



# RINGMETALL AG

HP3 GY | 15 November 2018

Industrials

Germany

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## OUTPERFORM

Price Target: EUR 5.30

### FLASH: Q3-18 results – Solid results and upcoming catalyst

**Ringmetall reported Q3-18 results, key points:** Sales EUR 28.1m (+7% y/y, +3% vs MFe), EBITDA EUR 1.9m (-24% y/y, -18% MFe), EBIT EUR 1.2m (-16% MFe).

**Adjusted:** sales adj. +3.9% y/y in 9M-18 (vs +3.7% H1-18), adjusting for the positive steel price impact y/y. The steel price has a primary impact as selling prices are based on the MEPS steel price index; (2) EBITDA adj EUR 2.2m (-16% vs MFe), adjusting for one-off costs for the shift into IFRS and uplisting into the General Standard (from SCALE) of EUR 900k 9M-18, EUR 200k Q3-18. Related one-off costs are finally completed with 9M-18 results.

**Divisional:** Industrial Packaging sales EUR 24.7m (+7% y/y, +3% MFe), EBITDA EUR 2.6m (flat y/y, -10% MFe). Strong y/y growth due to steel prices y/y, margins face temporary headwinds due to elevated margins within the steel supply chain, negative FX effects in USD (28% of sales) and TRY (3% of sales). On the positive side, Ringmetall was able to pair the pricing of sales in Turkey to the USD, mitigating the local transaction risk in the future. Industrial Handling sales EUR 3.4m (+6% y/y, in line MFe), EBITDA EUR 0.2m (flat y/y, EUR 0.3m MFe). Margin headwinds are explained by maintenance of machinery and one-off costs for patents.

Major investments were made with hires in central functions, IT and controlling as well as the merger of production site Sessenhausen with the site in Atterndorn. These one-off costs (not included in EBITDA adj), amount to EUR 0.1m in the third quarter and will continue into Q4-18 with further EUR 0.4m. However, these steps will lead to future cost savings of EUR 0.4m p.a.

**Guidance:** Ringmetall confirms their 2018E guidance of EUR 108m-112m and adjusted EBTDA of EUR 12.5m-13.5m. Management expects that growth rates for the upcoming year are unlikely to exceed current fiscal year growth rates as the cooling of the economic environment is viewed carefully.

**View:** The company delivered solid Q3-18 results, reported margins however did suffer from growth investments e.g. new hires and site mergers for future cost savings. Going forward, we expect total costs of EUR 0.5k for the merger of site Sessenhausen/Attendorn in Q3-18 to put 2018E EBITDA guidance at clear risk, a short-term headwind investors should be aware about. However, on the positive we expect Ringmetall to announce a value-accretive acquisition in the current fiscal year and

LAST CLOSE (EUR)	3.25
MKTCAP (EUR m)	94
UPSIDE (%)	63.1
DAILY T/O (EUR m)	0.04

YEAR TO DEC (EUR M)	2017	2018E	2019E	2020E
Group revenue	102	110	116	120
EBITDA (adj.)	12	13	15	17
EBIT (adj.)	10	11	13	15
EPS (adj.) (EUR)	0.24	0.21	0.27	0.32
DPS (EUR)	0.06	0.05	0.06	0.07
FCF	5	7	7	8
Net debt (cash)	5	(2)	(7)	(13)
RoIC (%)	16.7	14.9	17.0	17.6
P/E (adj.)	14.5	15.5	12.1	10.0
EV/EBITDA (adj.)	8.74	7.53	5.96	4.95
Free CF yield (%)	4.9	7.9	7.0	8.9

#### ANALYSTS

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Flash formats do not involve any estimate, price target or rating changes.



hence view the overall structural 2021E growth story as intact. We reiterate our Outperform rating with a price target of EUR 5.30. We foresee continued successful execution on the M&A-front over the next three years, which should provide upside to our base case valuation and move our PT to EUR 7.4 (~80% upside).