



## **Research Report (Update)**



**Divestiture of subsidiaries ABM and BKP planned**

-

**Progress at securing mid-term financing**

**Target Price: Suspended**

**Rating: Under review**

**IMPORTANT NOTE:**

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) on page 9

## Greiffenberger AG<sup>\*5a,11</sup>

**Rating:**  
**Under review**  
**Target price:**  
**Suspended**

Current Price: 1.19  
01/09/2016 / ETR

Currency: EUR

**Key Information:**

ISIN: DE0005897300  
WKN: 589730  
Ticker symbol: GRF

Number of shares<sup>3</sup>: 5.323  
Marketcap<sup>3</sup>: 6.33  
Enterprise Value<sup>3</sup>: 64.41\*  
<sup>3</sup>in mEUR

\* without debt held for sale and liabilities from finance lease

Freefloat: 42.02 %

**Transparency level:**  
General Standard

**Market segment:**  
Regulated market

**Accounting standard:**  
IFRS

Financial year-end: 31/12

**Designated Sponsor:**  
EQUINET BANK AG

**Analysts:**

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\* catalogue of potential conflicts of interests on page 10

**Unternehmensprofil**

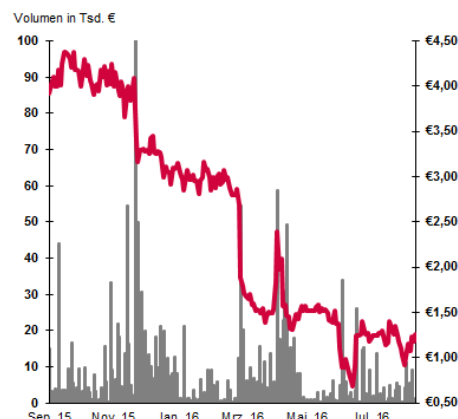
Sector: Industry  
Specialty: Drive technology, metal band saw blades & precision strip steel, sewer renovation

Employees: 1,013 (as of 30/06/16)

Founded: 1986

Registered Office: Marktredwitz

Executive Board: Marco Freiherr von Maltzan



Greiffenberger AG, with its registered office in Marktredwitz and its management in Augsburg, is a family-run holding company with shareholdings in various industries divided into three business areas. The Drive Technology business is represented by the largest subsidiary **ABM Greiffenberger Antriebstechnik GmbH**, based in Marktredwitz. In addition, ABM has foreign subsidiaries in China, France, Austria, Poland, Turkey, and the USA. The Metal Band Saw Blades & Precision Strip Steel business unit comprises **J. N. Eberle & Cie. GmbH**, based in Augsburg. Eberle also has subsidiaries in France, Italy and the USA. **BKP Berolina Polyester GmbH & Co. KG**, based in Velten, operates in the fields of sewer renovation technology and pipe lagging. Greiffenberger AG has been listed since 1986. The subsidiaries ABM and BKP are planned to be sold during the current restructuring process.

P&L in EUR m	31/12/2012	31/12/2013	31/12/2014	31/12/2015*
Sales	157.96	155.24	152.23	151.74
EBITDA	15.39	12.59	9.41	6.79
EBIT	8.80	6.03	2.41	-15.09
Net profit	2.55	1.30	-0.44	-25.73

\* no audit opinion for annual financial statement 2015

Per Share Figures in EUR				
Earnings per share	0.53	0.27	-0.09	-4.83
Dividend per share	0.00	0.00	0.00	0.00

Key Figures				
EV/Sales	0.41	0.41	0.42	0.42
EV/EBITDA	4.19	5.12	6.84	9.49
EV/EBIT	7.32	10.68	26.73	neg.
P/E	2.48	4.87	neg.	neg.
P/B				0.90

**Financial Calendar**

**\*\*last research published by GBC:**

Date: publication/price target in €/Rating  
05/07/2016: RS / suspended / under review  
30/11/2015: RS / 5.00 / BUY  
16/10/2015: RS / 6.80 / BUY  
26/08/2015: RS / 6.80 / BUY

\*\* the research reports can be found on our web-side [www.gbc-ag.de](http://www.gbc-ag.de) or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

