

# ALNO AG

**BUY (BUY) | Target EUR 1.10 (EUR 1.10)**

 Price (last closing price) : **EUR 0.75** | Upside : 46%

Est. change	<b>2015e</b>	<b>2016e</b>
EPS	n.m.	n.m.

## ALNO sells Impuls Küchen to Steinhoff Group – another big step in its strategic repositioning

**Monday, 08 June 2015**


Capital	
ANOGY   ANOG.DE	
Market Cap (EURm)	57
Enterprise value (EURm)	253
Extrema 12 months	0.96 - 0.40
Free Float (%)	59.8%

Performance (%)	1m	3m	12m
Absolute	-2.6	2.0	-15.7
Perf. rel. "sector"	-0.3	3.7	-22.4
Perf. rel. CDAX	0.3	3.5	-27.8

P & L	12/15e	12/16e	12/17e
Sales (EURm)	520.0	523.0	552.9
EBITDA (EURm)	30.1	23.5	30.5
EBIT (EURm)	9.7	2.8	9.6
Attr. net profit (EURm)	-3.3	-10.2	-2.2
EPS (EUR)	-0.04	-0.13	-0.03
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	n.m.	n.m.	neg.
P/B (x)	n.m.	n.m.	n.m.
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	-14.5	22.0	29.6
EV/Sales (x)	0.5	0.5	0.5
EV/EBITDA (x)	8.4	10.8	8.3
EV/EBIT (x)	26.2	90.1	26.4
Gearing (%)	n.m.	n.m.	n.m.
Net Debt/EBITDA (x)	5.7	7.3	5.4

Next Events	
1H results:	28 August 2015

### Strong strategic rationale for the transaction...

ALNO sold its subsidiary Impuls to Steinhoff Möbel Holding GmbH, Austria, which is part of Steinhoff Group (the second largest furniture retailer in Europe). Change of ownership is expected by the end of June, but the deal is still subject to antitrust approval. For further details see p. 2 of this report). We see a strong strategic rationale for the transaction:

- 1) ALNO will receive a **significant cash inflow**, which it urgently needs to finance its working capital and its international growth strategy. The purchase price is still undisclosed (confidentiality agreement); according to our estimates, it might be EUR 35m - 45m. We assume a cash inflow of EUR 40m in our model.
- 2) The sale of Impuls will enable **ALNO to position its remaining domestic brands** – ALNO, Wellmann and Pino – **more clearly**. Significant overlaps (>70% of IMPULS's product portfolio) with Pino and Wellmann will be eliminated. The emerging gap in the group's portfolio could then be closed, in our view, by extending Pino's positioning upwards (currently only entry-level segment), while that of the Wellmann brand (mid to upper price segment) might be shifted slightly downwards.
- 3) The simplification of ALNO group's brand strategy will also **reduce the complexity of the restructuring**, and make the **cost structure more flexible and efficient**.
- 4) A further **decrease in ALNO's exposure to the competitive German market**.

### ...includes a long-term strategic cooperation with Steinhoff

The deal offers a **win-win situation** for both partners, as the purchase will allow Steinhoff to enter kitchen production and thus to implement its strategy in this regard very quickly. ALNO is therefore **very optimistic that it will enter into a long-term cooperation with Steinhoff**. Regarding 2H 2015, both partners have concluded **service agreements** which stipulate that ALNO will continue to render centralised services in the areas of marketing, distribution, R&D etc. to Impuls, and will receive remuneration in return (included in our estimates in other operating income). On the basis of a **memorandum of understanding**, ALNO also expects to secure **substantial orders from Steinhoff in the future**. We estimate Steinhoff's kitchen purchasing volume in the mid-three-digit EURm range as a minimum, of which only a relatively small share will be manufactured in-house in the future. Potential sales channels of Steinhoff for ALNO include Conforama in France/Southern Europe, Harveys in Great Britain, and Kika/Leiner in Austria and Central/Eastern Europe. For the time being, **we estimate that ALNO will generate sales of at least EUR 25m in 2016e through this cooperation**, which should further increase in the following years. This will improve capacity utilisation at ALNO's remaining plants. ALNO and Steinhoff also intend to leverage purchasing synergies. We therefore expect additional economies of scale in ALNO's cost structure.

