

## RINGMETALL AG

HP3 GY | 11 Pages | 02 December 2019

## OUTPERFORM

Price Target: EUR 3.50 (from EUR 3.80)

### Post Q3 update: All Quiet on the M&A Front. Yet

Following Q3 results, we update our financial model accordingly. We also account for IFRS 16 effects. We remain on Outperform but cut our price target to EUR 3.50 (EUR 3.80) on lowered estimates.

Owed to reduced steel prices in the second half of the year, we reduce our revenue estimates for 2019E and 2020E by 1.2% and 3.3% to EUR 120m and EUR 126m respectively.

Our EBITDA estimate for 2019E increases by 4.8% to EUR 10.4m, driven by higher cost efficiencies achieved in Q3, which will continue in Q4 in our view. With higher group level costs, we reduce our 2020E EBITDA estimate by 11.1% to EUR 13.7m.

#### INDUSTRIAL PACKAGING STILL STRONG, GROUP LEVEL COSTS HIGHER THAN EXPECTED

We like the company's M&A rationale, which lies in broadening their end-market exposure and winning market share in a consolidating industrial packaging industry. Hence, we firmly believe that M&A will prove value accretive in the future. With the Nittel and Tesseraux acquisitions in the inliner business, Ringmetall increased its exposure to the less cyclical food & beverages market. In combination with margins above group level the new businesses compensated for the adverse demand effects in the Chemicals sector. The stronger than expected performance in the Industrial Packaging segment leads us to increase our 2019E EBITDA forecast by 4.8% to EUR 10.4m, at the upper end of the company's guidance, which was partially offset by higher than expected group level costs.

#### HIGHER IFRS 16 AND GROUP LEVEL EFFECTS NEGATIVELY IMPACT BOTTOM LINE ESTIMATES

The accounting effects of IFRS 16 on Ringmetall's financials are higher than we initially expected. In combination with higher group level costs, we cut our EPS estimates by 21% and 30% respectively, from EUR 0.14 to EUR 0.11 and EUR 0.25 to EUR 0.18.

#### PEER GROUP VALUATION RESULTS IN A NEW EUR 3.50 PRICE TARGET

We value Ringmetall on a sum of the parts peer-group based multiple approach. We apply equally weighted 2020E P/E (12.1x), EV/EBITDA (8.3x) and EV/Sales (1.2x) multiples, which yield equity values of EUR 2.20, EUR 3.50 EUR 4.90 per share, respectively. This results in a new price target of EUR 3.50 vs. EUR 3.80 previously. Ongoing headwinds from the chemical industry, higher deal multiples and higher than expected integration costs of future M&A deals are the main risks to our investment case.

LAST CLOSE (EUR)	2.85
MKTCAP (EUR m)	83
UPSIDE (%)	22.8
DAILY T/O (EUR m)	0.05

CHANGES TO ESTIMATES	2019E	2020E
Revenues (%)	(1.2)	(3.3)
EPS (%)	(20.6)	(29.6)

YEAR TO DEC (EUR M)	2018	2019E	2020E	2021E
Group revenue	111	120	126	130
EBITDA (rep.)	10	10	14	15
EBIT (rep.)	8	6	9	10
EPS (adj.) (EUR)	0.17	0.11	0.18	0.21
EPS (Cons.) (EUR)		0.14	0.22	0.26
DPS (EUR)	0.06	0.06	0.07	0.07
Net debt (cash)	11	33	30	25
RoCE (NOPAT)	8.7	4.8	6.9	7.8
EPS y/y (%)	-37.3	-32.5	59.2	15.9
ND/EBITDA (adj.)	1.09	3.20	2.15	1.64
EV/Sales	1.12	0.98	0.90	0.83
EV/EBITDA (adj.)	11.9	11.3	8.27	7.25
EV/EBIT (adj.)	15.0	19.1	12.6	10.5
P/E (adj.)	23.7	25.3	15.9	13.7
Dividend yield (%)	1.5	2.1	2.5	2.5
Free CF yield (%)	2.8	1.9	4.9	6.2
EV/CE	1.93	1.30	1.24	1.17

Next event: Q4/FY Prelim Results (05 Mar 2020)

