

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

EUR 1.75 (1.75)

16 June 2014

Production of Piatti to be relocated

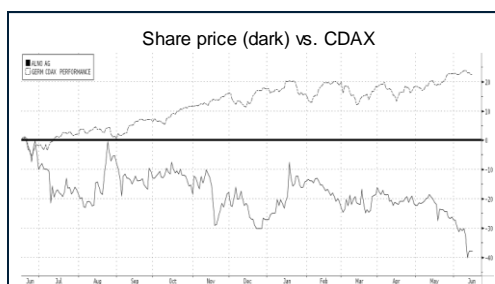
Synergies from acquisition were further substantiated

- ALNO announced its plans to **move the production of Piatti** (part of the recently acquired AFP Küchen) from Dietlikon, Switzerland, to its plant in Pfullendorf in the second half of 2014. This will result in a **cut of up to 100 jobs** in production as well as in related areas at the site in Dietlikon. By this step, ALNO aims at realising the previously announced synergies and removing existing overcapacity. **Capacity utilisation at the Pfullendorf factory** is then expected to increase to almost 100% in the single shift operation – without any additional recruiting. This will improve the group's cost structure significantly. Product development, sales and management of AFP Küchen will remain at the site Dietlikon. AFP Küchen will thus still employ a staff level of more than 400 in Switzerland. Of these, slightly more than 100 will work at the production site of Forster Schweizer Stahlküchen.
- Due to the flexible manufacturing capacities in Pfullendorf, it is possible to **expand the product portfolio of Piatti** in the **premium segment** to materials such as glass and ceramics. Moreover, additional effects can be achieved at the production facility in Brilon, as Piatti will also start to offer products in the **entry-level segment**. After this significant expansion of its portfolio, Piatti will be better positioned for the retail and project business in Switzerland and can thus take advantage of **additional revenue potential**.
- In the course of a change of the responsible analyst, we **completely revised our financial estimates** for ALNO. We cautiously reduced our sales estimates for FY 2014 to EUR 570.8m since the company's guidance (EUR 580m to EUR 600m) appears ambitious after the relatively weak 1Q 2014. Accounting for the income from badwill realisation on the one hand, but for higher depreciation and amortisation from the purchase price allocation on the other hand, we **raised our EPS estimate for 2014E to EUR 0.44** (prev.: EUR 0.01). Regarding 2015E and 2016E, we reduce our sales and earnings estimates even though we still assume significant sales and margin increases from the takeover of AFP and resulting synergies.
- In our view, 2014 will still be a year of transition while the full year effect from expected synergies will be reaped in 2015E. While our DCF model yields a fair value per share of EUR 1.76, a peer group comparison suggests EUR 1.94. We maintain our PT of EUR 1.75 and our **'BUY'**.

Y/E Dec 31, EUR m	2011	2012	2013	2014E	2015E	2016E
Sales	452.8	446.3	395.1	570.8	602.7	626.6
EBITDA	5.2	14.0	5.5	62.3	36.8	42.2
EBIT	-10.7	0.9	1.2	44.4	20.7	27.1
Net result	-25.6	-1.4	-10.6	30.5	7.6	13.5
Basic EPS	-1.04	-0.05	-0.15	0.44	0.11	0.19
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin	1.1%	3.1%	1.4%	10.9%	6.1%	6.7%
Adj. EBITDA margin*	1.1%	3.1%	1.4%	3.3%	6.1%	6.7%
EBIT margin	-2.4%	0.2%	0.3%	7.8%	3.4%	4.3%
EV/EBITDA*	32.0	11.9	30.2	8.9	4.5	3.9
P/E	neg.	neg.	neg.	n.m.	7.4	4.2

Source: ALNO AG; CBS Research AG

*adjusted by income from badwill realisation in 2014E



Source: CBS Research, Bloomberg, Alno AG

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	570.8	589.7	602.7	624.0	626.6	644.0
EBITDA	62.3	25.0	36.8	42.0	42.2	45.3
EPS	0.44	0.01	0.11	0.17	0.19	0.20

Internet: www.alno.de

WKN: 778840

Reuters: ANOG.DE

Sector: Consumer

ISIN: DE0007788408

Bloomberg: ANO GY

Short company profile:

ALNO is one of the leading kitchen manufacturers in Germany. Through its brands ALNO, Wellmann, Impuls, Pino, Piatti and Forster Schweizer Stahlküchen (ALNOINOX), the company addresses various customer target groups in different price segments. The Group serves the German and international market with a full range of kitchen styles from seven international production sites.