### Deconsolidation of Impuls leads to new estimates – Buy confirmed

In our **new sales and earnings estimates** for ALNO, we assumed that the deconsolidation of Impuls will result in a loss in sales revenues of ~EUR 46m in 2015e and ~EUR 102m in 2016e. Our new EBITDA estimates stand at EUR 30.1m for 2015e and EUR 23.5m for 2016e, respectively. Our estimates for 2015e include assumed **book gains of roughly EUR 32m from the sale of Impuls** plus ~EUR 2.5m (EUR 6.4m for 2016e) from the contribution in kind to the Russian joint venture (machinery of Piatti). Excluding these book gains, our EBITDA estimates stand at EUR -4.8m for 2015e and EUR 17.1m for 2016e, respectively. **Our DCF model supports our PT of EUR 1.10. We confirm our 'BUY'.**

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## Key points of the deal with Steinhoff

ALNO sold its subsidiary Impuls to Steinhoff Möbel Holding GmbH, Austria. These are the key points of the deal:

- **Purchasing company.** The purchasing company is part of Steinhoff Group, an integrated retailer that manufactures, sources and retails furniture and household goods in Europe, Africa and APAC. Steinhoff Group is the second largest furniture retailer in Europe. In Germany, it is best known for its subsidiary PoCo. The company is listed in Johannesburg, South Africa and is planning a second listing at Frankfurt Stock Exchange.
- **Unit being sold.** Impuls Küchen GmbH, Brilon, is positioned in the lower-to middle segment in price terms. In 2013, Impuls generated external sales of ~EUR 96m and an EBITDA of ~EUR 7.7m, according to ALNO's annual report 2013 (more recent figures not available). It has a workforce of ~227 employees (2014) working in two shifts. Impuls receives components from the production sites in Pfullendorf and Enger.
- **Purchase price and resulting book gain.** The purchase price was not disclosed due to a confidentiality agreement. According to our estimates, the price might be in a range between EUR 35m and EUR 45m. In our estimates, we assumed a price of EUR 40m in cash. We estimate the net assets of Impuls at EUR 5-10m and thus assume a book gain (included in other operating income) of about EUR 32m in 2015e from the sale of Impuls.
- **Further transaction details.** Change of ownership is expected by the end of June, but the deal is still subject to antitrust approval. Service contracts ensure transfer of the operating business by the end of 2015. All staff will be taken over by the new owner.

## Annual General Meeting approved all agenda items

At the AGM on 2 June 2015 all items on the agenda were approved by a large majority, including a number of precautionary resolutions intended to give the management sufficient scope for action and the necessary flexibility in the financing of ALNO AG. These include the creation of new authorised capital, the authorisation to issue warrant bonds and/or convertible bonds, and the purchase of treasury shares.

