RINGMETALL AG

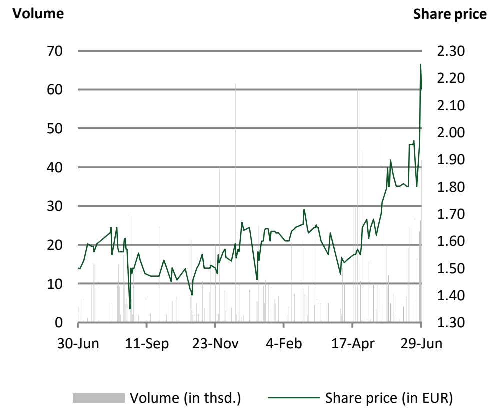
Recommendation:	Buy
Price target:	EUR 3.30
Upside potential:	+53 percent

Share data

Share price (closing price	EUR 2.16 (XETRA)
Number of shares (in m)	22.88
Market cap. (in EUR m)	49.4
Enterprise value (in EUR m)	75.5
Code	HP3
ISIN	DE0006001902

Performance

52-week high (in EUR)	2.25
52-week low (in EUR)	1.35
3M rel. CDAX	+36.7%
6M rel. CDAX	+44.6%



Source: Capital IQ

Shareholder structure

Free float	40.0%
Management	60.0%

Calendar

2015 annual report	29 July 2016
AGM	30 August 2016

Changes in estimates

	2016e	2017e	2018e
Sales (old)	**90.7**	**94.6**	**98.4**
Δ in %	-	-	-
EBIT (old)	**6.7**	**7.2**	**7.7**
Δ in %	-	-	-
EPS (old)	**0.18**	**0.20**	**0.23**
Δ in %	-	-	-

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Publication

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Niche player with outstanding competitive quality

Ringmetall is the world's leading provider of clamping rings, an indispensable component for safely sealing industrial drums. In Europe, the company has been the undisputed market leader for a number of years, with a **roughly 80% share of the market**. The products are mostly used in the chemical industry, which relies on high-quality drum seals in order to store and transport hazardous materials. This means the market is subject to the merely moderate, but constant growth of chemical production.

Ringmetall's position as the market leader is the result of its **high level of competitive quality**. The company has relationships dating back years with the leading global drum manufacturers and major industrial buyers. Ringmetall, a certified manufacturer with decades of production expertise, is among the few providers on the market that produce close tolerances, enabling it to meet the high quality standards for use with hazardous materials. The company also has the highest degree of internationalization among its peers, with 12 production sites in seven countries.

Ringmetall is actively advancing the market consolidation and, taking stable cash flows as a basis, is carrying out smaller acquisitions in order to strengthen its competitive position or to expand its product portfolio. With the acquisition of a drum cover specialist, the company's status as the **world's only system supplier** for complete drum sealing systems was reached in 2015. This enabled Ringmetall to tap into additional growth prospects in spite of it already having a strong market position. The largest acquisition in the company's history was also carried out last year with the **takeover of its American counterpart Self Industries.** This also gives the Ringmetall Group a share of roughly 80% of the American market, which features stronger growth.

The first-time consolidation of Self Industries in December 2015 will lead to **significant increases in sales and earnings** this year. The first quarter saw sales growth of 35.9% and a disproportionately high increase in EBITDA by 76.9%. The 2016 guidance (sales EUR 90-95 m; EBITDA EUR 11-12 m) already reflects the push towards a new sales and earnings dimension.

Using this as a basis, we also anticipate solid organic growth in the next few years along with sustainably higher profitability. The higher share price over the last few weeks indicates that the market is increasingly recognizing Ringmetall's impact and the conglomerate discount of the former industrial holding is gradually being eliminated with the company's clear focus on industrial packaging as a specialized provider. Our valuation using a DCF model and a peer group analysis, however, still points to a **considerable undervaluation**.

Summary: Ringmetall's new strength is not sufficiently reflected in the share price. We therefore deem it an extremely attractive investment. We are initiating coverage of the share with a Buy recommendation and a price target of EUR 3.30.

End of financial year: 31 Dec.	2014	2015	2016e	2017e	2018e
Sales	65.8	66.7	90.7	94.6	98.4
Change yoy	41.6%	1.3%	36.0%	4.3%	4.0%
EBITDA	7.0	5.5	12.0	12.7	13.3
EBIT	2.9	1.4	6.7	7.2	7.7
Net income	1.5	-0.6	4.1	4.7	5.2
Gross profit margin (%)	48.4%	46.8%	50.0%	50.0%	50.0%
EBITDA margin	10.6%	8.2%	13.2%	13.4%	13.5%
EBIT margin	4.5%	2.1%	7.4%	7.6%	7.8%
Net debt	12.4	24.1	17.6	11.2	4.5
Net debt / EBITDA	1.8	4.4	1.5	0.9	0.3
ROCE	9.7%	3.8%	15.9%	18.4%	21.0%
EPS	0.07	-0.03	0.18	0.20	0.23
FCF per share	0.11	0.17	0.33	0.33	0.35
Dividend	0.05	0.05	0.05	0.06	0.07
Dividend yield	2.3%	2.3%	2.3%	2.8%	3.2%
EV/sales	1.1	1.1	0.8	0.8	0.8
EV/EBITDA	10.8	13.8	6.3	6.0	5.7
EV/EBIT	25.6	53.0	11.3	10.5	9.8
PER	30.9	n.m.	12.0	10.8	9.4
P/B	3.1	2.8	2.4	2.0	1.7

Source: Company data, Montega, CapitalIQ   Data in EUR m, EPS in EUR   Price: 2.16

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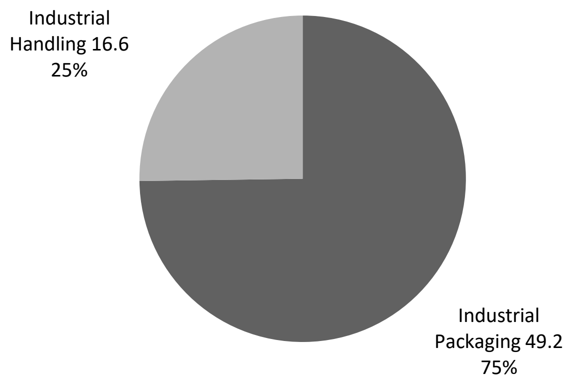
INVESTMENT CASE

Ringmetall is a specialized provider of industrial packaging and the global market leader in clamping rings. These are used for the safe sealing of industrial drums, especially those used for hazardous materials. Corporate purchases in 2015 have made Ringmetall the world's only system supplier of complete drum sealing systems, and marked the company's entrance into the attractive American market. The latest acquisitions are an expression of its strategic focus on metalworking for the packaging industry, especially when it comes to drum closures. The clear focus on this niche market is also reflected outward after the small holding company was renamed from H.P.I. Holding to now Ringmetall AG.

The Industrial Packaging segment, which produces clamping rings, is Ringmetall's actual core business. After acquiring the US market leader Self Industries (sales roughly EUR 26 m; consolidated in December 2015), the packaging segment made up approximately 75% of sales in 2015 and this figure will increase significantly in the current year, thereby bringing it to a new dimension of sales. The Industrial Handling segment (metal components for materials handling vehicles) carries less weight.

Sales by business segment in 2015
(in EUR m)



Source: Company data

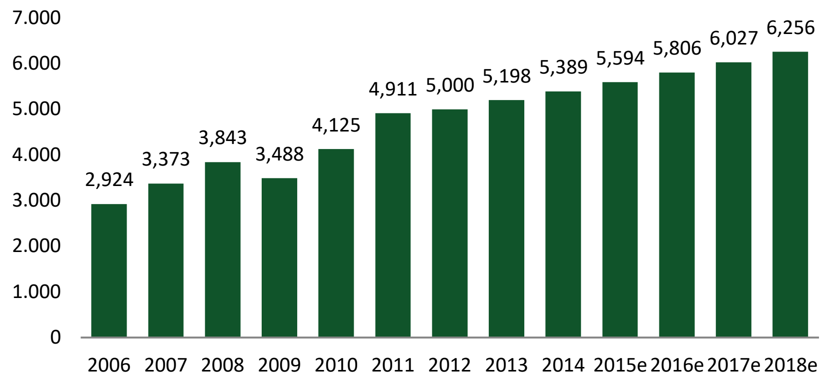
Global industrial packaging market sees solid growth

The volume of the global industrial packaging market, which also includes drums, came out to around USD 50bn in 2014. Industry experts believe the market will grow by 3.4% p.a. on average through 2020 to a figure of around USD 61bn. Merely moderate growth of just under 2% p.a. is expected for the largely saturated European market, whereas the Asian market should see stronger growth of some 5%. Drums and drum-like intermediate bulk containers (IBCs) currently make up approximately a third of the market. This share is expected to rise slightly through 2020 to around 36%. The demand for drums is especially driven by the global rise in trading volumes and their explicit benefits with regard to their robustness and reconditioning.

Some of Ringmetall's most important direct customers are manufacturers and reconditioners of industrial drums. The company brings in most of its proceeds (some 60%) with the world's two leading drum producers, Greif and MAUSER. It has had business relationships in place with these companies for years. The demand for drums and thus clamping rings has been heavily dependent on the trends seen in the chemical industry of late. This industry uses more than 75% of the metal drums produced or recycled around the world.

This puts Ringmetall in a mature market overall, which is growing in lock-step with the chemical sector. The industry is seeing a long-term upward trend and reported considerable growth in past years (2006-2014 CAGR: 7.9%). The performance has lost a bit of dynamic of late, however, among other things as a result of the weaker economic growth in China and the abrupt end to the fracking boom in the US due to the low price of oil. Market experts therefore see only moderate growth of 3.8% on average for the global chemicals market through 2018. The following chart shows the historical and forecast development of the global chemical industry.

Sales volume in the global chemicals market
(in USD bn)

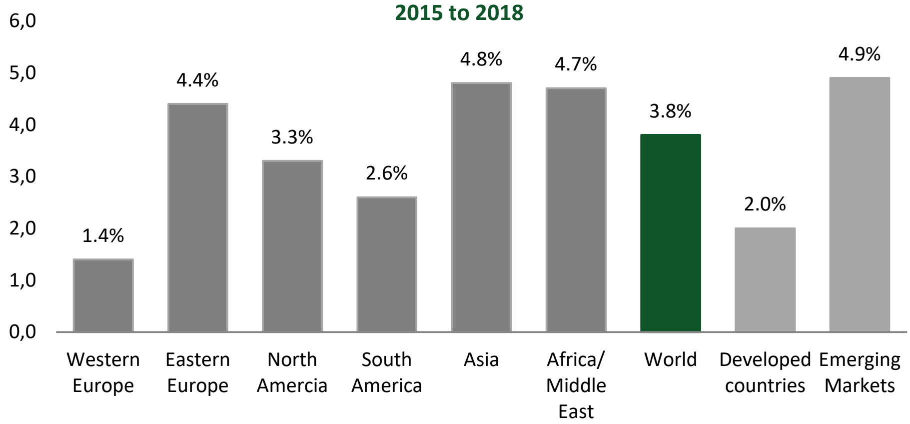


Source: American Chemistry Council

The chemical industry in Europe is suffering from weaker demand in particular. The European industry association Cefic only anticipates 0.9% growth in production this year, meaning the European market should see another year of stagnation and should remain below the pre-crisis level from 2007.

Significantly higher growth rates are expected for the other regions of the world in the years to come, especially the emerging markets. The US is also a growth market compared to Europe. This is mainly driven by the low energy prices, the significant revival of the American construction sector and a reinvigorated industrial sector. The following chart shows the expected growth rates of the chemical industry in various regions around the world.

Expected growth rates of chemical industry by world region 2015 to 2018



Source: American Chemistry Council

Undisputed leader in a niche market

The figures and forecasts shown illustrate the need for expansion in non-European markets in order to follow customers to the growth regions. Ringmetall has spent years meeting this need after strengthening its internationalization. It should be noted here that clamping rings are generally not transported across large areas due to their considerable volume in relation to the low value of the goods and the risk of corrosion. The company's **broad international positioning**, with production sites in Germany, the UK, Spain, Italy, Turkey, China and the US, gives it the proximity it needs to customers in the target markets to be tapped into. It therefore offers Ringmetall an important competitive advantage.

The company already has a **roughly 80% share of the market** for clamping rings in Europe and the US. The remaining competitors in Germany and abroad are all much smaller and less internationalized. Further market consolidation is therefore assumed.

It should be noted that the low unit value of clamping rings makes them less significant for the actual drum price. At the same time, high-quality clamping rings are indispensable when it comes to ensuring compliance with the strict safety requirements for the storage and transport of toxic substances in the drums. In light of the dominant position in the niche market for clamping rings and as the **quality leader** for a product with a small share of value but one that performs a critical safety function, Ringmetall is well protected from price wars with its competitors in our assessment. It does not face direct competition from Asian clamping ring producers, since they do not live up to the product quality standards of European manufacturers. As a result, they are usually unable to meet the high safety requirements of major buyers from the chemical industry in place for materials and processing.

The high quality of Ringmetall's products is a result of production expertise going back decades. It is a certified manufacturer and has **more than 60 years of experience with clamping ring production.** More than 70 m rings are manufactured each year using machines the company developed itself. It operates the highest number of automated production plants within the sector and also offers the greatest variety of products on the market with its more than 2,000 product variations.

Its **customer relationships dating back many years** with the few major international buyers are proof of the company's high level of quality and the reliability of its products. It is among the top suppliers of the world's leading drum producers. Because every drum manufacturer uses its own specific clamping ring, customers rely on Ringmetall as their supplier throughout the entire life span of their drums. Customers are even more bound due to the fact that in order to ensure the necessary safety, clamping rings have to be swapped out after just a few times being opened and closed due to natural material deformation. This gives Ringmetall a certain degree of stability and visibility in its business operations.