Share data:

Share price (EUR, latest closing price):	0.80
Shares outstanding (m):	70.1
Market capitalisation (EUR m):	56.0
Enterprise value (EUR m):	166.3
Ø daily trading volume (3 m., no. of shares):	121,732

Performance data:

High 52 weeks (EUR):	1.33
Low 52 weeks (EUR):	0.71
Absolute performance (12 months):	-38.0%
Relative performance vs. CDAX:	
1 month	-23.1%
3 months	-27.3%
6 months	-26.2%
12 months	-49.4%

Shareholders:

Max Müller und Familie	4.6%
SE Swiss Entrepreneur	8.1%
Küchen Holding GmbH	2.6%
Whirlpool Corporation	30.6%
Other free float	54.2%

Financial calendar:

2Q 2014 report: 29 August 2014

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Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Sales			452.8	446.3	395.1	570.8	602.7	626.6
YoY growth			-3.1%	-1.4%	-11.5%	44.5%	5.6%	4.0%
Inventory changes (finished goods, WIP)			0.0	-0.7	1.9	0.0	0.0	0.0
Other own work capitalised			0.9	1.1	0.8	0.8	0.9	0.9
Total output			453.7	446.7	397.7	571.6	603.6	627.5
Cost of materials			-286.4	-257.9	-222.0	-319.0	-336.8	-350.2
as % of total output			-63.1%	-57.8%	-55.8%	-55.8%	-55.8%	-55.8%
Gross profit			167.3	188.7	175.6	252.7	266.8	277.4
as % of total output			36.9%	42.2%	44.2%	44.2%	44.2%	44.2%
Personnel expenses			-98.5	-97.2	-95.3	-123.7	-118.3	-120.7
as % of total output			-21.7%	-21.8%	-24.0%	-21.6%	-19.6%	-19.2%
Other operating income			6.3	9.8	9.5	50.1	6.5	6.5
as % of total output			1.4%	2.2%	2.4%	8.8%	1.1%	1.0%
Other operating expenses			-94.2	-84.4	-82.2	-116.8	-118.2	-120.9
as % of total output			-20.8%	-18.9%	-20.7%	-20.4%	-19.6%	-19.3%
Restructuring result			24.3	-3.0	-2.2	0.0	0.0	0.0
as % of total output			5.4%	-0.7%	-0.5%	0.0%	0.0%	0.0%
EBITDA			5.2	14.0	5.5	62.3	36.8	42.2
as % of total output			1.1%	3.1%	1.4%	10.9%	6.1%	6.7%
EBITDA adjusted by badwill realisation			-	-	-	18.6	-	-
as % of total output						3.3%		
Depreciation/amortisation and impairments			-15.9	-15.9	-12.2	-17.9	-16.1	-15.1
as % of total output			-3.5%	-3.5%	-3.1%	-3.1%	-2.7%	-2.4%
Write-ups of noncurrent assets			0.0	2.8	7.8	0.0	0.0	0.0
as % of total output			0.0%	0.6%	2.0%	0.0%	0.0%	0.0%
EBIT			-10.7	0.9	1.2	44.4	20.7	27.1
as % of total output			-2.4%	0.2%	0.3%	7.8%	3.4%	4.3%
EBIT adjusted by badwill realisation			-	-	-	0.7	-	-
as % of total output						0.1%		
Result from at-equity consolidated investments			-3.4	-0.3	-0.7	-0.5	-0.1	0.2
Interest and other financial result			-11.2	-1.8	-7.7	-12.3	-11.8	-11.5
EBT (Earnings before income taxes)			-25.2	-1.2	-7.2	31.6	8.8	15.8
as % of total output			-5.6%	-0.3%	-1.8%	5.5%	1.5%	2.5%
Taxes on income			-0.3	-0.2	-3.5	-1.1	-1.2	-2.2
as % of EBT			1.4%	16.7%	48.0%	-3.5%	-13.6%	-13.7%
Net income of the group			-25.6	-1.4	-10.7	30.5	7.6	13.6
as % of total output			-5.6%	-0.3%	-2.7%	5.3%	1.3%	2.2%
Minority interests			0.0	0.0	0.1	0.0	-0.1	-0.1
Net income attributable to shareholders			-25.6	-1.4	-10.6	30.5	7.6	13.5
Weighted average shares outstanding (m)			24.6	30.9	70.1	70.1	70.1	70.1
Basic earnings per share (EUR)			-1.04	-0.05	-0.15	0.44	0.11	0.19