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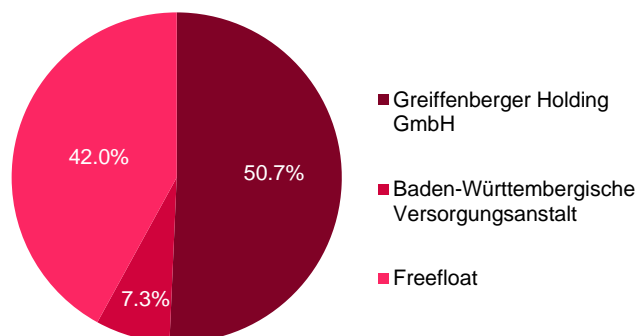
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## COMPANY OVERVIEW

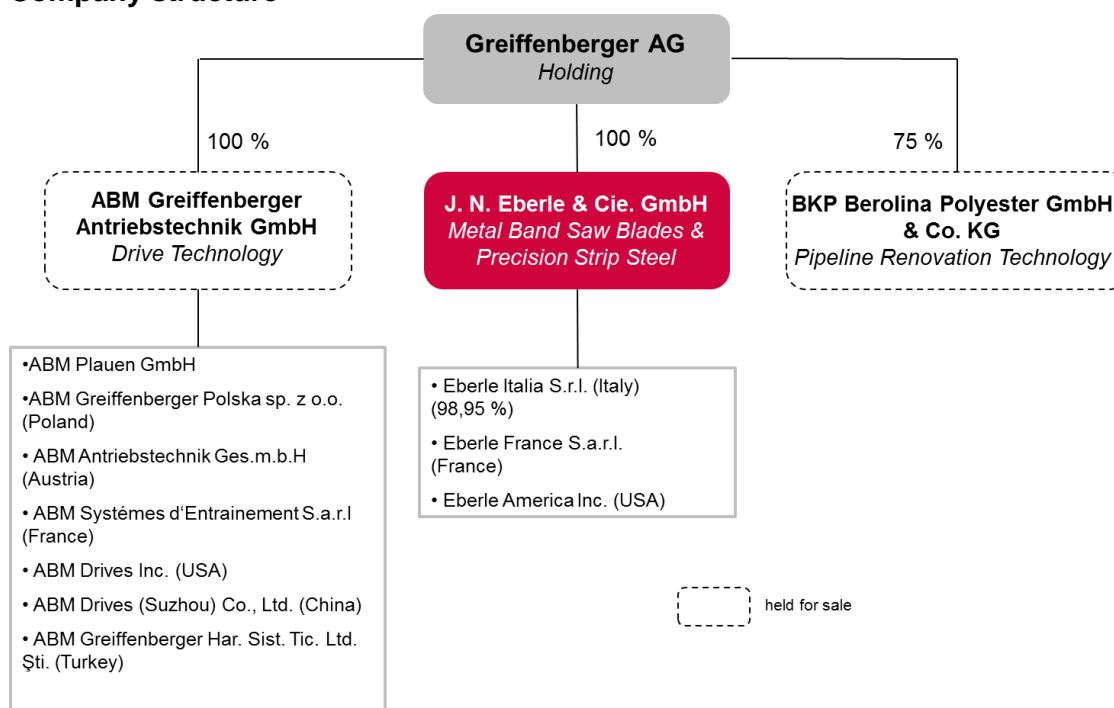
### Shareholder structure

Shareholder in %	
Greiffenberger Holding GmbH	50.70 %
Baden-Württembergische Versorgungsanstalt	7.28 %
Freefloat	42.02 %

Source: Greiffenberger AG, GBC AG



### Company structure



### Important target markets

#### Drive Technology

- Drive solutions for branches like:
- Hoisting technology
  - Material handling equipment
  - Intra- and warehousing logistics
  - Renewable energies
  - Medical technology
  - E-mobility
  - Textile machines

#### Metal Band Saw Blades & Precision Strip Steel

- Metal band saw blades for the metal processing industry.
- Precision strip steel products for a variety of sectors like:
  - Automotive industry (e.g. shock absorbers and compressors)
  - Paper and printing industry (e.g. doctor blades and scrapers)
  - Textile machine industry (e.g. weaving reeds)

#### Pipeline Renovation Technology

- Companies specialised on trenchless pipeline renovation
- Builders of large pipelines

## Business Development HY1 2016

P&L (in mEUR)	HY1 2015	Δ	HY1 2016
Sales	74.43	-6.9 %	69.30
EBITDA (margin)	4.32 (5.8%)	-26.9 %	3.16 (4.6%)
EBIT (margin)	0.67 (0.9%)	n.m.	-0.07 (-0.1%)
Net loss	-0.58	n.m.	-2.34
EPS in €	-0.11	n.m.	-0.44

Source: Greiffenberger AG, GBC AG

### **Divestiture of divisions planned**

Due to the poor business performance of the ABM subsidiary, its assets were determined to be significantly impaired during the preparation of the 2015 annual financial statements. This had a significant negative effect on the result for Greiffenberger AG in 2015 and resulted in a decline in equity to €7.01 million and the equity ratio to 6.7%. At the same time, debt (excluding pension provisions and finance lease liabilities) was at a high level at 2015 year end, at €46.03 million.

