Research Report (Initial Coverage)

Investment Vehicle that is implementing a buy and hold strategy under the Agglomeration Methodology

Target Price: 1.66 GBP (1.95 €)

Rating: BUY

IMPORTANT NOTE:
Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 34

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Date (time) of completion: 28.02.2020 (3:44 pm)
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Target price valid until: max. 31.12.2020

MBH Corporation plc*5a;11

Rating: BUY
Target price: € 1.95 (1.66 GBP)

Current price: 0.77
Feb.27.2020 / XETRA / 16:11 pm
Currency: EUR

Base data:

ISIN: GB00BF1GH114
WKN: A2JDGJ
Ticker symbol: M8H:GR
Number of shares [3]: 39.98
Market cap [3]: 30.59 EUR
EnterpriseValue[3]: 26.33
[3] in € million
Other shareholders: 30%

Transparency level:
Entry Standard

Market segment:
Open Market

Accounting:
IFRS

Financial year: 31.12

Designated Sponsor:
Renell Bank

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* List of possible conflicts of interest on page 35

Company Profile

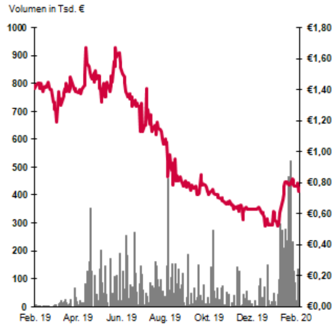
Industry: Holding company

Focus: Education, Construction, Engineering, Health

Founded: 2016

Headquarters: London (United Kingdom)

CEO Callum Laing, CFO Victor Tan



MBH Corporation PLC (MBH) is a diversified holding company which is implementing accretive acquisitions through an agglomeration methodology. Selected small-to-medium-sized enterprises are generally wholly acquired by swapping business owners' shares with a new issue of MBH shares. Under the umbrella of a publicly-listed holding company the subsidiaries gain liquidity, scale effects and potential synergies. Unlike in private equity funds, former business owners remain almost independent with regard to management and strategies, also gaining incentives for further achievements at their micro-business level. Because the businesses are managed autonomously, MBH´s management activities relating to most commercial decision-making processes for each operating business are quite limited. At the time of writing, the subsidiaries are grouped into education, construction services, engineering and, recently, the health segment-vertical. The engineering business segment has the lion's share in financial figures. Within each segment, tactical acquisitions are encouraged in order to strengthen services and potential synergies among entities (i.e. resource sharing or moving into new markets). MBH ordinary shares were first listed on the Düsseldorf Stock Exchange (Prime Market), which has easier requirements and access, and then dual listed on the Quotation Board of the Frankfurt Stock Exchange ("**FSE**") in November 2018.

P&L in GBP m, financial year-end	**31.12.2018**	**31.12.2019e**	**31.12.2020e**	**31.12.2021e**
Revenue	12.51	52.59	136.59	190.83
EBITDA	1.44	5.99	15.25	19.73
EBIT	1.44	5.02	12.83	15.68
Net Income	1.25	4.09	10.21	14.30

Key figures in GBP				
Earnings per share	0.04	0.12	0.26	0.36
Dividend per share	0	0	0	0

Key figures				
EV/Revenue	1.79	0.43	0.16	0.12
EV/EBITDA	15.57	3.74	1.47	1.13
EV/EBIT	15.57	4.46	1.75	1.43
P/E	20.48	6.27	2.51	2.07
P/B	0.85			

Financial calendar
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EXECUTIVE SUMMARY

- MBH plc is an investment vehicle that connects smart investors to small profitable international businesses. Currently, MBH´s portfolio includes ten subsidiaries in four segments with local businesses across the UK, New Zealand, Papua New Guinea, the Pacific Islands and South-East Asia.

- Acquisitions are executed in an **accretive** manner. After an intense selection process (i.e. high earnings per share), auditing and due diligence practices, the target companies are wholly acquired (100%) by issuance of new MBH shares. Their integration is accomplished efficiently and effectively by trying to create synergies and ultimately increasing the total value of the combined entities (i.e. increasing pro-forma group figures).

- Attractive organic growth opportunities and a pipeline of intensive M&A transactions are key drivers for **shareholders´ value creation** along with diversification effects and lower risk. The company promotes organic growth via an earn-out system that provides incentives to middle managers (former business owners) to generate additional earnings over a specific base (i.e. on an acquisition value).

- **Business owners** that approach MBH are typically running mature businesses, looking for new steps or for scaling opportunities for their business. They continue to run the subsidiaries and have the opportunity to compete in larger projects as part of a PLC. It is a way to extract wealth by breaking through their barriers and constraints (i.e. cash or key people) and bringing the subsidiaries to the next level. MBH also views itself as a networking site that provides experience, and information as well as overseeing internal issues among the different subsidiaries. This also has the potential to roll out SMEs in different markets or locations.

- The success of the agglomeration model can be seen in MBH´s first half numbers. Total revenues reached GBP 21.25m (FY2018: sales GBP 15.5m) as generated by the acquisitions performed in 2018 (GBP 15.9m) and to the new subsidiaries included in 2019 (GBP 6.05m). EBT was GBP 1.36m and net profit for the period GBP 1.10m.

- The net assets amounted to GBP 30.01m in H1/19. The main items on the balance sheet were (1) goodwill of GBP 65.44m, stemming from the recent acquisitions; (2) receivables of GBP 26.60m; (3) contingent considerations for earn-out to senior managers and directors of GBP 38.35m in current liabilities and GBP 9.50m in non-current liabilities. Total cash amounted to GBP 4.63m.

- Besides a projected amount of ten M&A transactions per year for the next three years, we have assumed in our forecasts substantial organic growth for MBH´s SME portfolio. Our revenue estimates were for GBP 52.59m for 2019 and GBP 136.59m in 2020. We give a BUY recommendation based on a calculated fair value per MBH share of 1.66 GBP (1.95 EUR). The fair value assumes ten acquisitions per year. At the end of the current financial year 2020, we assume that the outstanding shares will increase to a total of 86.31 million. This assumption takes into account the so-called EPS-accretive acquisitions strategy, according to which the dilution effect when issuing shares for new acquisitions is less than the new EPS contribution.

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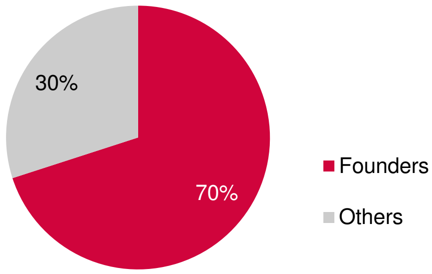
MBH CORPORATION PLC

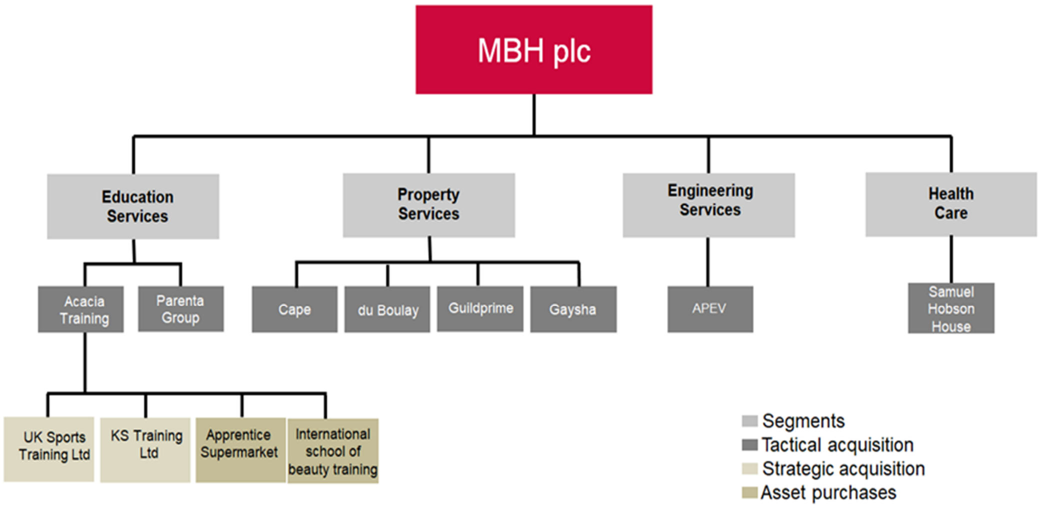
Capital Structure

Shareholders in %	July12th2019
Founders	70%
Others	30%

Sources: MBH plc, GBC AG



Company structure



Sources: MBH plc, GBC AG (all the above companies are typically wholly owned)

MBH is acronym for **multi-business holding.** In a nutshell, the model works out putting together various private companies in a PLC ecosystem. After acquisition, the subsidiaries are grouped under intermediate holding or non-trading companies (special-purpose vehicles) where they, despite staying independent, are supported in growth and strategical acquisition by middle-management.

In August 2018, MBH bought the entire issued share capital of the Lara Group, holding company of Acacia and Parenta. These two subsidiaries provide software systems and vocational training services and have started the education segment. In September 2018, the New Zealand-based Corsora Limited (Cape Ltd holder) was acquired, which is active in the construction services area. Then, in 2019, its largest acquisition, was completed - the Asia Pacific Energy Ventures Pte Ltd (APEV). The latter opens the engineering segment and a significant geographical expansion. Under the brands Twenty20 and Pacific Energy Consulting, the engineering group recorded sales of GBP 54m in July 2019. Recently, the Samuel Hobson House was included in the holding, which is a firm that has specialised in dementia care for over 65 years in the health segment.

The London-based investment holding was founded by the Unity Group of Companies Pte Ltd (“**Unity Group**”), an M&A advisory firm based in Singapore that owns 8% of the capital. Founders and original shareholders of the portfolio companies own approximately 70% of the issued capital of the company.