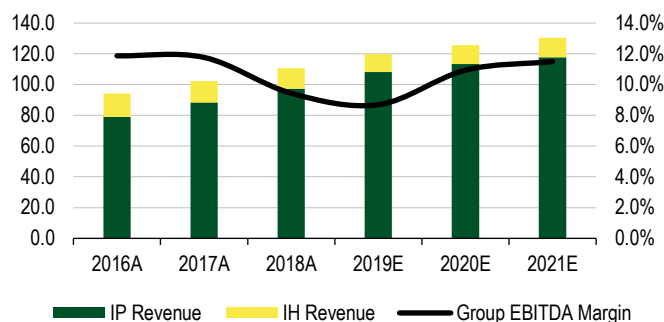
#### ANALYSTS

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## KEY FINANCIALS

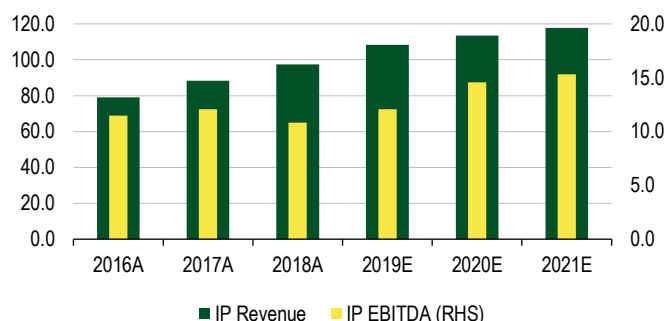
YEAR TO DECEMBER (EUR M)	2018	2019E	2020E	2021E
<b>PROFIT &amp; LOSS ACCOUNT</b>				
Group revenue (as reported)	111	120	126	130
EBITDA	10	10	14	15
EBIT	8	6	9	10
Pre-tax result	8	5	8	9
Income tax, other items	(2)	(2)	(2)	(3)
Net result group	5	4	6	6
Minorities, other	(0)	(0)	(0)	(0)
Net result shareholders	5	3	5	6
EPS, fully diluted (EUR)	0.17	0.11	0.18	0.21
<b>MainFirst adjustments</b>				
Exceptionals in EBIT	0	0	0	0
<b>Profit &amp; Loss Account (adj.)</b>				
EBITDA	10	10	14	15
EBIT	8	6	9	10
Net result, shareholders	5	3	5	6
EPS, fully diluted (EUR)	0.17	0.11	0.18	0.21
<b>CASH FLOW STATEMENT</b>				
EBITDA	10	10	14	15
Cash interest and tax	(3)	(2)	(3)	(4)
Changes in working capital	(1)	(3)	(3)	(2)
Other operating CF items	1	1	0	0
Net operating cash flow	8	5	8	9
Capital expenditure (intangibles, tangibles)	5	4	4	4
Free cash flow	3	2	4	5
Acquisitions, Disposals, Financial assets	(5)	16	0	0
Dividends, minority payouts	(2)	(0)	(0)	(0)
Capital measures, other	(3)	(39)	0	(0)
Change in net cash (debt)	(6)	(22)	4	5
Net cash (debt)	(11)	(33)	(30)	(25)
<b>BALANCE SHEET</b>				
Fixed assets	49	72	71	70
t/o Goodwill	23	23	23	23
Current assets	33	38	44	51
t/o Inventories	12	13	15	16
t/o Trade receivables	14	16	17	18
t/o Cash and equivalents	6	7	11	16
Group equity	49	52	57	63
t/o Shareholders equity	48	51	56	62
Interest-bearing liabilities	17	40	40	40
Other liabilities and provisions	16	17	17	18
t/o Pension provisions	1	1	1	1
t/o Trade liabilities	10	11	11	11
Balance sheet total	82	109	115	121
Net working capital	15	18	21	23
Capital employed (incl. Goodwill)	64	90	92	93
<b>RATIOS</b>				
Revenue y/y	8.0%	8.3%	4.8%	3.8%
EBITDA margin (adj.)	9.4%	8.7%	10.9%	11.5%
EBIT margin (adj.)	7.5%	5.1%	7.2%	8.0%
EPS (adj.), y/y	-37.3%	-32.5%	59.2%	15.9%
Net working capital intensity (as a % of sales)	13.6%	15.1%	16.5%	17.7%
DSOs (trade receivables as days of revs)	45.4	47.5	49.0	50.0
Inventory turnover (Days)	38.3	40.1	42.4	45.2
Net debt (cash) / EBITDA (adj.)	1.09	3.20	2.15	1.64
EBITDA (adj.) / Capex	2.31	2.67	3.65	4.11
Free CF yield (FCF / market cap)	2.8%	1.9%	4.9%	6.2%
Oper. FCF yield ([FCF - net int. taxed] / EV)	2.8%	1.9%	4.2%	5.5%