## Profit and loss account

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Sales</b>			<b>446.3</b>	<b>395.1</b>	<b>545.8</b>	<b>520.0</b>	<b>523.0</b>	<b>552.9</b>
YoY growth			-1.4%	-11.5%	38.2%	-4.7%	0.6%	5.7%
Inventory changes & other own work capitalised			0.4	2.6	0.6	1.0	1.0	1.0
<b>Total output</b>			<b>446.7</b>	<b>397.7</b>	<b>546.4</b>	<b>521.0</b>	<b>524.0</b>	<b>553.9</b>
Cost of materials			-257.9	-222.0	-316.2	-288.9	-288.2	-301.7
as % of total output			-57.8%	-55.8%	-57.9%	-55.5%	-55.0%	-54.5%
<b>Gross profit</b>			<b>188.7</b>	<b>175.6</b>	<b>230.1</b>	<b>232.1</b>	<b>235.8</b>	<b>252.2</b>
as % of total output			42.2%	44.2%	42.1%	44.5%	45.0%	45.5%
Personnel expenses			-97.2	-95.3	-138.3	-135.3	-121.4	-125.5
as % of total output			-21.8%	-24.0%	-25.3%	-26.0%	-23.2%	-22.7%
Other operating income			9.8	9.5	78.2	44.1	11.7	6.8
as % of total output			2.2%	2.4%	14.3%	8.5%	2.2%	1.2%
Other operating expenses			-84.4	-82.2	-121.2	-110.7	-102.6	-103.0
as % of total output			-18.9%	-20.7%	-22.2%	-21.3%	-19.6%	-18.6%
Restructuring result			-3.0	-0.9	-8.9	0.0	0.0	0.0
as % of total output			-0.7%	-0.2%	-1.6%	0.0%	0.0%	0.0%
<b>EBITDA</b>			<b>14.0</b>	<b>6.7</b>	<b>40.0</b>	<b>30.1</b>	<b>23.5</b>	<b>30.5</b>
as % of total output			3.1%	1.7%	7.3%	5.8%	4.5%	5.5%
<b>EBITDA adjusted by bargain purchase gain in 2014 / estimated book profit from items disposed of in 2015 and 2016 (subsidiary IMPULS, Piatti machinery)</b>			<b>-</b>	<b>-</b>	<b>-31.3</b>	<b>-4.8</b>	<b>17.1</b>	<b>30.5</b>
as % of total output					-5.7%	-0.9%	3.3%	5.5%
Depreciation/amortisation and impairments			-15.9	-12.2	-33.7	-20.4	-20.7	-20.9
as % of total output			-3.5%	-3.1%	-6.2%	-3.9%	-3.9%	-3.8%
Write-ups of noncurrent assets			2.8	7.8	0.0	0.0	0.0	0.0
as % of total output			0.6%	2.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>			<b>0.9</b>	<b>2.4</b>	<b>6.2</b>	<b>9.7</b>	<b>2.8</b>	<b>9.6</b>
as % of total output			0.2%	0.6%	1.1%	1.9%	0.5%	1.7%
Result from at-equity consolidated investments			-0.3	-0.7	-2.9	0.0	0.0	0.0
Interest and other financial result			-1.8	-9.1	-10.4	-12.0	-12.4	-12.4
<b>EBT (Earnings before income taxes)</b>			<b>-1.2</b>	<b>-7.4</b>	<b>-7.1</b>	<b>-2.4</b>	<b>-9.6</b>	<b>-2.8</b>
as % of total output			-0.3%	-1.9%	-1.3%	-0.5%	-1.8%	-0.5%
Taxes on income			-0.2	-3.5	2.2	-0.9	-0.5	0.8
as % of EBT			16.7%	46.8%	-30.8%	36.5%	4.7%	-28.0%
<b>Net income of the group</b>			<b>-1.4</b>	<b>-10.9</b>	<b>-4.9</b>	<b>-3.2</b>	<b>-10.1</b>	<b>-2.0</b>
as % of total output			-0.3%	-2.7%	-0.9%	-0.6%	-1.9%	-0.4%
Minority interests			0.0	0.1	0.1	-0.1	-0.1	-0.1
<b>Net income attributable to shareholders</b>			<b>-1.4</b>	<b>-10.8</b>	<b>-4.8</b>	<b>-3.3</b>	<b>-10.2</b>	<b>-2.2</b>
Weighted average shares outstanding (m)			30.9	70.1	70.1	73.8	75.6	75.6
<b>Basic earnings per share (EUR)</b>			<b>-0.05</b>	<b>-0.14</b>	<b>-0.07</b>	<b>-0.04</b>	<b>-0.13</b>	<b>-0.03</b>