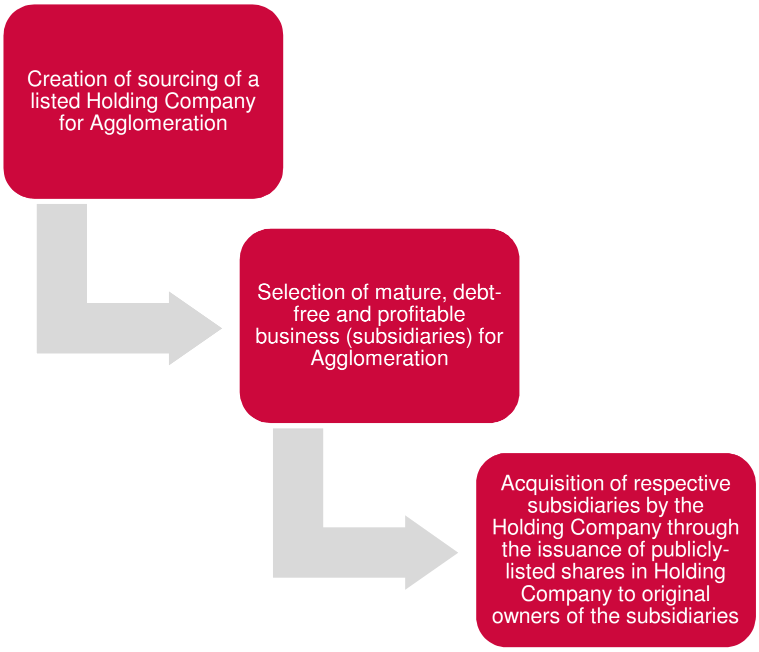
The agglomeration methodology is a business concept that has been developed by the **Unity Group**. The latter granted the trade-mark and intellectual property to MBH at the time of founding (pre-operations).

Going forward, MBH and Unity Group will still work together under an agreement for investment services connected to MBH strategy. The Unity Group might provide services related to: (i) identifying entities for acquisitions, (ii) assisting in due diligence and eventually (iii) providing support in the negotiation phases. The services should be charged on a transaction-successful fee with payment in MBH shares.

THE AGGLOMERATION MODEL

MBH invests in small and mid-sized entities using a proprietary agglomeration methodology. Under a listed holding company, debt-free and well-established, profitable small businesses are included in the group. Acquisitions are performed by converting shares of private business owners into MBH publicly-listed shares. Thus, illiquid and untraded business owners' shares are transformed into liquid and publicly-traded (on the open market) shares. This model was developed by the Unity Group and is briefly explained below.

The Phases of the Agglomeration Model



Sources: 2017 Unity Group - The Unity Group of Companies Pte Ltd, GBC AG

The **accretive** nature refers to incentive fees paid in shares to directors and senior managers (e.g. former principals) for their financial achievements. As an analogy, this concept is similar to a “high water market”. Additional equity shares are granted after realizing profits in excess of its previous year, which must be, however, in excess of the base year of assessment (acquisition value).

Once acquired, the subsidiaries were typically grouped under special purpose vehicles (SPVs) with an independent board set up for each sector in order to boost **synergies**. This middle-management should drive cooperation among segments, overseeing the ongoing operations and identifying potential new targets.

The businesses that joined MBH Corporation were typically founded many years ago, having a good financial track record and still managed by their founders. These businesses have a local profitable niche and joining the umbrella of a big PLC may increase the scale of their business. Moreover, they keep their own brand, remain independent and are not forced to merge with the group. Although entrepreneurs must comply with policies for listed companies (i.e. financial, corporate and governance reporting standards) their operations and strategies remain unaffected by MBH holding. This independence prevents paid business value from being diminished or destroyed.

Among the principals and MBH generally a “**lock-in**” arrangement is posted. This means that business owners are not allowed to sell their MBH shares for a period of twelve months. Shares that arise from their holding (e.g. accretive shares) are also included in these terms. At the time of expiring of the previous agreements, further orderly market arrangements are set to ensure an organized selling of the shares. These settlements should be managed through MBH’s brokers for a period of 36 months after the expiring of the lock-in (with the exception of limited circumstances including takeover, buyback or court order).

MBH's Historical Milestones

The London-based holding company has achieved substantial milestones in the last few years. The portfolio has grown rapidly in line with the agglomeration concept and the business plan. **Tactical acquisitions** have been key drivers for adding value and enhance the subsidiaries´ services. These are performed by the former principals without MBH management being involved. An example is the case of Acacia Training Limited, which grew the education segment through buying selected strategic assets and entities (assets of the School of Beauty Therapy, KS Training, UK Sports, Apprentice Supermarket). Acacia management has identified target business that could potentially add value and synergies to the education segment. For instance, the acquisition of the small competitor KS Training has brought resources (i.e. expertise in training courses) that wider Acacia apprenticeship courses as well as strategic synergies. Another tactical acquisition was UK Sport training Ltd which has enhanced competences and new contracts into the education segment. Both these tactical acquisitions show business expansion potential.

History and main corporate events

Date	Event
November 2018	Listed on the Dusseldorf Stock Exchange (primary market) with market cap of € 39.76m.
November 2018	Commence trading on the Frankfurt Stock Exchange
December 2018	Du Boulay Contracts acquisition for GBP 0.87m
January 2019	Asset acquisitions from International School of Beauty Therapy
June 2019	Acquisition of the UK-based Guildprime Specialist Contracts Ltd (5xEIBT)
June 2019	Acquisition of Asia Pacific Energy Ventures Pte Ltd (5xEBIT plus net assets) - share price at EUR 1.47
October2019	Purchase of Gaysha Ltd for 2.5m
October2019	UK Sports Training Ltd acquisition (5xEBIT plus net assets) - share price at EUR 1.47
November 2019	Purchase of the Birmingham-headquartered KS Training Ltd (5xEBIT plus net assets) - share price at EUR 1.47
December 2019	Purchase of assets in Apprentice Supermarket
January 2020	Acquisition of Samuel Hobson House for GBP 1.95m (GBP 1.8m unsercured loan and GBP 150k will be paid in shares at EUR 1.47 per share)

Sources: MBH plc, GBC AG

PORTFOLIO

At the time of writing, MBH´s portfolio includes ten well-established companies within the segments of engineering, construction, educational and health. We describe below the business of the main entities ordering them according segment and revenue weights.

ENGINEERING

Asia Pacific Energy Ventures Pte Ltd

On June 2019, MBH acquired Asia Pacific Energy Ventures Pte Ltd (APEV), a mid-size engineering entity based in Singapore. APEV provides cost effective solutions for energy and electrical services, active power generation as well as LNG (liquified natural gas) infrastructure for Papua New Guinea communities. Almost two years after its founding, it has also set capabilities in fire & hydraulics and buildings and construction services. The acquisition establishes the third industry segment and expands MBH´s activity geographically to Papua New Guinea, the Pacific Islands and South-East Asia. APEV covers the strategic need for energy generation capacity in Papua New Guinea and Pacific Islands.

APEV key pro-forma operative figures are expected to represent approximately half of MBH consolidated financial figures. The management forecast **GBP 54m** in **revenues** and **GBP 5.8m** in **EBITDA** for the year ending on July 31st 2019. APEV should scale its business within the **PLC environment**. For instance, it may participate in larger consulting, procurement, construction and management deals or projects bolstered by the public listed group. With around 210 full-time employees, APEV business is organized under the two brands Twenty20 and Pacific Energy Consulting.

- **Twenty20** delivers energy projects and project-management solutions in Southeast Asia and the Pacific Islands. The company offers a full comprehensive range of solutions within the project life cycle, which include energy auditing and feasibility studies, design, construction, energy generation, energy transmission, energy efficiency and ongoing asset management.

- **Pacific Energy Consulting** is mainly active in high-value projects in the power generation and resource sectors. With its extensive PNG business network it offers energy auditing, solution development and project-management services. The services range from the installation of energy-efficient technology (e.g. LED lighting and voltage optimisation), grid infrastructure improvements (e.g. transformer replacement) and major electrical generation projects (e.g. industrial solar, wind turbine and hydropower plants). Additionally, Pacific Energy Consulting has local knowledge and operational capability to deliver energy management.

An example is the **Dirio power station installation**. Both Twenty20 and Pacific Energy Consulting Ltd delivered the service acting as the project's principal contractors. Among other services they will charge fees to Dirio for operating the power plant and for the generators that will pump electricity. Overall, APEV´s services have a strategic impact in the underlined local geographies and are generally supported by the local governments.This is also a reason for the fast path of growth in its operative business.

An installation of Twenty20´s energy

Source: © 2019 Twenty20 Energy Systems

CONSTRUCTION SERVICES

CAPE Ltd

Founded in March 2005, Cape is a company engaged in **interior design and implementation** for commercial-buildings refurbishment in New Zealand. The company offers commercial office fit outs services (e.g. flooring, partitions and ceilings), shop-fitting, seismic-services project management, resource procurement and administration. The area projects are listed in refurbishment, hospitality, commercial, retail, recreation and maintenance. One of their competitive strengths is their detailed approach along the supply chain together with a general attention to details. A maintenance division has been developed over the last few years and is today included in the offer.

Cape´s **turnover was GBP 20.09m** with an **EBITDA of GBP 1.49m** in 2018. The structure of CAPE Ltd includes a permanent staff of 33 employees and around 50 to 60 contractors. MBH assessed and acquired Cape Ltd at the value of **EUR 7.3m**, which was covered by issuing MBH ordinary shares of €1 each. Most of the business revolves around the city of **Auckland**. Business expansion is running along the northern city of Kaikohe, in the southern city of Christchurch, and two large refurbishments in Fiji. Cape also seeks to grow with tactical acquisitions and extension of the business in Australia.

A wealth of knowledge, relationships and practical experience accompany Cape´s development. In the pictures below two examples of Cape´s projects are shown. On the left, there is the makeover and structural upgrade of an iconic 1070s venue in Northcote Point. The refurbishment had a value of USD 3.8m. On the right, there is the fit-out of a retail store matching available space with the trendy apparel of an American shop. In a period of four weeks, six fit-outs were completed for a total value of USD 13m.

An view of Cape´s Projects

Source: Cape Ltd

du Boulay Contracts

du Boulay contractors deliver commercial fit-out and refurbishment services within the construction industry. The company has been active in the industry for more than 40 years. These fit-out activities are predominantly in the commercial retail sector (restaurants, bars, pubs and nightclubs) and also include offices, casinos, hotels and airport lounges.

The attention to detail is a key advantage of du Boulay, as are positive track-record and relationship with architects and designers. An example is the project won at the latest Fortnum & Mason store and Bar, Royal Exchange. du Boulay installed the new cocktail bar, seating and back-house kitchen for this prestigious store.

Gaysha Ltd

The company offers fit-out and refurbishment services in the UK. Gaysha was founded in 1997, providing its services to housing associations and insurance companies. The business model worked well and later, in 2013, the company won its largest contract from a prestigious British landowner. Bolster by that contract, the company extended its offer to the commercial, residential and industrial sectors.

Recently, in 2019, Gaysha delivered an important project in Holborn (UK). It was the refurbishment of a Grade II Listed Georgian Townhouse, which included the remodeling and redecoration of a 4300 square metres office. The inclusion in MBH may bring resources to win larger tenders, gaining synergies within the group and the opportunity to grow via M&A transactions.

