

March 8th 2010

Mid Cap | Europe | Germany

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Aurubis AG

New estimates 

Target Price: 39.00 EUR

Branche: Kupfer
Land: Deutschland
WKN: 676650
Reuters: NAFG.DE
Webseite: www.aurubis.com

Kurs aktuell: 34.72
Hoch 35.10 Tief 18.07
Kurs 52 W.: 35.10 18.07
Marktkap. (Mio. EUR) 1418.79
Anzahl Aktien (in Mio.) 40.87

Aktionäre

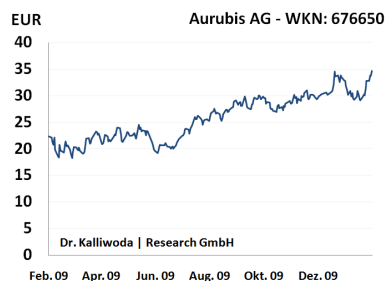
Salzgitter AG 25.26 %
BlackRock Financial M. 4.98 %
Dimensional Fund Advisor 3.34 %
BlackRock Asset M. 2.95 %
DJE Kapital AG 2.85 %
Grantham, Mayo 1.40 %

Performance

4 Wochen 11.34 %
13 Wochen 21.81 %
26 Wochen 34.29 %
52 Wochen 50.22 %
Ifd. Jahr 14.87 %

Dividende

	in EUR	in %
2007	1.45	24.25 %
2008	1.60	38.55 %
2009	0.65	neg.
2010e	1.00	39.28 %



Aurubis profits from economic recovery

- Strong first quarter: The company was able to accelerate earnings strongly (+39% compared to the period one year before), what has been mostly owing to increased prices of metal. The result was positive again (EBIT €133mn), after losses in the first quarter 2008/09 (€ -110mn)
- The showing economic recovery in connection with higher prices of metal has led to the results of the first quarter. The sales increases and also to some extent increases of the result have been carried by higher prices for copper and other metals. Sulfuric acid prices have also been recovering slowly. Increased demand provided greater product distribution and better wages at refineries.
- Aurubis expects further recovery of the economy and thus further rising demand for copper products and sulfuric acids. The company also expects continued high margins in the recycling business, however does not exclude fluctuations. Disregarding, a clearly improved operative results compared to the year before is expected for the current business year.
- We consider the company to be well positioned and share the positive outlook in the event of continued improvement of the economic situation. For the current year, we expect sales of €8.3mn and EBIT of €198mn. We believe that Aurubis can create growth again as it had done before the economic crisis and that it will remain profitable.
- We have raised the target stock price of Aurubis AG stock to €39.00. Thus the stock is listed 12% below its fair value. We recommend to buy the stock.

EUR m	07/08	08/09	09/10e	10/11e	11/12e
Umsatzerlöse	8,384.00	6,687.00	8,300.00	8,750.00	8,525.00
EBITDA	375.69	77.50	294.50	318.00	294.00
EBIT	283.69	-27.50	197.50	216.00	202.00
Nettoergebnis	168.79	-46.50	104.04	113.75	76.00
EPS	4.18	-1.15	2.55	2.78	1.86
BVPS	27.92	25.17	27.72	30.02	30.92
CFPS	6.39	1.44	4.94	5.30	3.89
RoE	16.50 %	-4.36 %	9.18 %	9.27 %	6.01 %
RoS	2.01 %	-0.70 %	1.25 %	1.30 %	0.89 %
Equity ratio (in %)	35.1	36.3	34.9	43.2	45.1
EBIT margin	3.38 %	-0.41 %	2.38 %	2.47 %	2.37 %

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Company profile/business development

Aurubis Group is the largest producer of copper in Europe and also the worldwide largest recycler of copper. Annual production capacity amounts approx. 1.1mn tons of copper cathode and more than 1.2mn tons of copper products, and the group is also among internationally leading copper makers with its approx. 4,700 employees. Aurubis is also in the Prime Standard Segment of Deutsche Bourse and is listed in the MDAX. The company was already founded in 1866.

The company's core business is the recovery of metals from copper concentrates, scrap copper and recycling materials as well as the production of copper cathodes. Subsequent are processing to casting roller wire, strand casting, rolling products and copper alloys. Aurubis Group retrieves and markets additional specialty products, including all major accompanying elements from copper production. Among these are precious metals, sulfuric acids and iron silicate.

