GBC AG
Investment Research

Research Report (Anno)

MBH CORPORATION

- Significant growth in the first full year of listing

- Management skills proved by organic growth and five acquisitions in 2019

- Dividend of EUR 0.005 cents per share

Target Price: EUR 1.89 (GBP 1.70)

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: 26.06.2020 (6:30 pm)
Date (time) of first distribution: 29.06.2020 (1:30 pm)
Target price valid until: max. 31.12.2020

GBC AG
Investment Research

MBH Corporation plc*5a;11

Rating: BUY
Target price: € 1.89
(1.70 GBP)

Current price: 0.434
June.26.2020 / XETRA / 18:25 pm
Currency: EUR

Base data:

ISIN: GB00BF1GH114
WKN: A2JDGJ
Ticker symbol: M8H:GR
Number of shares ³: 45.03
Market cap ³: 19.54
EnterpriseValue³: 21.40
³ in € million
Other shareholders: 30%

Transparency level:
Entry Standard

Market segment:
Open Market

Accounting:
IFRS

Financial year: 31.12

Designated Sponsor:
Renell Bank
MWB Fairtrade

Analysts:

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* List of possible conflicts of interest on page 35

Company Profile

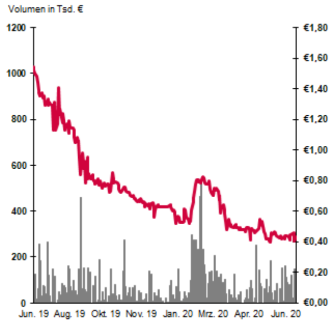
Industry: Holding Company

Focus: Education, Construction, Leisure, Health

Founded: 2016

Headquarters: London (United Kingdom)

Management: Callum Laing CEO, Victor Tan CFO



MBH Corporation PLC (MBH) is an investment holding company with subsidiaries in the construction, education, leisure and health-care sectors. The group brings together well-established and profitable small businesses with a buy and hold perspective. Most of these subsidiaries have been purchased by swapping all the business owners' shares with a new issue of MBH shares. According to this model, the earning contribution of each acquisition mitigates the dilutive effects of the new share issue. As with favorable market interest rates, MBH has recently started accretive acquisitions backed by debt issues, which cancel out dilution effects. An example is the acquisition of Robinsons Caravans in 2020 which has been settled with a five years unlisted loan and final payment at maturity in cash. MBH´s excellent financial figures for 2019 proved management skills and methods in selecting and supporting the development of various businesses. Each segment has been managed autonomously under a responsible board with a structured earn-out scheme. The acquisition pipeline remains brisk including strategic and tactical deals. MBH shares have been listed on both the Quotation Board of the Frankfurt Stock Exchange ("**FSE**") since November 2018 and on the Düsseldorf Stock Exchange (Prime Market). The management announced a divided of EUR 0.005 cents per share for FY2019.

P&L in GBP m, financial year-end	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e	31.12.2023e
Revenue	50.78	53.72	104.37	155.17	205.88
EBITDA	5.23	5.49	11.61	17.53	23.45
EBIT	4.05	4.83	10.36	15.42	20.47
Net income	3.62	4.18	8.08	11.47	14.86
Kennzahlen in GBP					
Earnings per share	0.11	0.08*	0.16*	0.23*	0.30*
Dividend per share	0.00	0.01	0.03	0.03	0.04
Key figures					
EV/Revenues	0.39	0.37	0.19	0.13	0.10
EV/EBITDA	3.75	3.58	1.69	1.12	0.84
EV/EBIT	4.85	4.07	1.89	1.27	0.96
P/E	4.91	4.25	2.20	1.55	1.20
P/B	0.41				

*(Calculated on the basis of a number of shares in the amount of 49.20 million)

Financial calendar
June 30th, 2020: Annual General Meeting

** Latest research by GBC :
Date: Publication / Target price in EUR / Rating
March 3rd 2020: IC/ 1.95€/BUY
** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

EXECUTIVE SUMMARY

- For the financial year ended in 2019 MBH Corporation plc (MBH) reported a set of outstanding numbers. Revenues grew from GBP 12.5m to GBP 50.8m, up 306%, while EBIT rose from GBP 1.44m to GBP 4.11m, up 186%. These figures stem from the full-year consolidation of the three founding companies (Cape, Parenta and Acacia), their growth as well as five additional acquisitions. These results confirm the success of the MBH agglomeration model as well as management skills. On this basis, the management decided for a dividend per share of 0.005 cents for the year 2019.

- MBH is an acronym for multi-business holding. In a nutshell, the model works out by putting together various private small companies in a PLC ecosystem. After share-for-share exchange acquisition, the subsidiaries are grouped under non-trading companies (special-purpose vehicles) and are supported in growth and tactical acquisition. Joining MBH, the units have gained scale (i.e. larger value contracts) and financing (i.e. access to loans) benefits. Target businesses are in the range of USD 1-10m EBITDA.

- Accretive acquisitions over small entities are generally favourable for the listed company. It is expected to boost earnings per share of the holding and to mitigate the dilution effects of a new share issue. Since FY2020 MBH has begun acquisitions combining the payment with a debt issue (i.e. private loan or public debt issue). Eventually, this substantially reduces the dilution effect.

- A substantial acquisition pipeline and attractive organic growth are the key drivers of MBH´s value creation. At the time of writing the portfolio is well-diversified in four segments with eleven companies. Organic growth is promoted via an earn-out system on each additional gain over a specific base (i.e. on previous earnings). This also is a way to extract wealth by breaking through their barriers and constraints and to roll out SMEs in different markets or locations.

