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# RINGMETALL AG

HP3 GY | 18 September 2019

OUTPERFORM

Price Target: EUR 3.80

## FLASH: Ringmetall opens clamping ring factory for CMD

Ringmetall invited interested analysts and investors over to its clamping ring headquarters to Berg, Rhineland-Palatinate. Aside the August Berger Group's headquarters, the facility also **houses one of the Group's biggest facilities** with an output of c. 25m rings and EUR 30m of revenues.

The site visit showed that the company is **gradually automating** its production, as several generations of machinery were on display. The most advanced machines use robotic solutions and fewer mechanical parts, not only increasing production capabilities, but reducing maintenance and bug fixing time at once.

The self-developed **new clamping ring machines** come in a bit delayed. Over the course of the year, Ringmetall intends to install up to 10 of these throughout its facilities. The main improvement comes from time saved to change between two different clamping rings. Instead of labour intensive take-out and build-in, the tools are changed in a plug-and-play style approach.

The **M&A strategy** of Ringmetall was criticised heavily, as the current profitability is too low and the company should focus on this side. For us, M&A is a key part of Ringmetall's strategy and essential in order to get out of current cyclicality that causes the pressure on margins in the first place.

Besides consolidating the inliner market, as it did with Nittel and Tesseraux, the **bag in a box** business should be the next focus. Driven by increasing concerns of recyclability and environmental footprint, the business is strongly growing, the company aims at 5-6%, compared to the 2-4% in the industrial packaging market. Margins in the inliner business are at 13-14%, while Tesseraux is inline with that numbers, Nittel has to improve further.

Pressure from the **chemical sector** remains high, as Ringmetall's customers do not see any material recovery in the next 6 to 12 months. Nevertheless, looking at the lower end guidance of EUR 8.5 EBITDA, Ringmetall would need to lose market share in the chemicals business. According to the company, the opposite is the case.

We do not expect any major news for the H1 reporting that is due tomorrow morning. Next company event after that is key Q3 figures due on 7th November.

| | |
|---|---|
| **LAST CLOSE (EUR)** | **2.68** |
| **MKTCAP (EUR m)** | **76** |
| **UPSIDE (%)** | **41.8** |
| **DAILY T/O (EUR m)** | **0.03** |

| **YEAR TO DEC (EUR M)** | **2018** | **2019E** | **2020E** | **2021E** |
|---|---|---|---|---|
| Group revenue | 111 | 121 | 130 | 135 |
| EBITDA (adj.) | 10 | 10 | 15 | 17 |
| EBIT (adj.) | 8 | 8 | 12 | 14 |
| EPS (adj.) (EUR) | 0.17 | 0.14 | 0.25 | 0.30 |
| DPS (EUR) | 0.06 | 0.06 | 0.07 | 0.07 |
| FCF | 3 | 1 | 5 | 7 |
| Net debt (cash) | 11 | 20 | 17 | 12 |
| RoIC (%) | 12.4 | 10.0 | 14.9 | 15.7 |
| P/E (adj.) | 23.0 | 18.9 | 10.5 | 9.02 |
| EV/EBITDA (adj.) | 11.9 | 9.71 | 6.05 | 5.21 |
| Free CF yield (%) | 2.8 | 0.9 | 6.6 | 8.8 |

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