Source: Company Data, Oddo Seydler Bank AG

## Balance sheet

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Assets</b>								
<b>Noncurrent assets</b>			<b>89.2</b>	<b>99.8</b>	<b>173.4</b>	<b>173.6</b>	<b>167.5</b>	<b>161.4</b>
as % of total assets			53.0%	55.0%	60.9%	65.3%	63.3%	61.2%
Intangible assets			8.7	9.7	55.0	51.9	48.7	45.4
Property, plant and equipment			75.7	84.5	111.0	100.5	97.6	94.7
Investments accounted for using the equity method			0.0	0.8	0.0	14.5	14.5	14.5
Financial assets/receivables			3.7	3.6	4.5	4.5	4.5	4.5
Receivables and other assets			0.8	0.9	1.2	1.1	1.1	1.1
Deferred taxes			0.4	0.2	1.6	1.2	1.2	1.2
<b>Current assets</b>			<b>79.0</b>	<b>81.6</b>	<b>111.2</b>	<b>92.3</b>	<b>97.0</b>	<b>102.3</b>
as % of total assets			47.0%	45.0%	39.1%	34.7%	36.7%	38.8%
Inventories			24.5	24.0	34.8	32.2	32.4	33.7
Trade receivables			44.8	42.7	58.5	50.6	54.4	57.6
Financial receivables			0.0	2.0	0.2	0.0	0.0	0.0
Other assets and receivables			4.4	9.7	9.8	7.1	7.4	7.8
Cash and cash equivalents			5.4	3.3	2.3	2.5	2.7	3.2
Assets held for sale			0.0	0.0	5.6	0.0	0.0	0.0
<b>Total assets</b>			<b>168.3</b>	<b>181.5</b>	<b>284.5</b>	<b>266.0</b>	<b>264.5</b>	<b>263.7</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>-8.7</b>	<b>-18.4</b>	<b>-28.0</b>	<b>-25.4</b>	<b>-35.5</b>	<b>-37.5</b>
as % of total equity and liabilities			-5.2%	-10.1%	-9.8%	-9.6%	-13.4%	-14.2%
Subscribed capital			70.1	70.1	70.1	75.6	75.6	75.6
Capital reserve			3.3	3.3	3.3	3.5	3.5	3.5
Retained earnings			0.5	0.5	0.5	0.5	0.5	0.5
Unappropriated group profit			-82.8	-92.3	-101.8	-105.1	-115.3	-117.5
Minority interests			0.2	0.1	0.0	0.1	0.2	0.3
<b>Noncurrent liabilities and deferred income</b>			<b>27.6</b>	<b>90.7</b>	<b>146.1</b>	<b>138.8</b>	<b>110.7</b>	<b>94.3</b>
as % of total equity and liabilities			16.4%	50.0%	51.3%	52.2%	41.8%	35.8%
Provisions for pensions and similar obligations			20.3	20.6	28.5	27.5	27.2	26.4
Deferred tax liabilities			0.2	2.8	5.3	5.3	5.3	5.3
Other long-term provisions			2.3	1.4	0.9	1.1	1.4	1.4
Shareholder loans			0.0	20.0	20.0	20.0	0.0	0.0
Other noncurrent financial liabilities			4.0	45.2	71.2	84.2	76.1	60.5
Deferred income from government grants			0.7	0.7	0.7	0.7	0.7	0.7
Other noncurrent liabilities incl. trade payables			0.0	0.0	19.5	0.0	0.0	0.0
<b>Current liabilities</b>			<b>149.4</b>	<b>109.1</b>	<b>166.5</b>	<b>152.6</b>	<b>189.4</b>	<b>206.9</b>
as % of total equity and liabilities			88.8%	60.1%	58.5%	57.4%	71.6%	78.5%
Other current provisions			6.8	2.7	8.4	8.5	8.4	8.9
Shareholder loans			0.4	10.4	10.0	10.0	30.0	30.0
Current financial liabilities			14.9	17.2	30.2	31.3	39.9	51.9
Trade accounts payable and other fin. liabilities			118.2	70.8	102.9	91.9	100.2	104.7
Other current liabilities incl. income taxes payable			9.2	7.9	15.0	10.8	10.9	11.5
<b>Total equity and liabilities</b>			<b>168.3</b>	<b>181.5</b>	<b>284.5</b>	<b>266.0</b>	<b>264.5</b>	<b>263.7</b>