Guildprime Specialist Contracts ltd

Since 1985, Guildprime has been providing shop-fitting services across the UK. Today the range of service includes fit-out, refurbishment contractors and commercial office spaces. With a team of skilled professionals and a good reputation for quality delivery, its services are offered around the world including London, other area of the UK, Europe, Russia, the Middle East and South America.

The Chelsea Football club may be a good example of a Guildprime project. The company built an 18-year relationship with the club, becoming the preferred contractor for all the high-end fit-out work in both the stadium and training ground.

EDUCATION

Parenta Group Ltd

The Parenta Group is primarily a provider of software solutions for nursery schools in the UK. Through its **Abacus nursery management** software**,** Parenta generates recurring revenue through children´s day-care and related back-office activities. As cloud-based software, under continuous updating, the application keeps track of information (e.g. what the kids have eaten), follows children´s progress and offers online learning journals. The technology allows for parental control through a child’s daily diary.

The software also has a smart solution for payments via an integrated CRM and billing system that automates the billing process and administrative actions. According to the Parenta group, fee collection from parents represents, on average, an annual loss of GBP 2.99m for nursery schools because they are not allowed to collect money directly via direct debitor.

Vocational training completes the offer of the Parenta group. More than 2500 early year students in apprenticeship at levels 2 and 3 are trained annually. These programs are 90% covered by the state.

By the end of December 2018, the Parenta group recorded around GBP 6.00m in revenues and GBP 1.31m in EBITDA.

Acacia Training Ltd

The subsidiary Acacia delivers vocational training under several accreditation frames across England. It develops professional skills and knowledge of standards for apprentices and adults in health and social care, childcare and early years as well as dental nursing. Most of the courses are co-financed by public agencies. The company is registered as a training provider (i.e. RoATP and ROTO) and accredited under the Employment and Skills Funding Agency ("**ESFA**"). Acacia organizes regulated and non-regulated courses and qualifications working in various ESF contracts (also as prime contractor or sub-contractor) in Manchester, Stoke-on-Trent, Staffordshire, the Black Country, Walsall and Shropshire. An example may be the accredited **dementia-specific qualifications** which bring high quality care skills to work with individuals in a dementia condition. Additionally, the company is recognized by the NHS and several local authorities. Acacia is also approved by Mental Health England.

UK Sports Training Ltd

UK Sports Training provides private training in the fitness sector. The offer includes programs for personal trainers (i.e. courses for gym trainers or nutrition for physical activity) and for sport-massages therapists (i.e. sports massage therapy course) to assist in dealing with injury, rehabilitation and massage. The courses may be fully funded via loans, personal finance plans and early-bird discount offers. The company has two offices across Essex, (Romford), Southend and recently opened in the London Bridge.

KS Training Ltd

The company offers independent training services mainly for the health and social care market. The training courses are mainly designed for care-home and agency-care staff (i.e. qualifications in personal training, sports massage, nail technician and make-up artistry). The team includes twenty-five members offering care diplomas and apprenticeships regionally, in the Birmingham area, as well as nationally across the whole UK. KS Training is also approved by the Education and Skills Funding Agency.

HEALTH

Samuel Hobson House

Founded in 2009, Samuel Hobson House is a care home company focusing on dementia care for people aged over 65 years. The firm is based in Newcastle-under-Lyme (UK) and has a current occupancy rate of 100%.

The deal includes the acquisition of a property that was valued at GBP 1.8m. With its services, the firm is expected to generate an EBIT of around GBP 145k in 2020.

The deal had a value of GBP 1.95m and has been settled in two parts: (1) a loan note of GBP 1.8m (non-interest bearing and not payable for three years) and (2) GBP 150k by issuance of MBH shares at the price of € 1.47.

MBH´s assumptions for this acquisition are related to population growth in the UK of those aged over 85 years old. Following a study of the company Grant Thornton, this segment of the population is projected to increase by 75%, from 1.6m in 2016 to 2.8m in 2031. This means more demand for care services and, particularly, residential care (i.e. demand for elderly-care bed services).

MANAGEMENT

Callum Laing, Chief Executive Officer
Callum Laing joined MBH in 2017. He has more than two decades of experience in starting, building, buying, and selling businesses. At the same time Callum Laing is a partner at Unity Group and pioneer of the agglomeration model. He has published two business bestsellers and more than 800 business interviews. Commissioner World Business Angel Investor Forum, Singapore.

Allan Presland, Non-Executive Chairman
Allan Presland joined MBH in 2018. He was founder of Parenta Group, the UK's largest provider of vocational training and software systems to the Early Year's education sector. Mr Presland is an active member of the Vistage CEO Private advisory Published Amazon bestseller "Improving the business of Childcare".

Victor Tan, Chief Finance Officer
Victor Tan joined MBH as CFO and Executive Director in 2017. He has been a member of the Institute of Chartered Accountants of Australia since 2004. Victor has over 17 years finance experience at Big 4 chartered accounting firms, start-ups, SMEs, Top 25 ASX MNC.

David Hallam, Non –Exec Director
David Hallam joined MBH as Non-Exec Director in 2018. During his career he has covered positions such as business executive, entrepreneur, investor with over 30 years of experience and extensive M&A and Investor Relations experience. He was engaged in the development of small and medium-size businesses into large plc organizations. Mr Hallam has also acted also as consultant for venture capital investments.

Toby Street, Non –Exec Director
Toby Street joined MBH as Non-Executive Director in 2018. Mr Street has extensive experience in leading businesses to grow sustainably, structuring joint ventures and strategic collaboration, investing for private equity as well as being the owner of a digital marketing agency in London. He worked at renowned real estate and private equity company Mayfair, London

Victoria Sylvester, Exec Director
Mrs Victoria Sylvester joined MBH as executive director in 2019. She has an extensive experience in leading businesses and is a principal of her own company in the Group Acacia Training Limited as well as owner of vocational training companies in the UK.

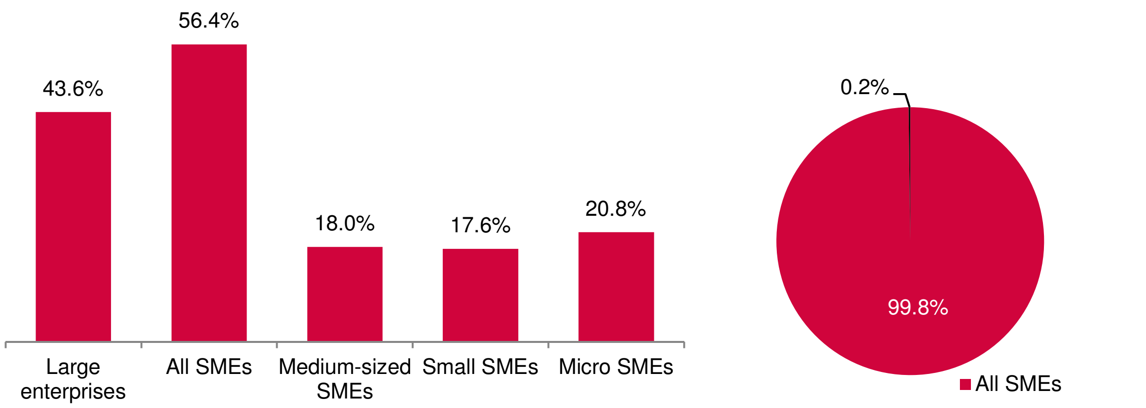
Market and Market Environment

An overview of the SME market

According to OECD statistics, SMEs account for 99% of all business and between 50% and 60% of value added across OECD countries. Despite more niche markets and tech-oriented businesses, most SMEs added value by simply bringing and adapting value generated elsewhere in different contexts. They also serve locations with smaller scale not covered by larger firms.

These data are also confirmed within the European Union and particularly in the EU-28 non-financial business sector (NFBS). Here SMEs reach 99.8% of all the firms, generating 56.4% of value added and 66.6% of employment. Micro SMEs have the lion´s share with 93.2% of all the SMEs. In terms of value added, the SMEs´ performance was higher year on year compared to large enterprises in 2018.

Number of SMEs and large enterprises and their value added in the EU-28 NFBS in 2018



Sources: Eurostat, National Statistical Offices and DIW Econ

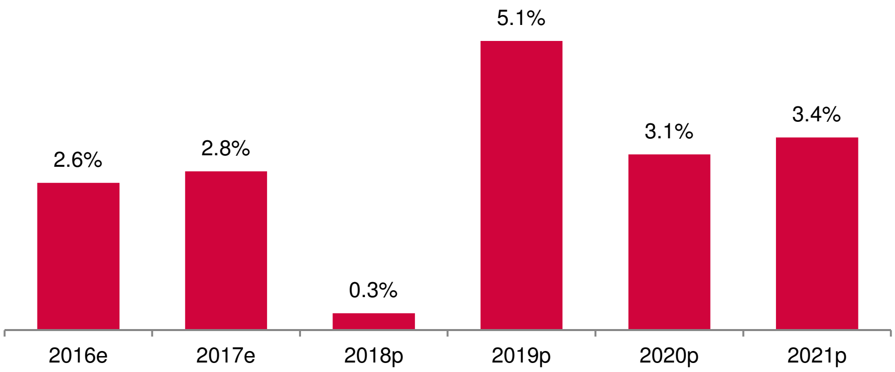
In our analysis, we have held a focus on the MBH main businesses as the holding company is active in multiple sectors and locations.

Engineering

The engineering segment is mainly active in Papua New Guinea. The latter is an emerging economy located in the southwestern Pacific Ocean based on labor-intensive agricultural activities and on the extractive sector (e.g. mining and petroleum). As reported by the World Bank (Papua New Guinea Update, July 2019), the extractive sector represents around 25% of GDP and over 80% of total exports. In particular Papua New Guinea liquefied natural gas (LNG) is also exported into Japan, China and Taiwan (China).

Despite the impact of the February 2018 earthquake, the GDP outlook remains positive in New Zealand, as with additional resource projects (i.e. LNG, mining and commodity extraction). In October 2018, the Government set a five-year Medium-Term Development Plan for 2018-2022, focusing on inclusive and sustainable growth (Papua New Guinea, Slower Growth, Better Prospects, The World Bank).

Papua New Guinea Gross Domestic Product Growth from 2016 to 2021



Source: The World Bank - The data are estimates (e) and projections (p)

The Asian Development Bank (ADB), the largest multilateral development partner bank in the region, is also actively engaged with new projects in the region (i.e. cumulative loan and grant disbursements of USD 1.77bn). The bank has projects in the development of transport infrastructure, renewable energy projects, and improving finance access and health service (see ADB, Papua New Guinea Fact sheets, July 2019). An example is the "Town Electrification Investment Program" aimed at improving local electrification networks. Another active project is the power grid extension in Port Moresby or financing hydropower generation. Overall, the Asian Development Bank is aligned with the country's Development Strategic Plan and will increase total financing (lending, non-lending and financing) from **USD 743.7m (2016-2018) to approximately USD 1.67bn (2017-2019)**.