Among Aurubis's customers are companies of the semi-finished copper products industry, electrical, electronic as well as chemical industry in the same way as suppliers of the construction and automotive industries as well as cable and wire industries.

Raw materials market

Developments in raw materials markets and particularly in the copper market have strong influence on the business of Aurubis. The price of copper rose from rather low levels back to the high levels of previous years. Responsible for this have been strong demand in Asia and large speculative investments in the raw materials sector aside from the weak US-Dollar. The concentrates market has been defined by poor supply of concentrates due to low utilization of capacity in the mines.

Expected improvement of the overall economic situation should continue to provide for increased demand in the overall raw materials sector. Aurubis will profit from this with improved possibilities for distribution and higher prices. Higher raw materials prices furthermore lead to increased investments in mining projects. Thereby better supply of copper concentrates will be possible for Aurubis. The company will profit from this development by way of improved availability of concentrates and rising wages for smelters.

Products market

Like raw materials markets, profit markets are profiting from the general economic recovery. Increasing demand could be recorded with growing optimism of market participants. Particularly stable was demand from cable and wire industries. Demand has been rising again in the field of formats and strap products as well as with auto suppliers in parts.

Outlook

We are convinced that Aurubis is returning to its path of growth from before the overall economic crisis. We expect lower growth in the meantime, which will however be sustainable. We expect sales of €8.3bn for the current business year and EBIT of €198mn. In the following year 2010/2011 we expect sales earnings to be increasing further to €8.8bn and EBIT of €216mn.

We calculate a fair value for the stock of €38.81 in our DCF model. We assume that Aurubis will be able to increase its sales earnings, however calculate a slightly decreasing margin. For safety of our calculation we considered a dividend discount model. On basis of regularly paid out dividends over the past years, future dividends were estimated and discounted under same considerations as in the DCF procedure. Our fair value from the DCF model was confirmed in the process. According to our calculations, the stock has upward potential of 11.8%. Therefore we recommend it as buy.

Financials

Balance Sheets

Bilanzen	2006/2007			2007/2008			2008/2009			2009/2010E			2010/2011E		
	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %
Aktiva															
<i>Kurzfristige Vermögenswerte</i>															
Vorräte	936	40	18	1,401	43	50	1,094	39	-22	1,144	35	5	1,213	43	6
Forderungen aus Lieferungen und Leistungen	335	14	-28	391	12	17	270	9	-31	332	10	23	381	13	15
Forderungen aus Ertragsteuern	4	0		11	0	175	10	0	-9	8	0	-17	10	0	17
Übrige kurzfristige Forderungen und sonstige VG	379	16	-21	302	9	-20	172	6	-43	284	9	65	253	9	-11
Wertpapiere	0	0	0	0	0	33	0	0	-17	0	0	3	0	0	4
Flüssige Mittel	20	1	203	186	6		257	9	38	275	8	7	401	14	46
Summe kurzfristige Vermögenswerte	1,674	72	-4	2,292	71	37	1,803	64	-21	2,043	63	13	2,257	80	10
<i>Langfristige Vermögenswerte</i>															
Immaterielle Vermögenswerte	28	1	1	47	1	66	42	1	-10	51	2	22	48	2	-6
Sachanlagen	365	16	10	871	27	139	874	31	0	894	28	2	882	31	-1
Als Finanzinvestition gehaltene Grundstücke...	0	0		0	0		0	0	-67	0	0	33	0	0	33
Anteile an verbundenen Unternehmen	0	0	50	0	0	-11	0	0	-4	0	0	7	0	0	-3
Sonstige Beteiligungen	216	9		1	0	-100	52	2		50	2	-4	50	2	0
Übrige Finanzanlagen	0	0	-50	2	0	400	1	0	-47	1	0	8	1	0	22
Aktive latente Steuern	1	0	-19	4	0	208	1	0	-65	2	0	60	3	0	14
Langfristige Forderungen und finanzielle VG	29	1	11	29	1	2	63	2	116	41	1	-36	44	2	10
Sonstige langfristige Vermögenswerte	7	0		3	0	-52	0	0	-100	3	0		2	0	-34
Summe langfristige Vermögenswerte	647	28	67	957	29	48	1,034	36	8	1,043	32	1	1,031	36	-1
Bilanzsumme	2,321	100	9	3,249	100	40	2,837	100	-13	3,086	100	9	3,288	100	7
<i>Eigenkapital</i>															
Gezeichnetes Kapital	95	4	0	105	3	10	105	4	0	105	3	0	105	4	0
Kapitalrücklage	102	4	-0	189	6	86	187	7	-1	187	6	0	187	7	0
Erwirtschaftetes Konzerneigenkapital	734	32	33	834	26	14	723	25	-13	827	25	14	941	33	14
Erfolgsneutrale EK-Veränderungen	-20	-1	-64	9	0		10	0	16	10	0	-4	-10	-0	
Anteile anderer Gesellschafter	3	0	-10	4	0	48	3	0	-18	3	0	1	4	0	6
Summe Eigenkapital	914	39	31	1,141	35	25	1,029	36	-10	1,133	35	10	1,227	43	8
<i>Langfristiges Fremdkapital</i>															
Pensionsrückstellungen	58.8	3	7	67	2	13	71	3	7	75	2	6	72	3	-4
Latente Ertragsteuern	143.4	6	12	221	7	54	167	6	-25	220	7	32	230	8	5
Sonstige langfristige Rückstellungen	33.5	1	5	42	1	24	40	1	-5	38	1	-3	40	1	4
Langfristige Finanzverbindlichkeiten	153	7	72	523	16	242	451	16	-14	376	12	-17	354	12	-6
Übrige langfristige Verbindlichkeiten	0	0	-100	2	0		25	1		25	1	-1	17	1	-31
Summe langfristiges Fremdkapital	389	17	28	854	26	120	754	27	-12	734	23	-3	713	25	-3
<i>Kurzfristiges Fremdkapital</i>															
Sonstige kurzfristige Rückstellungen	75.4	3	86	75	2	-1	98	3	30	83	3	-15	85	3	3
Kurzfristige Finanzverbindlichkeiten	145.8	6	55	409	13	181	165	6	-60	205	6	24	222	8	8
Verbindlichkeiten aus LuL	444.7	19	-19	444	14	-0	601	21	35	723	22	20	777	27	7
Verbindlichkeiten aus Ertragsteuern	58.5	3	87	81	3	39	24	1	-70	58	2	139	55	2	-6
Übrige kurzfristige Verbindlichkeiten	294	13	-30	244	8	-17	166	6	-32	150	5	-10	210	7	40
Summe kurzfristige Fremdkapital	1018	44	-10	1254	39	23	1054	37	-16	1219	38	16	1349	48	11
Bilanzsumme	2,321	100	9	3,249	100	40	2,837	100	-13	3,085	95	9	3,288	116	7

