

mic

Financials
1 October 2020

Focus remains on reverse takeover

mic's corporate structure has not changed during H120 and the company is still searching for a reverse takeover target, which should transform it into an operational entity instead of a holding. According to management, the search for a reverse target is making good progress. To finance this transaction, mic had net cash of €0.7m at H120 together with potential new equity capital of up to €6.5m that was authorised by the shareholders at the AGM. The share price has increased 34% since our last update in July, most likely on the news of the potential corporate transformation. The book value of the current holdings was c €2.1m at H120 and combined with the net cash position of €0.7m this implies a value per share of €1.14.

No change in corporate structure in H120

While the company's asset composition remained unchanged in H120, in August mic's subsidiary Securize acquired a 25% stake in FutureTec, a German cloud and IT services provider. Securize paid €0.1m in its own shares and expects FutureTec to realise revenues of €0.4m in 2020.

Search for reverse takeover is making good progress

During H120 there was no news about the potential reverse takeover, but according to management, the search for a reverse target is making good progress. . Previously, management communicated that the target could be a company with revenue of €20–30m, generating a 15% EBITDA margin and annual revenue growth of 20–30%, with a focus on growing markets such as big data, Industry 4.0, infrastructure and energy management, the Internet of Things (IoT) and digitalisation. At H120, mic had net cash of €0.7m and its shareholders have already authorised a potential increase in equity of up to €6.5m, which could potentially be used for acquisitions and general corporate needs.

Valuation: Dependent on corporate transformation

mic intends to transform into an operational company instead of just a holding company. The current valuation should therefore include an expected value of this transformation, although the new activities are not known yet. Since our last update in July, the share price has increased 34%, most likely on the news of the potential reverse takeover. At H120, the book value of the investments of around €2.1m and the net cash position of €0.7m result in a total value of €2.8m, or €1.14 per share. According to management, legal disputes with the previous management and tax reimbursements could deliver another €1m in cash over the next 18 months, or €0.41 per share.

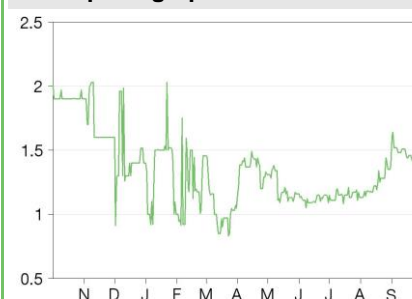
Historical financials

Year end	Gross profit (€m)	EBIT (€m)	Net profit (€m)	Equity (€m)	EPS (€)	DPS (€)
12/16	(1.3)	(3.6)	(6.2)	7.2	(0.60)	0.00
12/17	1.3	0.5	(0.6)	7.6	(0.06)	0.00
12/18	0.1	(1.7)	(4.9)	3.1	(0.33)	0.00
12/19	0.8	0.0	(1.5)	1.5	(0.10)	0.00

Source: mic

Price €1.56
Market cap €4m

Share price graph



Share details

Code	M3BG
Listing	Deutsche Börse Scale
Shares in issue	2.45m
Last reported net cash at 30 June 2020	€0.7m

Business description

As an active investor with a long-term investment horizon, mic invests in medium-sized companies in the growth markets of big data, Industry 4.0, infrastructure and energy management, the Internet of Things (IoT) and digitalisation as a supplement to its disruptive technologies.

Bull

- Prospects for new technology businesses.
- Radical strategic refocus in progress.
- Newly raised €0.9m and debt-free balance sheet.

Bear

- Unproven business record.
- Execution risk of acquisition strategy.
- Risk of dilution from refinancing.

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Review of H120 results

mic does not publish the results of its two holdings (see Exhibit 2) as it does not have to fully consolidate these stakes according to HGB rules. Now that the restructuring process of the last few years has been finalised, the net loss is much lower compared to the multi-million losses over these years, which were caused by relatively high restructuring costs and write-downs. In H120, gross profit of €0.3m was mainly fuelled by consultancy fees from its subsidiaries. The company reported an exceptional charge of €0.6m, which is related to the write down of several smaller holdings, such as Flores solar and mic Asia. All of mic's equity in the holdings that are not listed in Exhibit 2 are now valued at zero. mic reported a net loss of €0.3m in H120 compared to a loss of €1.5m in FY19.