Pacific Energy Consulting (APE), established in Papua New Guinea in 2014, has gained expertise and branding in energy-generation technology. The company matches the demand of services for energy generation with a wide range of services (i.e. improving energy efficiency, cost-savings projects, energy-generation capacity, system-reliability, transmission efficiency and network-management capabilities). APEV has a good relationship with the Asian Development Bank.

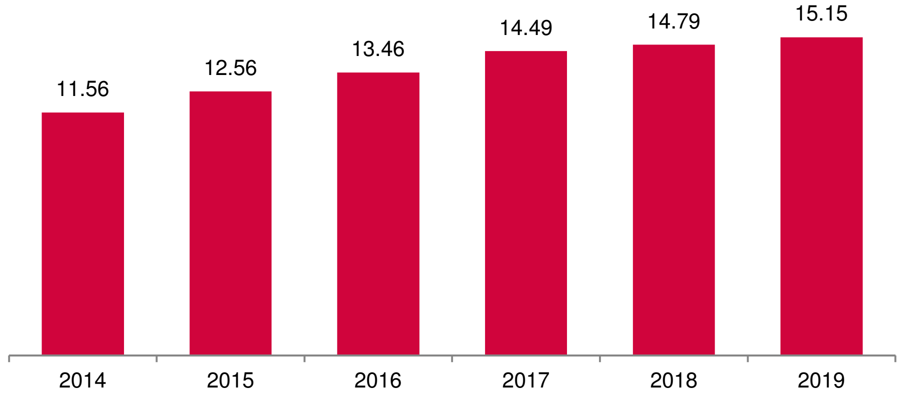
Construction Services

The goal of the MBH construction services segment is to integrate companies engaged in commercial building refurbishment and also in the construction, project management, real-estate investment and development sectors. As Cape is the main company engaged in this sector, we have set our focus for the market analysis on construction services in New Zealand.

For a synthesis of construction services in New Zealand, we have considered the National Construction Pipeline Report 2019 (Ministry of Business, Innovation and Employment, BRANZ and Pacifecon). In total, the nationwide value of all building and construction is forecasted to peak at **USD 43bn in 2021**, driven by residential and non-residential activities. In the capital Auckland alone, the value of residential activity was USD 8bn in 2018 and was forecasted to peak by 39% to USD 12.2bn in 2019, while the value of non-residential building activity is projected to jump to over USD 9bn in 2021, +3.7% over 2018.

Total construction value climbed by 5% to USD 39bn in 2018. This result is split up into residential building at 58%, non-residential building at 22% and infrastructure activity at 20%.

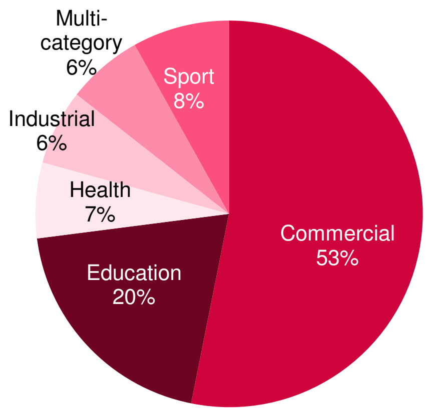
GDP of the construction industry in New Zealand 2014-2019 (in million New Zealand dollars)



Source: statista

Non-residential building value is anticipated to rise to USD 9bn in 2021. With non-residential building, commercial building weight is projected to reach 59% of total in 2019, followed by education and industrial buildings. The largest initiator in non-residential building is the private sector (65% of the total) followed by central (20%) and local (15%) governments.

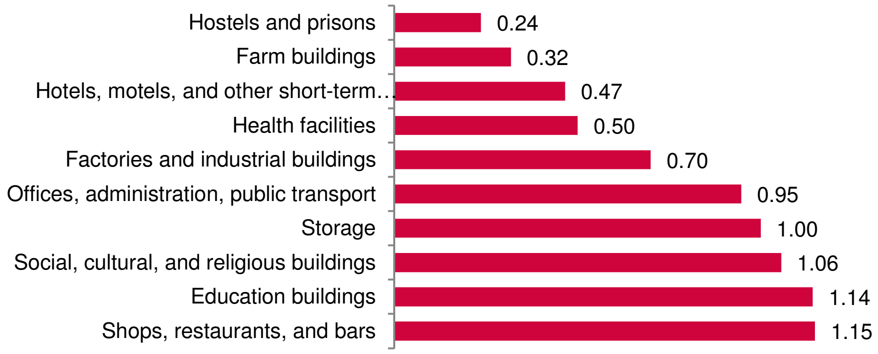
Non-residential building types anticipated to start in 2019



Source: Pacifecon

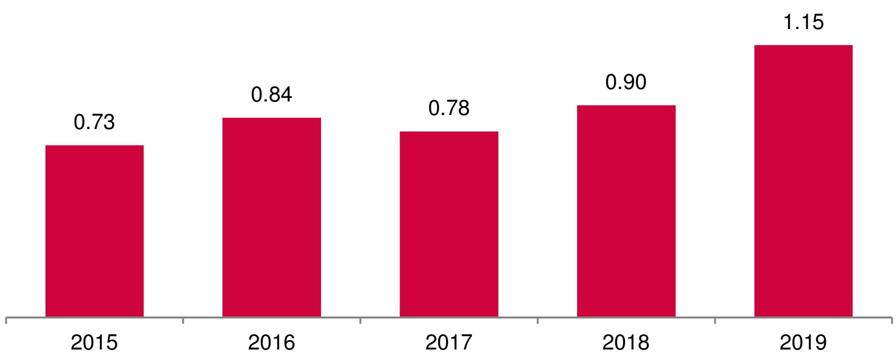
Below is an overview of the non-residential building permit in New Zealand in 2019 and the growth in building permit for stores for the period 2015-2019.

Value of non-residential building permits New Zealand 2019 by type



Source: statista

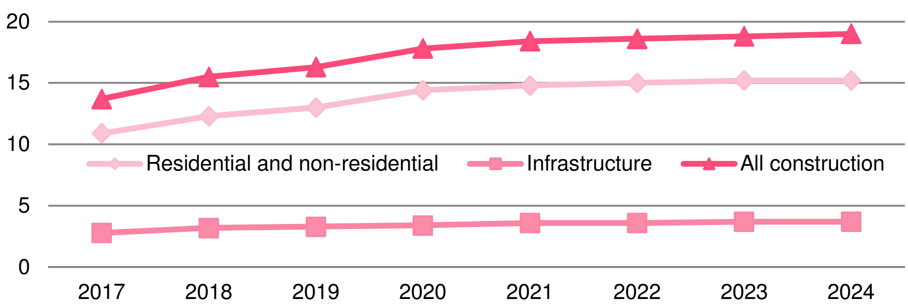
Value of building permits for stores New Zealand 2015-2019 (in million New Zealand dollars)



Source: statista

In a 2018 regional comparison, total building and construction value grew in all regions, except Canterbury. Most of the growth comes from the Auckland region, which increased in value by 13% y/y (residential buildings up +10% and non-residential buildings up 23% 2017-2018), followed by Wellington (up 6%) and Waikato/Bay of Plenty (up 5%). For the region of Auckland an uptrend of 22% is also expected until 2024 (source BRANZ/Pacifecon), with the value of residential buildings forecasted from USD 8.8bn in 2018 to USD 12.2 in 2024 +39%. In total, the share of Auckland in national construction value was 40% in 2018. In the following table, there is an overview of the values discussed above for the city of Auckland by sector.

Actual and forecast values by sector for the city of Auckland USD bn (2017-2018 actual figures, 2019-2024 estimates)



Source: BRANZ/Pacifecon

As a general indication, the main competitors of Cape in the construction services sector include Alaska Construction Interiors, Focus Construction Group and Aspect Business Interiors.

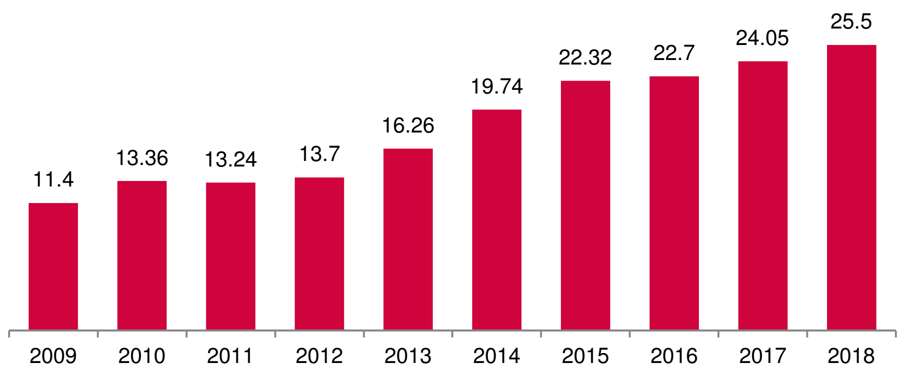
Education

The education industry is showing remarkable potential worldwide. According to Holon IQ the value of the industry is projected to hit USD 10tn by 2030 which means a CAGR over 4% for the period 2000-2030. Key growth drivers may be summarized in the following four points which are: (1) globalization and economic growth, especially in emerging economics; (2) increase in the world population by an additional one billion by 2030, which should increase the demand for education services; (3) development of human capital; (4) technology (i.e. artificial intelligence or machine learning) with the need for re-skilling and up-skilling. In this scenario, it is reasonable to assume the rise of the middle class and, ultimately, of spending on education services.

As governments have been strengthening education frameworks and infrastructure, MBH has decided to invest in the industry with a focus on childcare services and up-skilling of the workforce with an initial regional focus on the UK. Behind health spending, education ranked as the second-largest item of public spending in the UK, with an incising spending trend to GBP 90.0bn between 2017 and 2018 (4.3% of the national income) as reported in the Annual Report on Education Spending in England in 2018 (Institute for Fiscal Studies/Nuffield Foundation).

According to the British Office for National Statistics, the annual gross value added (GVA) of the education sector in the United Kingdom increased consistently during the period 2009-2018 (CAGR of 9.4%). The statistics show that turnover changed from GBP 11.4m in 2009 to GBP 25.5m in 2018, CAGR 9.4%.