- Group net assets amounted to GBP 43.3m at the end of fiscal year 2019. The main items on the balance sheet were (1) goodwill of GBP 36.54m, stemming from the recent acquisitions; (2) receivables of GBP 21.20m; (3) payables of GBP 14.84m; (4) contingent considerations for earn-out to senior managers and directors of GBP 6.43m. Total cash on balance was GBP 4.50m.

- Since our estimations (Initial Coverage) were published at the beginning of March 2020, we have adjusted the forecasts in order to consider the COVID-19 crisis. We have reduced to five the acquisitions for the fiscal year 2020 (previously ten) and then from 2021, again ten deals a year. It remains our assumption for EPS-accretive acquisitions strategy, according to which the dilution effect when issuing shares for new acquisitions is less than the new EPS contribution. Our moderate scenario is also set in reduced organic growth for 2020 while a recovery is expected in FY 2021. We have also considered the deconsolidation of APEV, MBH's largest investment to date in our forecasts, and thus we have adapted our previous shares issue projection from 86.31m to 49.20m. In all, we have reduced the share capital from 142.85m to 83.65m (mainly for the APEV´s demerger) but confirming our BUY rating with the new fair value per share of EUR 1.89 or GBP 1.70 (previous EUR 1.95).

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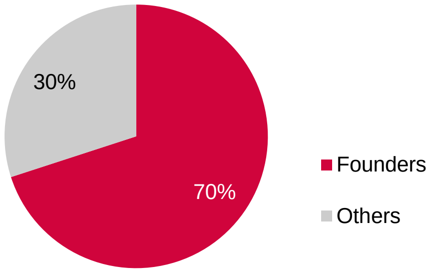
MBH Corporation plc

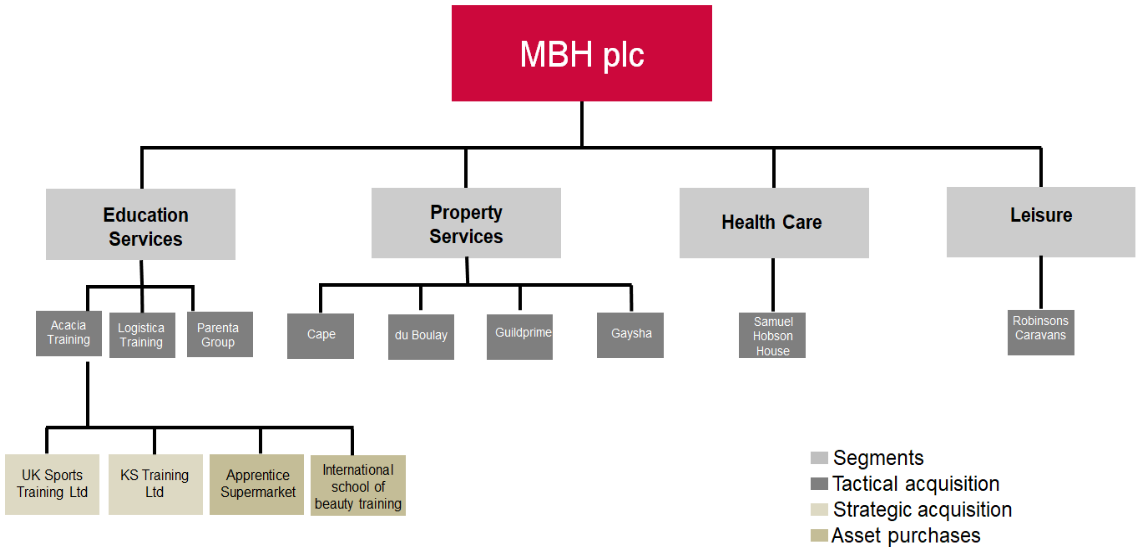
Capital Structure

Shareholders in %	June 26th 2020
Founders	70%
Others	30%

Sources: MBH plc, GBC AG



Company structure



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

Since its listing in 2018, MBH has successfully increased its structure expanding existing businesses with both strategic and tactical acquisitions. Compared to our initial coverage published on February 2020, the company has executed two further strategic acquisitions. In March 2020, there was the acquisition of Robinsons Caravans: a company engaged in the sales of new and used caravans and motorhomes in the UK. This purchase starts the “Leisure” vertical and has been performed with an unlisted loan (without any shares issue). In June 2020, the education segment has been widened with Logistica Training, an enterprise providing health and social (H&S) care training. In January 2020, the Company established the new "Healthcare" sector segment with the acquisition of Samuel Hobson House, a nursing home specialising in the treatment of dementia. Three new companies have thus been acquired so far in 2020.

In April 2020, the group announced the demerger of the company APEV. The latter is a provider of power and energy consulting services in the Pacific area which was acquired by MBH in June 2019. The demerger is based on a couple of challenges faced by APEV such as difficulties with a supply chain from China due to COVID-19 as well as the strains of going public. The transaction was facilitated by MBH´s unwind clause which allow for the undoing of deals to protect investors in worst-case scenarios. Hence, APEV´s new stock issue has been removed our total shares projection.

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 whole capital. The 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 trademark and intellectual property to MBH at the time of founding (pre-operations). Going forward, MBH and Unity Group may still work together under an agreement for investment consulting services such as (i) identifying entities for acquisitions, (ii) assisting in due diligence and eventually (iii) providing support in the negotiation phases.

The agglomeration may be counted as an ESG and impact investing model. By supporting small businesses and providing them an environment to develop their business models and win bigger projects, MBH support employment in the local enterprise's areas. A primary driver is the development of "decent work and economic growth".