## RINGMETALL EXECUTES ON ITS GROWTH STRATEGY (IN EUR M)



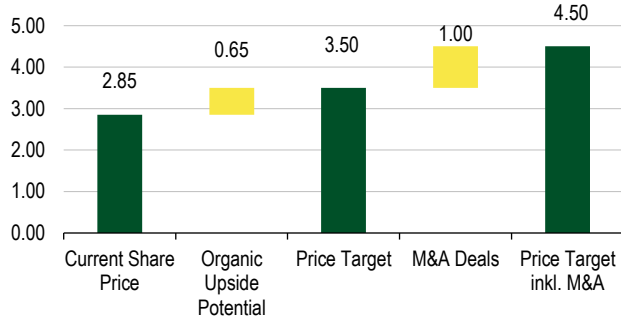
Source: MainFirst

## FAVOURABLE DEVELOPMENT IN INDUSTRIAL PACKAGING (IN EUR M)



Source: MainFirst

## M&A IS STILL A KEY PART OF RINGMETALL'S STRATEGY



Source: MainFirst

## Changes to estimates

Figure 1: Changes to core estimates

Group	2019E			2020E			2021E		
	New	Old	Difference	New	Old	Difference	New	Old	Difference
<b>Revenues</b>	<b>119.8</b>	<b>121.3</b>	-1.2%	<b>125.6</b>	<b>129.9</b>	-3.3%	<b>130.4</b>	<b>134.8</b>	-3.3%
Growth in %	8.3%	9.7%		4.8%	7.1%		3.8%	3.8%	
<b>EBITDA</b>	<b>10.4</b>	<b>9.9</b>	4.8%	<b>13.7</b>	<b>15.4</b>	-11.1%	<b>15.0</b>	<b>17.1</b>	-12.2%
Margin in %	8.7%	8.2%	50 bps	10.9%	11.9%	-96 bps	11.5%	12.7%	-116 bps
Growth in %	-0.4%	-5.0%		32.2%	55.9%		9.2%	10.5%	
<b>EBIT</b>	<b>6.1</b>	<b>7.7</b>	-20.1%	<b>9.0</b>	<b>12.2</b>	-26.3%	<b>10.4</b>	<b>13.9</b>	-25.4%
Margin in %	5.1%	6.3%	-121 bps	7.2%	9.4%	-224 bps	8.0%	10.3%	-237 bps
Growth in %	-25.8%	-7.2%		46.8%	59.2%		15.4%	14.0%	
<b>EPS</b>	<b>0.11</b>	<b>0.14</b>	-20.6%	<b>0.18</b>	<b>0.25</b>	-29.6%	<b>0.21</b>	<b>0.30</b>	-30.1%
Growth in %	-32.5%	-17.5%		59.2%	79.6%		15.9%	16.7%	
<b>Industrial Packaging</b>									
<b>Revenue</b>	<b>108.2</b>	<b>108.5</b>	-0.3%	<b>113.5</b>	<b>116.5</b>	-2.6%	<b>117.7</b>	<b>120.9</b>	-2.6%
Growth in %	11.1%	11.4%		4.8%	7.3%		3.8%	3.8%	
<b>EBITDA</b>	<b>12.1</b>	<b>9.3</b>	29.4%	<b>14.6</b>	<b>14.1</b>	3.0%	<b>15.3</b>	<b>15.4</b>	-0.8%
Margin in %	11.1%	8.6%	255 bps	12.8%	12.1%	70 bps	13.0%	12.8%	23 bps
Growth in %	11.4%	-13.9%		20.8%	51.6%		5.0%	9.1%	
<b>Industrial Handling</b>									
<b>Revenue</b>	<b>11.5</b>	<b>12.8</b>	-9.7%	<b>12.1</b>	<b>13.4</b>	-9.7%	<b>12.6</b>	<b>14.0</b>	-9.7%
Growth in %	-12.5%	-3.1%		4.9%	4.9%		4.4%	4.4%	
<b>EBITDA</b>	<b>0.8</b>	<b>1.0</b>	-15.8%	<b>1.0</b>	<b>1.5</b>	-36.3%	<b>1.5</b>	<b>1.6</b>	-9.7%
Margin in %	7.2%	7.7%	-53 bps	7.9%	11.2%	-330 bps	11.7%	11.7%	0 bps
Growth in %	-35.0%	-22.7%		15.7%	52.8%		54.8%	9.2%	