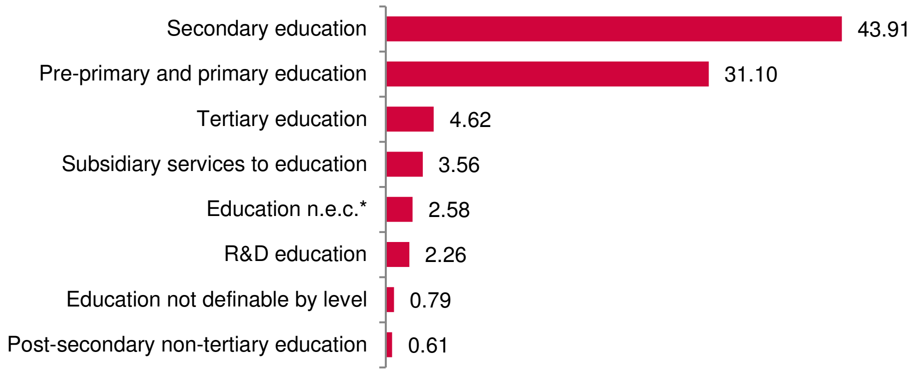
Annual gross value added of the education sector in the United Kingdom from 2009 to 2018 (in billion GBP)



Sources: Office for National Statistics (UK); statista

A survey of the “HM Treasury” points out the public expenditure within the education sector during the period April 1, 2018 to March 31, 2019. Around GBP 43.91m of the funding are concentrated in secondary education (GBP 43.91m), followed by pre-primary and primary education (GBP 31.10m).

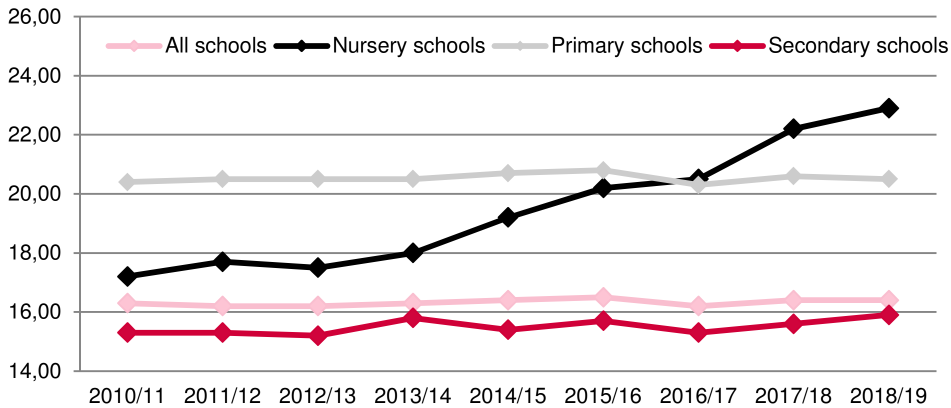
Public sector expenditure on education in the United Kingdom (UK) in 2018/19, by type (in million GBP)



Sources: United Kingdom; HM Treasury 2018/2019; statista

Overall, the British market may also suffer a shortage of teachers in the next few years. The UK Department for Education released an indication of the pupil to teacher ratio for the period 2010/11 to 2018/19. While primary and secondary schools showed a flat ratio, nursery schools evinced an upward trending from 2013/14 to 2018/19. Thus, the average number of pupils per teacher is higher in nursery schools, underlining the need for support in terms of funding and affordable childcare services. Moreover, innovation and technology may aid in improving the daily routine and standards of education services.

Pupil-to-teacher ratio in the United Kingdom from 2010/11 to 2018/19, by school type



Sources: United Kingdom; UK Department for Education; September 1, 2010 to August 31, 2019

In order to have an overview of the competitive landscape for MBH education services, in the table below we have collected some competitors of Parenta Ltd, which is MBH´s largest education subsidiary in the UK. The company provides software management solutions for nursery schools, including fee collection from parents as well as vocational training.

Peers in the UK

Nursery Management	Learning Journal Software	Early-Years Vocational Training
Connect Childcare: nursery management software, learning journals and fee collection	**Tapestry**: Provider of learning journals only	**Smart Training**: vocational training to the early-years sector, business training and traineeships.
First Steps Software: eldest of the UK nursery software businesses and learning journals, since 1994.	**EYLOG**: Provides learning journals	**Hawk Training Ltd**: vocational training provider for childcare and training
Family: nursery-management software and learning journals, but does not provide fee-collection services		

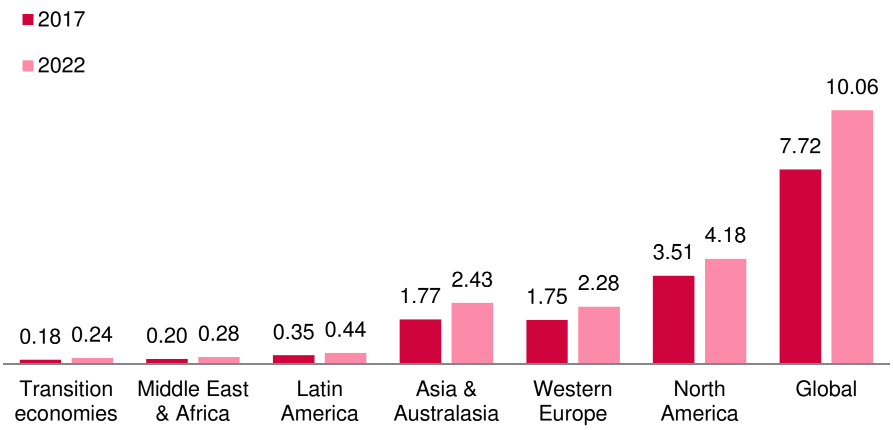
Sources: MBH, GBC AG

Health

According to Deloitte, global health care spending is expected to grow from USD 7.72m to USD 10.06m over the period from 2017 to 2022, which means an annual rate of 5.4% (report: the global health care outlook 2019). Among the main drivers of this increase, according to the report, are the growing and increasingly aging population, the increase in health-care demand in developing countries, advanced treatments and technologies as well as higher labour costs. The study also points out the continuing rise in life expectancy, which is expected to grow from 73.5 years in 2018 to 74.4 in 2022 globally.

By 2022, the population over 65 should reach 668 million or 11.6% of the total world population. It is expected that more countries will expand their public health care systems to reduce out-of-pocket costs. Shown in the diagram histogram below, is the regional development of international health care spending over the period 2017-2020. North America is increasing spending by USD 0.67m (or +19%) followed by Asia & Australasia USD 0.66m (or +37% and Western Europe USD 0.53m (or +31%).

Health care spending (USD billion), and CAGR 2017 - 2022



Source: Deloitte

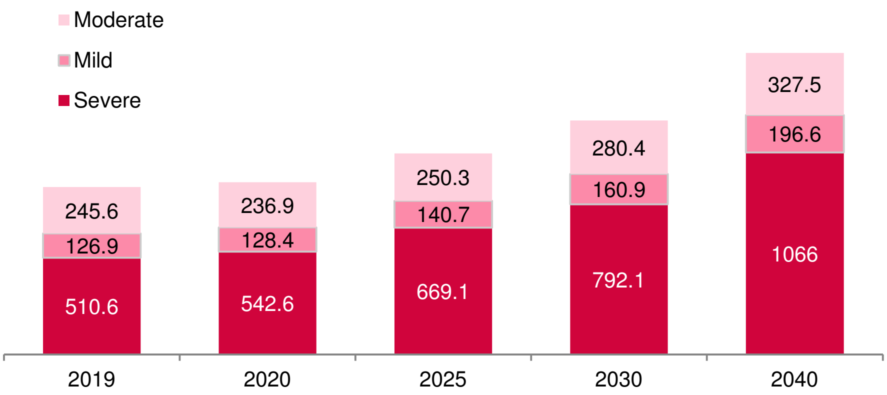
A significant challenge for the future development of the sector may be the transition from volume-based/fee-for-service (FFS) models to value-based care (VBC). The latter gives more weight to the value of performance and to reimbursements that are more outcome-based. An example is the Medicare Access and CHIP Reauthorization Act of

2015 (MACRA) in the United States which stresses quality measures or clinical practice improvement (i.e. positive or negative payment adjustments to the fee-for-service reimbursement model).

Dementia care in the United Kingdom

According to the London School of Economics (LSE), the number of older people with dementia in the UK amounted to 885k in 2019. This figure is split up among people having mild dementia (127k), moderate dementia (246k) and severe dementia (511k). The study projects that by 2040 the number of older people with dementia will have increased by 80% from 0.88m to 1.6m. It is estimated the prevalence rate of dementia will rise from 7.2% in 2019 to 8.3% in 2040. These projections are driven by a 20% increase in people aged 65-74 and by a 114% increase in people 85 or over from 2019 to 2040 across the UK (see: LSE, Projections of older people with dementia and costs of dementia care in the United Kingdom, 2019–2040).

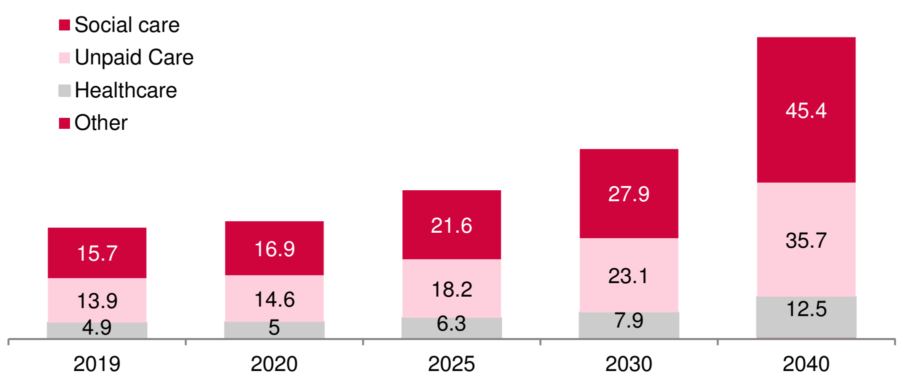
Projected number of older people with dementia 2019–2040



Sources: CPEC models, LSE

The total cost of care for older people with dementia is expected to rise sharply, to nearly tripling, by 2040. The LSE study has forecasted an increase from GBP 34.7bn in 2019 (at 2015 prices) to GBP 94.1bn in 2040, or an increase of 172%. In the total cost breakdown presented in the table below, social care (publicly and privately funded) and unpaid care account for 45% (GBP 15.7bn) and 40% (13.9bn) respectively, while health care expenses will represent 14% (GBP 4.9bn) by 2040. Social care is projected to increase its weight in total costs from 45% to 48% in 2040.