Customer loyalty should prove even stronger in the future with the company obtaining its **status as a system supplier** in 2015. The acquisition of Metallwarenfabrik Berger in Sessenhausen made Ringmetall the world's only complete provider of drum closures consisting of the cover, seal and clamping ring. This offered it a valuable added benefit for customers in terms of compatibility of the individual components. At the same time, this opens up considerable cross-selling potential for Ringmetall.

Its excellent competitive position should make it possible for the company to not just defend its market leadership in the coming years, but to **gain additional market share** worldwide as well. In doing so, it will promote growth in the unit sales markets it has already tapped into and open up new markets. Based on its good cash flows (2015 free cash flow: EUR 3.9 m), Ringmetall will rely on both organic growth and other add-on acquisitions in the packaging industry. The company is currently in the advanced stages of talks with a number of smaller competitors. However, we have yet to take any possible purchases into consideration in our forecasts.

Solid organic trend – jump in sales due to US acquisition

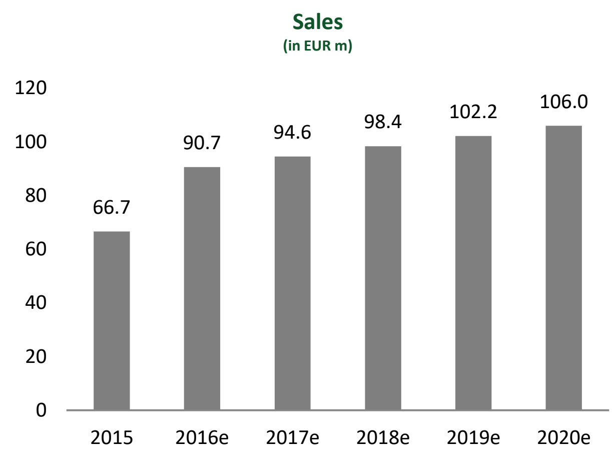
In the past financial year of 2015, Ringmetall generated solid growth in its core Industrial Packaging segment of 4.3% to more than EUR 51 m. With the Self Industries subsidiary in the US being consolidated for the first time in December 2015, sales will climb substantially in the current year. Sales of Industrial Packaging back in Q1 increased by 50.9% to EUR 18.4 m.

We anticipate proceeds of approximately EUR 89 m in the core **Industrial Packaging** segment by 2020. We have identified the following factors as driving growth in the individual regional target markets.

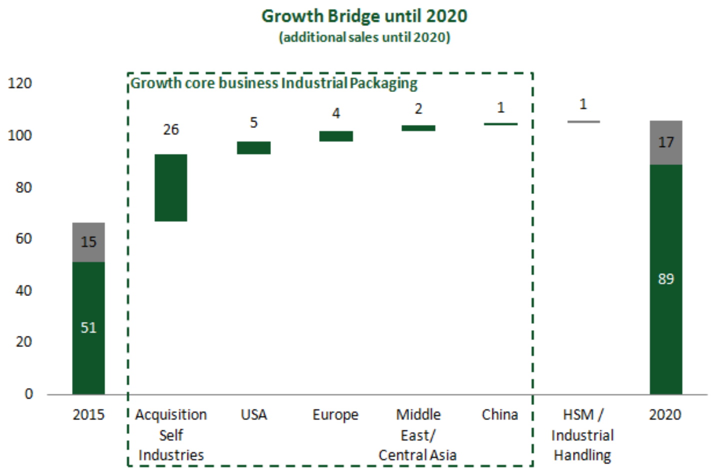
- **Europe:** Major growth in the domestic market is no longer anticipated in light of the company's leading market position. Given its status as a system supplier, however, Ringmetall is expected to gain market share from its competitors with a limited product offering. We therefore believe the company will see somewhat stronger growth than the overall European market and will be capable of generating roughly EUR 4 m in additional sales in this region by 2020.
- **North America:** Ringmetall has acquired its American counterpart for clamping ring production in Europe, Self Industries. The company is the market leader by far (market share of roughly 80%). It has modern production equipment and established customer relationships. Its entry into the US market, which features stronger growth, also enables it to negotiate global contracts with the drum manufacturers. We therefore assume market share gains here and anticipate organic sales growth to over EUR 31 m for the US business by 2020.
- **Middle/Near East:** The clamping ring plant in Turkey moved into a new factory building in 2014. The region was responsible for sales of around EUR 3 m in 2015. The new production surroundings allow Ringmetall to push forward its new customer business in the Arab world as well as Israel and Russia. Although the latter is facing a tense political situation, we believe the region has the potential to boost its sales volume to nearly EUR 5 m by 2020.
- **China:** Ringmetall is quickly becoming more of an important player in clamping ring production in China. The sales volume is still relatively low at just under EUR 1 m at the moment, but this is expected to double by 2020. The company is benefiting from the rapid rise in demand for quality products given the stricter environmental and safety standards.

The much smaller **Industrial Handling** segment is not part of the company's core business. We therefore cannot rule out the possibility of a sale in the medium term to finance additional growth, but we are including the segment in our forecasts. Given the tough market setting at the moment for the agricultural machine sector, we only anticipate marginal sales growth of just under EUR 1 m for the forecasting period through 2020.

We expect to see consolidated sales rise overall from EUR 66.7 m in 2015 to approximately EUR 106 m in 2020. The sales performance that we forecast and the growth contributions from the two segments as well as the individual target markets are shown below.



Source. Company data, Montega



Source: Company data, Montega

New margin level achieved

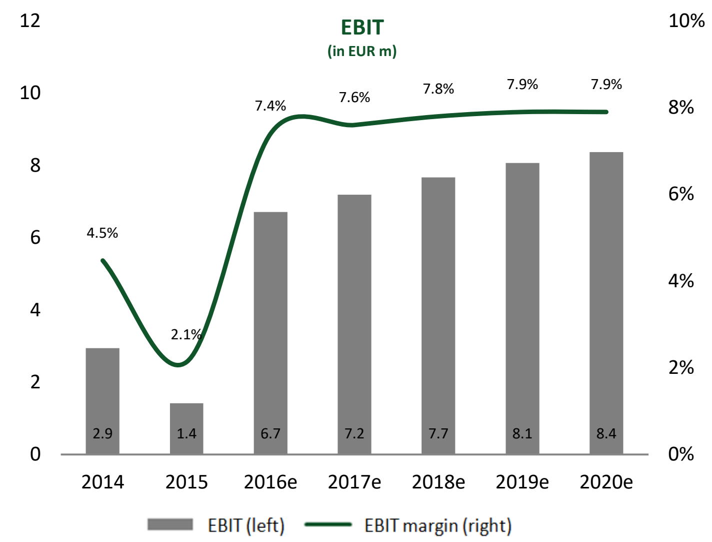
In 2015 Ringmetall brought in EBITDA of EUR 5.5 m from its Industrial Packaging segment (EBITDA margin: 10.7%). This included one-off expenses of around EUR 1.5 m from costs arising from the due diligence, financing, legal consulting and tax advisory services in connection with the acquisitions carried out. These were not offset by income from the Self Industries segment, which was first consolidated in December 2015.

However, Ringmetall's full profitability showed through for the first time in its Q1 figures. The gross margin rose to 51.5% (previous year: 48.5%) and consolidated EBITDA showed a considerable improvement clearly disproportionate to sales to EUR 3.0 m (previous year: EUR 1.7 m). The EBITDA margin in the first quarter came out to 13.4%, which is a record for the company.

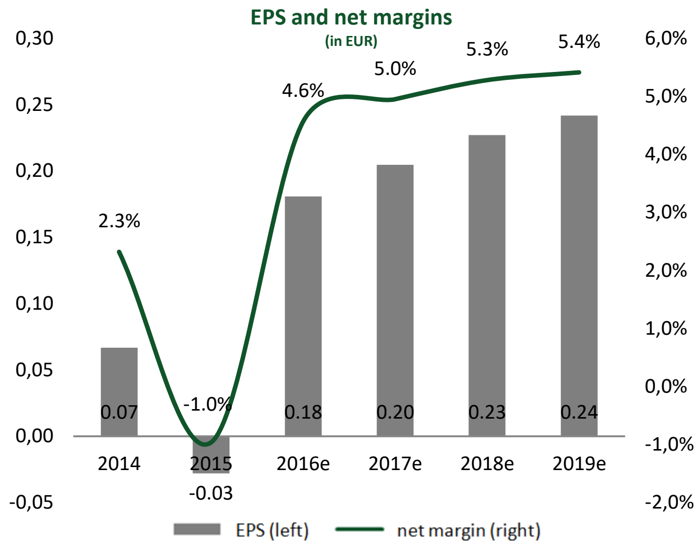
We believe the margin level can be maintained or even slightly boosted in the next few years. Our estimates are based on the following points in particular:

- **Economies of scale:** The constant growth in production volumes at clamping ring plants around the world will, in our view, lead to economies of scale along the process chain and thus to another improvement in the operating margin. The plant in China is also believed to have reached its break-even point for the first time in 2015 and should continue to boost the margin in the future.
- **Falling personnel expense ratio:** After investing a great deal in the last few years, today Ringmetall has state-of-the-art machines, some of which are used in the fully automated production of clamping rings. We therefore expect to see the personnel costs rise less than proportionately to sales.
- **Process optimizations:** In 2015 Ringmetall moved its clamping ring production from the Löbnitz location in Saxony to the main production site in Berg (Rhineland-Palatinate). Merging production capacities allows for a visible improvement in organizational processes and production sequences. We also see potential for a location merger in the US.

The points mentioned are expected to help improve profitability in the long run. We believe a consolidated EBIT margin of 8% can be reached in the medium term. Moreover, the sound operating cash flows should help scale back debt in the next few years. The following charts show the forecast EBIT and EPS development as well as the margins this entails.



Source: Company data, Montega



Source: Company data, Montega

Guidance can easily be reached – news flow should stay positive

For the current 2016 financial year, Ringmetall expects EUR 90-95 m in sales and EBITDA of EUR 11.0-12.0 m. We believe the annual targets can be reached easily given the strong figures in Q1. We anticipate sales of EUR 90.7 m and EBITDA of EUR 12.0 m.

Given that the US subsidiary Self Industries was not yet consolidated in the previous year, Ringmetall will also report significant sales and earnings increases in the quarters that follow. This means a continuously positive news flow is expected. A jump in the share price is already indicating that the market is increasingly recognizing the company's push into a new business dimension and the share is losing its earlier conglomerate discount in light of the company's clear strategic focus on the core business. The more in-depth capital market communication that is planned should also contribute to this in particular.

Share offers attractive upside potential

Our valuation of the Ringmetall share is based on a DCF model and the plausibility of earnings is checked using a peer group analysis. Both valuation procedures point to a clear undervaluation of the share.

- **DCF:** We expect to see solid organic growth rates from Ringmetall in the years to come. Based on the margin level now reached, the company should also be able to slightly improve its profitability. Assuming a WACC of 8.3%, the DCF model yields a fair value of EUR 3.30 per share. Given the last closing price, this implies attractive upside of 53%.
- **Peer group:** The peer group analysis underscores the result of the DCF valuation. With a 2016e PER of 12.0x and 2016e EV/EBITDA of 6.3x, the Ringmetall share is currently listed well below the average valuation multiples of its peers (2016e PER 17.1x and 2016e EV/EBITDA 8.9x).

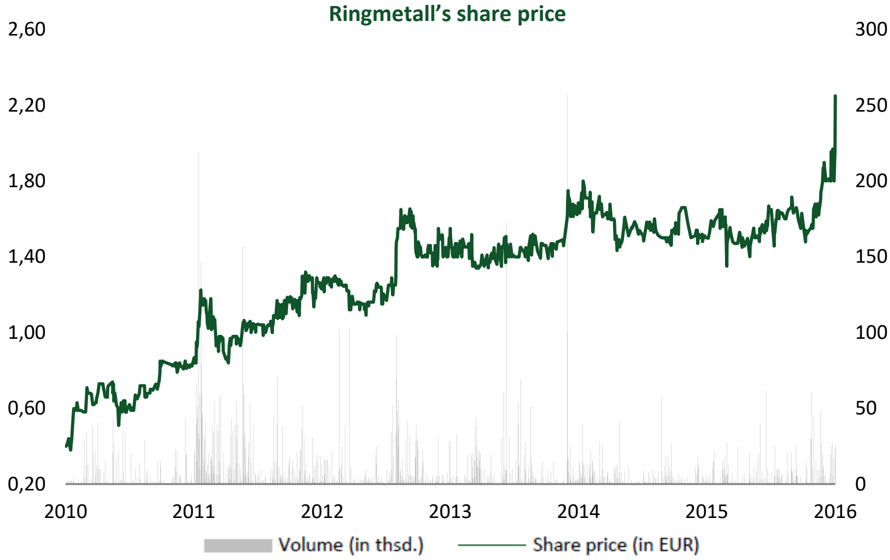
Summary

The company is a strong niche player in the global industrial packaging market. It has an outstanding competitive position, which recently saw a significant expansion through groundbreaking strategic acquisitions, thus making it a system supplier and marking its entry into the attractive American market. At the same time, it thereby broke into a new dimension of sales and earnings. Ringmetall should gain additional market share and actively drive the consolidation of the market in the next few years.

However, the much improved fundamental data and outstanding prospects are not reflected in the company's present valuation. We are therefore initiating coverage of the Ringmetall share with a Buy rating and a price target of EUR 3.30.

TIMING AND SENTIMENT

The Ringmetall share began a gradual upward trend in 2010. This continued until mid-2014. The share price climbed by around 400% during this time. The share then consolidated until early 2016. Lately, however, a considerable revival of the share price has been seen. The all-time high was reached on 28 June 2016 with a close of EUR 2.25. The share was mostly driven by the improved fundamental operating data and new growth expectations due to the latest acquisitions. Moreover, the Ringmetall Group has also clearly positioned itself externally as a specialized provider for the packaging industry in the last few months, to the point that the conglomerate discount of the former industrial holding is gradually being dissolved. Given the market capitalization of around EUR 50 m and the manageable free float, however, the trading volume is still rather low.