Source: CBS Research AG, ALNO AG

Balance sheet

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Assets								
Noncurrent assets			86.5	89.2	99.8	173.4	174.2	176.1
as % of total assets			54.1%	53.0%	55.0%	60.7%	60.3%	59.8%
Goodwill			1.5	3.7	3.7	3.7	3.7	3.7
Other intangible assets			4.5	5.0	6.0	44.2	43.0	41.8
Property, plant and equipment			73.5	75.7	84.5	116.8	118.9	121.9
Investments accounted for using the equity method			0.9	0.0	0.8	0.3	0.2	0.4
Financial assets/receivables			4.5	3.7	3.6	2.3	2.3	2.3
Receivables and other assets			1.6	0.8	0.9	1.0	1.0	1.0
Deferred taxes			0.0	0.4	0.2	5.1	5.1	5.1
Current assets			73.2	79.0	81.6	112.4	114.5	118.6
as % of total assets			45.9%	47.0%	45.0%	39.3%	39.7%	40.2%
Inventories			25.9	24.5	24.0	33.7	35.0	36.3
Trade receivables			40.1	44.8	42.7	61.0	62.8	65.2
Financial receivables			0.0	0.0	2.0	1.4	0.0	0.0
Other assets and receivables			5.0	4.4	9.7	13.2	13.6	13.9
Cash and cash equivalents			2.2	5.4	3.3	3.2	3.2	3.2
Total assets			159.7	168.3	181.5	285.8	288.8	294.8
Shareholders' equity and liabilities								
Shareholders' equity			-73.3	-7.5	-18.4	18.5	26.2	39.8
as % of total equity and liabilities			-45.9%	-4.4%	-10.1%	6.5%	9.1%	13.5%
Subscribed capital			67.8	70.1	70.1	70.1	70.1	70.1
Capital reserve			45.9	3.3	3.3	3.3	3.3	3.3
Retained earnings			0.0	0.5	0.5	6.9	6.9	6.9
Unappropriated group profit			-187.1	-81.5	-92.3	-61.8	-54.3	-40.8
Minority interests			0.0	0.2	0.1	0.1	0.2	0.3
Noncurrent liabilities and deferred income			32.8	27.6	90.7	138.1	144.9	129.1
as % of total equity and liabilities			20.6%	16.4%	50.0%	48.3%	50.2%	43.8%
Provisions for pensions and similar obligations			18.0	20.3	20.6	27.1	26.7	26.2
Deferred tax liabilities			0.4	0.2	2.8	11.0	11.0	11.0
Other long-term provisions			3.2	2.3	1.4	1.1	1.0	0.8
Shareholder loans			0.0	0.0	20.0	20.0	20.0	0.0
Other noncurrent financial liabilities			10.5	4.0	45.2	78.2	85.6	90.4
Deferred income from government grants			0.8	0.7	0.7	0.7	0.7	0.7
Other noncurrent liabilities			0.1	0.0	0.0	0.0	0.0	0.0
Current liabilities			200.2	148.1	109.1	129.1	117.7	125.9
as % of total equity and liabilities			125.4%	88.0%	60.1%	45.2%	40.7%	42.7%
Other current provisions			5.6	5.5	2.7	3.1	3.5	3.6
Shareholder loans			0.4	0.4	10.4	0.4	0.4	20.4
Current financial liabilities			99.1	14.9	17.2	54.0	44.6	31.0
Trade accounts payable and other fin. liabilities			86.8	118.2	70.8	61.2	58.1	59.5
Other current liabilities incl. income taxes payable			8.3	9.2	7.9	10.4	11.0	11.4
Total equity and liabilities			159.7	168.3	181.5	285.8	288.8	294.8