All New Acquisitions in 2020

Samuel Hobson House (Health)

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).

Robinsons Caravans (Leisure)

Established in 1963, Robinsons Caravans is a family-owned business caravan and motorhome business. The business establishes MBH´s leisure segment. Robinson Caravans is positioned throughout Chesterfield, Derbyshire, Worksop and Nottinghamshire.

Robinsons Caravans unaudited revenues reached GBP 18m for the financial year 2019. This number stems for 87% from the trading of used and new caravans (1,200 units sold in 2019), for 8% from shop & awning and for 5% from services. Despite a staff of approximately 79 employees (including 14 sales staff and 5 in after-sales), the EBIT amounted to GBP 1.05m at the end of 2019.

The acquisition of 100% of the caravan company does not involve a share issue. Instead, the total consideration of between GBP7.2m and GBP 8.6m (which includes the acquisition of net assets of approximately GBP 2.5m) will be settled with an unlisted loan note (five years maturity, principal payable at maturity in cash and 5% coupon rate per annum payable semiannually). The final consideration amount will be formalized after the completed auditing of the financial statements for 2019 and 2020.

Logistica Training Limited (Education)

Acquired on June 2020, Logistica Training Limited delivers training to the health and social care (H&S) sector across the UK. The company was founded in 2012 as a vocational training business. Currently the company also provides workforce-programs co-financed by the EU (via the Educational and Skills Funding Agency and prime contractors).

Based on an MBH press release, Logistica has a positive outlook stemming from changing demographics. The population aged 65 and above is expected to rise from 10.2m to 14.1m between 2018 and 2035. On this basis, it is projected that the sector may need 580,000 new jobs. For the same reason, upon analyzing the population aged 75 and above, the sector may need 800k new jobs by 2035.

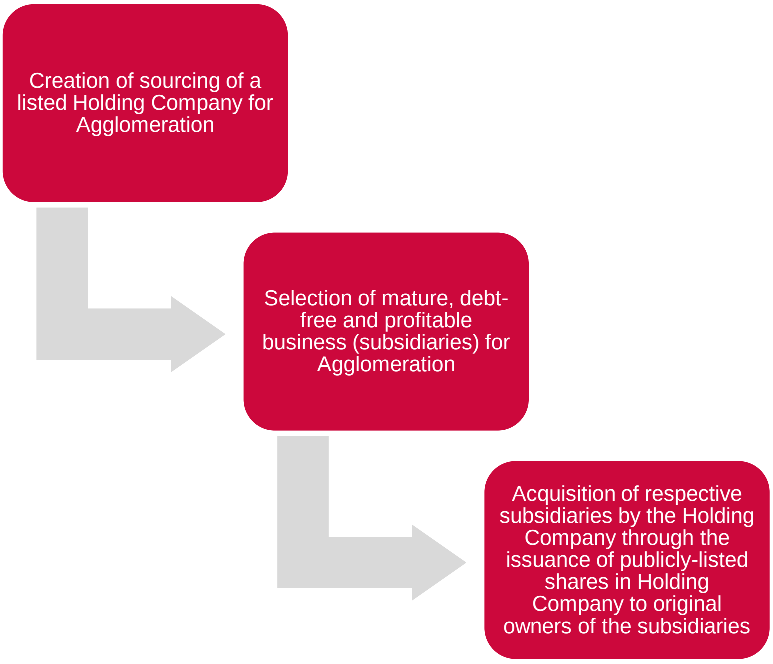
Logistica generated sales of GBP 1.9m and EBIT of GBP 0.8m in the 2019 audited financial year. MBH total consideration for the acquisition has been approximately GBP 5.8m largely covered by a listed bond with five years maturity (principal payable at maturity and 2% coupon rate per annum payable semi-annually).

MBH Business Model

MBH Corporation plc invests in small and mid-sized, debt-free, well-established and profitable firms across various sectors and geographical locations. Acquisitions are performed with an agglomeration methodology through accretive acquisitions, addressing USD 1-10 million EBITDA target companies with a buy-and-hold approach.

This **agglomeration** allows small business owners to swap their private stocks for public stocks. The acquired entities become fully owned subsidiaries while the previous owners (so-called **principals**), who are paid with locked-up stocks, turn into joint owners and managers of MBH. The holding structure is decentralized and allows principals to continue running their unit. As managers their compensation is based on incremental profit contribution (i.e. three new MBH shares for every additional one euro in EBIT). This incentive is set without time limits, on a perpetual earn-in basis. Below is a summary of the agglomeration process.

The Phases of the Agglomeration Model



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

The dilution effects of new share issues are mitigated by acquiring target companies with lower multiples compared to the holding company. In an **earnings per share (EPS) accretive acquisition scheme**, generally, the price-to-earnings ratio is larger for the acquiring firm, leaving room for a considerable arbitrage between the valuation of a big public company and small businesses.

The subsidiaries are 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.

One of the benefits of being part of MBH is the **scale effect**. Small enterprises can easily win larger contracts, thus significantly increasing their turnover (i.e. procurement best practices for large companies are to give big contracts to other large companies). Furthermore, they can easily have access to loans or other financing given the greater transparency of a publicly listed company.

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. Although entrepreneurs must then comply with policies for listed companies (i.e. financial, corporate and governance reporting standards) their operations and strategies remain independent from the MBH management.

A “**lock-in**” arrangement prevent business owners form selling 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 (except for limited circumstances including takeovers, buybacks or court orders).