Profit & Loss Statements

Gewinn- und Verlustrechnung	2004/2005			2006/2007			2007/2008			2008/2009			2009/2010E			2010/2011E		
	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %	Mio. EUR	Anteil	Δ %
Umsatzerlöse	3,022	100	22	6,469	100	12	8,384	100	30	6,687	100	-20	8,300	100	24	8,750	100	5
Bestandsveränderungen	26	1	-32	119	2	8	-25	-0		-159	-2	547	30	0		-25	-0	
Andere aktivierte Eigenleistungen	3	0		4	0		11	0		7	0		10	0		7	0	
Sonstige betriebliche Erträge	24	1	-15	25	0	13	62	1	144	31	0	-50	30	0	-3	30	0	0
Materialaufwand	-2,634	-87	22	-5,923	-92	13	-7,636	-91	29	-6,065	-91	-21	-7,661	-92	26	-8,024	-92	5
Rohergebnis	441	15	14	695	11	4	796	9	15	501	7	-37	709	9	42	738	11	4
Personalaufwand	-190	-6	5	-215	-3	11	-266	-3	23	-270	-4	2	-265	-3	-2	-270	-4	2
Abschreibungen auf immaterielle VG und SA	-64	-2	-10	-58	-1	12	-92	-1	59	-105	-2	14	-97	-1	-8	-102	-2	5
Sonstige betriebliche Aufwendungen	-89	-3	12	-106	-2	18	-154	-2	45	-154	-2	-0	-150	-2	-2	-150	-2	0
Betriebsergebnis	99	3	70	315	5	-5	284	3	-10	-28	-0		197	2		216	3	9
Beteiligungsergebnis	0	0		1	0		1	0	10	1	0	-9	1	0	10	1	0	-9
Zinserträge	5	0	50	8	0		15	0		15	0		14	0		15	0	
Zinsaufwendungen	-14	-0	-7	-17	-0	27	-57	-1	229	-53	-1	-7	-55	-1	4	-62	-1	13
Ergebnis vor Steuern	89	3	94	307	5	-5	243	3	-21	-65	-1		157	2		170	3	8
Ertragssteuern	-29	-1	45	-83	-1	-37	-72	-1		19	0		-51	-1		-55	-1	8
Ergebnis aus fortgeführtem Geschäft	60	2	132	224	3	16	171	2	-24	-46	-1		106	1		115	2	8
Anteile anderer Gesellschafter	-1	-0	0	-2	-0	100	-2	-0	0	-1	-0	-50	-2	-0	100	-1	-0	-50
Jahresüberschuss-/fehlbetrag	59	2	137	222	3	16	169	2	-24	-47	-1		104	1		114	2	9
<i>Ergebnis je Aktie (unvenüßsert)</i>	<i>1.77</i>	<i>133</i>		<i>5.98</i>	<i>13</i>		<i>4.18</i>	<i>-30</i>		<i>-1.15</i>			<i>2.55</i>			<i>2.78</i>	<i>9</i>	
<i>reported</i>																		
<i>Ergebnis je Aktie (venüßsert)</i>	<i>1.76</i>	<i>138</i>		<i>5.98</i>	<i>13</i>		<i>4.18</i>	<i>-30</i>		<i>-1.15</i>			<i>2.55</i>			<i>2.78</i>	<i>9</i>	
<i>reported</i>																		