Source: CBS Research AG, ALNO AG

Cash flow statement

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
EBIT			-10.7	0.9	1.2	44.4	20.7	27.1
Depreciation/amortisation and write-ups of noncurrent assets			15.9	13.1	4.3	17.9	16.1	15.1
Cash taxes paid/received			-0.3	-0.1	-0.4	-1.1	-1.2	-2.2
Other non-cash income and expenses			-22.4	-6.5	1.0	-39.5	3.1	3.1
Cash-effective change in other provisions			-5.2	-4.8	-5.6	-4.6	-4.6	-4.7
Increase/decrease in inventories, trade receivables, and other assets			-6.9	5.8	-6.6	2.3	-3.5	-4.1
Increase/decrease in trade accounts payable and other liabilities			36.6	24.2	-18.3	-19.0	-2.1	1.9
Interest paid/received			-10.3	-7.0	-5.1	-11.4	-10.8	-10.5
Cash flow from operating activities			-3.3	25.5	-29.5	-10.9	17.6	25.6
Net cash outflows from the purchase and retirement of PP&E and intangible assets			-17.4	-14.1	-14.7	-16.7	-17.0	-16.8
Payments for the purchase/sale of companies			0.0	-1.2	0.0	-34.2	0.0	0.0
Net investments in financial assets and change in granted loans			0.2	0.5	1.0	2.0	1.4	0.0
Cash flow from investing activities			-17.1	-14.74	-13.7	-48.9	-15.7	-16.8
Capital stock increases less cost			24.2	44.3	0.0	0.0	0.0	0.0
Change in financial liabilities/shareholder loans			-4.1	-51.3	41.6	59.8	-2.0	-8.8
Cash flow from financing activities			20.1	-7.1	41.6	59.7	-2.0	-8.8
Total change in cash and cash equivalents			-0.3	3.7	-1.6	0.0	0.0	0.0
Cash and cash equivalents at the start of the period			1.0	0.6	4.3	2.7	2.7	2.6
Cash and cash equivalents at the end of the period			0.6	4.3	2.7	2.7	2.6	2.6
+ restricted cash and cash equivalents			1.6	1.1	0.5	0.5	0.5	0.5
= of cash and cash equivalents in the balance sheet			2.2	5.4	3.3	3.2	3.2	3.2

Source: CBS Research AG, ALNO AG

Valuation summary

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	1.94
DCF valuation	50.0%	1.76
Fair value per share (weighted)		1.85

Source: CBS Research AG

Peer group valuation

Company name	P / E		EV / EBIT		EV / EBITDA	
	2015E	2016E	2015E	2016E	2015E	2016E
ALNO AG (based on CBSR estimates)	7.4	4.2	8.0	6.1	4.5	3.9
NOBIA AB	12.3	10.6	9.4	8.3	7.0	6.3
HOWDEN JOINERY GROUP PLC	14.6	13.3	10.4	9.5	9.3	8.6
FABRYKI MEBLI FORTE SA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AMERICAN WOODMARK CORP	13.5	13.5	6.7	5.9	5.3	4.4
STANLEY FURNITURE CO INC	n.m.	n.a.	6.6	n.a.	n.m.	n.a.
LA-Z-BOY INC	13.6	n.a.	7.7	n.a.	6.5	n.a.
HERMAN MILLER INC	13.3	n.a.	8.8	n.a.	7.1	n.a.
HNI CORP	16.9	14.4	11.3	9.5	8.6	7.4
Average	14.4	13.7	8.6	8.3	7.4	6.8
Median	13.6	13.5	8.3	9.5	7.1	7.4
Minimum	13.3	13.3	6.6	5.9	5.3	4.4
Maximum	16.9	14.4	11.3	9.5	9.3	8.6