Historical Milestones

Since the year of listing the British holding company has achieved valuable milestones. The portfolio has grown rapidly from three companies in 2018 to eleven entities at June 2020. Additionally, two asset purchases have been incorporated (School of Beauty Therapy and Apprentice Supermarket) by the subsidiary Acacia Training Limited. These tactical acquisitions have enhanced Acacia´ services, resources and competences and have been directly performed by principals without MBH management being involved.

Among the achievements we underline the scale effects in organic growth. For instance, in the refurbishment service sector, the subsidiary Cape Ltd has managed to secure and complete larger and more profitable projects as being part of a large public listed company. Another example is the organic growth of duBoulay Contracts Ltd, which has been appointed by the prestigious department store Harrods in London for the refurbishment of two large prestige restaurants (Harrods brasserie restaurant and Harrods baccarat bar) last November 2019.

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	Purchase of the engineering company Asia Pacific Energy Venture Ltd
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 unsecured loan and GBP 150k will be paid in shares at EUR 1.47 per share)
March 2020	Acquisition of 100% of Robinsons Caravans for a total consideration approximately between GBP7.2m and GBP 8.6m which is 100% settled by way of an unlisted loan note (5 years maturity and 5% coupon rate per annum).
April 2020	Announced the demerger of APEV Ltd
June 2020	Logistica Training Limited incorporation (100%)

Sources: MBH Corporation plc, GBC AG

CORPORATE DEVELOPMENT

Key Figures

P&L (in GBPm)	FY 2019	FY 2020e	FY 2021e	FY 2022e	FY 2023e
Revenue	50.78	53.72	104.37	155.17	205.88
Cost of Sales	-38.57	-40.52	-79.47	-117,97	-156.42
Gross profit	**12.20**	**13.19**	**24.90**	**37,20**	**49.45**
Administration expenses	-8.09	-5.46	-9.63	-14.54	-16.46
Other operating expenses	-0.07	-2.90	-4.91	-7.23	-9.54
EBIT	**4.04**	**4.83**	**10.36**	**15.42**	**20.47**
Net finance expenses	-0.12	-0.10	-0.30	-0.50	-0.71
EBT	**3.92**	**4.72**	**10.07**	**14.91**	**19.77**
Taxes	-0.30	-0.54	-1.99	-3.45	-4.91
Net profit	**3.62**	**4.18**	**8.08**	**11.47**	**14.86**
EBITDA	5.23	5.50	11.60	17.53	23.45
in % of revenue	10.3%	10.2%	11.1%	11.3%	11.4%

Sources: MBH Corporation plc, GBC AG

Business development 2019

in GBP million	FY 2018	FY 2019
Revenue	12.51	50.78
EBIT	1.43	4.18
EBIT margin	11.5%	8.2%
Net Income	1.25	3.62
Net Income margin	10.0%	7.1%

Sources: MBH Corporation plc, GBC AG

Revenue development 2019

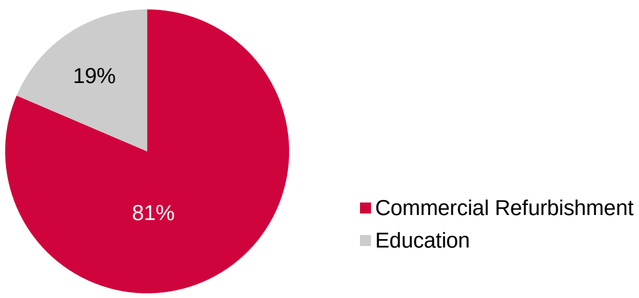
The P&L of MBH provides a clear picture of sustainable growth in fiscal year 2019. Through organic growth and acquisitions the company was able to accelerate total revenues to GBP 50.8m, a 306% increase on an annual basis. In greater details, the figure stems primary from service revenues rendered from its founding subsidiaries and five new acquisitions. In our notes, we do not include any outcome of the company APEV which was demerged last April 2020.

On a segment basis the result can be divided between the commercial refurbishment and the education segments. On the one hand, the commercial refurbishment achieved GBP 41.08m in fiscal year 2019 against GBP 7.70m in previous year (Cape was acquired in September 2018 and thus only partly consolidated in FY2018). On the other hand, the education segment reached GBP 9.37m against GBP 4.82m in FY2018 (Parenta and Acacia were acquired in August 2018 and thus consolidated for approx. five months). Within the education, major contributors were course training (GBP 4.37 in 2018 vs. GBP 8.54 in 2019) and software services (GBP 0.44 in 2018 vs. GBP 0.80 in 2019).

MBH is currently active in two countries namely New Zealand, under the subsidiary Cape and the United Kingdom (all other subsidiaries). The New Zealand´s subsidiary Cape Ltd, realized GBP 25.9m sales in fiscal year 2019 which represent 51% of total MBH turnover.

Inorganic growth in fiscal year 2019 was largely connected with the full year consolidation of du Boulay Contracts Ltd and from seven months consolidation of Guildprime Specialist Contracts Ltd.

