

mic

Financials

11 October 2019

Cleaning out

H119 has seen a respite from the drastic write-downs of financial assets of recent years (€0.3m against, for example, €3.9m in H218). Even so, mic remained mildly loss-making at the net level in the period, reducing equity at June 2019 to just €2.9m (€0.19 NAV per share). This is below 50% of total share capital, hence a statutory requirement to call a general meeting. Full 2018 results (net loss €4.9m) have also only just been reported, as correction of the company's accounts for 2015 to 2017 was not completed until May this year. The main impact was on 2015 (net loss €35.7m vs net profit €1.4m, as originally reported), with consequential changes thereafter.

H119 – relative calm

As previously, interpretation of half-year performance is limited by scant management comment and no disclosure of individual business results. However, summary figures (see page 2) show modest operating returns after minor write-downs (€0.3m) and predictably stretched finances (€0.04 cash but no bank debt).

Tough going in 2018

Newly announced full-year results show both a step change in net loss (€4.9m against €0.6m y-o-y) and year-end equity (€3.1m) well below the benchmark of 50% of total share capital requiring the call for a general meeting to discuss the company's situation. Write-downs of financial assets (€3.9m) and assorted receivables (€0.9m) were across the board.

Historic flaws addressed

Notwithstanding 2018 revaluations, current management's focus has been on correcting accounts for 2015 to 2017, which are reported to have given an inaccurate picture of the net assets, financial position and operational results of the company. The bulk of the revaluation of investments and loans relates to 2015, which saw serious misjudgement of mic's finances and ability to fund investments.

Needs to deliver

The scale of uncertainties clouds assessment of mic's valuation. In terms of comparing the price with the NAV, full 2018 accounts will offer only a rudimentary guide to the value of operating companies, as publication is in line with HGB and thus at written-down cost price.

Historical financials

Year end	Net profit (€m)	Total equity (€m)	EPS (€)	NAV/share (€)	P/E (x)	P/NAV (x)
12/15*	(35.7)	8.3	(3.5)	0.81	N/A	0.2
12/16*	(6.2)	7.2*	(0.6)	0.71	N/A	0.3
12/17*	(0.6)	7.7	N/M	0.52	N/A	0.4
12/18	(4.9)	3.1	(0.3)	0.20	N/A	1.0

Source: mic accounts. Note: *Restated in May 2019. **Including €5.1m from capital increase in progress at year-end.

Price €0.20
Market cap €3m

Share price graph



Share details

Code M3BG
Listing Deutsche Börse Scale
Shares in issue 15.3m
Equity ratio at June 2019 82%

Business description

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

Bull

- Prospects for new technology businesses.
- Radical strategic refocus largely completed.
- Resolution of historic accounting issues.

Bear

- Weak finances and unproven business record.
- Execution risk of acquisition strategy.
- Risk of dilution from refinancing.

Analyst

Richard Finch +44 (0)20 3077 5700
financials@edisongroup.com
[Edison profile page](#)

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

Financials

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

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

Exhibit 1: Financial summary

Year-end December (€m), HGB	2017	H118	H218	FY18	H119
Income statement					
Gross profit	1.3	1.2	(1.1)	0.1	0.3
Write-downs	(1.1)	-	(3.9)	(3.9)	(0.3)
Net profit	(0.6)	N/M	(5.0)	(4.9)	(0.2)
Balance sheet					
Increase in share capital	1.0	0.3	-	0.3	-
Equity	7.7*	8.0	3.1	3.1	2.9

Source: mic accounts. Note: *Including €0.1m deposits for capital increase at year end.

As can be seen in Exhibit 1, equity at June 2019 dropped to just €2.9m (€0.19 NAV per share). Equity at December 2018 fell short of 50% of total share capital, hence a statutory requirement to call a general meeting, which is scheduled for 18 December 2019.

Exhibit 2: Restatement of accounts for 2015 to 2017

Year-end December (€m), HGB	2015	2016	2017
Net profit:			
Originally reported	1.4	(29.7)	0.1
Restated	(35.7)	(6.2)	(0.6)
Equity:			
Originally reported	45.4	20.9	21.9
Restated	8.3	7.2	7.7

Source: mic accounts

General disclaimer and copyright

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

Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia