-cutting extended greatly

The cost-saving plan already initiated with a goal of reducing overhead by 30% is to be extended greatly. The current office premises are to be given up, a number of workers are to be laid off and company cars are to be abolished. The 2016 operating loss appears to have been around €3m so these cuts are clearly necessary for mic's long-term financial health.

Radical refocus on three operating businesses

Henceforth the company will focus on three distinct operating areas, which are reckoned to have the best prospects: data bank solutions using cutting edge technologies, automated optical inspections systems for bodywork in the automobile production industry and systems that utilise existing fibre-optic networks to provide acoustic monitoring of pipelines and railways. All other activities uninvolved in these specific areas are to be disposed of in the short term. The divestment process has already begun with the sale of the 37% holding in Aifotec for €0.71m at a small profit to book value. The new strategy might extract the maximum value for shareholders but the greatest difficulty in valuing mic lies in the fact that the 2016 report and accounts, which should reflect the impact of the massive €27m write-downs, have yet to be published. A further uncertainty lies in the continuing financing of the business; talks are already underway with a potential investor but there is risk of dilution for existing shareholders.

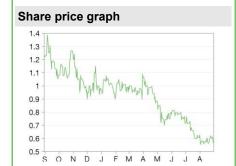
Historical financials						
Year end	Net profit (€m)	Total equity (€m)	EPS (€)	NAV/share (€)	P/E (x)	P/NAV (x)
12/13	(4.69)	34.25	(0.68)	4.99	N/A	0.11
12/14	1.27	39.03	0.16	5.05	3.5	0.11
12/15	1.42	45.40	0.14	4.44	4.0	0.13
12/16p	(29.7)	20.90	(2.14)	1.51	N/A	0.37

Source: mic data. Note: p = preliminary figures.

Financials

31 August 2017





Share details Code M3BG Listing Deutsche Börse Scale Shares in issue 13.87m

Last reported equity ratio at end 2016

Business description

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

Bull

- Comfortable stated equity ratio.
- Radical strategic refocus in progress.
- Prospects for new technology businesses.

Bear

- Risk of dilution from refinancing.
- Delayed reporting of 2016.
- Divestitures not completed.

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