Revenues breakdown by segments in 2019



Sources: MBH Corporation plc, GBC AG

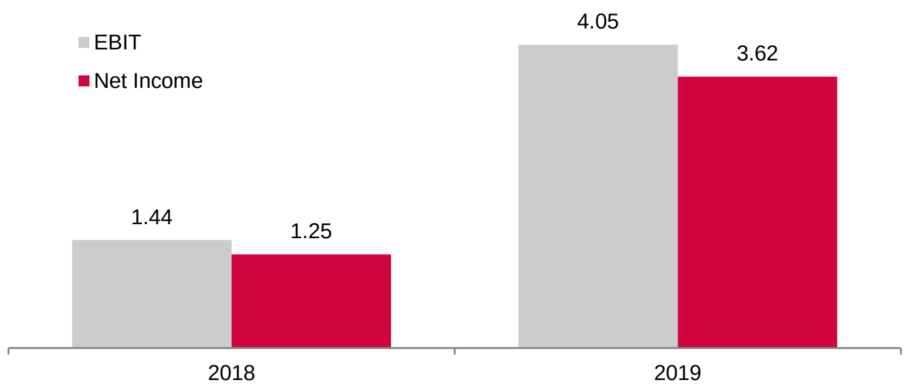
Earnings development 2019

The accretive nature of each acquisition succeeded in the coverage of operating costs as well as in growing after-tax profits. For a quick picture, the EBIT increased from GBP 1.44m to GBP 4.05m in fiscal year 2019 (a growth rate of 186%).

The full year consolidation of the three founding companies and the disproportional increase in sales, raised COGS from 69.3% to 76.0% of total revenues for FY2019. As is typically the case for a private equity firm, the purchase of new entities expanded administrative expenses to GBP 6.94m (GBP 2.11m in previous year). One of the reasons was the higher average number of staff employed which grew from 130 in 2018 to 184 in 2019. Depreciations and amortisations enlarged to GBP 1.19m (0.22m in 2018), mainly due to intangible assets and right of use assets. Consolidated finance expenses slightly increased from GBP 0.02m to GBP 0.13m, largely as effects of the rise in interest expenses from borrowing (0.03m) and on lease liabilities (0.08m).

After tax effect of GBP 0.30m (GBP 0.17m in 2018), consolidated profit rose from GBP 1.25m to GBP 3.62m for the end of the year 2019. In sum, basic earnings per share slightly decreased from 12.22 pence (10.19m shares) to 11.00 pence (32.88m shares) as well as diluted EPS lowered from 11.21 pence (11.12m shares) to 10.36 pence (34.94m shares). A dividend per share of EUR 0.005 cents has been proposed for 2019.

EBITDA and Net Income in 2018 and 2019



Sources: MBH Corporation plc, GBC AG

Balance sheet and financial situation

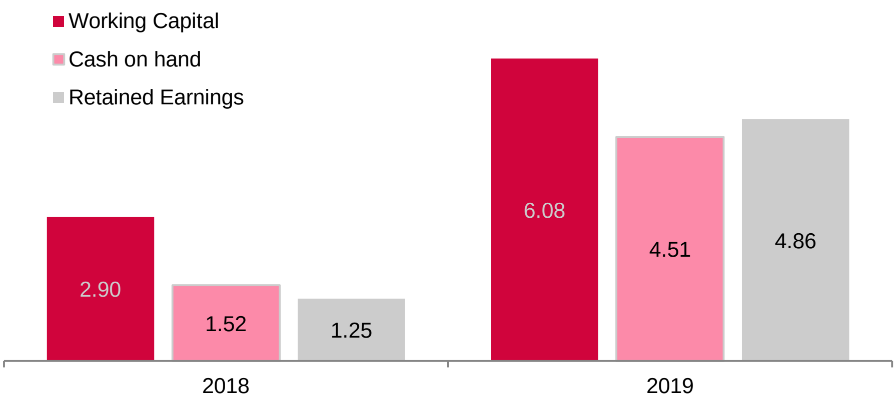
in GBP million	31/12/2018	31/12/2019
Equity (Net Assets)	28.36	43.28
of which retained earnings	1.25	4.86
Total current liabilities	9.99	20.34
of which contingent consideration	2.99	3.26
of which trade and other payables	4.76	14.84
Total non-current liabilities	4.33	5.45
of which contingent consideration	3.84	3.18
Total non-current assets	32.88	43.19
of which intangible assets	2.80	3.22
of which goodwill	29.64	36.54
Total current assets	9.80	25.88
Of which cash and cash equivalents	1.52	4.51
Of which trade and other receivables	8.28	21.20

Sources: MBH Corporation plc, GBC AG

An analysis of the consolidated balance sheet reveals a significant increase in net assets from GBP 28.36m to GBP 43.28m (equity ratio 62.7%) in the financial year 2019. The equity includes GBP 7.49m issuance of new shares held in treasury (5.09m at par value and 2.39m at share premium) and retained earnings (GBP 4.87m). The equity ratio was 61.2% while we calculated a current ratio of 1.30.

On the assets side, the balance sheet of MBH is dominated by the goodwill, value related to its subsidiaries. This climbed from GBP 29.64m to GBP 36.54m (GBP 15.54m education and GBP 21.00m construction segment). Trade receivables expanded from GBP 8.28m to GBP 21.20m (GBP 3.49m construction service contracts and GBP 2.39m in course training). On the liabilities side, we noted higher payables from GBP 4.76m to GBP 14.84m as well as current and non-current contingent consideration for GBP 6.43m (GBP 6.83m in 2018) related to the incentive scheme for directors and senior employees. Total loans accounted for GBP 1.78m (GBP 1.70m in 2018) and included, GBP 0.97m loans for completed acquisitions in 2018, GBP 0.49m in bank overdraft and GBP 0.32m convertible (residual value of the original issue of GBP 0.98m subscribed by the British investment trust Mercantile in October 2018).