Against this backdrop, the development of a concept to ensure the continuation of business activities was agreed with the financing partners. Among other factors, this concept targets the strengthening of the financial structure of individual subsidiaries through investor participation.

In a press release dated 12 August 2016, the Company announced that its subsidiary ABM Greiffenberger Antriebstechnik GmbH (Drive Technology division) was to be sold to the senata Group. For its part, the consideration of the senata Group will consist of the discharge of liabilities and restructuring costs. Precise figures were not provided.

Plans also include the disposal of shares in BKP, the Pipeline Renovation Technology sub-group. As a sale is expected within the next 12 months, the division was reported as a discontinued operation in the 2016 half-year report. However, specifics on the disposal of BKP were not provided in the 2016 half-year report.

The Greiffenberger Group will then only consist of the Metal Band Saw Blades & Precision Strip Steel division in the Eberle subsidiary.

### **Development of sales**

At the date of the half-yearly report, the Pipeline Renovation Technology (BKP) division was classified as *held for sale*, based on the intention to sell. Accordingly, the revenues of BKP for the half-year were no longer included in the revenue reporting.

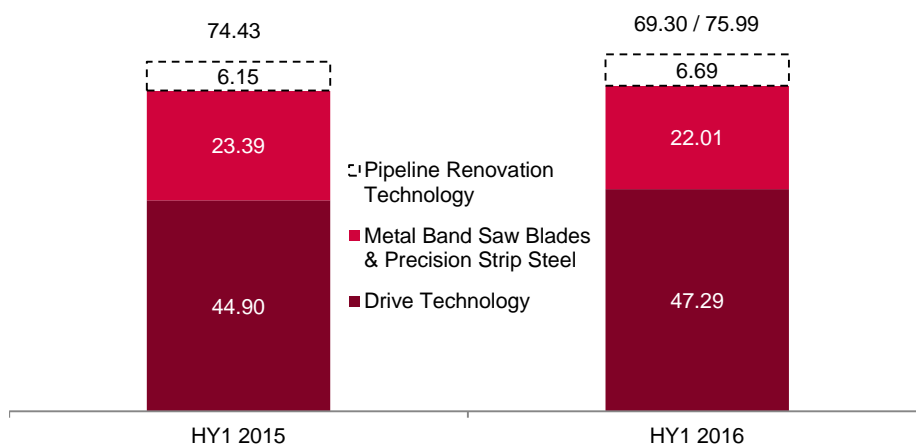
However, the revenue of the Drive Technology segment was included in the 2016 half-year financial statements. At the reporting date, the conditions had not yet been met to classify the division as *held for sale*.

However, irrespective of this, ABM turned in a solid performance in H1 2016, with a 5.3% increase in revenue to €47.29 million, with broad growth across product divisions and target markets. Only the renewable energies segment continues to perform below expectations.

In contrast, the Eberle sub-group posted a slight decrease in revenue of 5.9% in H1 2016, to €22.01 million. However, it should be noted that the distribution of revenue in the previous year was heavily shifted to H1 2015 and was thus comparatively strong.

However, an increase of 9.7% was recorded in comparison with H2 2015. Viewed by product divisions, the decrease was observed in the Metal Band Saw Blades product area, where the economic situation in the target markets was noticeable. In contrast, the Precision Strip Steel product area was up slightly.

### Sales by segment (in m€)



Source: Greiffenberger AG, GBC AG

Overall, Greiffenberger AG generated revenue of €69.30 million in H1 2016. The decrease over the previous year of 6.9% is, as part of the intention to sell, the result of the deconsolidation of BKP, which still contributed €6.15 million during the same period in the previous year. Including the revenue of BKP, which increased revenue by 8.7% in H1 2016, revenue would have been €75.99 million, a year-on-year increase of 2.1%.