Source: Capital IQ

Good news flow and more in-depth capital market communication expected

Ringmetall presented strong Q1 figures on 27 June. We believe it can easily reach its sales and earnings guidance for this year. The Brexit has not had any negative consequences for the company that we can see (natural hedge due to on-site production).

Because the US subsidiary was first consolidated in December 2015, Ringmetall should also report significant sales and earnings increases for the subsequent quarters with a solid organic performance at the same time. The news flow should thus remain positive. We also cannot rule out the possibility of other strategic purchases this year to expand the company's market leadership.

More in-depth capital market communication should improve Ringmetall AG's prominence. To this end, the company recently began establishing a department specializing in investor relations and hired an experienced IR manager. It should also quickly attract further attention with its modernized corporate design and professional image (including a new website, IR presentations, etc.). We believe the steps planned will be carried out in the summer.

This should quickly put the share on the radar of a growing number of investors. We therefore anticipate a constant continuation of the good share price performance ushered in and we recommend investing soon.

SWOT

Ringmetall has a leading competitive position in the niche market for drum closure systems and is the only complete provider on the market. These pronounced strengths are pitted against a few weaknesses, which particularly depend on a few major customers and individual consumer markets.

Strengths

- Decades of production expertise with machines developed by the company itself
- Clear market and quality leadership in the niche market for clamping rings and complete drum sealing systems
- Status as world's only system supplier of drum closures (drum cover, seals and clamping rings) gives customers noticeable added value
- Established access to multinational companies due to broad international positioning with locations in Europe, North America and China

Weaknesses

- Dependence on a few major customers (roughly 60% of clamping ring sales are generated from two customers), although this is mutual
- Relatively high dependence on the chemical/pharmaceutical industry, as the most important end customer segment (share of around 70%)
- Cost of materials fluctuates with the price of steel, but rising costs can generally be passed on to customers within a short time frame
- In light of the product portfolio, hardly any repeat sales from the service business – but actually relatively high planning security due to the naturally limited life span of clamping rings

Opportunities from the acquisitions completed in H2 2015, which allow Ringmetall to complete its product portfolio in the field of drum closures and give the company access new unit sales markets. The stronger internationalization, however, also opens it up to greater currency risk.

Opportunities

- New status as a complete provider offers considerable cross-selling potential
- Latest acquisition gives it access to the attractive American market and could help it expand further in North and South America
- New sales dimension opens up potential to boost margins through economies of scale and synergies (through technology transfers, among other things)
- Product portfolio expanded with new product adaptations (e.g. in the area of pipe connections)

Threats

- More intense competition due to attractive margins within the niche
- Growing degree of product quality, especially among Asian clamping ring manufacturers – however, transporting clamping rings over larger distances is not economical given the high volume in relation to the product's value
- Greater currency risk due to market entry in the US
- High level of goodwill in the balance sheet (118% of equity)

MARKET AND COMPETITION

With its clamping rings as well as sealing and closure systems (Industrial Packaging), Ringmetall first and foremost addresses manufacturers and buyers of industrial packaging materials, especially hazardous material drums. Roughly 25% of the drums used around the world to transport toxic materials are considered “open” drums, which have a removable cover. In order to ensure safe sealing, the drum closures have a cover, seal and clamping ring.

Ringmetall dominates the clamping ring market

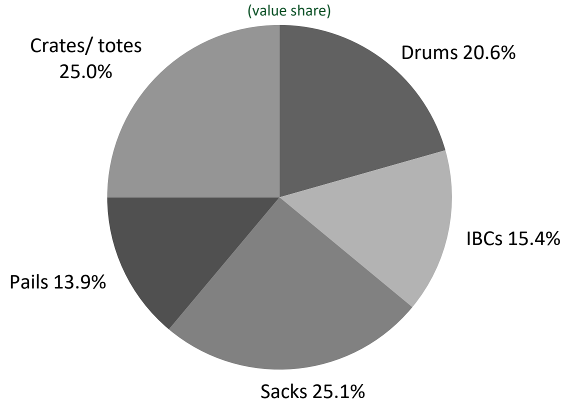
The company has spent a number of years building up its European market leadership in the production of clamping rings (market share of around 80%). This was gradually expanded by way of various purchases. The market volume here comes out to around EUR 60 m. The remaining competitors in Germany and abroad are all much smaller and do not pose a serious threat to Ringmetall’s market positioning. In general, this is a family-owned company with a low degree of internationalization, meaning that further market consolidation can be assumed. One important competitive criterion is the high level of product quality that clamping rings must meet in order to safely seal hazardous materials. Asian clamping ring producers are usually unable to meet the high quality standards of their European counterparts when it comes to the materials and processing, thus eliminating them as direct competition. Moreover, transporting clamping rings over larger distances is neither economical nor sensible given the large volume in relation to the low product value and the risk of corrosion. Geographic proximity to its major customers is therefore an important element in Ringmetall’s market position.

Its latest acquisition makes the company the world’s only system supplier for complete drum closures. With the takeover of American subsidiary Self Industries at the end of 2015, the company is now the market leader in North America as well. As a result, the global industrial packaging market trend is now very significant to Ringmetall.

Global market for industrial packaging growing at a constant rate

According to packaging material experts, the global volume of the industrial packaging market in 2014 came out to approximately USD 49.7 bn. Estimates show the overall market growing solidly through 2020 with a CAGR of 3.4% to a volume of around USD 61 bn at that point. Below-average growth of 1.9% p.a. to then USD 16.9 bn is forecast for the largely saturated European market. Asia, the world’s largest market today, should on the other hand see much stronger growth, namely an annual growth rate of 4.9%. The strong packaging materials that Ringmetall addresses are dominating the market. The proportion of drum and drum-like intermediate bulk containers (IBCs) should climb slightly from currently around one third to 36% by 2020.

Global industrial packaging market in 2020
(value share)



Source: Smithers Pira

The following five points are the major factors that will drive the industrial packaging and drum markets in the years to come:

- The **ongoing globalization** will increase the global trading volume and need for packaging of industrial goods.

- The **higher degree of fragmentation of value chains** on the part of many companies also gives rise to a need for additional transport services between the individual stages of added value and boosts consumption of packaging.

- Transporting and handling goods is made easier in particular through **standardized sizes and types of packaging** as well as through durable types of packaging and materials, like those offered by drums.

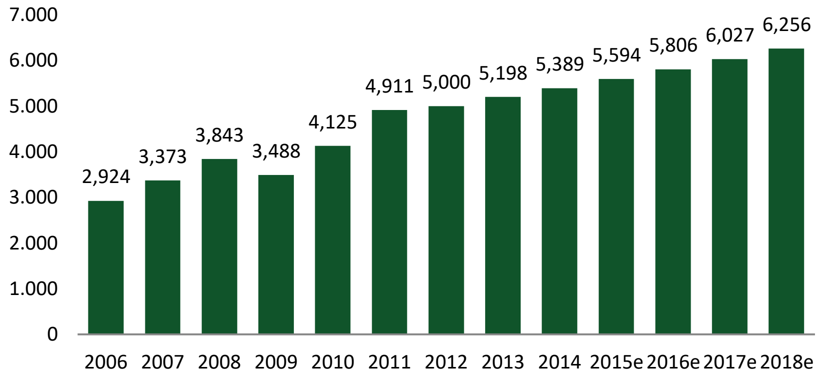
- The **trend towards more sustainable use of commodities** means a greater need for packaging materials that can be reconditioned. In particular, (metal) drums have an edge here in light of their relatively simply repair, cleaning and recycling processes.

- The **stricter, more harmonized environmental protection standards** in global trade (e.g. the United Nations' "Orange Book", with model regulations for the transport of hazardous materials) means that safer, more robust packaging materials must be used. This also speaks to metal packaging and drums.

Chemical industry is the most important end customer

With the benefits of drums already addressed for the transport of hazardous materials, the chemical and pharmaceutical industries constitute the most important end customers for metal drums with a share of more than 75% (>50% for plastic drums) as well as for Ringmetall's clamping rings and drum closures. The company's products are also used in the nuclear energy and food industries. In the medium to long term, however, we believe the market will progress in line with the global chemicals market. The following chart shows its development over the last few years and the expected performance through 2018.

Sales volume in the global chemicals market
(in USD bn)



Source: American Chemistry Council, KPMG

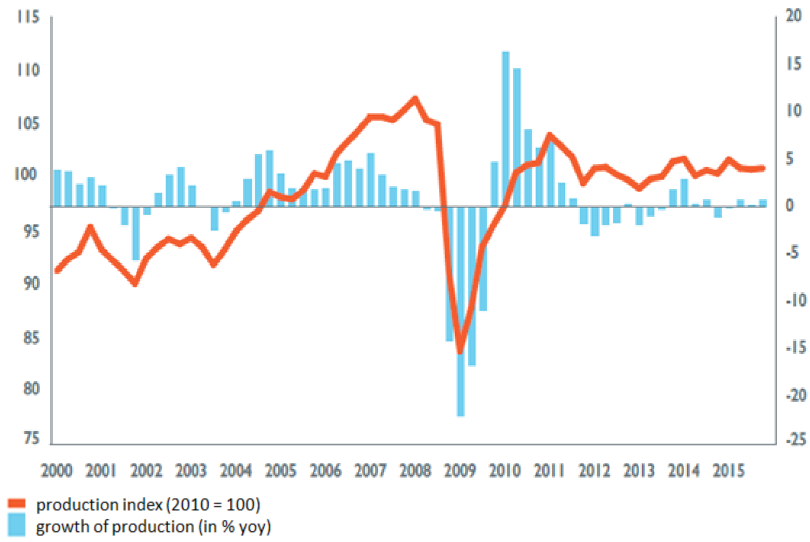
The sales volume of the global chemical industry in the last eight years (2006-2014) has grown at an average rate of 7.9% p.a. This is much stronger than the global economy. Market experts believe the chemicals market will follow its long-term growth trend in the next few years as well and will continue to see solid growth through 2018 with a CAGR of 3.8%.

However, the trend has lost a bit of its dynamic versus prior years. There are a number of reasons for this: In addition to the weakening of growth in China and recessions in Russia and Brazil, the abrupt end to the fracking boom in the US due to the low price of oil is also proving a noticeable strain on global demand for chemicals. As a result, the European chemical industry is facing weaker demand and chemical prices are under pressure despite the economic recovery in Europe.

Stagnating chemical production in Western Europe – US market appears robust

The growth of production volumes in the European chemical industry, which are more significant for Ringmetall, has therefore stagnated of late. According to data by the European industry association Cefic, weaker growth of just 0.3% was seen in the EU in 2015. The growth rate of chemical production from 2004 to 2014 came out to just 0.4% on average. Despite a recovery trend seen after the significant slump in the course of the economic crisis in 2009, the production volume is still below the pre-crisis level, as the following chart shows.

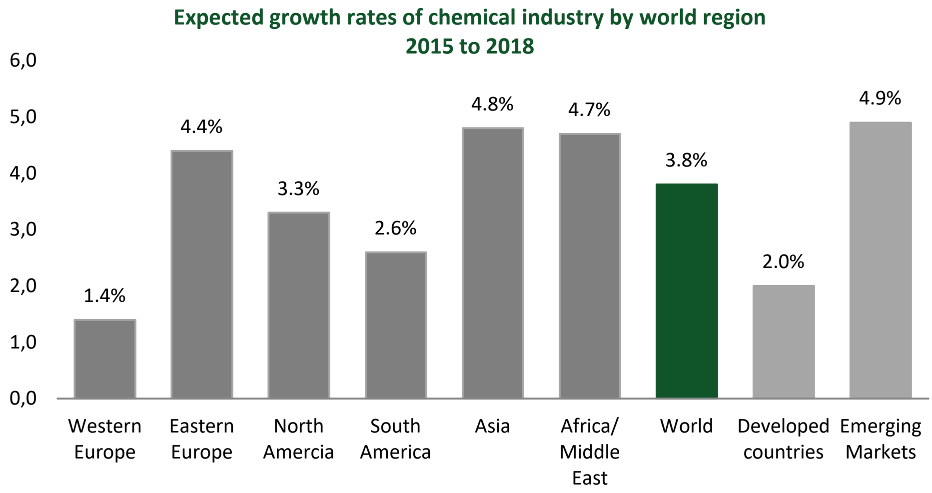
Growth rate of chemical production in the EU
2000 to 2015



Source: Cefic

With expected production growth of 0.9%, a noteworthy revival of chemical production in the EU is also not expected for 2016.

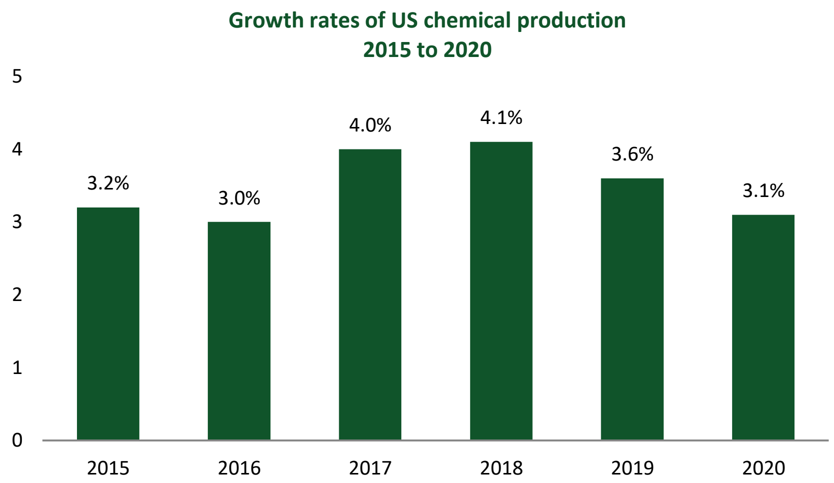
Upon closer inspection of the growth prospects in the individual global regions, we see a reinforced image of a merely moderate market trend in Western Europe. Moderate annual growth of just 1.4% is anticipated for the mature Western European market through 2018. This would be the weakest performance of all the regions. In contrast, significantly higher growth rates are anticipated for the emerging markets in Eastern Europe (+4.4%), Asia (+4.8%) and Africa/Middle East (+4.7%). The markets in North America (+3.3%) and South America (+2.6%) should also see stronger performances.