Valuation

DCF-Model

In order to determine the fair value, we established a three-stage discounted cash flow model and used market data for the peer group companies. All data are based on the consolidated financial statements.

Through discounting the operative free cash flows to the valuation date we accommodated the during the period valuation date. As the valuation date we chose February 1, 2010. As far as non operating assets are concerned, their value was derived separately and added to the present value of the payouts.

Tying in with this, the phase of terminal value follows, for which we calculated with a growth rate of 3% p.a.

/ Discounted Cash Flow-Modell (Basis 2/2010)						
(Mio. EUR)	Phase 1					
	2009/10E	2010/11e	2011/12e	2012/13e	2013/14e	2014/15e
Umsatz	8,300.000	8,750.000	8,525.000	8,951.250	9,398.813	9,868.753
Veränderungsrate	-	5%	-3%	5%	5%	5%
EBIT	197.500	216.000	202.000	206.040	210.161	214.364
Veränderungsrate	-	9%	-6%	2%	2%	2%
Marge	2.4%	2.5%	2.4%	2.3%	2.2%	2.2%
Zins-/Beteiligungsergebnis	-40.400	-46.000	-50.000	-50.000	-50.000	-50.000
EBT ex. Zinsergebnis	157.100	170.000	152.000	156.040	160.161	164.364
operativer Steueraufwand	-51.057	-55.250	-51.057	-51.510	-52.540	-53.591
Steuerquote (ex. Zinsergebnis)	32.5%	32.5%	33.6%	33.0%	32.8%	32.6%
Abschreibungen imm. Verm. u. Sachanl.	97.000	102.000	92.000	96.600	101.430	96.000
Abschreibungsquote (% Umsatz)	1.2%	1.2%	1.1%	1.1%	1.1%	1.0%
Veränderung langf. Rückstellungen	4.000	-3.000	0.000	5.000	3.000	4.000
Anteil Umsatz	0.0%	0.0%	-	0.1%	0.0%	0.0%
CF-Geschäftsbedarf (Veränderung WC)	-66.500	-58.000	-64.000	-62.833	-61.611	-62.815
Working-Capital-Ratio (%Umsatz)	-0.8%	-0.7%	-0.8%	-0.7%	-0.7%	-0.6%
Investitionen	-134.000	-151.000	-120.000	-95.000	-125.000	-102.000
Investitionsquote (% Umsatz)	-1.6%	-1.7%	-1.4%	-1.1%	-1.3%	-1.0%
Sonstige Anpassungen	0.000	0.000	0.000	0.000	0.000	0.000
Free Cash-Flow	6.542	4.750	8.943	48.297	25.439	45.958

WACC

Der Diskontierungssatz wurde mit Hilfe der gewichteten Kapitalkosten ermittelt. We assume that the target capital structure will not change in the subsequent business years.

Wachstumsprämissen

Langfristiges Wachstum / Inflationsrate	3.0%
Angleichungsphase (ab 2016)	5 Jahre
Anfangswachstum des Umsatzes	1.0%
Margenentwicklung (p.a.)	+1 BP

Adjustments for debt to current interest were not made. Risk free profitability is based on the average profitability of the 30-year bond.