Projected costs of dementia for older people (2019–2040, GBPbn)



Sources: CPEC models, LSE

As people suffering from severe dementia are forecasted to make up the lion´s share of total dementia patients (around 67% of the total by 2040), it is reasonable to expect a proportional increase in home care demand. In other words, a higher number of people affected by dementia will probably live in care homes rather than receive private assistance and, thus, there will also be an increase in social care costs.

HISTORIC COMPANY DEVELOPMENT

Key Figures

P&L (in GBPm)	FY 2018	FY 2019e	FY 2020e	FY 2021e	FY 2022e
Revenue	12.51	52.59	136.59	190.83	233.09
Cost of Sales	-8.67	-30.98	-97.93	-143.53	-175.65
Gross profit	**3.84**	**21.60**	**38.65**	**47.30**	**60.45**
Payroll expenses	-2.40	-6.39	-12.31	-15.67	-19.17
Depreciation and amortisation	0.00	-0.97	-2.43	-4.05	-5.48
Other operating expenses	0.00	-9.22	-11.09	-11.90	-15.72
EBIT	**1.44**	**5.02**	**12.83**	**15.68**	**20.07**
Net Finance expenses	-0.00	-0.13	-0.25	-0.35	-0.47
EBT	**1.42**	**4.89**	**12.58**	**17.24**	**20.80**
Taxes	-0.17	-0.80	-2.36	-2.94	-4.21
Net profit	**1.25**	**4.09**	**10.21**	**14.30**	**16.60**
EBITDA	1.44	5.99	15.25	19.73	25.55
in % of revenue	11.49%	11.4%	11.2%	10.3%	11.0%
Earnings per share in GBP	0.03	0.12	0.26	0.36	0.42

Sources: MBH; GBC AG

Historical Development

in GBP million	FY 2018	H1 2019
Revenue	12.51	21.96
EBIT	1.54	1.36
EBIT margin	12.3%	6.2%
Net Income	1.25	1.10
Net Income margin	10.0%	5.0%

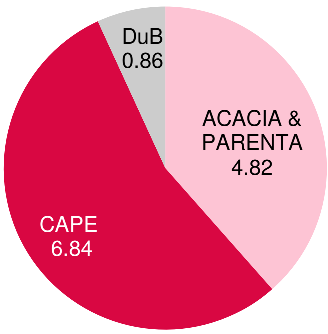
Sources: MBH Corporate plc; GBC AG

Revenues

Since MBH began its acquisition phase in the second part of the year 2018, the financial comparatives available have been limited. The first operative movements started with the acquisitions of Parenta Ltd and Acacia Training Ltd (August 22nd, 2018) and Cape Ltd (September 3rd, 2018). After listing, construction services were reinforced with the inclusion of du Boulay Contracts Ltd (December 8th, 2018).

For 2018 the education segment (course training, software, cloud and marketing services) recorded GBP 4.82m, while the construction services segment (mostly commercial buildings refurbishment), achieved GBP 6.84m in New Zealand under Cape and GBP 0.86m in the UK under du Boulay Contracts Ltd business. These figures are related to the accounting period following the acquisitions. In total, these three participations generated revenues of GBP 15.5m in 2018.

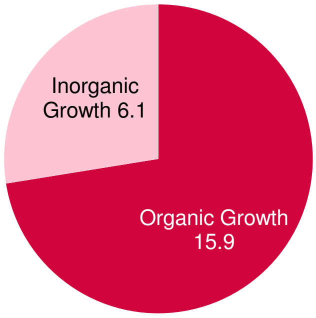
Revenues split by acquisitions in 2018 (GBPm)



Sources: MBH, GBC AG

Although acquisitions are the main growth driver of the agglomeration method, MBH´s portfolio is growing substantially. On the one hand, Parenta Ltd, Acacia Training Ltd and Cape Ltd (acquisitions pre-listing) recorded turnover growth up 7% and EBITDA growth up 6% for the first half of 2019. On the other hand, the acquisitions competed in H1/19 in the education segment (International School of Beauty Therapy), construction services (Guildprime) and in the engineering segment (APEV, GBP 50m sales on an annual basis) generated revenues of GBP 6.05m in H1/19 (up 7% on a year basis). In total, sales for the first six months of 2019 equalled GBP 21.25m, a huge jump compared to the figure for 2018.

Revenues spit by organic and inorganic growth in H1/19 (GBPm)



Sources: MBH, GBC AG

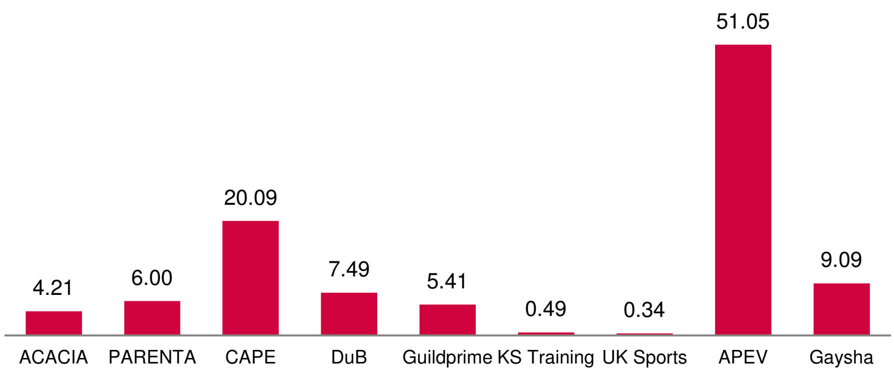
After the first semester, MBH performed further acquisitions: namely, Gaysha (pro-forma revenues GBP 9.09m in 2019), KS Training and UK Sport (together pro-forma revenues GBP 0.83m in 2019). In January 2020, the strategic acquisition of Samuel Hobson was completed (pro-forma revenues GBP 1.0m in 2019).

MBH Acquisition after the listing (03/02/2019)

MBH Portfolio	Date of acquisition	Purchase price GBPm	Purchase price/EBITDA	Purchase price/Sales
DuB	08/12/2018	0.87	6.71	0.1
Guildprime	18/04/2019	5xEBIT (share price at EUR 1.48)	n/a	n/a
KS Training	11/11/2019	5xEBIT plus net asset (share price at EUR 1.47)	n/a	n/a
UK Sports	30/10/2019	5xEBIT plus net asset (share price at EUR 1.47)	n/a	n/a
APEV	17/06/2019	5xEBIT plus net asset (share price at EUR 1.47)	n/a	n/a
Gaysha	18/10/2019	2.5	5.48	0,3
Samuel Hobson	10/01/2020	1.95 (GBP 1.8m is an unsecured loan and GBP 150k will be paid in shares at EUR 1.47 per share)	n/a	n/a

Sources: MBH, GBC AG

Pro-forma Revenues for subsidiaries in 2019 (in GBPm)



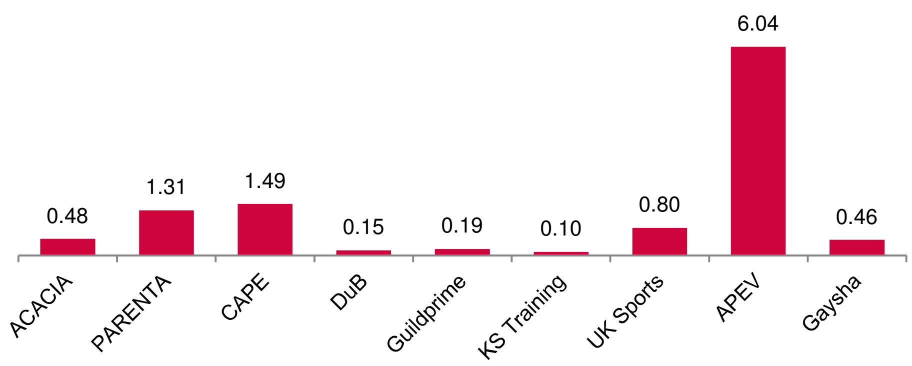
Sources: MBH, GBC AG

Historical Earnings Development

As with the disproportional increase in revenues, costs of sales grew from 69.3% to 73.1% in H1/19. The purchase of new entities expanded administrative expenses, which increased in value from GBP 0.16m in 2018 to GBP 4.52m in 1H/19. The EBITDA reached GBP 1.7m as an effect of GBP 1.49m from the companies included in 2018 and GBP 0.5m from the new acquisitions in H1/19. The loans produced financing expenses of GBP 0.22m in 1H/19. Higher operating result was also the reason for greater tax expenses which increased from GBP 0.17m to GBP 0.27m. In sum, fully diluted earnings per share stated at GBP 0.033 for the first half in 2019.

For a better overview of the operative result, we have collected pro-forma sales and EBITDA for each subsidiary. APEV leads the list with sales of GBP 51.05m and EBITDA of GBP 6m, followed by CAPE with sales of GBP 20.09m and EBITDA of GBP 1.49m. From a segment standpoint, the larger part of revenues is related to construction services (GBP 42.09m), while the greater EBITDA comes from the education vertical (GBP 2.7m).

Pro-forma EBITDA for subsidiaries in 2019 (in GBPm)



Sources: MBH, GBC AG

Balance sheet and financial situation

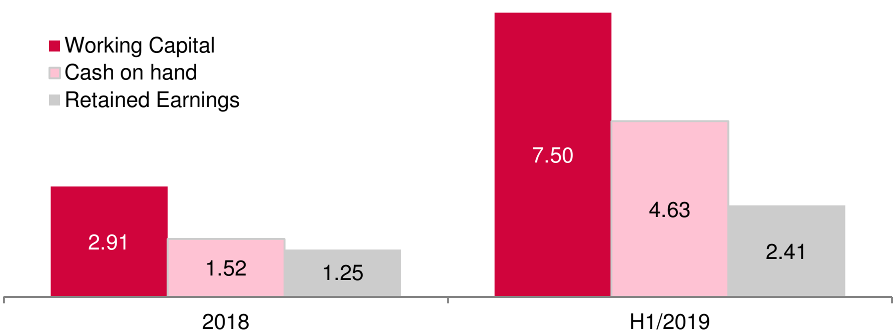
in GBP million	31/12/2018	30/06/2019
Equity	28.36	30.01
of which retained earnings	1.25	2.34
Total current liabilities	9.99	62.03
of which contingent consideration	2.99	38.34
Total non-current liabilities	4.33	9.23
of which contingent consideration	3.84	9.50
Total non-current assets	32.69	70.04
of which intangible assets	2.80	2.97
of which goodwill	29.64	65.44
Total current assets	9.99	31.23
Of which cash and cash equivalents	1.52	4.63

Sources: MBH; GBC AG

MBH has consistently increased its goodwill position from GBP 29.64m to GBP 65.44m due to acquisitions of APEV and Guildprime Specialist Contract ltd in June 2019. For every acquisition goodwill is allocated to the cash generation units (CGU). These are units that should benefit from the business combination. An idea of how goodwill has been allocated is given by its value among segments: the education segment (GBP 14.04m), construction service sector (GBP 16.7m) and engineering solutions sector (GBP 34.7m). Cash on hand increased from GBP 1.52m to GBP 4.63m as the company intends to maintain a conservative approach. Trade receivable increased by GBP 18.14m mainly as a consequence of acquisitions and is usually paid within 30 days of recognition.