MBH´s Key Highlights on Balance Sheet for 2018 and 2019



Sources: MBH Corporation plc, GBC AG

Asset and cash flow situation

in GBP m	31/12/2018	31/12/2019
Cash flow – operating	0.78	5.00
Cash flow – investment	-0.44	-1.38
Cash flow – financing	0.82	-0.67

Sources: MBH Corporation plc, GBC AG

Operating cash flow turned in a consistent GBP 5.00m in 2019 (GBP 0.78m in 2018) mainly as the larger profit (GBP 3.92m in 2019 vs. GBP 1.42m in 2018) and effects of amortizations and depreciations (GBP 1.16m in 2019 vs. GBP 0.24m in 2018). Cash outflows for investing activities were mainly related to intangible assets (GBP 1.03m) while cash outflows for financing activities were largely related to payment of lease liabilities (GBP 0.41m) and to repayments of bank loans (GBP 0.21m). Cash at the end of 2019 was approximately GBP 4.02m (GBP 1.18m in 2018).

Forecasts and Valuation

P&L (in GBPm)	FY 2019	FY 2020e	FY 2021e	FY 2022e	FY 2023e
Revenue	50.78	53.72	104.37	155.17	205.88
EBITDA	5.23	5.49	11.61	17.53	23.45
EBITDA-margin	**10.3%**	**10.2%**	**11.1%**	**11.3%**	**11.4%**
Net Profit	3.62	4.18	8.08	11.47	14.86

Sources: MBH Corporation plc, GBC AG

Sales forecast

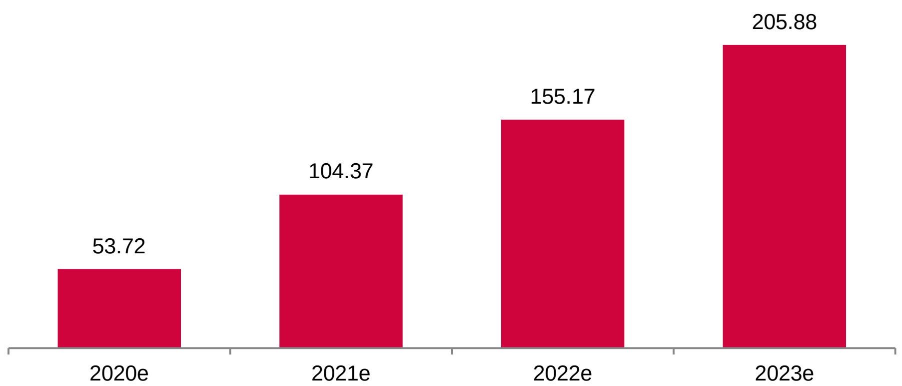
The COVID-19 crisis has placed the global economy and trade under pressure. Even though many countries are currently slowly recovering, it is difficult to forecast the length and medium-term impact of the crisis on the real economy. One thing that has clearly emerged is the need for re-thinking traditional business. Especially investing more in technology.

MBH´ subsidiaries have been affected by COVID-19 crisis in different degrees. Although some businesses were forced to temporarily postpone projects and events between March and May 2020 (i.e. commercial refurbishment and early-childhood training services), others handled better the reorganization based on entrepreneurial experience. For example, as holidaymakers are unwilling or unable to fly overseas, it is reasonable to assume a higher demand for caravans post-COVID within the leisure segment (since June 1st, 2020, retailers have slowly reopened in the UK).

Other expectations may be for greater demand for training and skills upgrades due to high unemployment as well as fit-outs and shop reorganization services post COVID-19 for the construction vertical. MBH geographical diversification in New Zealand (51% of total turnover in 2019) may be a great advantage due to the country´s faster recovery.

We have reduced target acquisitions from ten to five for 2020 while we kept unaffected the target of ten deals per year starting from 2021. Our conservative assumptions for 2020 include the three executed acquisitions by June 2020. In total we have estimated total revenues of GBP 53.72m by 2020 and GBP 104.37m by 2021. It is important to mention that in our previous estimates (Initial Coverage) we considered the subsidiary APEV. The impact of APEV was of GBP 53.60m and GBP 55.05m for 2020 and 2021, respectively. This company has now been deconsolidated and therefore is no longer included in these forecasts.

Forecast of revenues 2019e-2023e (in GBPm)



Source: GBC AG

Under our COVID-19-adjusted model, we have projected organic growth for the existing portfolio in GBP 37.99m by the end of 2020 and GBP 53.07m by 2021. This moderate scenario assumes as main-segment contributors the refurbishment (GBP 39.17m) followed by leisure (GBP 11.42m) and education (GBP8.55m) for FY2020.

MBH´s acquisition pipeline is quite wide, and it clearly gives an idea of a willingness to expand the segments (tactical acquisitions) as well as opening new verticals such as in e-commerce and recruitment.

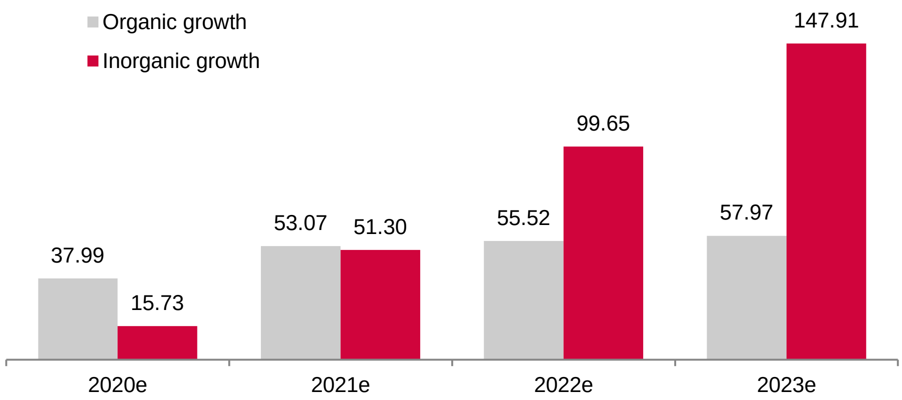
An overview of MBH´s potential acquisition pipeline

