

Buy

PT: €3.50

Key data

Price (17 December 2019)	€2.73
Upside To Price Target (%)	28.2
Market Cap (m)	79
Free float (%)	32.0
Daily Value Traded (m)	0.1
Next Report Date	Mar 5 2020 1
Nb of shares (m)	29.07
1mth perf (%)	(0.4)
3mths perf (%)	1.9
12mths perf (%)	(2.8)
12mth high-low (€)	4 - 2

Key financials

(In EUR M)

Year to Dec	2018A	2019E	2020E
Group revenue	111	120	126
EBITDA (rep.)	10.4	10.4	13.7
EBIT (rep.)	8.28	6.14	9
EPS (adj.) (€)	0.17	0.11	0.18
EPS (cons.) (€)	0.0	0.14	0.22
DPS (€)	0.06	0.06	0.07
Net debt/(cash)	11	33	30
ROCE (NOPAT) (%)	12.8	6.8	9.8
EPS (adj.) y/y (%)	(37.3)	(32.5)	59.2
Net debt/EBITDA	1.09	3.20	2.15
EV/Sales	0.71	0.86	0.79
EV/EBITDA (adj.)	7.6	9.9	7.3
EV/EBIT (adj.)	9.5	16.8	11.1
P/E (adj.)	16.4	24.3	15.2
Dividend yield (%)	2.2	2.2	2.6
Free CF yield (%)	4.0	2.0	5.1
EV/CE	1.23	1.15	1.09

Prices are as of close 17 December 2019

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All sources unless otherwise stated: Company data, FactSet, MainFirst estimates

Share price performance (indexed)



Sailing steadily through market headwinds

Key Points

From an end-market perspective, Ringmetall faces several headwinds in 2019. After the warnings in the chemical industry during the summer for the Industrial Packaging business, now a major **downward 2020 guidance from Jungheinrich hits Ringmetall's Industrial Handling business. While this looks like a significant downside for Ringmetall, we do not believe in material impacts for Ringmetall's business due to the following reasons:**

- Despite being a major client, Jungheinrich does not account for the full top-line: Ringmetall supplies parts for forklift trucks through its Industrial Handling unit for Jungheinrich. In total that business accounts for only c. 10% of Ringmetall's business or c. EUR 12m in 2020E.
- The impact on Jungheinrich's top-line (7.5% decline vs consensus) is not as severe as on its bottom-line (30% decline vs consensus) and Sauermann, the Industrial Handling subsidiary for forklift trucks, will remain a core supplier to Jungheinrich in our view.
- The ongoing end-market difficulties in 2019 already led to reduced expectations for the Industrial Handling business in 2020E by management and consensus. Among other things, Ringmetall increased its flexibility through temporary workers in the Industrial Handling business as well.
- The equity story is focused on M&A in the Industrial Packaging business, while the Industrial Handling is to be disposed in the medium to long-term, while already having a limited impact on group earnings (c. 6% of EBITDA in 2020E).

We see an attractive entry point here:

- We note that Ringmetall, despite all the market headwinds, is able to remain profitable and is doing well on the cost control side. Back office synergies and efficiency gains throughout the group should also benefit profitability in the short and medium-term.
- We see the story elsewhere: Industrial Packaging and further consolidating that market are the focus of Ringmetall's management and a key part of the equity story.
- Owing to the current headwinds, stock trades at favourable 8.1x 2020 EV/EBITDA (Bloomberg consensus): given the potential from further M&A deals the company intends to undertake in 2020, we regard it as an attractive entry point.

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All relevant disclosures and certifications appear on pages 3 - 6 of this report.

Company Snapshot

Investment case summary

Coming from the clamping ring and accessories business, Ringmetall is now extending its product portfolio in the broader industrial packaging business. With the acquisitions of Nittel and Tesseraux, Ringmetall entered the inliner business, which is concentrated more heavily in pharma and food. This makes the company's business more diversified and more profitable.

We believe that the company will continue its journey of successfully integrating new businesses and companies in the current structure. The ongoing consolidation driven by Ringmetall should be beneficial for top-line development, scaling, pricing and profitability. M&A is a central point for the company's strategy and our investment case.

Ringmetall combines high management ownership with extensive experience in M&A deals with very good market shares in the existing business.

Target price methodology

We apply a peer-group based sum of the parts valuation for Ringmetall. We use 2020E based multiples and equally weight the P/E, EV/EBITDA and EV/Sales to arrive at our final target price.

Risk to our valuation and rating

Despite dominating the clamping ring market and an overall strong position in the industrial packaging market, Ringmetall and our investment faces several caveats:

- Sustained slowdown in the chemicals industry's development
- Fewer cost synergies coming from the ongoing and planned acquisitions than initially expected
- Competition starts gaining material market shares from Ringmetall either through a significantly higher quality or aggressive pricing
- Growing too fast through acquisitions. Management and integration of the new companies overstrains Ringmetall
- Financing of new and especially big deals could get difficult and eventually state too big of a burden for Ringmetall

Key dates

FY-19 prelim results: 05.03.2020

AGM: 15.06.2020

Company description

Ringmetall is a leading global specialist supplier to the industrial packaging industry with a primary focus on the chemicals industry. The company focuses on the production and distribution of high quality and customised packaging elements designed to meet the specific needs of its customers. Ringmetall also develops and manufactures mounting systems for special purpose vehicles in the areas of logistics and warehouse logistics. Consequently, the company reports in the two segments Industrial Packaging and Industrial Handling.

With the acquisition of Nittel in 2018 (first consolidated from 01.01.2019 onwards) and Tesseraux in 2019 (first consolidated from 01.07.2019 onwards) Ringmetall extends its portfolio in the Industrial Packaging segment for inliners made from plastic or aluminium.

Key products, clients and end markets

Ringmetall's core product is the clamping ring to seal open-top drums securely. The product range here includes mass produced standard products and small batch speciality rings. In total the company offers over 2,000 different clamping rings, featuring different materials, with steel being the most important. Clamping rings are not eligible for multiple use, hence there is a regular replacement cycle. In addition to clamping rings, the company offers accessories around the drum, however never the drum itself. The inliner business, (simplified: plastic bags for drums) is a rather new business to Ringmetall. The Industrial Handling business manufactures several additions and speciality parts for the forklift and agricultural machinery business.

Ringmetall's two biggest customers in the Industrial Packaging business are Greif and Mauser, two American/European drum manufactures. Additionally, Ringmetall delivers its products to end customers like BASF, the chemicals industry in general, but also pharma and food companies which have contracts with Ringmetall. In the Industrial Handling business, Jungheinrich and Kion are the biggest customers of Ringmetall's products.

Currently, the single most important sector for Ringmetall is the chemicals industry, accounting for roughly 60% of sales. Here, BASF is a key customer. However, not all of that exposure is directly coming from the chemicals industry, but routed through the drum manufacturers. Further important markets are the food and beverage industry in general, as well as breweries in particular. Furthermore, the pharmaceutical industry plays an important role, since regulatory requirements provide Ringmetall with higher margins in that business.

Key shareholders

Management Pool: 55%

Senior management

CEO: Mr Christoph Petri

COO: Mr Konstantin Winterstein

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Ringmetall AG (HP3 GY) as of December 17, 2019 (in EUR)



*Represents the value(s) that changed.

Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

For a price chart with our ratings and any applicable target price changes for HP3 GY go to
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Our investment rating system is three tiered, defined as follows:

Buy - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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