Eigenkapitalkosten

Langfristiger risikoloser Zinssatz	4.9%
Risikoprämie Markt / Aktienmarktrendite	5.0%
Beta des Unternehmens (Näherung)	0.79
Eigenkapitalkostensatz	8.9%

Figuring a risk prime follows the capital asset pricing model (CAPM) and covers in particular the systemic risks (market risk prime esp. company specific risk). The beta value we used to identify the company specific risk is based on the performance of the reference index MDax.

Fremdkapitalkosten

Fremdkapitalkostensatz (vor St.)	7.0%
Steuersatz auf Fremdkapitalzinsen	30.0%
Fremdkapitalkostensatz (nach St.)	4.9%

Wert des Eigenkapitals	1,029
Verschuldung	1,808
Gearing (zu Marktwerten)	175.7%
WACC	6.3%

Fair Value – Sensitivities

Our derived fair value per share amounts to Euro 38.81. This implies an upside potential of 11.8% to the current share price (EUR 34.72). The modification of the action parameter in terminal value is shown below in the sensitivity analysis. It shows variance in our derived fair value in variant scenarios.

Sensitivitätsanalyse

(Mio. EUR)		Diskontierungszinssatz				
$\beta = 0.79$		5.3%	5.8%	6.3%	6.8%	7.3%
Wachstums	2.0%	44.98	37.32	31.44	26.81	23.06
	2.5%	51.47	41.79	34.65	29.17	24.85
	3.0%	60.75	47.83	38.81	32.16	27.06
	3.5%	75.08	56.47	44.44	36.04	29.84
	4.0%	100.17	69.82	52.49	41.29	33.46

Sensitivitätsanalyse

(EUR)		Diskontierungszinssatz				
$\beta = 0.79$		5.3%	5.8%	6.3%	6.8%	7.3%
Wachstums	2.0%	1,838	1,525	1,285	1,096	942
	2.5%	2,104	1,708	1,416	1,192	1,016
	3.0%	2,483	1,955	1,586	1,314	1,106
	3.5%	3,069	2,308	1,816	1,473	1,220
	4.0%	4,094	2,853	2,145	1,687	1,367

Dividend Discount Modell

In an additional step we closely examined the payout policy of the company for the valuation of Aurubis AG. Fortunately dividends could be paid out to share-holders over past years, so that total return is composed of dividends and stock price by now. Dividends amounted to €0.65 per share in the business year 2008/2009.

Dividend Discount Modell								
Angaben in Euro		2009/2010E	2010/2011E	2011/2012E	2012/2013E	2013/2014E	2014/2015E	Terminal Value
Ergebnis je Aktie		2.55	2.78	2.86	2.95	3.04	3.13	3.15
Dividende		1.00	1.20	1.20	1.20	1.30	1.30	1.40
Ausschüttungsquote		39.28 %	43.17 %	41.91 %	40.69 %	42.79 %	41.55 %	44.44 %
Eigenkapital		1,133	1,227	1,288	1,352	1,420	1,491	1,566
Return on Equity		9.18 %	8.42 %	8.26 %	8.10 %	7.95 %	7.80 %	8.19 %
Veränderungen zum Vorjahr in Prozent			-8.34 %	-1.90 %	-1.90 %	-1.90 %	-1.90 %	5.04 %
Diskontierungszinssatz	6.33 %							
Multiplikatoren		0.940	0.884	0.832	0.782	0.736	0.692	
Dividende		1.00	1.20	1.20	1.20	1.30	1.30	
Barwert der Dividende		0.94	1.06	1.00	0.94	0.96	0.90	
Σ Barwert der Dividenden im Detailplanungszeitraum	5.79							
Σ Barwert Dividenden im Terminal Value	32.96	Wachstumsrate der Dividende im TV: 2.00 %						
Equity Value	38.75							

Our dividend discount model is based on the assumptions of the DCF model regarding the capitalization interest rate. Expected dividends from the initial point for valuation and are ascertained from growth of annual results, return on equity and payout quota. In the process we assumed an increase of currently €1.00 for a dividend of €1.40 per share in terminal value from the business year 2015/2016E onward. We continue the increase of dividends at 2 percent p.a. in the terminal value. Equity value in the amount of EUR 38.75 is composed of the cash value of dividends in the detailed planning phase for business years 2009/2010E until 2014/2015E (EUR 5.79) as well as the cash value of dividends in the terminal value (EUR 32.96). A fair value per share is arrived at in the amount of 38.75 resp. upward potential of rounded 11.6 percent.

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