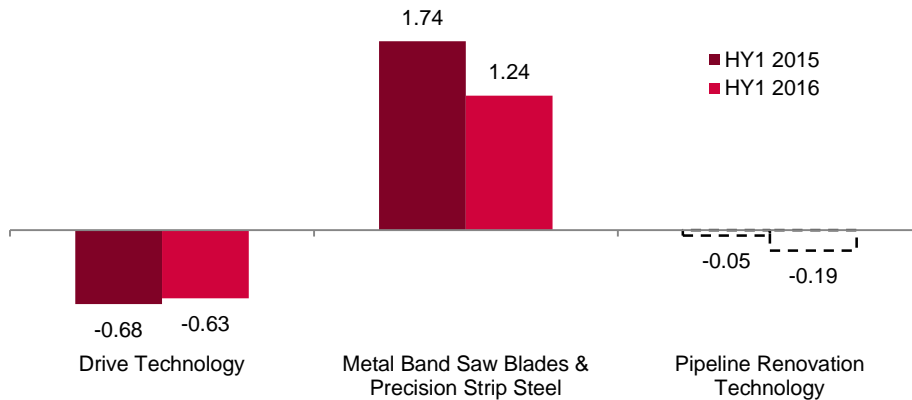
### Development of earnings

With EBIT of -€0.07 million, the operating result in H1 2016 was below the previous year's level of €0.67 million. The decline in EBIT was mainly due to a lower contribution from the Metal Band Saw Blades & Precision Strip Steel division (Eberle). Due to the reclassification of BKP, the sub-group's result is no longer included in the EBIT of Greiffenberger AG, but instead is recognized in the income statement as *results from discontinued operations*.

Against the backdrop of the described decline in revenue compared to the same period in the previous year, the result of the Eberle sub-group was also impacted accordingly. The volume effect also impacted the EBIT margin, which declined from 7.4% to 5.6%. However, it should be taken into consideration that restructuring expenses of €0.2 million are included in the EBIT reported in the Eberle division. Adjusted for this, EBIT would have been €1.44 million and the EBIT margin would have been 6.5%, which is only slightly below the level of the previous year.

Despite ongoing restructuring expenses of -€0.68 million in the Drive Technology (ABM) division, EBIT improved to -€0.63 million. In addition to the encouraging revenue trend, measures to improve material costs and personnel expenses had a positive impact on ABM. The included restructuring expenses totalled €0.7 million. Adjusted for this, EBIT would have been positive, at €0.07 million. This demonstrates that the restructuring measures of recent months are already bearing fruit.

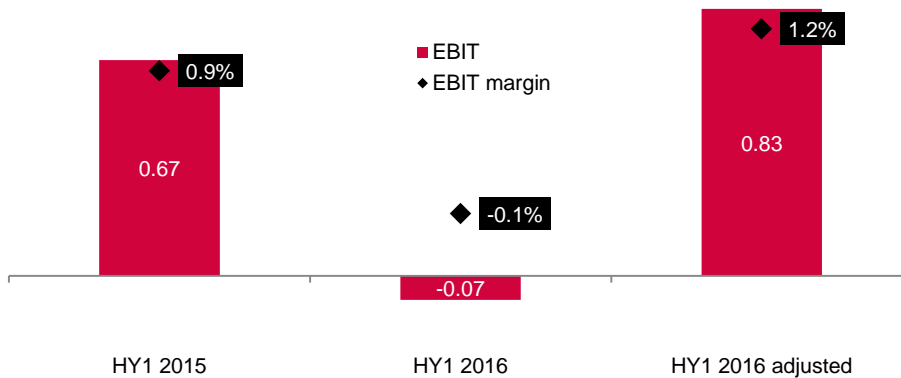
**Development of EBIT by segments (in m€)**



Source: Greiffenberger AG, GBC AG

Adjusted for the extraordinary effects of the total restructuring expenses of €0.90 million, Group EBIT would have been €0.83 million, an increase of 23.9% over the level of the previous year. Consequently, the EBIT margin would have been 1.2%. We judge this improvement to be the initial success of the restructuring measures, although the level of profitability is clearly still below historical levels.