Source: American Chemistry Council

The figures and trends addressed show the need for Ringmetall to occupy growth markets beyond Western Europe. The majority takeover of a Turkish clamping ring producer was carried out in 2012 and the company has been operating in China since the beginning of 2013 with its own clamping ring production there. The company then acquired Self Industries at the end of 2015, marking its entry in the US market.

The chemicals market there is currently suffering from lower demand from the fracking industry, but should put up robust growth rates in the next few years nonetheless according to estimates by the American Chemistry Council. The main drivers here have been the politically encouraged revival of the American industrial sector ("reindustrialization of the US"), the low energy prices, a considerable revival of the construction sector in the US and improvements in important consumer goods industries. The following chart shows the expected growth of US chemical production through 2020.



Source: American Chemistry Council

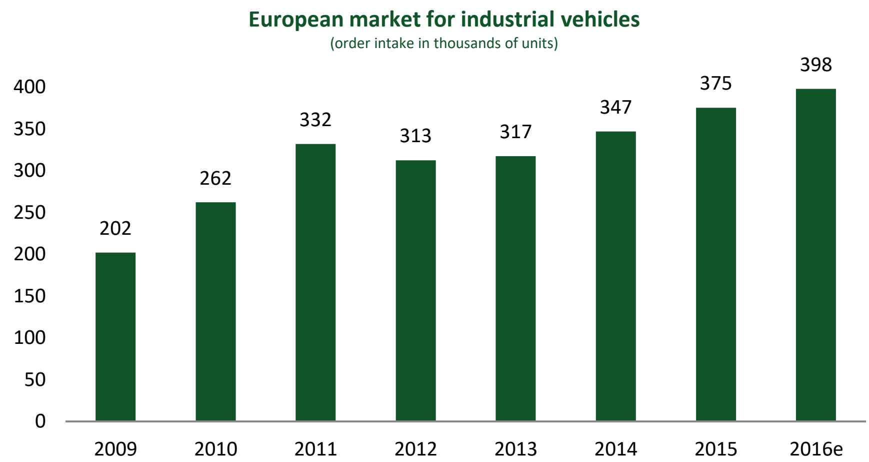
Industrial Handling addresses other target markets

In addition to the industrial packaging and chemicals market, Ringmetall as a producer of metal construction components and systems for commercial vehicles (Industrial Handling segment) is, to a lesser extent, also addressing other buyers. These include, in particular, manufacturers of industrial vehicles and agricultural machines in Europe. The development of these two markets is less significant for Ringmetall, but is outlined nonetheless in the following.

Market for industrial vehicles

As capital goods, materials handling vehicles such as forklifts and warehousing equipment – referred to as industrial vehicles – are in greater demand in good economic times than in weak economic phases. The market tends to follow the general economic cycle with a delay of six to nine months.

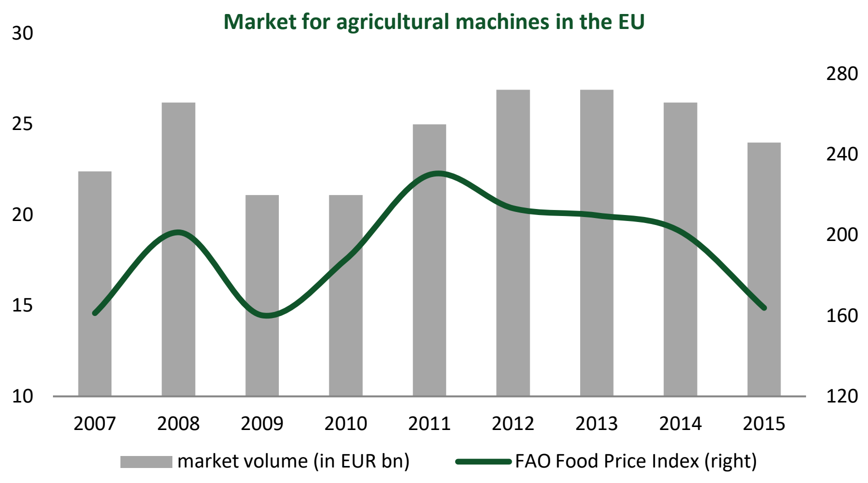
The European market for industrial vehicles as measured by the number of new vehicles ordered has grown with a CAGR of 10.9% since 2009. This has mostly been driven by the rapid growth of the e-commerce business, which requires higher investment in storage and logistic capacities, as well as constant overdue investments. Leading manufacturers such as KION and Jungheinrich believe the growth trend will continue in the current year. The market volume in Europe in 2015 for example was still some 9% below the pre-crisis level of 2007.



Source: WITS / FEM, Montega (forecast)

Market for agricultural machines

The second market relevant to Ringmetall in the Industrial Handling segment is the agricultural machine industry. The demand here tends to follow prices for the world's most important food products. The following chart shows the market volume trend for agricultural machines in the EU against the backdrop of prices from 2007 to 2015 using the price index of the United Nations Food and Agricultural Organization (FAO).

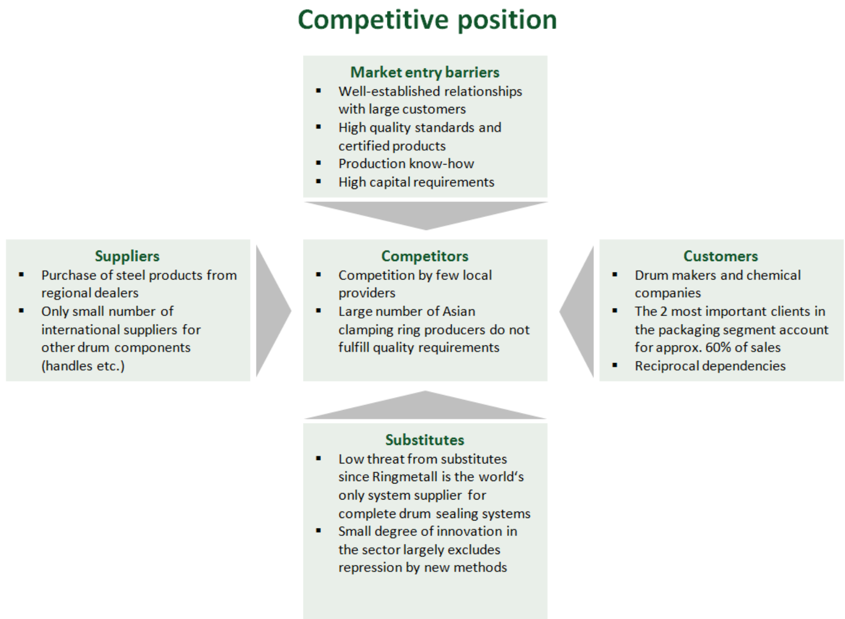


Source: VDMA, FAO (Food Price Index)

After a record volume of around EUR 27 bn in 2012 and 2013, the market has seen declines in the last two years. The cause here is the fact that a number of farmers in the EU are less willing to invest due to the low producer prices at the moment. These came about from an oversupply of food, which among other things can be attributed to import restrictions in Russia as an answer to the Western sanctions following the Ukraine conflict. Prices have stabilized at a low level so far in 2016 (index level in May 2016: 155.8 points). Major agricultural machine manufacturers such as John Deere and the AGCO Group expect a slight drop in demand once again for the current year by up to 5% in Europe (VDMA expects -5% for agricultural technology unit sales in Germany). There is a lack of growth impulse at the moment, but we could see a revival from an end to the tense political situation in Russia.

COMPETITIVE QUALITY

As a special provider in the packaging industry, we find Ringmetall to have good competitive quality. The company stands out from the competition with its clear quality leadership and broad international orientation. This strategy shows its success through the dominant market position in Europe and North America, with a market share of around 80% in each region according to company statements. The following chart shows Ringmetall's competitive position.



Source: Montega

We believe Ringmetall's excellent competitive position to be secured in the long run particularly as a result of the following points:

- **High product quality** due to decades of production expertise
- **Established customer relationships** with the few international producers and major buyers of hazardous material drums
- **Complete product portfolio** creates added value for customers and yields cross-selling potential
- **International network of locations** secures a global market presence

High product quality due to decades of production expertise

Ringmetall has more than 60 years of experience in the production of clamping rings and, as a certified manufacturer (DIN EN ISO 9001), guarantees high product quality. It operates the world's largest number of automated production plants within the sector and also offers the greatest variety of products on the market with its more than 2,000 different types of clamping rings. More than 70 m units are produced per year. The company has developed most of its special production machines and necessary tools and is constantly optimizing these. Ringmetall also carries out its full product development in house and in close coordination with its customers. This is ideal in meeting the product-specific requirements and strict safety criteria for use with hazardous materials. The production expertise gained over decades paired with the ongoing improvement in production methods and the machine fleet makes Ringmetall the leader in quality within the sector and offers it a critical competitive advantage over its rivals.

Established customer relationships with few major international buyers

The good quality and reliability of the company's products is seen in the fact that its relationships with the few major international buyers date back a number of years. Today it generates some 60% of its sales in Industrial Packaging with the world's top two industrial drum manufacturers, Greif and MAUSER. These companies at the same time rely on Ringmetall as their main supplier, so the dependence is mutual. In addition, Ringmetall has close contact with leading international companies in the chemical, pharmaceutical and nuclear energy industries, some of which the company also supplies directly.

In light of the fact that clamping rings on drums used for hazardous materials have to be swapped out after being opened and closed four or five times due to natural material deformation, and every manufacturer uses its own specific variation of clamping rings, customers regularly fall back on Ringmetall's products. This gives it a certain degree of stability and visibility in its business operations. The close exchange with its customers also enables the company to react quickly to changing requirements in the product design as well as in production and service.

Complete product portfolio strengthens customer retention

Ringmetall will enjoy even stronger customer loyalty in the future due to its most recent acquisitions. The product portfolio for example was critically expanded with the acquisition of the Metallwarenfabrik Berger in Sessenhausen in mid-2015. Now Ringmetall also offers covers for transport drums in all regular sizes, thus making it the world's only complete provider of drum closures. Its one-stop offering of all necessary components enables the company to optimize the compatibility of its parts and increase reliability. This means important added value for buyers. This also yields considerable cross-selling potential for Ringmetall with regard to its other products (handles, sealing caps, special seals, etc.). There are also benefits for customers' purchasing logistics. Ringmetall's status as a system supplier is therefore clearly seen as a unique selling point.

International network of locations secures a global market presence

With the acquisition of Self Industries, the company has managed to expand its unit sales markets geographically to include the important US market. For Ringmetall, this means even better access to international customers and could translate into another group expansion into North and South America. Today the company operates globally, with production and sales locations in Germany, the UK, Spain, Italy, Turkey, China and the US. With its local presence in a number of important target markets, it is able to supply international drum manufacturers and major customers from the chemical and pharmaceutical industries around the globe. Nonetheless, we anticipate other add-on acquisitions in order to strengthen its market position and tap into new markets in the next few years. Ringmetall is already showing a solid track record in this regard with its numerous acquisitions in years prior.

FINANCIALS

Good operating sales and earnings performance in the core business

Ringmetall put up a solid performance in 2015. According to the figures presented in June, sales in the core Industrial Packaging segment grew by 4.3% to EUR 51.3 m. Consolidated EBITDA fell to EUR 5.5 m (previous year EUR 6.5 m), although this included one-off expenditures of around EUR 1.5 m for the acquisition of Self Industries, the increased investment in Turkish subsidiary CEMSAN and the takeover of Metallwarenfabrik Berger in Sessenhausen. In purely operating terms, i.e. not considering transaction costs from the three acquisitions, the market in the core business improved noticeably.

The much smaller Industrial Handling segment, in contrast, saw declines. Sales fell by 7.2% to EUR 15.4 m and EBITDA came out to EUR 0.6 m, a cut by more than half versus the previous year. This was mostly a result of a unit sales decline from a major agricultural machine customer. In addition, the segment is currently undergoing a phase of restructuring, although this should begin to yield positive effects this year.

In 2015 overall, Ringmetall reported marginal growth in consolidated sales and a clear drop in earnings figures after extraordinary effects due to acquisitions. The most important figures are shown in the following.

Ringmetall AG - FY 2015	2015	2014	yoy
Sales	66.7	65.8	1.3%
EBITDA	5.5	7.2	-23.9%
EBITDA margin	*8.2%*	*10.9%*	
EBIT	1.4	2.9	-51.6%
EBIT margin	*2.1%*	*4.5%*	
Net income	-0.2	1.8	-109.6%

Source: Company data — Data in EUR m

Convincing start to 2016

In light of the consolidation of Self Industries, the Management Board anticipates a significant rise in sales for the 2016 financial year to EUR 90-95 m and a disproportionately high improvement in earnings with EBITDA of EUR 11-12 m. We believe the annual targets can easily be reached. We expect to see sales of EUR 90.7 m with EBITDA of EUR 12.0 m (MONe EBIT: EUR 6.7 m). The group put its new clout to the test as early as the first quarter with its very good Q1 figures. Sales climbed by 35.9% to EUR 22.4 m. EBITDA improved by 76.9% to EUR 3.0 m. The following table gives a summary of the key Q1 figures.

