

HTI HIGH TECH INDUSTRIES AG

AUSTRIA / INDUSTRIAL HOLDING

Primary Exchange: Vienna
 Bloomberg symbol: HTI AV
 ISIN: AT0000764626

Q3 RESULTS

RATING:	Buy
PRICE TARGET:	€1.00
RETURN POTENTIAL:	38.9%
RISK RATING:	High

RECOVERY WILL TAKE TIME

Q3 results showed a further stabilisation in sales and some improvement in profitability as restructuring measures began to bite. Adjustment of the cost structure to cater for a sales volume of €200m rather than the €300m expected in early 2008 should be completed by the end of this year. However, management have indicated that sales and profitability will recover more slowly than we previously expected. We have lowered our price target to €1.00 from €1.25; the rating remains Buy.

HTI publishes its Q3 report Sales after nine months were helped by the acquisitions made in 2008 and fell by a relatively gentle 13% to €135.1m (9M/08: €156.0m). The organic sales decline was 33%. Q3/09 sales were down 19% y-o-y at €45.3m (Q3/08: €56.2m) but were above our forecast of €42.0m and were also stable relative to Q1/09 (€46.1m) and Q2/09 (€43.7m), which is encouraging given that Q3 is seasonally weak due to summer downtime at HTI's car manufacturer customers. Nine month results showed EBIT of -€21.3m (vs -€1.1m) but Q3/09 EBIT of -€5.8m represented an improvement on the average H1/09 quarterly figure of -€7.7m, although it was below our forecast of -€4.0m. Results have been hit by strong price pressure and restructuring costs as well as by low capacity utilisation in almost all business areas.

Share issue HTI issued 5.051m shares in September, raising around €5m. The issue was smaller than planned. The company had originally targeted proceeds of up to €25m. A €5m bond with equity-like characteristics will be issued to Raiffeisen Landesbank Steiermark at the end of November in order to make up part of the financing shortfall. We estimate net debt at 9M/09 at €180m. According to management, year-end net debt will be around this level plus a maximum of €5m.

Adjusting forecasts Following discussions with the company we now take a more cautious view on the speed of recovery at HTI and have adjusted our forecasts accordingly (see table 1 overleaf). Changes to the 2010 forecasts also reflect a restructuring charge of €6m in connection with the closure of an Austrian plant.

Target price reduced to €1.00; Buy rating remains unchanged We have reduced our price target to €1.00 from €1.25 to reflect the changes to our forecasts. The rating however remains Buy.

FINANCIAL HISTORY & PROJECTIONS

	2007	2008	2009E	2010E	2011E	2012E
Revenue (€m)	151.65	214.34	180.00	180.00	215.00	244.03
Y-o-y growth	92.6%	41.3%	-16.0%	na	19.4%	13.5%
EBIT (€m)	8.03	-26.88	-25.50	4.99	10.12	21.50
EBIT margin	5.1%	-12.3%	-14.2%	2.8%	4.7%	8.8%
Net income (€m)	2.80	-41.96	-13.03	-10.36	-1.47	9.50
EPS (€)	0.22	-2.83	-0.77	-0.50	-0.07	0.46
P/E (x)	3.3	na	na	na	na	1.6
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RISKS

Risks to our valuation include but are not limited to the failure of the planned equity issue, the risk that a relapse into recession could delay our forecast recovery in profits making a further equity issue necessary.

COMPANY PROFILE

HTI High Tech Industries AG is a holding company specialised in participations in medium-sized industrial companies. Operations are organised in three principal divisions: Light Weight Construction; Mechanical Engineering; Energy Technology. The company employed 1,487 full time staff as of 30 September 2009.

TRADING DATA

Closing price (19.11.09)	€0.72
Shares outstanding	20.64m
Market capitalisation	€14.86m
52-week range	€0.45 / 1.25
Average volume (12 months)	14,874

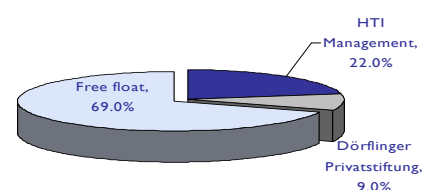
STOCK OVERVIEW



COMPANY DATA (as of 30 September 2009)

Liquid assets	€5.45m
Current assets	€86.96m
Intangible assets (incl. goodwill)	€51.04m
Total assets	€263.20m
Current liabilities	€126.95m
Consolidated equity	€6.76m

SHAREHOLDERS





CHANGES TO OUR FORECASTS

All figures in €m	2009E			2010E			2011E		
	old	new	% change	old	new	% change	old	new	% change
Sales	187.35	180.00	-3.9%	208.70	180.00	-13.8%	236.83	215.00	-9.2%
EBITDA	-7.70	-13.80	n.a.	19.49	16.69	-14.4%	29.31	24.10	-17.8%
<i>margin</i>	-4.1%	-7.7%	-	9.3%	9.3%	-	12.4%	11.2%	-
EBIT	-19.88	-25.50	n.a.	5.93	4.99	-15.9%	13.92	10.12	-27.3%
<i>margin</i>	-10.6%	-14.2%	-	2.8%	2.8%	-	5.9%	4.7%	-
Net profit	-6.90	-13.03	n.a.	-1.68	-10.36	n.a.	6.08	-1.47	n.a.
<i>margin</i>	-3.7%	-7.2%	-	-0.8%	-5.8%	-	2.6%	-0.7%	-
EPS (€)	-0.29	-0.77	n.a.	-0.03	-0.50	n.a.	0.12	-0.07	n.a.

Table 1

Source: First Berlin

**FIRST BERLIN RATING & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Rating	Price target	Interim high	% change to high
Initial Report	30 September 2009	€0.60	Buy	€1.25	€1.10	83.3%
2	Today	€0.72	Buy	€1.00	-	-

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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