Source: Company Data, Oddo Seydler Bank AG

## Cash flow statement

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Net result of the period</b>			-1.4	-10.9	-4.9	-3.2	-10.1	-2.0
Taxes on income			0.2	3.5	-4.5	0.9	0.5	-0.8
Financial result			2.1	9.8	13.3	12.0	12.4	12.4
Depreciation/amortisation and write-ups of noncurrent assets			13.1	4.3	33.7	20.4	20.7	20.9
Cash taxes paid/received			-0.1	-0.4	0.0	-0.4	-0.5	0.8
Other non-cash income and expenses			-6.5	-0.3	-49.8	-37.1	4.5	4.0
Cash-effective change in other provisions			-4.8	-5.6	-4.9	-4.3	-4.4	-4.5
Increase/decrease in inventories, trade receivables, and other assets			5.8	-6.6	1.5	-3.2	-4.4	-4.9
Increase/decrease in trade accounts payable and other liabilities			24.2	-18.3	39.2	-13.2	8.2	5.6
Interest paid/received			-7.0	-5.1	-8.5	-11.5	-11.9	-11.9
<b>Cash flow from operating activities</b>			<b>25.5</b>	<b>-29.5</b>	<b>15.2</b>	<b>-39.7</b>	<b>15.0</b>	<b>19.6</b>
Net cash outflows from the purchase and retirement of PP&E and intangible assets			-14.1	-14.7	-16.4	-19.9	-14.6	-14.8
Payments for the purchase/sale of companies and disposals of assets held for sale			-1.2	0.0	-37.0	40.0	0.0	0.0
Net investments in financial assets and change in granted loans			0.5	1.0	0.6	-0.2	0.0	0.0
<b>Cash flow from investing activities</b>			<b>-14.74</b>	<b>-13.7</b>	<b>-52.7</b>	<b>19.9</b>	<b>-14.6</b>	<b>-14.8</b>
Capital stock increases less cost			46.2	0.0	0.0	5.8	0.0	0.0
Change in financial liabilities/shareholder loans			-51.3	44.1	37.7	14.2	-0.2	-4.3
Payments for financing costs			-1.9	-2.4	-1.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>			<b>-7.1</b>	<b>41.6</b>	<b>36.6</b>	<b>20.0</b>	<b>-0.2</b>	<b>-4.3</b>
<b>Total change in cash and cash equivalents</b>			<b>3.7</b>	<b>-1.6</b>	<b>-1.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>
Cash and cash equivalents at the start of the period			0.6	4.3	2.7	1.8	2.0	2.2
<b>Cash and cash equivalents at the end of the period</b>			<b>4.3</b>	<b>2.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.7</b>
+ Restricted cash and cash equivalents			1.1	0.5	0.5	0.5	0.5	0.5
= Cash and cash equivalents in the balance sheet			5.4	3.3	2.3	2.5	2.7	3.2