Ringmetall AG figures	Q1/16	Q1/15	yoy
Sales	22.4	16.5	35.9%
EBITDA	3.0	1.7	76.9%
EBITDA margin	*13.4%*	*10.3%*	
EBIT	1.9	0.9	114.7%
EBIT margin	*8.5%*	*5.5%*	

Source: Company data — Data in EUR m

Solid growth due to company’s status as system supplier and internationalization

With the acquisition of drum cover producer Metallwarenfabrik Berger, Ringmetall has expanded its Industrial Packaging segment to become the world’s only complete provider in the niche market of drum seals. Peripheral activities, on the other hand, have been sold in the company’s attempt to focus on its core business. Its status as a system supplier offers important strategic benefits over Ringmetall’s competition and gives it a stronger positioning when it comes to customers. With Self Industries, it has also acquired the leading provider in the US. We see this as a sensible move in light of the moderate growth rates in the European chemical industry. The two strategic decisions – to become a complete provider and stronger internationalization – mean new growth potential for the company and put it in an even better position to meet the needs of its increasingly global buyers. Its task in the next few years will be to promote growth on the markets now being opened up and to take advantage of the cross-selling potential. In the **Industrial Packaging** segment, we have identified the following factors driving sales for the individual regional target markets in particular.

- **Europe:** In light of its already strong market position in Europe, larger increases in sales with clamping rings are not expected. However, the product portfolio was expanded to include covers for transport drums in all regular sizes for the drum industry with the acquisition of Metallwarenfabrik Berger in Sessenhausen. This now allows Ringmetall to offer complete drum heads, consisting of the clamping ring, rubber seal and drum cover, all from one stop. This is an advantage for customers' purchasing logistics. Another valuable add-on is the fact that compatibility issues with the individual components can now almost be entirely ruled out at Ringmetall. We therefore believe the company, a system supplier in Europe, can gain market share from its smaller competitors with a limited product offering, meaning it can put up stronger growth than the overall market. We anticipate additional organic sales of around EUR 4 m from this region by 2020.

- **North America:** Ringmetall founded its own subsidiary in the US in 2015 and, shortly thereafter, took over the country's leading provider, Self Industries. The latter last generated annual sales equivalent to around EUR 26 m. The market share in the US currently comes out to approximately 80%. With this acquisition, Ringmetall now has its own production sites in the US market, which features stronger growth. The merging of the two companies also means numerous cross-selling approaches. Sales in the US should therefore grow to over EUR 31 m by 2020. We believe that Ringmetall will not just participate in the solid performance of the US chemical industry, but will also gain additional market share. A possible expansion into South America is not considered in our forecasts.

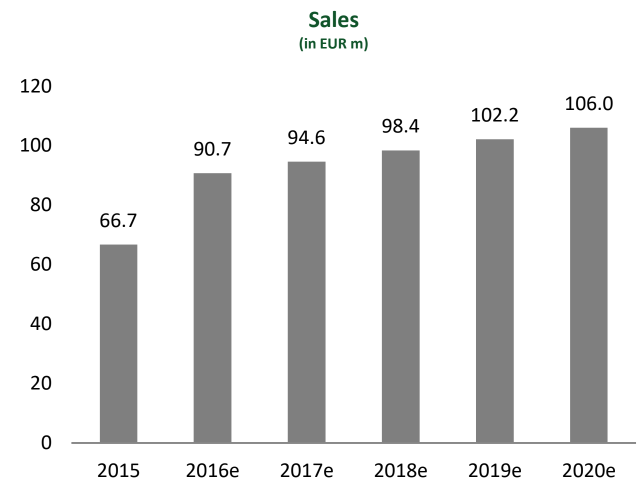
- **Middle/Near East:** Ringmetall has been active in the Near East region since it took over a majority of Turkish clamping ring manufacturer CEMSAN in 2012. The remaining shares were acquired in 2015. The business performance has been satisfactory in the last few years in spite of tough market conditions. In 2015 CEMSAN brought in sales of around EUR 3 m. In 2014 it moved into a new building entirely. This enabled the company to establish the necessary production technology in order to promote its new customer business in the Arab world as well as Israel and Russia from this location. These countries offer potential, particularly within the areas of oil production and processing. The business in Russia has suffered from a tense political situation above all. However, we still believe the sales volume in this region will rise to just under EUR 5 m by 2020.

- **China:** The subsidiary Berger Closing Rings was founded in China in 2012. Here, Ringmetall boosted its name recognition and the acceptance of its own products substantially within a short period of time. The sales volume is still relatively low at just under EUR 1 m at the moment, but this is growing rapidly. The high quality of its products is proving a critical competitive advantage. Customers' quality demands continue to rise in China due to the stricter environmental and safety standards. Among other things, Ringmetall is countering this by dispatching highly specialized experts in clamping ring products, while Chinese producers often have quality problems. We therefore believe the company to be well positioned for future growth in this region. We also assume that organic sales from China will more than double by 2020.

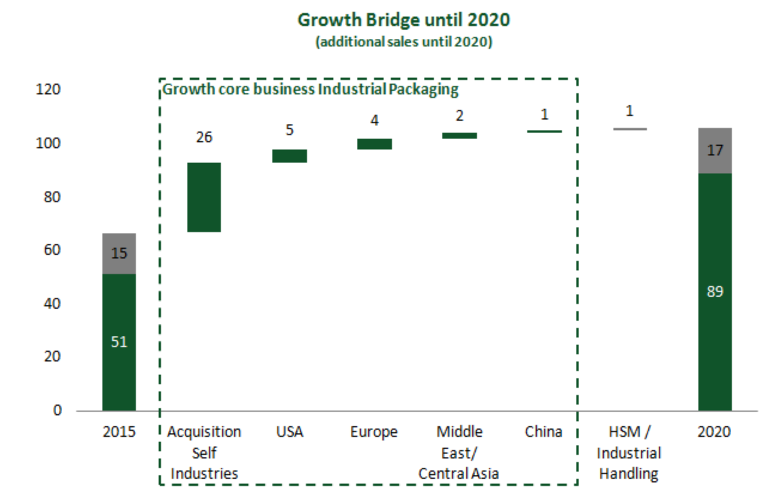
With this in mind, we are assuming solid organic growth for the **Industrial Packaging** segment in the next few years. We anticipate proceeds of EUR 89 m from the packaging segment by 2020. New product adaptations outside of the drum industry could also contribute to the growth of this segment. For example, Ringmetall is working on developing closing straps and pipe connections for other industry sectors. Given that we are not yet able to assess the start and extent of production, our forecasts do not include any sales in relation to this.

As for the **Industrial Handling** segment, we expect to see sales stabilize this year (MONe 2016 sales: EUR 15.5 m). The good performance with industrial vehicles in particular should offset the weak demand from the agricultural sector. As for the following years, we anticipate a slight recovery of the agricultural machine market, but we do not see any major sales drivers such as an end to the sanctions on Russia at the moment. We therefore expect only a marginal rise in sales overall to EUR 16.5 m in 2020.

The sound performance assumed for both segments should make it possible for Ringmetall to boost its consolidated sales to just under EUR 106 m by 2020. Possible add-on acquisitions or an expansion into new unit sales markets (such as South America) have not been considered here. The following illustrations show the expected top-line development over the next few years and the growth contributions of the individual target markets.



Source. Company data, Montega



Source: Company data, Montega

Sustainable operating margin improvement

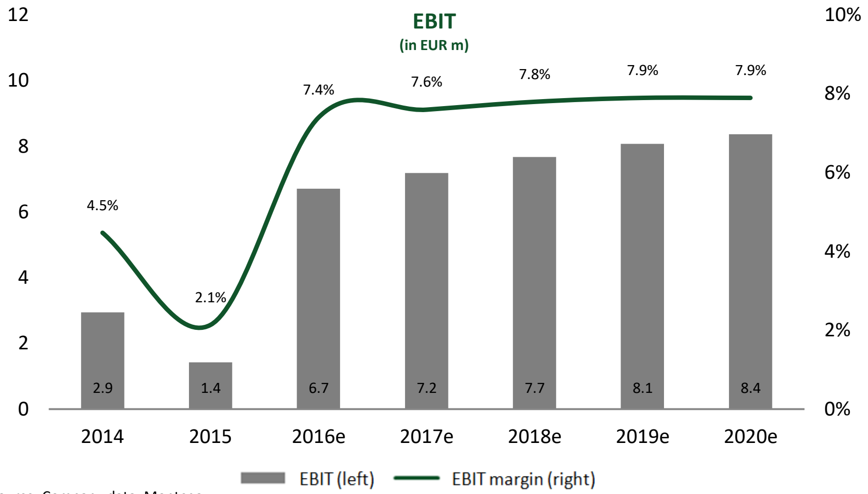
With the omission of the one-off burdens from the three acquisitions in 2015 alone, operating profit should pick up considerably in the current year (MONe EBITDA: EUR 12.0 m). Moreover, we expect a slightly more than proportionate improvement in earnings starting in 2016 based on the following factors.

- **Economies of scale due to higher volumes:** The constant growth in production volumes at clamping ring plants around the world should lead to economies of scale along the process chain and an improvement in the operating margin. The smallest location in China in terms of volume also now produces enough to have reached the break-even point for the first time in 2015. Technology transfers also offer stronger synergies, especially through the expertise acquired from Self Industries.
- **Higher efficiency and productivity from state-of-the-art machines:** After extensive investments in the last few years, today Ringmetall has a state-of-the-art machine fleet and operates the largest number of fully automated production plants for clamping ring production in the industry. This means that the traditionally semi-manual processing of clamping rings is becoming less important. We therefore anticipate less than proportionate growth in personnel

expenditures. The personnel expense ratio should drop to 22.4% by 2018 in our view (-140 bp versus 2014).

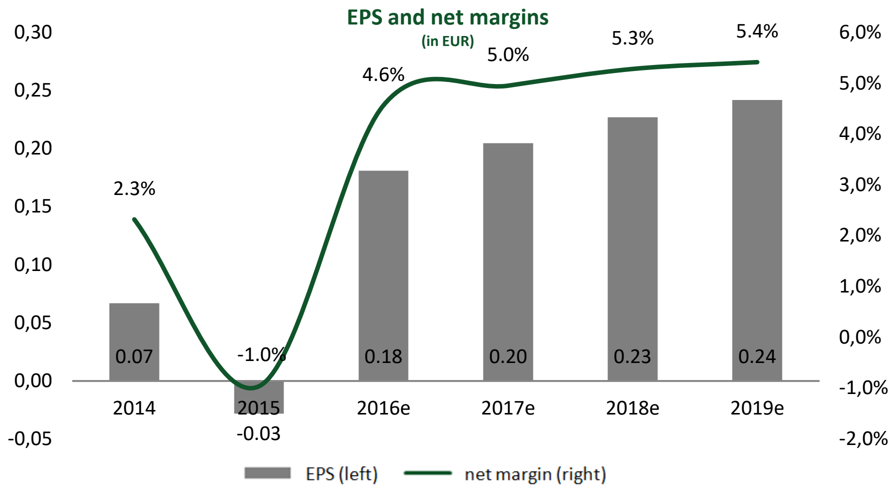
- **Process optimization by merging locations:** Clamping ring production at the Löbnitz site in Saxony was discontinued in 2015 and moved to the most important production site in the Rhineland-Palatinate town of Berg. The merging of production capacities is helping visibly improve organization processes and production sequences, which should contribute to a significant market increase as early as 2016. We also see potential for a consolidation of locations in the US.
- **Self-developed products from HSM with stronger margins:** The Industrial Handling (HSM) segment currently focuses on the development and production of completely new partially patent-protected products, which customers are already testing in field trials. These include, for example, catch hooks and special axial struts for tractors. The goal of realigning the product portfolio lies in significantly expanding the share of in-house developed products with strong margins, while contract manufacturing is being scaled back. The new generation of products is expected to show its full effect starting in 2017 and should contribute to significantly improving the segment's earnings.

The points mentioned are all expected to have a positive impact on Ringmetall's profitability. We believe the rising operating margins to be well secured given the company's leading market position. The following chart shows the forecast EBIT and EBIT margins through 2020.



Source: Company data, Montega

Ringmetall's strong cash flows should be used to repay interest-bearing liabilities in the next few years, among other things. These are expected to drop from EUR 27.1 m in 2015 to roughly EUR 20.0 m this year and should be scaled back further in the years that follow. We therefore assume a gradual improvement in the financial result by around EUR 500 k through 2019 (MONe 2016 financial result: EUR -0.9 m). This will prove good for the bottom line, so we anticipate a rise in the net margin to up to 5.4%. The following chart shows the forecast EPS and net margins through 2019.

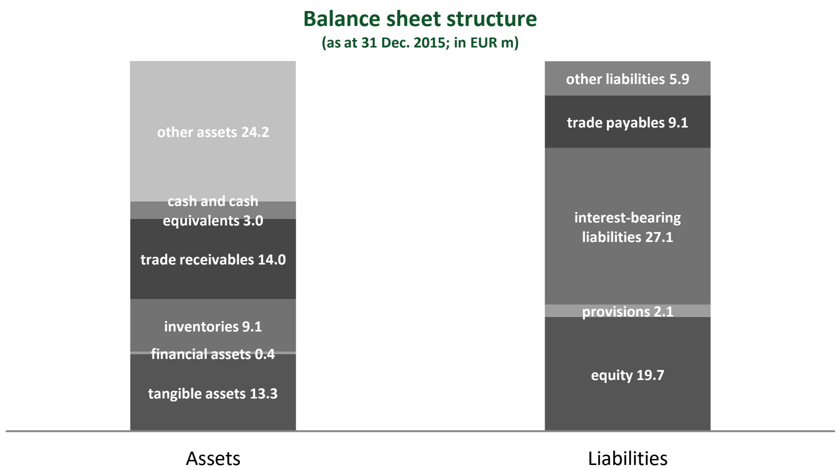


Source: Company data, Montega

The holding's loss carry-forwards still in place (roughly EUR 3.5 m) should then nearly be depleted in approximately three years. Starting in 2020, our medium-term forecasts therefore assume a normalization of the tax rate at 30% (versus 25% from 2016 to 2019). This will weigh on the further development of the net margin.

