

MBH Corporation Plc

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MBH Corporation expands education arm with second acquisition in a month

MBH Corporation Plc (ETR:M8H) has agreed its 12th acquisition and its second this month, with the purchase of Singapore-based Learning Wings.

Learning Wings delivers education services for state schools and non-profit organisations, for children aged 5-12, and generated revenues of S\$0.8mln (£0.5mln) last year.

READ: MBH Corporation uses new bonds to make 11th acquisition

As the sixth business in the education and training vertical, it will take MBH's group pro forma revenue for 2019 up to £81.5mln.

The 100% acquisition, which includes a commercial property on the equatorial island city, is being made for an estimated total consideration of S\$1.4mln in convertible notes, with the final consideration to be confirmed once the audit for last year's accounts has been completed.

The convertible note will convert into MBH shares at the lower of the 30-day volume weighted price preceding the conversion date or €1 per share.

MBH said the new addition will help boost the international expansion of its Acacia Training business as its first global acquisition.

Victoria Sylvester, Managing Director of Acacia Training Limited commented: "We are really excited that Learning Wings is joining the group as part of Acacia Training's tactical acquisition strategy.

"Being our first company outside of the UK to join our team, we are looking forward to continuing our future plans to explore the opportunities that will be created by widening our business community in the education vertical."

Gabriel Goh, director of Learning Wings, said: "It is exciting for Learning Wings to join MBH and find synergy among like-minded entrepreneurs and businesses on the other side of the world."

He added: "Joining MBH gives us added credibility to our clients and partners and we intend to leverage on MBH as a growth platform to expand with a 2-prong approach: via M&A as well as organically, in particular our online initiative. This COVID-19 situation has shown us how we can take our large number of physical classes online and capitalise on this new normal."

Broker update

German broker GBC also updated its numbers on MBH, which is listed in Frankfurt and Düsseldorf, where analysts maintained their 'buy' rating with the new fair value per share of €1.89 or 170p.

Despite the double dose of acquisitions in June, the analysts halved their estimates for completed deals this year to five due to the coronavirus pandemic, but expect this to return to around 10 deals a year from 2021.

Share Information

Code: M8H

Listing: FRA

Sector: Financial Services

Website: www.mbhcorporation.com

Company Synopsis:

A global agglomerate of well established, profitable small businesses. MBH Corporation Plc is a new style of corporation, designed to maximise shareholder value by facilitating access to a diverse portfolio of highly motivated, well run, small to medium-sized enterprises (SMEs).

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Revenues and underlying profits (EBITDA) are forecast to grow to £53.7mIn and £5.5mIn in 2020, and then make a big step up to £104.4mIn and £11.6mIn respectively in 2021.

"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," the analysts said.

"A substantial acquisition pipeline and attractive organic growth are the key drivers of MBH's value creation," they added, noting that organic growth is promoted via an earn-out system on each additional gain over a specific base such as 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."

MBH shares were up 11% to €0.48 just after noon on Tuesday.

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