Source: Company Data, Oddo Seydler Bank AG

## Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	∞
Sales revenues	520.0	523.0	552.9	575.0	595.1	613.0	628.3	640.9	653.7	663.5	
Y-o-Y growth	-4.7%	0.6%	5.7%	4.0%	3.5%	3.0%	2.5%	2.0%	2.0%	1.5%	
EBIT	9.7	2.8	9.6	20.7	29.8	34.3	37.7	38.5	39.2	39.8	
EBIT margin as % of sales	1.9%	0.5%	1.7%	3.6%	5.0%	5.6%	6.0%	6.0%	6.0%	6.0%	
Income tax on EBIT (cash tax rate)	1.8	0.1	-2.7	-5.9	-8.6	-9.9	-10.9	-11.2	-11.5	-11.7	
Depreciation and amortisation	20.4	20.7	20.9	20.7	20.7	20.9	21.1	21.3	21.5	21.5	
Change in other long-term provisions	0.2	0.2	2.2	1.6	1.5	1.3	1.1	0.9	0.9	0.7	
Other non-cash income and expenses	-40.6	0.7	0.7	0.5	0.5	0.4	0.4	0.3	0.3	0.2	
Change in net working capital*	5.1	3.8	0.7	-1.8	-2.2	-2.2	-1.9	-1.6	-1.6	-1.2	
Capital expenditure net of disposals (excl. financial leasing capitalisations)	20.2	-14.6	-14.8	-17.3	-19.6	-22.7	-23.9	-24.4	-21.6	-21.5	
<b>Free cash flow</b>	<b>16.7</b>	<b>13.8</b>	<b>16.5</b>	<b>18.5</b>	<b>21.9</b>	<b>22.0</b>	<b>23.5</b>	<b>23.8</b>	<b>27.3</b>	<b>27.9</b>	
<b>Present values</b>	<b>15.9</b>	<b>11.9</b>	<b>13.1</b>	<b>13.4</b>	<b>14.5</b>	<b>13.3</b>	<b>12.9</b>	<b>12.0</b>	<b>12.5</b>	<b>11.7</b>	<b>156.5</b>
Present value Phase 1	40.9										
Present value Phase 2	90.3										
Present value Phase 3	156.5										
<b>Total present value</b>	<b>287.7</b>										
+ Liquid funds	2.3										
- Interest-bearing debt incl. pension liab.	-198.7										
- Minority interests	0.0										
<b>Fair value of equity</b>	<b>91.3</b>										
Number of shares outstanding (m)	75.6										
<b>Fair value per share (EUR)</b>	<b>1.21</b>										

  

Risk free rate	2.5%	Target equity ratio	50.0%
Equity risk premium	6.0%	Beta (fundamental)	1.7
Debt risk premium	5.5%	<b>WACC</b>	<b>9.1%</b>
Tax shield (Phase 3)	28.0%	<b>Terminal growth</b>	<b>1.5%</b>

  

Sensitivity analysis						
Terminal growth (Phase 3)						
	0.5%	1.0%	1.5%	2.0%	2.5%	
<b>WACC</b>	<b>8.08%</b>	1.48	1.65	1.85	2.08	2.35
	<b>8.58%</b>	1.20	1.34	1.51	1.70	1.92
	<b>9.08%</b>	0.95	1.07	<b>1.21</b>	1.37	1.55
	<b>9.58%</b>	0.73	0.83	0.95	1.08	1.23
	<b>10.08%</b>	0.53	0.62	0.72	0.83	0.96

\*Changes in working capital exclude the reduction of interest-bearing trade liabilities against Whirlpool which are treated as financial liabilities and thus deducted from the EV

Source: Oddo Seydler Bank AG

**Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)**

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
8 June 2015	BUY	EUR 0.75	EUR 1.10
19 May 2015	BUY	EUR 0.73	EUR 1.10
2 April 2015	BUY	EUR 0.82	EUR 1.10
22 January 2015	BUY	EUR 0.634	EUR 1.10
18 December 2014	BUY	EUR 0.702	EUR 1.10

14 November 2014	BUY	EUR 0.70	EUR 1.10
9 October 2014	BUY	EUR 0.57	EUR 1.10
11 September 2014	BUY	EUR 0.68	EUR 1.10
23 July 2014	BUY	EUR 0.861	EUR 1.20
16 June 2014	BUY	EUR 0.80	EUR 1.75

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The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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