Batenburg

Netherlands | Support Services

Analyser — ***6 March 2018***

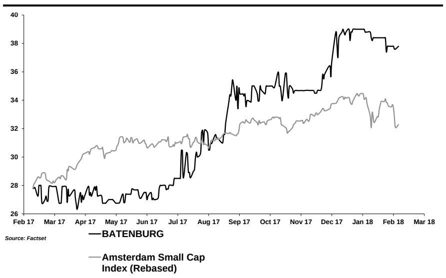
Accumulate	
Recommendation unchanged	
Share price: EUR	**37.80**
closing price as of 05/03/2018	
Target price: EUR	**35.00**
Target Price unchanged	
Upside/Downside Potential	**-7.4%**
Reuters/Bloomberg	BTBN.AS/BATEN NA

Market capitalisation (EURm)	**91**
Current N° of shares (m)	2
Free float	**9%**
Daily avg. no. trad. sh. 12 mth	1
Daily avg. trad. vol. 12 mth (m)	8.84
Price high/low 12 months	26.35 / 39.00
Abs Perfs 1/3/12 mths (%)	-2.58/8.93/38.72

Key financials (EUR)	**12/16**	**12/17e**	**12/18e**
Sales (m)	146	166	170
EBITDA (m)	7	10	11
EBITDA margin	*5.1%*	*6.3%*	*6.4%*
EBIT (m)	5	7	8
EBIT margin	*3.6%*	*4.1%*	*4.5%*
Net Profit (adj.)(m)	4	8	8
ROCE	9.3%	14.1%	15.9%
Net debt/(cash) (m)	2	0	(3)
Net Debt/Equity	*0.1*	*0.0*	*-0.1*
Debt/EBITDA	0.3	0.0	-0.3
Int. cover(EBITDA/Fin. int)	531.6	23.7	54.5
EV/Sales	0.4	0.5	0.5
EV/EBITDA	8.7	8.5	8.1
EV/EBITDA (adj.)	8.4	7.3	7.0
EV/EBIT	12.3	13.0	11.5
P/E (adj.)	14.0	11.7	11.5
P/BV	1.6	2.1	2.1
OpFCF yield	*5.6%*	*5.0%*	*7.4%*
Dividend yield	*2.4%*	*3.4%*	*3.5%*
EPS (adj.)	1.85	3.15	3.30
BVPS	16.32	17.40	18.43
DPS	0.90	1.29	1.33

Shareholders

Bech NV 77%; Decico 9%; J.L. van den Heuvel 5%;



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Results better than expected

The facts: Batenburg published its 2017 results. Revenues rose 18% to EUR 173m (NIBCe EUR 166m) and EBITDA jumped 64% to EUR 12.7m (NIBCe EUR 12.2m). Dividend per share is up to EUR 1.20, reflecting a pay-out ratio of 58% of net profit. Management is positive for 2018 and expects further revenue and profit growth.

P&L, EUR m	2016	2017	% change	2017E
Sales	146.3	172.6	18%	166.3
- Trade & Assembly	55.7	58.5	5%	57.3
- Industrial Automation	51.5	65.7	28%	64.4
- Buiding-related Installation	39.2	48.4	24%	44.6
EBITDA adjusted	7.7	12.7	64%	12.2
EBITDA margin	5.3%	7.3%		7.3%

Source: Batenburg, NIBC

Our analysis: Revenue growth of 18% reflects an acceleration of growth in the second half after 15% growth in 1H17. Batenburg benefits from favourable markets conditions in the Netherlands and we estimate organic growth of almost 10% (organic growth was not specified) as we calculate a contribution of acquired Bellt of over 8%. Management is satisfied about the contribution of Bellt which has strongly expanded the company's position in Industrial Automation. Most market segments contributed to growth except for oil & gas related activities.

Building-related Installation surprised again with strong revenue growth (24% versus 14% expected) and a strong recovery in profitability. This largely explains the better than expected overall results. Revenue growth in Trade accelerated throughout the year with 5% growth (NIBCe 3%) after 1% in 1H17 (due to slow start of the year). Industrial Automation showed strong growth in revenues of 28% (NIBCe 25%), largely driven by the acquisition of Bellt but also better market conditions.

Normalised EBITDA jumped 64% to EUR 12.7m (margin +200bps to 7.3%), exceeding our estimate of EUR 12.2m. Trade reported slightly lower EBIT but this was compensated for by strong results in Industrial Automation and Building-related Installation which showed an impressive margin improvement from 1.6% to 3.7%.

Financial position remains strong with solvency at 49% and net debt at EUR 0.2m. Batenburg is positive about its outlook and based on order book and market conditions, management expects revenue and operating profit to further increase in 2018. Per 31 January, Batenburg has divested DataVision which will have an impact on revenues of EUR 4m but according to Batenburg not so much on operating profit.

Conclusion & Action: *Batenburg's 2017 results were better than expected and showed strong revenue growth of 18% and a good margin improvement of 200bps. Management is positive about 2018 and expects further growth in revenues and EBITDA despite the divestment of DataVision (EUR 4m revenues). Batenburg benefits from better market conditions and the change in business mix towards the better performing segments Industry and Infrastructure. Batenburg is valued at an EV/EBITDA 2018 of 7.0 which reflects a premium of only 10-15% to its historical valuation while the company is in much better shape compared to a view years ago. A higher premium to its historical valuation is justified and offers further upside. We maintain our Accumulate rating.*