Source: MainFirst Research

## Peer group valuation results in EUR 3.50 price target, down from EUR 3.80

To derive our price target, we equally weigh the equity values per share which result from peer-group derived 2020E P/E, EV/EBITDA and EV/Sales target multiples. While the P/E-target multiple derived value marks the lower end at EUR 2.20, EV/Sales target multiples yield the upper end at EUR 4.90. The EV/EBITDA derived value is in-line with our price target of EUR 3.50.

Figure 2: Peer-group based valuation of Ringmetall

Peer Group Valuation										
Company Name	Weight	P/E			EV/EBITDA			EV/Sales		
		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Greif	20%	11.3	11.1	10.3	7.7	7.3	7.1	1.1	1.0	1.0
TriMas	20%	17.0	17.2	16.7	10.1	10.6	10.2	1.8	2.2	2.0
Norma	20%	13.2	12.7	11.6	8.4	7.8	7.3	1.4	1.4	1.3
Siligan Holding	20%	14.3	13.3	12.5	9.8	9.5	9.4	1.4	1.4	1.3
Crown Holding	20%	15.1	13.6	12.5	11.1	10.6	10.2	1.6	1.6	1.5
<b>Industrial Packaging Average</b>		<b>14.2</b>	<b>13.6</b>	<b>12.7</b>	<b>9.4</b>	<b>9.2</b>	<b>8.8</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Industrial Packaging Median		14.3	13.3	12.5	9.8	9.5	9.4	1.4	1.4	1.3
Jungheinrich	50%	14.3	14.6	13.4	7.1	7.3	6.8	1.1	1.1	1.0
Kion	50%	14.0	13.9	12.9	6.2	6.3	6.1	1.2	1.2	1.1
<b>Industrial Holding Average</b>		<b>14.2</b>	<b>14.3</b>	<b>13.1</b>	<b>6.7</b>	<b>6.8</b>	<b>6.4</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
Industrial Holding Median		14.2	14.3	13.1	6.7	6.8	6.4	1.1	1.1	1.1
Discount / Premium	-10%									
Peer Group Median		12.9	12.1	11.3	8.5	8.3	8.1	1.2	1.2	1.2
<b>Peer Group Average</b>		<b>12.8</b>	<b>12.3</b>	<b>11.5</b>	<b>8.2</b>	<b>8.0</b>	<b>7.7</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
		2019E	2020E	2021E						
Price Target P/E		1.50	2.20	2.30						
Price Target EV/EBITDA		2.60	3.50	3.80						
Price Target EV/Sales		4.60	4.90	4.90						