On the liabilities side, the most significant item is given from contingent considerations. These amounted to GBP 38.35m in current liabilities and GBP 9.50m in non-current liability (almost all these amounts are related to the issuance of new shares). They include initial considerations (i.e. issuance of shares in accordance with the purchase agreement) for the acquisitions of APEV and Guildprime Specialist Contract ltd as well as earn-out for directors and senior employment. These are additional shares on profits in excess on the previous year and always in excess of the base year of assessment.

MBH´s Key Highlights on Balance Sheet



Sources: MBH; GBC AG

In May 2018, prior to the acquisitions of Parenta and Acacia, a loan was raised of GBP 0.75m with an interest rate of 3.85% over Libor per annum. Repayment was made on a quarterly basis until May 2022. Later, in October 2018, a convertible note for GBP 0.98m was issued. Bondholder may redeem the note at conversion price of EUR 1.20. At June 2019, the note has been mostly converted at the conversion price of EUR 1.20 accounting in total for GBP 0.37m.

Shareholder equity rose by 6%, mainly by reason of the issuance of shares from conversion notes and share-based payment and retained earnings. Key highlights are the increase in working capital to GBP 7.5m, cash on hand and retained earnings.

Asset and cash flow situation

in GBP m	31/12/2018	30/06/2019
Cash flow – operating	0.78	1.50
Cash flow – investment	0.44	1.72
Cash flow – financing	0.82	3.11

Sources: MBH; GBC AG

The result of net cash from operating activities grew to GBP 1.5m for the first half of 2019 (0.78m at the end of 2018). The reason was higher pre-tax profit, amortizations and depreciations (GBP 0.682m) and a slightly positive change in working capital.

Net cash generated from operating activities

Sources: MBH; GBC AG

The result from investing activities reached GBP 1.72m (GBP 0.44m in 2018) due to the cash reserves related to the acquisition of APEV and Guildprime which however were offset by the additions of intangible assets and the purchase of new property, plant and equipment. For the financing, we noted interest paid of GBP 0.22m and repayment of bank loan for GBP 0.90m. In total, cash amounted to GBP 4.38m (31/12/2018: GBP 1.17m).

FORECASTS AND VALUATION

P&L (in GBPm)	FY 2018	FY 2019e	FY 2020e	FY 2021e	FY 2022e
Revenue	12.51	52.59	136.59	190.83	233.09
EBITDA	1.44	5.99	15.25	19.73	25.55
EBITDA-margin	*11.49%*	11.4%	11.2%	10.3%	11.0%
Net Profit	1.25	4.09	10.21	14.30	16.60
EPS in GBP	0.03	0.12	0.26	0.36	0.42

Source: GBC AG

Strategy

The agglomeration model allows for a fast and standardized purchase process as well as a quick integration of the target entities. MBH identifies four pillars for the corporate strategy:

- Identifying highly profitable, self-funding companies with a growth potential
- Acquisition by a share-for-share exchange (earnings-per-share accretive manner)
- Supporting acquired entities with regards to corporate governance, financing and infrastructure issues
- Setting an incentive fee structure to boost organic growth
- Providing financial systems business process optimization

Besides a share-for-share model acquisition, MBH is also considering acquisitions with cash payments. These may be financed through equity fundraising, new borrowings or hybrid solutions.

The company is geographically active in the UK, New Zealand and Papua New Guinea. However, it remains open to new geographies in line with the above criteria of earnings-accretive-acquisitions while no limits are set for the number of verticals.

Key assumptions for the implementation of the agglomeration model can be summarised under:

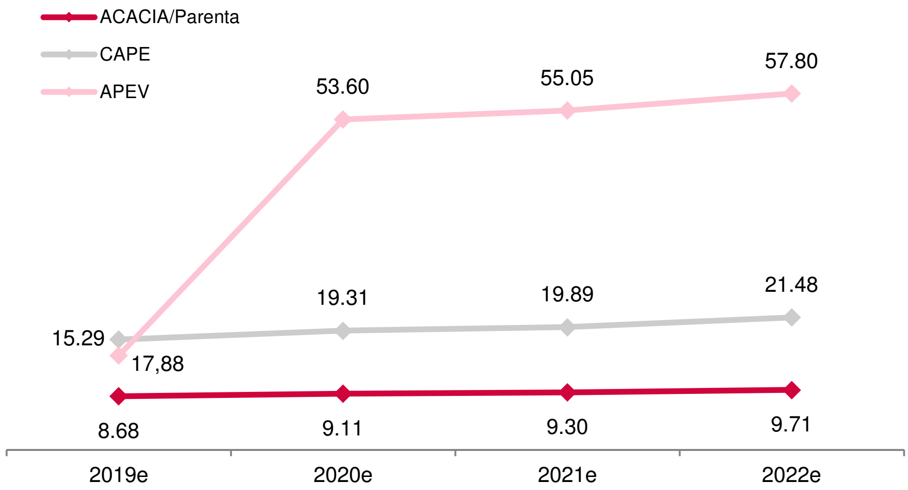
(1) Maintaining acquired companies management. The assumption becomes part of the business plan and drives the company development. An example is given by the tactical acquisitions of Acacia Training Limited. Maintaining the former management (Mrs Victoria Sylvester), it has generated both organic growth and an M&A expansion with the acquisition of further training companies;
(2) Extension of any licenses and, more generallly any government authorities linked to the single entities. Examples are given by the companies Parenta and Acacia which must be compliant with registrations and rules of the Education and Skills Funding Agency (**ESFA**);
(3) Keeping a satisfactory level of customer services in order to win new business;
(4) Managing previous relationships and retaining key clients (i.e. around 20% of Cape´s sales derive from a major customer contract).

Revenues Forecasts

One of the main criteria of the agglomeration method is acquiring small profitable companies. This has led MBH to own a portfolio with consistent financials which is the basis for a predictable organic growth. Beyond that, we have projected a stable amount of M&A transactions for the next three years.

We expect MBH to generate revenues of around GBP 52.59m for the fiscal year 2019. The financial figures of APEV were included for six months only in 2019, thus, the strong increase in sales in 2020 is also related to the whole consolidation of APEV. Cape is, at the moment, the second-most important business, with around GBP 15.29m forecasted. Together with du Boulay contract and Guildprime Specialist Contracts Ltd, the construction service has a weight of 54.17% in total revenues. The construction services are forecasted to have the higher growth rate for the period 2019-2022.

Revenues forecasts for the main subsidiaries (in GBPm)



Source: GBC AG

With regard to M&A growth, our conservative assumptions are based on historical development and management guidance (e.g. target EBITDA multiple of 9.8x). MBH current pipeline is quite wide and does not show a regional focus. It clearly gives an idea of a willingness to expand the education segment through acquisitions for example in elderly home care, sport training, vocational training in the UK as well as expanding construction with potential target players such as asbestos removal, hydro demolition, steel fabrication or general construction services in the UK. MBH is also engaged in opening new verticals such as in events and media or in the IT area in Singapore or in the mining business in Australia.

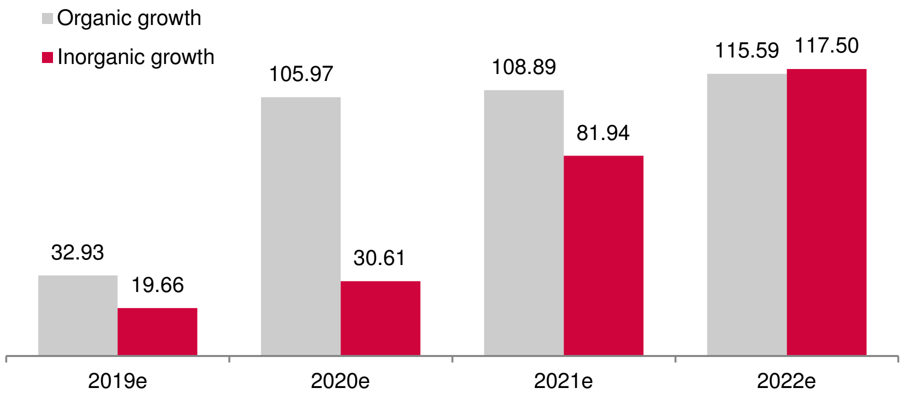
An overview of MBH´s potential M&A transactions

Group	Speciality	Country	Target revenues
Education	Vocational Training Provider	UK	GBP 2.50m
Event Management	Events & Digital Media	Hong Kong	GBP 5.44m
IT	IT Solution Provider	Singapore	GBP 5.05m
Mining	Mining supplies	Australia	GBP 7.50m
Construction Services	Building envelope Specialists	UK	GBP 24.0m
TMT	Broadcasting	UK	GBP 10.0m
Other	Sports Media Consultancy	USA	GBP 13.88m

Sources: 2017 Unity Group - The Unity Group of Companies Pte Ltd, GBC AG

Following the agglomeration idea of M&A growth, we have considered ten acquisitions in 2020 for a total contribution of GBP 30.61m in consolidated revenues. For the years 2021 and 2022 we have also assumed a stable development of ten acquisitions per year boosted by tactical acquisitions. As shown in the table below, the contribution of inorganic growth is expected to account for the lion´s share of total revenues by 2022.

Revenue breakdown by organic and inorganic growth (in GBPm)

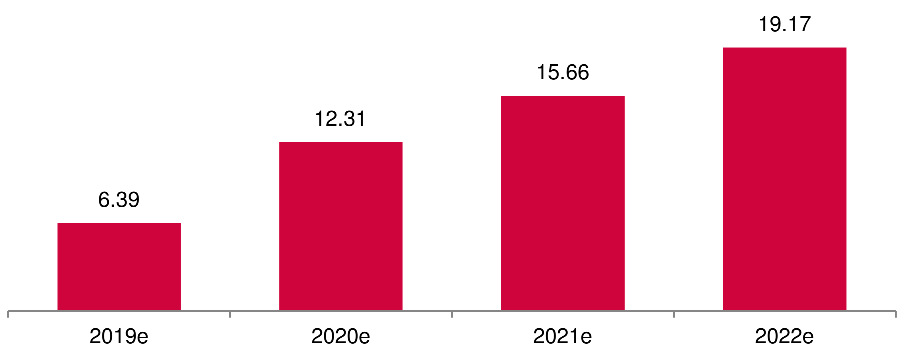


Source: GBC AG

Earnings Forecasts

The profitability of MBH portfolio companies allows for covering the cost base and making earnings. The cost structure of the companies in portfolio is quite varied due to sectorial membership. Our model assumes for APEV a cost-of-sales rate of 76.1%, while in the construction services it is, on average, 80.4% and, in the education segment, it is around 55%. The integration due to M&A transactions brings the costs of personnel higher year on year. For example, APEV alone brings around 200 employees in the group. On this basis, we have assumed payroll expenses up to GBP 6.39m in 2019 which are forecasted to GBP 12.31m in 2020 given the inorganic growth.

