

Mensch und Maschine

Software
2 November 2021

FY21 outlook confirmed

After returning to growth in Q221, Mensch und Maschine (M+M) reported 15.3% y-o-y revenue growth and 10.6% EBIT growth for Q321. Management maintains its outlook for FY21 revenue growth of 6–10% and EPS growth of 12–21% and expects to report a record performance for the year in both sales and earnings.

Q3 sees revenue and EBIT growth

Group revenue growth was -8.0% in Q121, 23.1% in Q221 and 15.3% in Q321, resulting in 9M21 revenue growth of 7.4% y-o-y to €194m. Compared to 9M19, revenue was 11.3% higher. M+M reported the highest ever Q3/9M revenue and operating profit. Operating profit of €5.6m for Q321 was 10.6% higher year-on-year and for 9M21 was 10.7% higher year-on-year. The Q321 operating margin of 9.6% was 0.4pp lower than in Q320 and the 9M21 margin of 12.4% was 0.3pp higher year-on-year.

Both businesses performing well

The Software business had already returned to year-on-year revenue growth in Q420, and this accelerated to 7.6% in Q121, 17.5% in Q221 and 7.8% in Q321. In Q221, the VAR business reported revenue growth for the first time since Q120, with revenue up 26.0% y-o-y in Q221 and 19.2% in Q321. The 9M21 operating margin of 24.9% for the Software business was flat versus 9M20; the VAR 9M21 operating margin of 6.7% was 0.3pp higher year-on-year. Management reconfirmed its outlook for FY21, guiding to revenue growth of 6–10% (which implies Q421 y-o-y revenue growth of 2.0–17.4%), EBIT growth of 12–21% (range €35.5–37.5m), EPS of €1.25–1.35 and DPS of €1.15–1.20.

Valuation: Range-bound

Consensus forecasts have been upgraded since we [last wrote in July](#) but are still within management's guidance, albeit closer to the upper end of the range. The share price has been relatively range-bound year-to-date; in our view, further upgrades are required to break out of this trend. The stock trades at a discount to peers on EV-based valuation metrics and substantially in line on a P/E basis, reflecting the fact that its operating margins are at the lower end of its peer group, in our view. The stock is supported by a dividend yield of c 2%, which is at the top end of its peer group.

Price €64.7
Market cap €1,093m

Share price graph



Share details

Code	MUM
Shares in issue	16.9m
Net cash at end Q321, excluding lease liabilities	5.4

Business description

Mensch und Maschine Software (M+M) sells proprietary and Autodesk CAD/CAM software. It reports across two business lines: M+M Software (FY20: 31% of revenues, 62% of EBIT) and VAR (FY20: 69% of revenues, 38% of EBIT). The company has operations in Europe, the United States and Asia-Pacific.

Bull

- Largest European Autodesk value-added reseller.
- High-margin, internally developed software.
- Loyal workforce.

Bear

- Reliant on Autodesk's technology development and channel strategy.
- Management owns more than 50% of the company.
- Large exposure to DACH economies.

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Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/19	245.9	26.3	0.99	0.85	65.4	1.3
12/20	244.0	29.8	1.12	1.00	58.0	1.5
12/21e	265.5	35.8	1.32	1.20	49.0	1.9
12/22e	294.8	42.2	1.56	1.38	41.5	2.1

Source: Mensch und Maschine investor relations pages.

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