Source: MainFirst Research, Bloomberg

## Financial estimates

### Profit and loss account

Figure 3: Profit and loss account

	2016A	2017A	2018A	2019E	2020E	2021E
<b>Revenue</b>	<b>94.3</b>	<b>102.3</b>	<b>110.6</b>	<b>119.8</b>	<b>125.6</b>	<b>130.4</b>
Other Income	0.6	1.2	1.5	1.1	1.9	2.0
Change in Inventories of finished Goods and Work in Progress	0.4	0.0	0.5	1.3	1.6	1.8
<b>Total Output</b>	<b>95.3</b>	<b>103.6</b>	<b>112.6</b>	<b>122.2</b>	<b>129.0</b>	<b>134.1</b>
Raw Materials, Consumables and Goods ordered	-53.0	-57.0	-64.9	-68.6	-70.9	-73.7
Personnel Expenses	-18.6	-20.1	-21.7	-25.1	-24.5	-25.4
Other Operating Expenses	-12.5	-14.1	-15.1	-17.9	-19.5	-19.7
Other Taxes		-0.4	-0.4	-0.3	-0.4	-0.4
Results from Investments accounted for at Equity						
<b>EBITDA</b>	<b>11.2</b>	<b>12.0</b>	<b>10.4</b>	<b>10.4</b>	<b>13.7</b>	<b>15.0</b>
Depreciations	-1.9	-2.0	-2.2	-4.3	-4.7	-4.6
<b>EBIT</b>	<b>9.3</b>	<b>10.0</b>	<b>8</b>	<b>6.1</b>	<b>9.0</b>	<b>10.4</b>
Finance Income	0.0	0.0	0.0	0.0	0.0	0.0
Finance Costs	-1.6	-1.1	-0.6	-1.0	-1.0	-1.2
<b>EBT</b>	<b>7.6</b>	<b>8.9</b>	<b>7.7</b>	<b>5.2</b>	<b>8.0</b>	<b>9.2</b>
Income Tax Expenses	-1.9	-1.8	-2.5	-1.5	-2.4	-2.8
<b>Consolidated Net Income for the Year</b>	<b>5.7</b>	<b>7.1</b>	<b>5.2</b>	<b>3.7</b>	<b>5.6</b>	<b>6.4</b>
Non-Controlling Interests	0.4	0.4	0.3	0.4	0.4	0.4
<b>Attributable to Shareholders</b>	<b>5.3</b>	<b>6.8</b>	<b>4.8</b>	<b>3.3</b>	<b>5.2</b>	<b>6.0</b>
EPS Basic	0.22	0.27	0.17	0.11	0.18	0.21

Source: MainFirst Research, Company

## Balance sheet

Figure 4: Balance sheet

	2016A	2017A	2018A	2019E	2020E	2021E
Intangibles	22.6	22.5	23.2	24.3	24.3	24.3
t/o Goodwill	22.4	22.2	22.6	22.6	22.6	22.6
Tangibles	12.3	12.2	12.5	34.1	33.1	32.1
Financial Non-Current Assets				0.0	0.0	0.0
Other Non-Current Assets	1.0	1.1	13.6	13.6	13.6	13.6
t/o Deferred Tax Assets	0.9	0.9	0.8	0.8	0.8	0.8
t/o Other Assets	0.1	0.1	12.8	12.8	12.8	12.8
<b>Non-Current Assets</b>	<b>35.9</b>	<b>35.8</b>	<b>49.3</b>	<b>71.9</b>	<b>71.0</b>	<b>70.0</b>
Inventories	10.2	11.0	11.6	13.2	14.6	16.1
Trade Receivables	13.1	12.5	13.8	15.6	16.9	17.9
Cash and Cash Equivalents	5.3	14.9	5.9	7.1	10.8	15.7
Other Current Assets	1.8	1.6	1.7	1.7	1.7	1.7
<b>Current Assets</b>	<b>30.4</b>	<b>40.0</b>	<b>33.0</b>	<b>37.5</b>	<b>43.9</b>	<b>51.4</b>
Non-Controlling Interests	1.2	1.1	1.0	1.2	1.4	1.7
Shareholder's Equity	25.1	38.0	47.5	50.6	55.6	61.5
<b>Total Equity</b>	<b>26.3</b>	<b>39.1</b>	<b>48.5</b>	<b>51.8</b>	<b>57.1</b>	<b>63.2</b>
Pension Provisions	0.8	0.8	0.8	1.1	1.1	1.2
Other Provisions	1.8	2.1	2.2	2.5	2.6	2.7
<b>Total Provisions</b>	<b>2.5</b>	<b>2.9</b>	<b>3.0</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>
Interest Bearing Liabilities	25.4	20.1	17.4	40.4	40.4	40.4
Interest Free Liabilities	12.0	13.6	13.4	13.7	13.7	13.9
t/o Trade Payables	9.4	9.7	10.4	10.7	10.7	10.9
t/o Other Interest Free Liabilities	2.6	4.0	3.0	3.0	3.0	3.0
<b>Liabilities</b>	<b>37.4</b>	<b>33.8</b>	<b>30.7</b>	<b>54.1</b>	<b>54.0</b>	<b>54.3</b>
<b>Total Balance Sheet</b>	<b>66.2</b>	<b>75.8</b>	<b>82.3</b>	<b>109.4</b>	<b>114.9</b>	<b>121.4</b>