Good balance sheet quality

The **asset side** of the balance sheet reflects Ringmetall's capital-intensive business model. Fixed assets as at 31 December 2015 amounted to EUR 13.3 m, but had fallen by a good EUR 1 m towards the end of 2014 due to higher write-downs. Current assets, on the other hand, climbed by some EUR 7 m to EUR 26.0 m. The reason here lay primarily in the higher inventories and receivables resulting from the inclusion of Self Industries. Given the distortions from the major takeover, which had not yet brought about proceeds as at the balance sheet date, the net working capital ratio came out to 19.1%. Other assets, at EUR 23.1 m, include primarily goodwill.



Source: Company data

The **liabilities side** clearly shows Ringmetall AG's healthy balance sheet structure, with equity of EUR 19.7 m (equity ratio 30.8%). Interest-bearing liabilities have risen by some EUR 12 m versus the end of 2014 to EUR 27.1 m. The rise in debt is being used to finance acquisitions. Given the company's regularly good cash flow generation (2015 FCF: EUR 3.9 m), however, debt should be scaled back considerably in the years to come. Funding of assets is thus secured for the long run.

In preparation for the acquisitions, a 10% capital increase was carried out in July 2015. The share capital climbed by EUR 2.08 m to EUR 22.88 m. The acquisition of Self Industries in particular has prompted a considerable balance sheet extension (EUR 63.9 m vs. EUR 44.6 m in 2014). We believe the company could carry out a smaller capital increase in the future in order to fund additional growth through company purchases. Authorized capital is still at EUR 8.12 m at the moment.

VALUATION

Our valuation of Ringmetall AG is based on a DCF model and the plausibility of earnings is checked using a peer group analysis. The DCF model and peer group assumptions are shown in the following.

DCF model

The DCF model reflects the company's good business prospects in light of an extremely strong competitive position in a niche market with solid growth.

Our DCF model assumes organic growth rates of around 3% in the next few years. This should help the company exceed the EUR 110 m sales threshold in 2022. The factors driving growth are the growing demand for drums in the global chemical industry and other important end customer industries as well as the market share gained in the markets currently being addressed, namely Europe, the US, the Middle East and China.

As for earnings, we expect to see an improvement in the consolidated EBIT margin to 7.9% by 2022. The factors that we see driving the margin are, in particular, efficiency improvements and process optimizations at the plants and synergies from the acquisition of Self Industries. The higher unit sales from complete drum closure systems, thus meaning stronger margins, should also help boost the margin.

The beta of 1.2 on the one hand reflects the strong dependence on the cyclical chemical industry and the relatively high debt (2x net debt/EBITDA), but also acknowledges Ringmetall's strong position as a leading niche player. This counters the argument that the share is excessively volatile.

The risk-free return is assumed at 2.5% based on long-term fixed-interest securities. A market return of 9.0% is assumed, thus leading to a risk premium of 6.5% overall. Assuming a long-term debt ratio of 30%, the WACC comes out to 8.3%.

A terminate growth rate of 2.0% was assumed to come up with the terminal value.

As a result, the DCF model yields a fair value of EUR 3.30 for the Ringmetall share.

DCF model

Data in EUR m	2016e	2017e	2018e	2019e	2020e	2021e	2022e	Terminal value
Sales	**90.7**	**94.6**	**98.4**	**102.2**	**106.0**	**109.7**	**113.0**	**115.2**
Change	*36.0%*	*4.3%*	*4.0%*	*3.9%*	*3.7%*	*3.5%*	*3.0%*	*2.0%*
EBIT	**6.7**	**7.2**	**7.7**	**8.1**	**8.4**	**8.7**	**8.9**	**9.0**
EBIT margin	7.4%	7.6%	7.8%	7.9%	7.9%	7.9%	7.9%	7.8%
NOPAT	**5.0**	**5.4**	**5.8**	**6.1**	**5.9**	**6.1**	**6.2**	**6.3**
Depreciation and amortization	**5.3**	**5.5**	**5.6**	**5.8**	**4.8**	**4.7**	**4.5**	**3.5**
in % of sales	*5.8%*	*5.8%*	*5.7%*	*5.7%*	*4.5%*	*4.3%*	*4.0%*	*3.0%*
Change in liquidity								
- Working capital	0.2	-0.5	-0.5	-0.6	-0.2	-0.5	-0.4	0.2
- Investments	-2.2	-2.3	-2.4	-2.5	-2.6	-3.0	-3.3	-3.5
Investment ratio	*2.4%*	*2.4%*	*2.4%*	*2.4%*	*2.5%*	*2.7%*	*2.9%*	*3.0%*
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow (WACC model)	**8.3**	**8.1**	**8.5**	**8.8**	**7.8**	**7.3**	**7.0**	**6.4**
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Present value	8.1	7.3	7.0	6.7	5.5	4.8	4.3	57.6
Cumulative	**8.1**	**15.4**	**22.4**	**29.1**	**34.6**	**39.4**	**43.7**	**101.2**

Valuation (EUR m)	
Total present value (TPV)	101.2
Terminal value	57.6
Share of TPV	57%
Liabilities	29.0
Cash and cash equivalents	3.0
Equity value	**75.2**
Number of shares (m)	22.88
Value per share (EUR)	**3.29**
+Upside / -Downside	**46%**
Share price (EUR)	2.25

Model parameters	
Debt ratio	30.0%
Interest on borrowings	5.0%
Market return	9.0%
Risk-free return	2.50%
Beta	1.20
WACC	8.3%
Perpetual growth	2.0%

Assumption: Growth rates of sales and margin expectations		
Short-term sales growth	2016-2019	4.1%
Medium-term sales growth	2016-2022	3.7%
Long-term sales growth	starting in 2023	2.0%
EBIT margin	2016-2019	7.7%
EBIT margin	2016-2022	7.8%
Long-term EBIT margin	starting in 2023	7.8%

Sensitivity value per share (EUR)			Terminal growth		
WACC	1.25%	1.75%	**2.00%**	2.25%	2.75%
8.76%	2.77	2.92	3.00	3.08	3.28
8.51%	2.89	3.05	3.14	3.23	3.45
8.26%	3.02	3.19	**3.29**	3.39	3.63
8.01%	3.15	3.34	3.45	3.57	3.83
7.76%	3.30	3.51	3.63	3.75	4.05

Value per share sensitivity (EUR)			EBIT margin starting in 2023e		
WACC	7.30%	7.55%	**7.80%**	8.05%	8.30%
8.76%	2.86	2.93	3.00	3.07	3.14
8.51%	2.99	3.06	3.14	3.21	3.29
8.26%	3.13	3.21	**3.29**	3.37	3.44
8.01%	3.28	3.37	3.45	3.53	3.62
7.76%	3.45	3.54	3.63	3.71	3.80

Source: Montega

Peer group comparison

There are no indications of any listed companies directly competing with Ringmetall AG. The peer group first and foremost consists of internationally positioned manufacturers of (industrial) packaging, packaging elements and joining technology as well as a former holding company with a comparable background, MS Industrie. The companies are summarized in the following.

Greif is the global leader in the production of industrial packaging. The company, founded in the US in 1877, has some 13,000 employees today and has production locations in over 50 countries around the globe. It mainly produces steel, plastic and fiber drums, intermediate bulk containers (IBCs), containers made of corrugated cardboard and flexible packaging solutions. In addition, Greif is also active in the recycling of industrial packaging. Consolidated sales came out to EUR 3.2 bn in 2015. Roughly half of the company's sales come from the US.

TriMas develops and produces a number of mostly small, technologically sophisticated products for various industries. Of the four segments of Packaging, Aerospace, Energy and Engineered Components, the Packaging segment accounted for the largest proportion of consolidated sales in 2015 at nearly 40%, with an equivalent of some EUR 760 m. The subsidiary Rieke Packaging offers a wide range of seals, flanges and clamping ring components made of metal and plastic for the drum and container industry, as well as seal caps and gaskets for canisters, and pump and spray closures for drugstore items. The US-based TriMas Group operates in 13 countries.

The **Norma Group** is a globally operating producer of joining technology, with 22 production sites and a number of sales branches around the world. Its product portfolio consists of around 35,000 joining solutions made of steel, plastic and rubber in the categories of fastening clips, joining elements, fluid systems and connectors. Consolidated sales of just under EUR 890 m were generated in 2015 with the more than 6,300 employees. The most important group of customers is industrial and automotive suppliers as well as biotech and pharmaceutical companies.

Silgan is a manufacturer of stable packaging materials made of metal and plastic. These are used in the food and drink industry as well as in other consumer goods industries. We see this as a good comparison with Ringmetall due to the high quality standards for the products for safe, hygienic packaging of sensitive contents. The company is the North American market leader in metal cans. Its product range also includes metal and plastic seal caps and plastic boxes. Silgan generated consolidated sales of approximately USD 3.8 bn in 2015.

Crown is one of the world's top producers of food and drink cans. It also produces metal and plastic caps for glasses and other food packaging. The company has production sites in 40 countries around the world. Its 2015 consolidated sales came out to roughly USD 8.8 bn.

R.STAHL specializes in explosion-proof contactors, switches, lights, controlling devices and complete systems for all matters of explosion protection. Given that its products are used in the field of hazardous materials, it is subject to special material and processing requirements, like Ringmetall. Its main customers are the oil and gas industry as well as chemical and pharmaceutical companies. Sales in 2015 amounted to some EUR 320 m.

MS Industrie has transformed in the last few years from a holding company into a focused industrial group with its business areas of powertrain systems and ultrasonic technology, meaning it undergoes a development process similar to that of Ringmetall. With its Powertrain segment, MS Industrie offers high-precision finished components made of steel and aluminum for heavy diesel engines and electric engines. The Ultrasonic segment specializes in the construction of special machines as well as ultrasonic systems and components. Its key customers are the automotive sector and the packaging machine industry. In 2015 the group came up with an industrial sales volume of roughly EUR 255 m from the work of its approximately 1,100 employees.

Peer group of Ringmetall AG

Company	Share price (local currency)	EV/sales 2015	EV/sales 2016e	EV/sales 2017e	PER 2015	PER 2016e	PER 2017e
Greif, Inc.	35.92	0.94	1.00	0.99	16.48	15.70	13.86
TriMas Corporation	17.81	1.42	1.43	1.38	13.81	12.98	11.69
NORMA Group SE	42.40	1.92	1.85	1.78	15.25	14.54	13.54
Silgan Holdings Inc.	49.71	1.26	1.28	1.26	16.74	17.23	15.03
Crown Holdings Inc.	49.54	1.52	1.54	1.49	13.80	12.70	11.64
R. Stahl AG	31.28	1.00	1.10	1.06	27.27	34.75	18.88
MS Industrie AG	2.97	0.52	0.53	0.50	14.15	12.05	8.49
Average		1.23	1.25	1.21	16.78	17.14	13.31
Ringmetall AG	**2.2**	**1.13**	**0.83**	**0.80**	**neg.**	**12.01**	**10.81**
Potential		8%	50%	51%	n.a.	43%	23%
Fair value per share		**2.40**	**3.80**	**3.90**	**n.a.**	**3.10**	**2.70**

Company	EV (local currency, m)	EV / EBITDA 2015	EV / EBITDA 2016e	EV / EBITDA 2017e	EV / EBIT 2015	EV / EBIT 2016e	EV / EBIT 2017e
Greif, Inc.	3401.3	8.66	7.78	7.43	12.78	11.30	10.28
TriMas Corporation	1229.9	8.47	8.26	7.60	12.10	11.58	10.17
NORMA Group SE	1707.5	9.62	9.26	8.69	11.55	11.51	10.97
Silgan Holdings Inc.	4759.1	9.90	9.90	9.32	14.24	14.38	13.26
Crown Holdings Inc.	13275.7	10.51	10.13	9.70	12.94	12.40	11.85
R. Stahl AG	311.7	17.92	11.07	9.59	79.75	21.96	17.19
MS Industrie AG	143.9	5.79	5.67	4.98	11.11	10.04	8.16
Average		10.12	8.87	8.19	22.07	13.31	11.70
Ringmetall AG	**75.5**	**13.76**	**6.31**	**5.96**	**53.01**	**11.25**	**10.51**
Potential		-26%	41%	37%	-58%	18%	11%
Fair value per share		**1.30**	**3.50**	**3.40**	**0.20**	**2.80**	**2.50**

Source: Company data, Montega, Capital IQ

Based on the forward earnings multiples for 2016e/17e, the peer group analysis yields a fair value of EUR 2.50-3.50 for the Ringmetall share. Using the EV/EBIT figure as a basis, the upside potential is lower than for EV/EBITDA due to the relatively high goodwill impairments (Ringmetall prepares its consolidated financial statements in accordance with the German Commercial Code (HGB)). Our DCF-based price target of EUR 3.30 is thus at the upper end of the price range shown.

COMPANY BACKGROUND

Ringmetall AG is an international manufacturer of technically sophisticated sealing systems for industrial hazardous material packaging, particularly drums, and vehicle parts for materials handling devices and commercial vehicles. The company offers the entire range of drum seal components, from covers and seals to clamping rings. After a number of acquisitions in the last few years, today it is the world's only complete provider within the market and the global market leader in the production of clamping rings. In addition, Ringmetall develops and produces high-precision metal components and systems for forklifts, industrial vehicles and agricultural machines. By focusing on metal processing for the packaging industry and changing its name to Ringmetall AG, the company H.P.I. Holding AG, founded as a classic holding company in 1997, has in the last few years successfully transformed into a special provider of industrial packaging. Today Ringmetall has production and sales locations in Germany, the UK, Spain, Italy, Turkey, China and the US. With its approximately 400 employees, the group generated consolidated sales of EUR 66.7 m in the past 2015 financial year.

The company's important milestones are shown as follows.