	EURm, except EPS (EUR)		EPS (EUR)		EBIT		EBITDA	
	2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
ALNO AG (estimates by CBSR)	0.11	0.19	20.7	27.1	36.8	42.2		
Applied multiples (peer group average)	14.4	13.7	8.6	8.3	7.4	6.8		
Fair Enterprise Value (EV)	-	-	178.2	224.7	271.3	288.1		
+ Liquid funds	3.3							
- Interest-bearing debt incl. pension provisions	-113.4							
- Minority interests	-0.1							
Fair value of equity from each multiple	108.8	185.0	67.8	114.4	161.0	177.8		
Average of derived fair values	135.8							
Premium (discount) vs. peer group companies	0%							
Fair value of equity	135.8							
Number of shares outstanding (m)	70.1							
Fair value per share (EUR)	1.94							

Source: CBS Research AG; Bloomberg

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	∞
Sales revenues	570.8	602.7	626.6	642.3	658.3	674.8	688.3	702.1	716.1	726.9	
Y-o-Y growth	44.5%	5.6%	4.0%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	1.5%	
EBIT	44.4	20.7	27.1	32.4	33.2	34.0	34.7	34.7	34.7	34.3	
EBIT margin as % of sales	7.8%	3.4%	4.3%	5.0%	5.0%	5.0%	5.0%	4.9%	4.8%	4.7%	
Income tax on EBIT (cash tax rate)	-1.5	-2.8	-3.7	-4.5	-4.6	-4.8	-4.9	-4.9	-4.9	-4.9	
Depreciation and amortisation	17.9	16.1	15.1	16.1	16.7	16.9	17.2	17.3	17.5	17.5	
Change in other long-term provisions	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Other non-cash income and expenses	-43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	-16.7	-5.6	-2.3	-1.6	-1.6	-1.6	-1.3	-1.4	-1.4	-1.2	
Net capital expenditure incl. acquisitions (excl. financial leasing capitalisations)	-50.9	-17.0	-16.8	-16.1	-16.5	-16.9	-17.2	-17.6	-17.9	-17.5	
Free cash flow	-50.8	11.2	19.3	26.3	27.1	27.6	28.4	28.1	27.9	28.1	
Present values	-48.2	9.7	15.2	18.9	17.7	16.4	15.4	13.9	12.6	11.6	150.4
Present value Phase 1	-23.4										
Present value Phase 2	106.6										
Present value Phase 3	150.4										
Total present value	233.6										
+ Liquid funds	3.3										
- Interest-bearing debt incl. pension liab.	-113.4										
- Minority interests	-0.1										
Fair value of equity	123.2										
Number of shares outstanding (m)	70.1										
Fair value per share (EUR)	1.76										

Risk free rate	3.5%	Target equity ratio	50.0%
Equity risk premium	6.0%	Beta (fundamental)	1.77
Debt risk premium	2.8%	WACC	9.3%
Tax shield (Phase 3)	28.0%	Terminal growth	1.5%

Sensitivity analysis						
Terminal growth (Phase 3)						
		0.5%	1.0%	1.5%	2.0%	2.5%
	8.31%	2.05	2.22	2.42	2.65	2.92
	8.81%	1.76	1.90	2.07	2.26	2.48
WACC	9.31%	1.50	1.62	1.76	1.92	2.10
	9.81%	1.26	1.37	1.49	1.62	1.77
	10.31%	1.05	1.15	1.25	1.36	1.49

Source: CBS Research AG

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Date	Recommendation	Price at change date	Price target
30 September 2013	HOLD (Initiating Coverage)	EUR 1.15	EUR 1.40
27 November 2013	HOLD	EUR 0.99	EUR 1.40
21 January 2014	HOLD	EUR 1.13	EUR 1.40
04 February 2014	BUY	EUR 1.12	EUR 1.75

11 April 2014	BUY	EUR 1.02	EUR 1.75
16 May 2014	BUY	EUR 1.03	EUR 1.75
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