Source: MainFirst Research, Company

## Cash flow statement

Figure 5: Cash flow statement

	2016A	2017A	2018A	2019E	2020E	2021E
EBITDA (reported)	11.2	12.0	10.4	10.4	13.7	15.0
Cash Interest and Tax Payments	-3.0	-2.2	-2.8	-2.5	-3.4	-4.0
Change in Working Capital	-0.8	1.6	-1.3	-3.0	-2.7	-2.4
t/o Inventories	-0.6	-0.1	-2.0	-1.5	-1.4	-1.6
t/o Trade Receivables				-1.8	-1.3	-1.0
t/o Trade Payables	-0.2	1.7	0.7	0.3	0.0	0.2
Other Operating Cash Flow Items	0.6	-0.5	1.2	0.6	0.2	0.1
<b>Cash Flow from Operating Activities</b>	<b>7.9</b>	<b>11.0</b>	<b>7.6</b>	<b>5.5</b>	<b>7.8</b>	<b>8.8</b>
Capex	-2.1	-1.3	-4.5	-3.9	-3.8	-3.7
Intangible Assets	0.0	-0.2	-2.1	-0.3	-0.3	-0.3
Tangible Assets	-2.1	-1.1	-2.5	-3.6	-3.5	-3.4
<b>Free Cash Flow</b>	<b>5.9</b>	<b>9.7</b>	<b>3.1</b>	<b>1.6</b>	<b>4.0</b>	<b>5.2</b>
Acquisitions/Disposals	0.3	1.7	0.7	-7.0	0.0	0.0
Other Investing Cash Flow Items	-1.5	-5.5	-11.4	0.0	0.0	0.0
<b>Cash Flow from Investing Activities</b>	<b>-3.2</b>	<b>-5.1</b>	<b>-15.2</b>	<b>-10.9</b>	<b>-3.8</b>	<b>-3.7</b>
Dividends and Minority Payouts	-1.6	-1.8	-2.0	-0.4	-0.3	-0.3
t/o Dividends	-1.6	-1.8	-2.0	-0.2	-0.2	-0.1
t/o Minorities				-0.2	-0.2	-0.1
Change in Finance Liabilities	-4.9	-2.8	-5.2	23.0	0.0	0.0
Other Financing Cash Flow Items				-16.0	0.0	0.0
Equity Measures	4.9	9.4	5.8	0.0	0.0	0.0
<b>Cash Flow from Financing Activities</b>	<b>-1.6</b>	<b>4.9</b>	<b>-1.4</b>	<b>6.6</b>	<b>-0.3</b>	<b>-0.3</b>
Other Effects	-0.1	-0.2	0.1	0.0	0.0	0.0
<b>Change in Net Cash</b>	<b>2.9</b>	<b>10.5</b>	<b>-8.9</b>	<b>1.2</b>	<b>3.7</b>	<b>4.9</b>
Net Debt (Cash)	20.1	5.2	11.4	33.3	29.5	24.6

Source: MainFirst Research, Company

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**COMPANY**

Ringmetall AG

Source: MainFirst

**KEY**

5, 13, 15

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Source: MainFirst

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Ringmetall AG	13 May 2018	Not Rated	Outperform	EUR 4.1
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Source: MainFirst, Bloomberg (\*) O – Outperform, U – Underperform, N – Neutral, NR – Not rated

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TriMas	TRS US	USD	31.18	NR
Norma	NOEJ GY	EUR	37.32	NR
Silgan	SLGN US	USD	30.45	NR
Crown	CCK GY	EUR	-	NR
Jungheinrich	JUN3 GY	EUR	22.98	N
Kion	KGX GY	EUR	59.40	N

Source: MainFirst Research, Bloomberg

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