Group	Speciality	Target EBIT (est.)
Education	Vocational Training Provider	GBP 0.80m
Healthcare	Healthcare Services	GBP 1.40m
Leisure	Related to motor homes	GBP 2.05m
Property Services	Construction Services	GBP 2.50m
Property Services	Interior design	GBP 0.20m
Other	E-commerce	GBP 1.20m
Other	Recruitment Agency	GBP 3.00m

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

Our model assumes inorganic contribution of GBP 15.73m in FY2020 (including the three companies already acquired) and of GBP 51.31m in FY2021. As shown in the table below, from 2022 onwards, the impact of inorganic growth should account for the lion´s share of total revenues.

Revenue breakdown by organic and inorganic growth (in GBPm)



Source: GBC AG

Earnings Forecasts

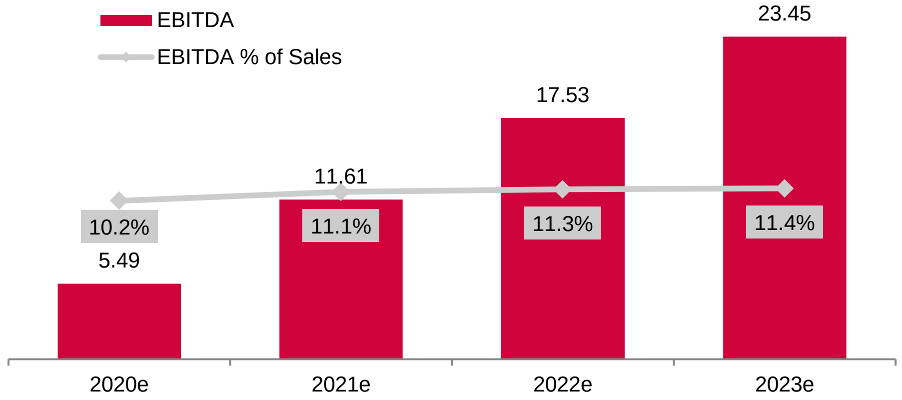
We have projected a constant cost-of-sales ratio between 2020 and 2023 (approximately 75.7%) as we expect most future acquisitions under the present verticals. The profitability of the portfolio allows for covering the cost base. The cost structure of the companies in portfolio, however, is quite varied due to sectorial membership.

Savings may be reached with synergies within the segments such as sharing best practices and contacts or with economies of scale. Personnel costs are forecasted to grow at a slower rate for the entities in portfolio (Cape. Robinsons Caravans and Parenta account for the most). However, new integrations bring higher personnel costs year on year. For example, the purchase of Robinsons Caravans alone added a total staff of approximately 79 employees. On this basis, we forecasted payroll expenses up to GBP

4.80m in 2020 and to GBP 8.39 in 2021. We also assumed constant total depreciation and amortization on sales at around 1.5% for 2020-2023.

Further costs related to acquisitions such as legal costs or dealing costs should also drive up administrative expenses, which we have forecasted to be GBP 2.91m in 2020 and GBP 4.91m in 2021. Nevertheless, we expect an EBITDA of GBP 5.49m in 2020 and of GBP 11.61m in 2021 for the whole group.

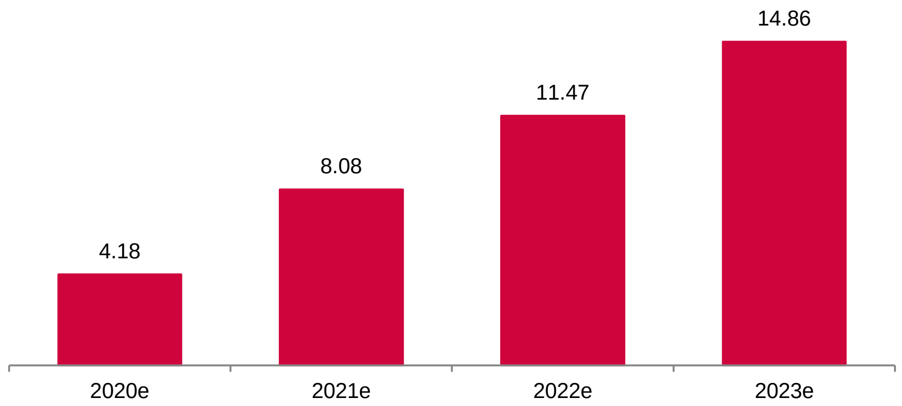
EBITDA Forecasts 2019e-2023e (in GBPm)



Source: GBC AG

In our DCF valuation model, we have considered the demerger of APEV and thus we reduced the expected number of outstanding shares from 86.31m to 49.20m. At the current level of 45.03m shares we added 4.03m new shares accounting five acquisitions in 2020 (three performed mainly with debt issue, at June 2020). Therefore, as recent acquisitions have been executed with loans (Robinsons Caravans) and a listed bond (Logistica Training Limited), we expect for the next years acquisitions in combination of share and debt issues. Compared to our previous estimates (Initial Coverage), we have also reduced the share capital value from 142.85m to 83.65, due to the demerger of the company APEV (our estimated total turnover for APEV was approximately GBP 53.60m in 2020). However, due to lower shares consequently accounted, our target price per share is almost unchanged to EUR 1.89 or GBP 1.70 (previous EUR 1.95).