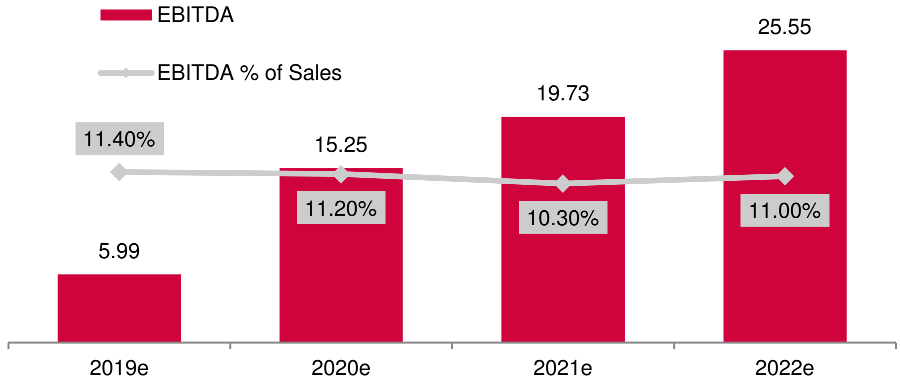
Cost of personnel expenses 2019e-2022e (in GBPm)



Source: GBC AG

Based on the previous thesis, we have assumed an expansion in administrative expenses. Costs related to the tactical acquisitions such as legal costs or dealing costs should drive up these administrative expenses, which we have forecasted in GBP 6.39m in 2019 and GBP 12.31m in 2020. Thus, we have conservatively assumed a constant development of the EBITDA margin of around 11% per year. However, MBH management has no active role in the operational development of the subsidiaries. Further synergies may generate higher sales, cost savings or economies of scale and further expand the previous margin.

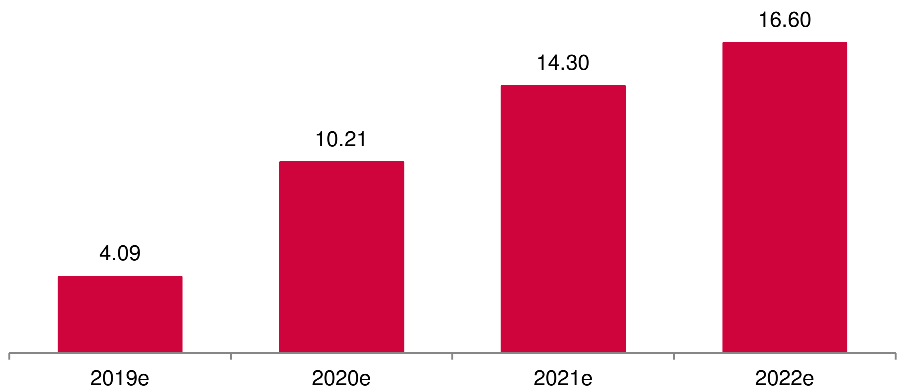
EBITDA Forecasts 2019e-2022e (in GBPm)



Source: GBC AG

For the consolidation we have assumed flat depreciation and amortization expenses in the range of GBP 1 to 5 million because the engineering, education and construction services segments are mostly service-related. Proportionally with development of operating profit, tax expenses are forecasted to grow in the first stage of our model 2019-2020. In total, earnings are expected to hit GBP 16.60m in 2022.

Net Income growth 2019-2022 (in GBPm)



Source: GBC AG

Valuation

Model assumptions

We have assessed MBH Corporation plc using a three-stage DCF model. Starting with the specific estimates for the years 2019 to 2022 in phase 1, the outlook for 2023 to 2026 was developed in the second phase using value drivers. We expect increases in revenue of 5%. We have set 11.0% as the target EBITDA margin. We have included the tax rate of 20.0% in phase 2. Additionally, at the end of the forecast horizon, a residual value is determined in the third phase using the perpetual annuity. As the final value, we assume a growth rate of 2.0%. The figures were calculated in GBP (EUR/GBP 0.85€).

Determining the capital costs

The weighted average cost of capital (WACC) of MGI is calculated from the equity cost and the cost of debt. The market premium, the company-specific beta, as well as the risk-free interest rate have to be determined in order to determine the equity cost.

The risk-free interest rate is derived from the current structured interest rate curves for risk-free bonds in accordance with the recommendations from the "Fachausschuss für Unternehmensbewertung und Betriebswirtschaft" (FAUB, Special Committee for Business Valuation and Business Management) of the "Institut der Wirtschaftsprüfer in Deutschland e.V." (Institute of Public Auditors in Germany). This is based on the zero bond interest rate calculated using the Svensson Method published by the German Bundesbank. In order to compensate for short-term market fluctuations, the average returns for the previous three months are used and the result is rounded up to the nearest 0.25 basis points. The value currently used for the risk-free interest rate is 1.00 %.

We set the historical market premium of 5.50 % as a reasonable expectation of the market premium. This is supported by historical analyses of equity market returns. The market premium reflects in a percentage the improved return expected from equity markets relative to low-risk government bonds.

According to GBC estimates, a beta of 1.86 is currently determined. Using the premises provided, the equity cost is calculated at 11.21% (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of the equity cost of 100%, the result is a weighted average cost of capital (WACC) of 11.21 %.

Valuation result

The resulting fair value per share for the end of the fiscal year 2020 corresponds to the target price of EUR 1.95 or GBP 1.66 and a BUY rating. The fair value assumes ten acquisitions per year. At the end of the current financial year 2020, we assume that the outstanding shares will increase to a total of 86.31 million. This assumption takes into account the so-called EPS-accretive acquisitions strategy, according to which the dilution effect when issuing shares for new acquisitions is less than the new EPS contribution.

MBH Corporation plc - Discounted Cashflow (DCF) model

Value driver used in the DCF-model´s estimate phase:

consistency - Phase	
Revenue growth	5.0%
EBITDA-margin	11.0%
Depreciation on fixed assets	40.0%
Working capital to sales	6.0%

final - Phase	
Perpetual growth rate	2.0%
Perpetual EBITA margin	8.0%
Effective tax rate in terminal value	20.0%

Three-phase DCF - model:

Phase	estimate				consistency				final
in mGBP	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	value
Revenue (RE)	52.59	136.59	190.83	233.09	244.75	256.99	269.84	283.33	
Revenue change	320.3%	159.7%	39.7%	22.1%	5.0%	5.0%	5.0%	5.0%	2.0%
Revenue to fixed assets	11.43	13.00	13.00	13.00	13.00	13.00	13.00	13.00	
EBITDA	5.99	15.25	19.73	25.55	26.83	28.17	29.58	31.06	
EBITDA-margin	11.4%	11.2%	10.3%	11.0%	11.0%	11.0%	11.0%	11.0%	
EBITA	5.02	12.83	15.68	20.07	19.66	20.64	21.67	22.75	
EBITA-margin	9.5%	9.4%	8.2%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%
Taxes on EBITA	-0.82	-2.41	-3.01	-4.06	-3.97	-4.17	-4.38	-4.60	
Tax rate	16.3%	18.8%	19.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20,0%
EBI (NOPLAT)	4.20	10.42	12.68	16.01	15.68	16.47	17.29	18.15	
Return on Capital	73.3%	121.1%	73.1%	61.3%	49.1%	46.7%	45.2%	44.0%	41.8%
Working Capital (WC)	4.00	6.83	11.45	13.99	16.40	18.50	20.51	22.67	
WC to sales	7.6%	5.0%	6.0%	6.0%	6.7%	7.2%	7.6%	8.0%	
Investment in WC	-1.32	-2.83	-4.62	-2.54	-2.41	-2.10	-2.00	-2.16	
Operating fixed assets (OFA)	4.60	10.51	14.68	17.93	18.83	19.77	20.76	21.79	
Depreciation on OFA	-0.97	-2.43	-4.05	-5.48	-7.17	-7.53	-7.91	-8.30	
Depreciation to OFA	21.2%	23.1%	27.6%	30.6%	40.0%	40.0%	40.0%	40.0%	
CAPEX	-2.53	-8.33	-8.22	-8.73	-8.07	-8.47	-8.90	-9.34	
Capital Employed	8.60	17.34	26.13	31.92	35.23	38.27	41.26	44.46	
EBITDA	5.99	15.25	19.73	25.55	26.83	28.17	29.58	31.06	
Taxes on EBITA	-0.82	-2.41	-3.01	-4.06	-3.97	-4.17	-4.38	-4.60	
Total Investment	-3.85	-11.16	-12.84	-11.27	-10.48	-10.58	-10.90	-11.50	
Investment in OFA	-2.53	-8.33	-8.22	-8.73	-8.07	-8.47	-8.90	-9.34	
Investment in WC	-1.32	-2.83	-4.62	-2.54	-2.41	-2.10	-2.00	-2.16	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	1.33	1.68	3.88	10.23	12.37	13.42	14.30	14.96	191.85

Value operating business (due date)	147.23
Net present value explicit free Cashflows	45,84
Net present value of terminal value	101.39
Net debt	4.37
Value of equity	142.85
Minority interests	0.00
Value of share capital	142.85
Outstanding shares in m	86.31
Fair value per share in GBP	**1.66**
Fair value per share in €	**1.95**

Cost of Capital:	
Risk free rate	1.0%
Market risk premium	5.5%
Beta	1.86
Cost of equity	11.2%
Target weight	100.0%
Cost of debt	7.0%
Target weight	0.0%
Tax shield	25.0%
WACC	**11.2%**

Return on Capital	WACC				
	10.6%	**10.9%**	**11.2%**	**11.5%**	**11.8%**
41.3%	2.07	2.00	1.93	1.87	1.81
41.5%	2.08	2.01	1.94	1.87	1.81
41.8%	2.09	2.02	**1.95**	1.88	1.82
42.0%	2.10	2.03	1.96	1.89	1.83
42.3%	2.11	2.04	1.96	1.90	1.84

ANNEX

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2. The research report is simultaneously made available to all interested investment services companies.

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