1997 Founding of H.P.I. Holding AG as a small holding company

1998 Acquisition of clamping ring producer August Berger Metallwarenfabrik GmbH & Co. KG

1998 Acquisition of machine manufacturer Zimmer & Kreim GmbH & Co. KG

2007 IPO of H.P.I. Holding AG

2012 Purchase of 60% of clamping ring manufacturer CEMSAN Metal Parca Imalat in Turkey

2012 Majority sale of Zimmer & Kreim and focus on the core business of metalworking

2013 Start of clamping ring production at the newly founded production site in China

2013 Acquisition of HSM Hans Sauermann GmbH & Co. KG, which specialized in the production of metal components

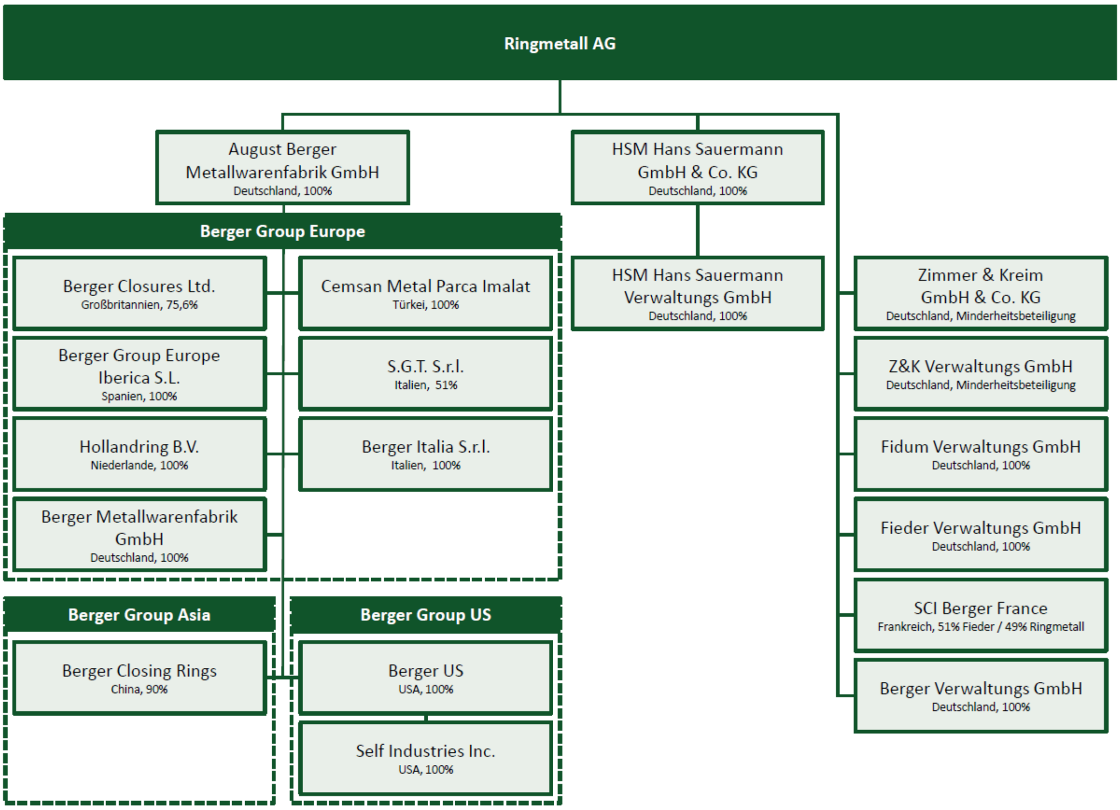
2015 Status as system supplier (covers, rubber seals, clamping rings) due to acquisition of drum cover producer Metallwarenfabrik Berger GmbH in Sessenhausen

2015 Name change from H.P.I. Holding AG to Ringmetall AG to express the company's focus on its core business

2015 Purchase of the remaining 40% of Turkish subsidiary CEMSAN

2015 Largest acquisition in the company's history and market entry in the US with the purchase of drum sealing specialist Self Industries Inc.

Ringmetall's current organizational structure shows the gearing towards the core business area of clamping rings and drum sealing systems that it has put forward in the last few years. This was expanded in particular with the acquisitions completed in 2015. The following chart offers an overview of the company's legal structure in its core business field and its other investments.

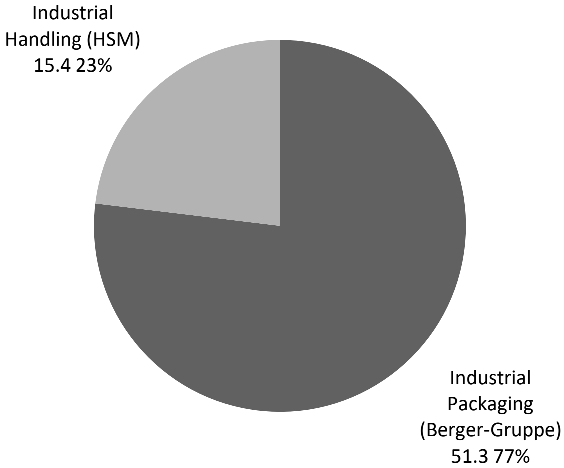


Source: Company data

Segment analysis / investments

Ringmetall's operating business activities today are divided into the two newly created group segments of Industrial Packaging (drum sealing systems) and Industrial Handling (metal components and systems). Looking at the breakdown of sales by segment in 2015, we can see that Industrial Packaging plays the predominant role, accounting for nearly 77% of sales. With the acquisition of US-based Self Industries at the end of 2015, the sales split will continue to shift in Industrial Packaging's favor. The production of drum closures therefore has to be seen as Ringmetall's core business.

Sales by segment in 2015
(in EUR m)



Source: Company data

Industrial Packaging: The Industrial Packaging segment came about from the groundbreaking investment in August Berger Metallwarenfabrik, which even today is the central company of the Berger Group and thus the segment as a whole. The Berger Group focuses on the production of highly secure sealing systems for industrial hazardous material packaging, especially transport drums. It offers one-stop shopping for all drum closure components, including covers, rubber seals and clamping rings. The majority of the segment's sales (roughly 80%) are generated with clamping rings. The group is the global market leader in the production of clamping rings and has relationships with major customers dating back a number of years. These include, among others, the world's top three drum manufacturers Greif (USA), Mauser (Germany) and Schütz (Germany). The Berger Group has locations in Germany, the US, the UK, Spain, Italy, Turkey and China. End customers of sealing systems come from all industry sectors in which high safety standards for the storage and transport of industrial hazardous materials must be met. These include, in particular, the chemical and pharmaceutical industries, where chemicals, oils, lubricants, solid materials and liquids must be stowed safely. The company also has buyers from the nuclear energy industry. The Industrial Packaging segment brought in more than EUR 51 m in sales in the 2015 financial year. The US-based company Self Industries, acquired in December 2015, generates annual sales equivalent to around EUR 26 m. This will help significantly boost the segment's sales in the current year.

Industrial Handling: The company HSM Hans Sauermann makes up the Industrial Handling segment. HSM develops, designs and produces high-quality metal components and complete systems for use in forklifts, warehousing equipment, electric carts and other industrial vehicles. The product range includes, among other things, brake and clutch pedals, restraint systems for forklifts, lift mast parts, tractor hitches, mounts for hydraulic parts, as well as various cast housings and complex welded assemblies. In addition to international leaders in the production of forklifts and storage technology such as Jungheinrich, Linde and Still, HSM also supplies agricultural machine manufacturers as well as national and international airport operators (which order spare parts for their vehicles). The segment's 2015 sales came out to EUR 15.4 m.

Products

Ringmetall AG's main product is clamping rings. These are used for the safe sealing of drums. The drum covers are closely connected to the body of the drum so as to reliably prevent leakage of the contents. Ringmetall's clamping rings meet the strictest safety standards and are UN-approved. The company produces more than 2,000 different variations of clamping rings using over 800 different profiles, thus offering the greatest variety of products on the market. These varieties stand out in terms of their size and thickness (diameter of 60-2,000 mm with material thicknesses of 0.5-2 mm) as well as the number of processing types, each of which is geared toward specific purposes.

The rings are used on metal, plastic and fiber drums. Ringmetall produces more than 70 m clamping rings every year, thus giving it a roughly 80% share of the market in Europe and North America. The company also offers other components for drum bodies, with covers and rubber seals, and is the world's only system supplier. This enables it to cut back on or even eliminate compatibility issues among the individual components. The product range is completed by other accessories for drums such as handles, plastic seals, locking pins and various seals and covers made of plastic for drums and intermediate bulk containers (IBCs).

Ringmetall and the Berger Group themselves develop drum seal products in full and in close cooperation with their customers. The result is products tailored to the individual needs of customers, which ensures Ringmetall a high degree of customer retention. It should be noted here that clamping rings for hazardous material drums usually have to be changed after four or five times being opened and closed. Otherwise the strict safety requirements can no longer be guaranteed due to natural material deformation of the ring.

In addition to clamping rings for industrial packaging and drums, Ringmetall also produces joining and sealing solutions for other applications. These include, among other things, pipe connection rings, engine clamps, lock rings for chimney and ventilation systems, filter units and household applications. The business with products in these areas of application is to be expanded in the next few years.

The vehicle components and modules manufactured by HSM are generally made of metal and are designed for technically sophisticated functions in materials handling vehicles and agricultural machines. In 2015 HSM turned its focus more towards the development and sale of in-house products with stronger margins, while contract manufacturing is gradually being scaled back. The first serial orders for in-house products are already in.

Markets and sales

In 2015 Ringmetall generated roughly 50% of its sales in Germany and 50% abroad. In Europe, the company has market share of some 80% with clamping rings alone. With the acquisition of US-subsidiary Self Industries at the end of 2015, the share from abroad will rise substantially in 2016 and the US will become the company's most important foreign market. The Middle East with Turkey and Asia with China are also important markets. Because Chinese clamping ring manufacturers are generally unable to live up to the high quality standards of Western producers, Ringmetall also believes it can constantly expand its market position there.

Management

Jörg Rafael was appointed to the Management Board of H.P.I. Holding AG, now Ringmetall AG, in 2003. His role focuses on the strategic alignment of the group and, in particular, the operating control of the different group companies. Mr. Rafael is an industrial businessman and has extensive experience managing internationally positioned companies.

Christoph Petri has been the CFO of Ringmetall since 2011 and acts as the spokesman of the Management Board as well. In addition to its operating investment management, Mr. Petri is also responsible for the areas of finance, controlling, investor relations and internationalization.

Konstantin Winterstein was named to the Management Board in 2014 and is responsible for the operating activities and technical investment management. He is a graduate engineer and holds an M.B.A. Mr. Winterstein worked for a German automobile company for 15 years and ultimately performed leadership roles for operating activities and in the supplier industry.

Shareholder structure

Ringmetall AG's share capital is EUR 22,880,000, divided into 22.88 m no-par shares at EUR 1.00 each. Members of the management hold roughly 60% of the shares, while the remaining 40% are in free float.

APPENDIX

P&L (in Euro m) Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
Sales	**46.5**	**65.8**	**66.7**	**90.7**	**94.6**	**98.4**
Increase / decrease in inventory	0.2	0.1	-0.1	0.0	0.0	0.0
Own work capitalised	0.1	0.2	0.1	0.0	0.0	0.0
Total sales	**46.8**	**66.1**	**66.7**	**90.7**	**94.6**	**98.4**
Material Expenses	24.9	34.3	35.5	45.3	47.3	49.2
Gross profit	**21.9**	**31.8**	**31.2**	**45.3**	**47.3**	**49.2**
Personnel expenses	10.7	15.6	15.4	20.6	21.3	22.0
Other operating expenses	8.9	10.1	11.1	13.6	14.2	14.8
Other operating income	0.7	0.9	0.8	0.8	0.9	0.9
EBITDA	**3.0**	**7.0**	**5.5**	**12.0**	**12.7**	**13.3**
Depreciation on fixed assets	2.1	2.8	2.6	3.2	3.3	3.4
EBITA	**1.0**	**4.2**	**2.9**	**8.8**	**9.4**	**9.8**
Amortisation of intangible assets	0.0	0.1	0.1	0.2	0.2	0.2
Impairment charges and Amortisation of goodwill	0.6	1.2	1.4	1.9	2.0	2.0
EBIT	**0.3**	**2.9**	**1.4**	**6.7**	**7.2**	**7.7**
Financial result	-0.4	-0.6	-0.7	-0.9	-0.7	-0.5
Result from ordinary operations	**-0.1**	**2.3**	**0.8**	**5.8**	**6.5**	**7.2**
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**-0.1**	**2.3**	**0.7**	**5.8**	**6.5**	**7.2**
Taxes	0.6	0.6	0.9	1.4	1.6	1.8
Net Profit of continued operations	-0.7	1.8	-0.2	4.3	4.9	5.4
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**-0.7**	**1.8**	**-0.2**	**4.3**	**4.9**	**5.4**
Minority interests	0.3	0.3	0.5	0.2	0.2	0.2
Net profit	**-1.0**	**1.5**	**-0.6**	**4.1**	**4.7**	**5.2**