Exhibit 1: mic H120 results

€m	FY18	H119	FY19	H120
Gross profit	0.1	0.3	0.8	0.3
EBIT	(1.7)	0.0	0.0	0.2
Write downs/other adjustments	(3.9)	(0.3)	(1.5)	(0.6)
Net profit	(4.9)	(0.2)	(1.5)	(0.3)

Source: mic

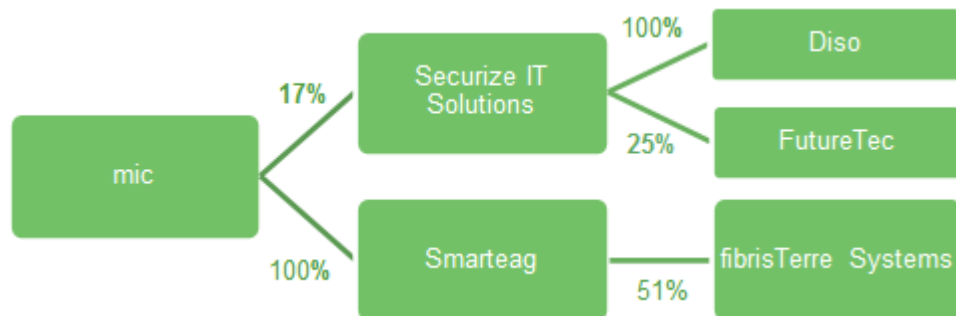
No change in key assets, awaiting reverse takeover

There have been no changes in mic's assets during the first half of 2020. mic still has two main direct holdings: Securize IT Solutions and Smarteag. In November 2019, mic announced that 4Industries is not a focus holding any longer due to the lack of growth opportunities and mic's equity in 4Industries was written down to zero.

mic holds 17% of Securize IT Solutions, which owns 100% of Diso. Diso is an IT service provider specialising in digital workstations for departments in large companies that have the highest requirements for security and flexibility. The focus is on German and Swiss companies, eg Thyssenkrupp and Axon Lab. On 26 August 2020, Securize announced that it had acquired a 25% stake in FutureTec Systems, a German cloud and IT services provider with 10 employees. The acquisition price of €0.1m was fully paid in shares. The estimated revenues of FutureTec for 2020 are €0.4m. Securize has the option to acquire the majority stake in FutureTec in due course.

mic also owns 100% of Smarteag, which in turn owns 51% of fibrisTerre Systems. Smarteag focuses on sensor technology in the field of monitoring and managing physical infrastructure such as pipelines, railway lines, bridges and tunnels. Subsidiary fibrisTerre is a Berlin-based designer and manufacturer of distributed fibre optic sensing solutions for simultaneous strain and temperature measurements. mic is considering options to sell the company, via an IPO or via a private equity sale.

Exhibit 2: mic focus holdings as at 26 August 2020



Source: mic, Edison Investment Research

Management is still aiming for value-accretive strategic decisions by searching for a medium-sized takeover target, focusing on growth markets such as big data, Industry 4.0, infrastructure and energy management, the Internet of Things (IoT) and digitalisation. mic's net cash position at 30 June 2020 was €0.7m and the shareholders have already authorised an increase in equity of around €6.5m, potentially offering more room for acquisitions.

Financials

mic strengthened its equity in April 2020 by issuing 915,240 new shares at a price of €1.05 per share. The company raised €0.9m and mic had a net cash position of €0.7m at H120. Through the issue of shares, total assets increased to €3.0m compared to €2.4m at year-end 2019. The book value of the financial assets declined to €1.4m from €1.7m at year-end 2019. The financial assets consist of a loan of €1.0m related to Smarteag and the value of the Securize shares of €0.4m.

Exhibit 3: mic's balance sheet



Source: mic

Valuation

It is currently impossible to value mic, as the company intends to transform itself into an operational entity instead of just a holding company. The book value of the current two investments is around €1.75m, which is a combination of financial assets of €1.4m and receivables related to Smarteag of €0.35m. In 2019, mic wrote down its equity in 4Industries to zero, but there is still €0.35m of receivables on its balance sheet related to this company (services rendered and also the remainder of a former purchase price). If we add the last reported net cash of €0.7m to the combined value of the investments, we arrive at a value of c €2.78m, which compares to the reported equity value of €2.17m at H120. Including net cash, the book value reflects a value per share of €1.14. According to management, legal disputes with the previous management and tax reimbursements could deliver another €1m in cash over the next 18 months, or €0.41 per share.

Exhibit 4: Book value of mic holdings

	Value (€m)
Last reported balance sheet value of Smarteag	1.35
Last reported balance sheet value of 4Industries	0.35
Last reported balance sheet value of Securize IT Solutions	0.40
Net cash position at H120	0.67
Total book value of investments, plus net cash position	2.78

Source: mic

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