**Illustration of adjusted EBIT (in m€)**



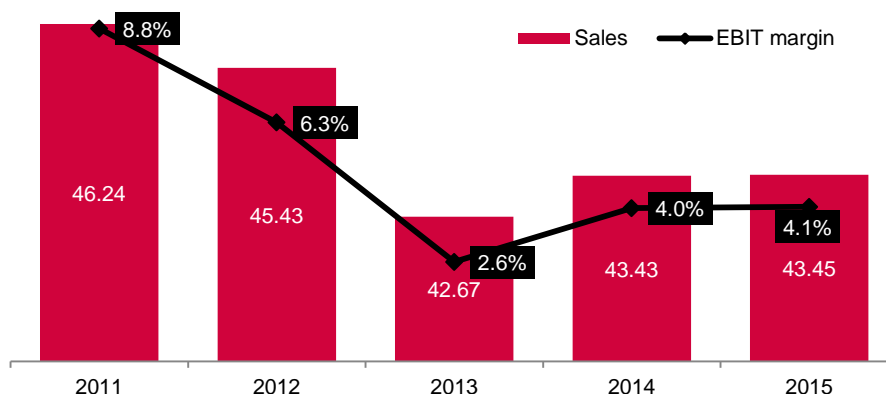
Source: Greiffenberger AG, GBC AG

## Estimates

By the end of September 2016, the disposal of the ABM sub group should be completed and with it the exit of the largest subsidiary of the Greiffenberger Group. The BKP sub group will also be sold. This will leave only the Metal Band Saw Blades & Precision Strip Steel division (Eberle).

The Board expects slight growth in revenue for Eberle over the previous year, although the market environment is currently challenging. However, the Board believes the Company is well positioned in the target markets, so that the revenue shortfall for the first half of the year is currently expected to be offset. In the previous year, Eberle generated revenue of €43.45 million, after a slightly negative trend had been observed in previous years.

### Historic development of sales (in m€) and EBIT margin (in %) of Eberle



Quelle: Greiffenberger AG, GBC AG

With regard to the consolidated result, the Board of Greiffenberger AG expects to achieve a significant improvement over FY 2015 with a "not just marginal return to profitability". Even allowing for the restructuring costs that have already incurred and are expected in H2 2016, the management is forecasting a "noticeably" positive EBITDA and EBIT.

The background to this expectation is the programme that was introduced to ensure future viability and to improve the earnings and liquidity situation of the Greiffenberger Group. The disposal of the ABM sub-group is expected to have a positive effect, as it still made a negative EBIT contribution for the first half year. No significant impact on the result is expected from the disposal process of the Pipeline Renovation Technology division. In addition, the restructuring measures are moving forward in parallel to the disposal process.

No separate comments will be made on the expected result of the Eberle segment in the 2016 half-year report. However, we assume that with an improved revenue situation in H2 2016, the result is likely to be above the level of H1 2016. In this respect, we also expect that, viewed from the perspective of FY 2016, the EBIT margin should be at least at the same level as the previous year before restructuring costs. In fact, it can be assumed that the restructuring measures will contribute to an improvement in profitability.



## Assessment of GBC AG

After the successful disposal of the ABM and BKP sub-groups, Eberle will remain as the sole subsidiary. Accordingly, the revenue of Greiffenberger AG will fall significantly to the level of around €45 million. In future, this means that the level of revenue will be significantly below historical values. We estimate that EBIT – before holding costs – will be in the range of between €1.5 million and €2.0 million.

The sale of ABM to the senata Group is still expected to be concluded in September. The consideration will consist primarily of the discharge of liabilities and restructuring costs. This should mean that the senata Group will assume the bank liabilities of ABM and finance the restructuring, outside the Greiffenberger Group. In our assessment, any purchase price paid in cash to Greiffenberger AG as part of the sale is therefore likely to play a minor role.

Even after the sale of ABM, there is still expected to be a relatively large level of debt in relation to the remaining business unit. However, there are plans to also negotiate the financing arrangements for the remaining Group within the sale of ABM in order to reach a viable solution that will make continued operations possible. It is currently not possible to forecast what the balance sheet structure will look like following the disposal of ABM, particularly in terms of debt.

In addition, further adjustments are likely to be made to the Group structure. With Eberle as the only remaining subsidiary of Greiffenberger AG, it is conceivable that the holding structure will be dissolved, especially to further reduce the cost basis.

The sale of ABM is an important step in the process of reorganizing the financing of the Greiffenberger Group. This is certainly still subject to uncertainty at the present time. In addition, the future balance sheet structure depends on the successful disposal of ABM and BKP and on the new financing agreement. This is why we are still unable to make a reliable assessment of Greiffenberger AG.

For this reason, we are still unable to determine a stock price target for the shares of Greiffenberger AG. As the disposal and financing process proceeds, there should be greater clarity regarding the future viability of Greiffenberger AG in the coming months. As soon as this is the case, we will once again try to establish a stock price target. For the time being, we will maintain the status of shares in Greiffenberger AG as **under review**.

## ANNEX

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BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10 %.
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**Lukas Spang, Financial Analyst**

Other person involved:

**Jörg Grunwald, Management Board**

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