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Increase / decrease in inventory	0.5%	0.1%	-0.1%	0.0%	0.0%	0.0%
Own work capitalised	0.2%	0.4%	0.1%	0.0%	0.0%	0.0%
Total sales	**100.7%**	**100.5%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Material Expenses	53.6%	52.1%	53.2%	50.0%	50.0%	50.0%
Gross profit	**47.1%**	**48.4%**	**46.8%**	**50.0%**	**50.0%**	**50.0%**
Personnel expenses	23.0%	23.8%	23.2%	22.7%	22.5%	22.4%
Other operating expenses	19.1%	15.4%	16.7%	15.0%	15.0%	15.0%
Other operating income	1.6%	1.4%	1.3%	0.9%	0.9%	0.9%
EBITDA	**6.5%**	**10.6%**	**8.2%**	**13.2%**	**13.4%**	**13.5%**
Depreciation on fixed assets	4.5%	4.2%	3.9%	3.5%	3.5%	3.5%
EBITA	**2.1%**	**6.4%**	**4.3%**	**9.7%**	**9.9%**	**10.0%**
Amortisation of intangible assets	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Impairment charges and Amortisation of goodwill	1.3%	1.8%	2.1%	2.1%	2.1%	2.0%
EBIT	**0.7%**	**4.5%**	**2.1%**	**7.4%**	**7.6%**	**7.8%**
Financial result	-0.8%	-0.9%	-1.0%	-1.0%	-0.7%	-0.5%
Result from ordinary operations	**-0.2%**	**3.6%**	**1.1%**	**6.4%**	**6.9%**	**7.3%**
Extraordinary result	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
EBT	**-0.2%**	**3.6%**	**1.1%**	**6.4%**	**6.9%**	**7.3%**
Taxes	1.3%	0.9%	1.3%	1.6%	1.7%	1.8%
Net Profit of continued operations	-1.4%	2.7%	-0.3%	4.8%	5.2%	5.5%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	**-1.4%**	**2.7%**	**-0.3%**	**4.8%**	**5.2%**	**5.5%**
Minority interests	0.7%	0.4%	0.7%	0.2%	0.2%	0.2%
Net profit	**-2.1%**	**2.3%**	**-1.0%**	**4.6%**	**5.0%**	**5.3%**

Source: Company (reported results), Montega (forecast)

Balance sheet (in Euro m) Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
ASSETS						
Intangible assets	10.8	9.9	23.3	21.4	19.4	17.5
Property, plant & equipment	15.6	14.7	13.3	12.1	10.9	9.7
Financial assets	0.6	0.4	0.4	0.4	0.4	0.4
Fixed assets	**27.0**	**24.9**	**37.0**	**33.9**	**30.7**	**27.5**
Inventories	6.6	6.4	9.1	10.1	10.5	10.9
Accounts receivable	8.2	8.6	12.8	12.9	13.5	14.0
Liquid assets	3.3	2.5	3.0	2.7	3.0	5.5
Other assets	1.5	2.0	2.1	2.1	2.1	2.1
Current assets	**19.6**	**19.6**	**27.0**	**27.8**	**29.1**	**32.5**
Total assets	**46.6**	**44.6**	**64.0**	**61.7**	**59.8**	**60.0**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**15.7**	**16.2**	**17.8**	**21.0**	**24.6**	**28.7**
Minority Interest	**2.1**	**2.2**	**1.9**	**1.9**	**1.9**	**1.9**
Provisions	1.7	2.0	2.1	2.1	2.1	2.1
Financial liabilities	15.5	14.9	27.1	20.3	14.2	10.0
Accounts payable	6.9	6.7	9.1	10.4	10.9	11.3
Other liabilities	4.6	2.6	6.0	6.0	6.0	6.0
Liabilities	**28.7**	**26.2**	**44.2**	**38.8**	**33.2**	**29.3**
Total liabilities and shareholders' equity	**46.6**	**44.6**	**64.0**	**61.7**	**59.8**	**60.0**

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
ASSETS						
Intangible assets	23.1%	22.2%	36.4%	34.7%	32.5%	29.1%
Property, plant & equipment	33.5%	32.9%	20.8%	19.6%	18.2%	16.1%
Financial assets	1.3%	0.8%	0.6%	0.6%	0.7%	0.6%
Fixed assets	**57.9%**	**55.9%**	**57.8%**	**55.0%**	**51.4%**	**45.9%**
Inventories	14.2%	14.4%	14.2%	16.4%	17.6%	18.2%
Accounts receivable	17.6%	19.3%	20.0%	20.9%	22.6%	23.3%
Liquid assets	7.0%	5.6%	4.7%	4.4%	5.0%	9.1%
Other assets	3.3%	4.6%	3.3%	3.4%	3.5%	3.5%
Current assets	**42.1%**	**44.0%**	**42.2%**	**45.0%**	**48.7%**	**54.1%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**33.8%**	**36.3%**	**27.8%**	**34.0%**	**41.2%**	**47.9%**
Minority Interest	**4.6%**	**4.9%**	**3.0%**	**3.1%**	**3.2%**	**3.2%**
Provisions	3.6%	4.4%	3.3%	3.4%	3.5%	3.5%
Financial liabilities	33.3%	33.4%	42.4%	33.0%	23.8%	16.6%
Accounts payable	14.9%	15.1%	14.2%	16.9%	18.2%	18.8%
Other liabilities	9.9%	5.9%	9.3%	9.7%	10.0%	9.9%
Total Liabilities	**61.6%**	**58.7%**	**69.1%**	**62.9%**	**55.5%**	**48.9%**
Total Liabilites and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company (reported results), Montega (forecast)

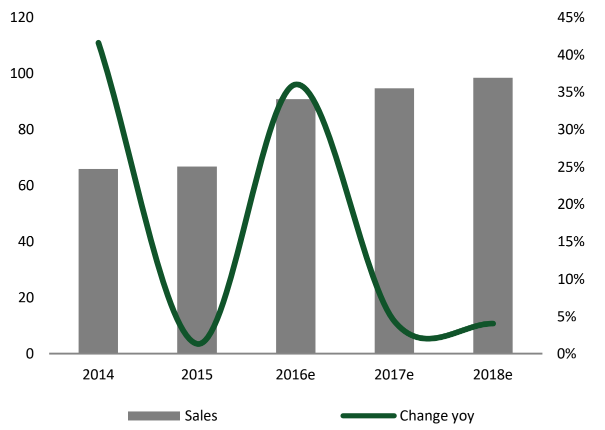
Statement of cash flows (in Euro m) Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
Net income	-0.7	1.8	-0.2	4.3	4.9	5.4
Depreciation of fixed assets	2.1	2.8	2.6	3.2	3.3	3.4
Amortisation of intangible assets	0.6	1.2	1.4	2.1	2.2	2.2
Increase/decrease in long-term provisions	1.0	0.3	0.0	0.0	0.0	0.0
Other non-cash related payments	3.6	-1.8	5.7	0.0	0.0	0.0
Cash flow	**6.6**	**4.3**	**9.6**	**9.6**	**10.4**	**11.0**
Increase / decrease in working capital	-3.5	-0.5	-4.4	0.2	-0.5	-0.5
Cash flow from operating activities	**3.2**	**3.8**	**5.3**	**9.8**	**9.9**	**10.5**
CAPEX	-2.8	-1.6	-1.4	-2.2	-2.3	-2.4
Other	-14.4	-0.1	-17.4	0.0	0.0	0.0
Cash flow from investing activities	**-17.2**	**-1.7**	**-18.8**	**-2.2**	**-2.3**	**-2.4**
Dividends paid	-1.1	-2.0	-1.4	-1.1	-1.1	-1.4
Change in financial liabilities	8.3	-1.4	13.9	-6.8	-6.1	-4.3
Other	7.0	0.0	3.2	0.0	0.0	0.0
Cash flow from financing activities	**14.2**	**-3.4**	**15.7**	**-7.9**	**-7.2**	**-5.6**
Effects of exchange rate changes on cash	0.0	0.1	0.0	0.0	0.0	0.0
Change in liquid funds	**0.2**	**-1.3**	**2.2**	**-0.3**	**0.3**	**2.5**
Liquid assets at end of period	**1.3**	**0.1**	**2.3**	**2.7**	**3.0**	**5.5**

Source: Company (reported results), Montega (forecast)

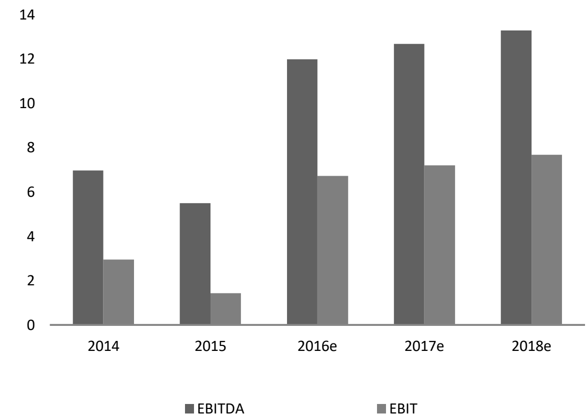
Key figures Ringmetall AG	2013	2014	2015	2016e	2017e	2018e
Earnings margins						
Gross margin (%)	47.1%	48.4%	46.8%	50.0%	50.0%	50.0%
EBITDA margin (%)	6.5%	10.6%	8.2%	13.2%	13.4%	13.5%
EBIT margin (%)	0.7%	4.5%	2.1%	7.4%	7.6%	7.8%
EBT margin (%)	-0.2%	3.6%	1.1%	6.4%	6.9%	7.3%
Net income margin (%)	-1.4%	2.7%	-0.3%	4.8%	5.2%	5.5%
Return on capital						
ROCE (%)	1.4%	9.7%	3.8%	15.9%	18.4%	21.0%
ROE (%)	-7.5%	8.5%	-3.5%	21.0%	20.4%	19.6%
ROA (%)	-2.1%	3.4%	-1.0%	6.7%	7.8%	8.7%
Solvency						
YE net debt (in EUR)	12.2	12.4	24.1	17.6	11.2	4.5
Net debt / EBITDA	4.0	1.8	4.4	1.5	0.9	0.3
Net gearing (Net debt/equity)	0.7	0.7	1.2	0.8	0.4	0.1
Cash Flow						
Free cash flow (EUR m)	0.4	2.2	3.9	7.6	7.6	8.1
Capex / sales (%)	6.0%	2.5%	2.1%	2.4%	2.4%	2.4%
Working capital / sales (%)	13%	12%	16%	14%	13%	13%
Valuation						
EV/Sales	1.6	1.1	1.1	0.8	0.8	0.8
EV/EBITDA	24.9	10.8	13.8	6.3	6.0	5.7
EV/EBIT	240.1	25.6	53.0	11.3	10.5	9.8
EV/FCF	208.7	34.4	19.3	9.9	10.0	-
PE	-	30.9	-	12.0	10.8	9.4
P/B	3.1	3.1	2.8	2.4	2.0	1.7
Dividend yield	2.8%	2.3%	2.3%	2.3%	2.8%	3.2%

Source: Company (reported results), Montega (forecast)

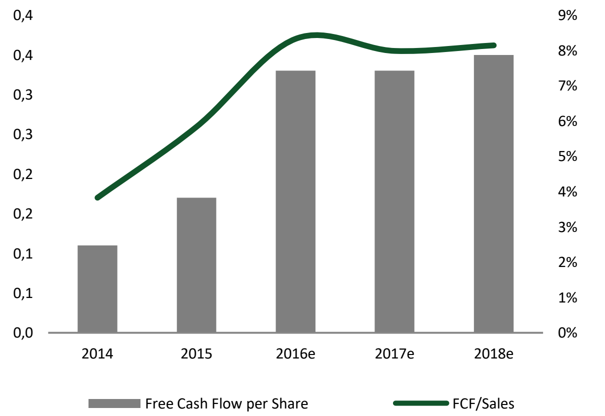
Sales



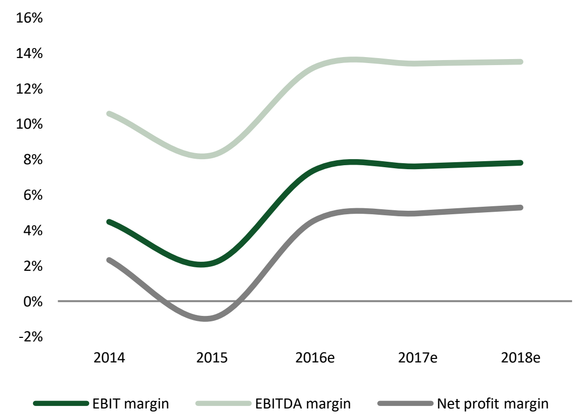
Earnings



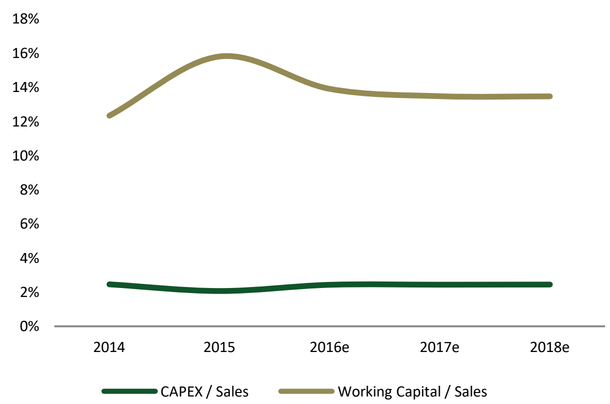
Free cash flow



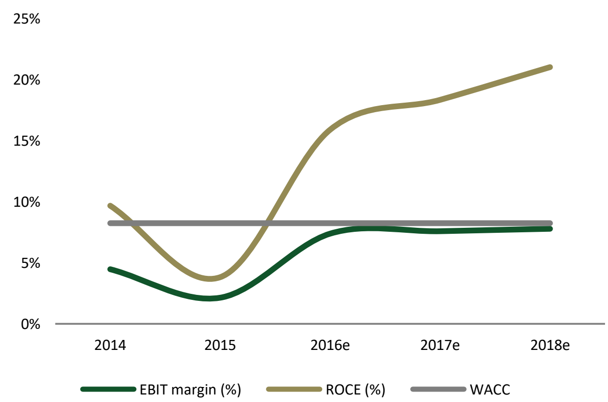
Margins



Investments / working capital



EBIT return / ROCE



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Our ratings:

Buy:	The analysts at Montega AG believe the share price will rise during the next twelve months.
Hold:	Upside/downside potential limited. No immediate catalyst visible.
Sell:	The analysts at Montega AG believe the share price will fall during the next twelve months.

Authority responsible for supervision:

Bundesanstalt für Finanzdienstleistungsaufsicht

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Past prices and recommendations

Recommendation	Date	Share price	Price target	Potential
Buy (initial assessment)	30 June 2016	2.16	3.30	+53%