Net Income growth 2019-2023 (in GBPm)



Source: GBC AG

We are aware that both revenue and earnings forecasts are currently subject to a high degree of uncertainty and that considerable adjustment might be necessary in a further research study.

Valuation

Model assumptions

We have assessed MBH Corporation plc using a three-stage DCF model. Starting with the specific estimates for the years 2020 to 2023 in phase 1, the outlook for 2024 to 2027 was developed in the second phase using value drivers. We expect increases from 2024 in revenue of 5%. We have set 11.39% as the target EBITDA margin. We have included the tax rate of 20.20% 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 0.90€).

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 75% (previously: 100 %) the result is a weighted average cost of capital (WACC) of 9.63 % (previously: 11.21).

Valuation result

As part of the DCF valuation model, we have determined a new fair enterprise value of GBP 83.65 million (previously: GBP 142.85 million). The significant reduction is primarily due to the removal of the largest investment APEV, which was previously consolidated. In addition, we have reduced the number of new investments in 2020 to five (previously: ten). However, as we assume that there will be a significantly lower number of shares at the end of the 2020 financial year, the price target per share of € 1.89 (GBP 1.70) remains virtually unchanged.

GBC AG Investment Research

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	11.4%
Depreciation on fixed assets	2.3%
Working capital to sales	7.0%

final - Phase	
Perpetual growth rate	2.0%
Perpetual EBITA margin	11.7%
Effective tax rate in terminal value	20.0%

Three-phase DCF - model:

Phase	estimate				consistency				final
in mGBP	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	value
Revenue (RE)	53.72	104.37	155.17	205.88	216.17	226.98	238.33	250.25	
Revenue change	5.8%	94.3%	48.7%	32.7%	5.0%	5.0%	5.0%	5.0%	2.0%
Revenue to fixed assets	4.46	1.99	1.68	1.57	1.57	1.57	1.57	1.57	
EBITDA	5.49	11.61	17.53	23.45	24.62	25.85	27.15	28.50	
EBITDA-margin	10.2%	11.1%	11.3%	11.4%	11.4%	11.4%	11.4%	11.4%	
EBITA	4.83	10.36	15.42	20.47	21.65	22.73	23.86	25.06	
EBITA-margin	9.0%	9.9%	9.9%	9.9%	10.0%	10.0%	10.0%	10.0%	11.7%
Taxes on EBITA	-0.55	-2.04	-3.56	-5.08	-4.37	-4.59	-4.82	-5.06	
Tax rate	11.5%	19.7%	23.1%	24.8%	20.2%	20.2%	20.2%	20.2%	20.0%
EBI (NOPLAT)	4.27	8.32	11.86	15.39	17.27	18.14	19.04	20.00	
Return on Capital	42.2%	52.6%	19.8%	14.9%	11.9%	11.9%	11.9%	11.9%	13.5%
Working Capital (WC)	3.76	7.31	10.86	14.41	15.13	15.89	16.68	17.52	
WC to sales	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Investment in WC	1.99	-3.55	-3.56	-3.55	-0.72	-0.76	-0.79	-0.83	
Operating fixed assets (OFA)	12.04	52.51	92.12	130.86	137.40	144.27	151.48	159.06	
Depreciation on OFA	-0.67	-1.24	-2.11	-2.98	-2.98	-3.12	-3.28	-3.44	
Depreciation to OFA	5.5%	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	
CAPEX	-8.34	-41.71	-41.71	-41.71	-9.52	-9.99	-10.49	-11.02	
Capital Employed	15.80	59.82	102.98	145.27	152.53	160.16	168.16	176.57	
EBITDA	5.49	11.61	17.53	23.45	24.62	25.85	27.15	28.50	
Taxes on EBITA	-0.55	-2.04	-3.56	-5.08	-4.37	-4.59	-4.82	-5.06	
Total Investment	-6.35	-45.26	-45.27	-45.26	-10.24	-10.75	-11.29	-11.85	
Investment in OFA	-8.34	-41.71	-41.71	-41.71	-9.52	-9.99	-10.49	-11.02	
Investment in WC	1.99	-3.55	-3.56	-3.55	-0.72	-0.76	-0.79	-0.83	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	-1.41	-35.70	-31.30	-26.90	10.01	10.51	11.04	11.59	266.85

Value operating business (due date)	87.20
Net present value explicit free Cashflows	-53.01
Net present value of terminal value	140.21
Net debt	3.55
Value of equity	83.65
Minority interests	0.00
Value of share capital	83.65
Outstanding shares in m	49.20
Fair value per share in GBP	**1.70**
Fair value per share in €	**1.89**

Cost of Capital:

Risk free rate	1.0%
Market risk premium	5.5%
Beta	1.86
Cost of equity	11.2%
Target weight	75.0%
Cost of debt	6.5%
Target weight	25.0%
Taxshield	25.0%
WACC	**9.6%**

Return on Capital	WACC				
	9.0%	**9.3%**	**9.6%**	**9.9%**	**10.2%**
13.0%	2.14	1.93	1.75	1.58	1.42
13.3%	2.21	2.01	1.82	1.64	1.49
13.5%	2.29	2.08	**1.89**	1.71	1.55
13.8%	2.37	2.15	1.96	1.77	1.61
14.0%	2.45	2.23	2.02	1.84	1.67

ANNEX

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

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BUY	The expected return. based on the derived target price, incl. dividend payments within the relevant time horizon is >= + 10%.
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