



ALNO AG

Buy → | Target 1.10 EUR

Price : 0.60 EUR | Upside : 82 %

Est.chg	2015e	2016e
EPS	nm	nm

Q3 2015 figures show operating improvements – ALNO well on track to meet its guidance – Convertible bond issue to new shareholder

Wednesday 18 November 2015

Strong sales growth and improved EBITDA in Q3 2015

In Q3 2015, ALNO's sales rose 6.9% yoy to € 119.9m (Q3 2014: € 112.2m; all prior year figures exclude IMPULS, which was deconsolidated as of 30 June 2015). EBITDA improved by € 8.0m to € -0.3m (PY: € -8.3m) on an adjusted basis, and to € 1.7m (PY: € -8.3m) on an unadjusted basis. EBIT came in at € -2.4m (Q3 2014: n/a). In 9M 2015 sales rose to € 392.9m (9M 2014: € 378.9m, +3.7% yoy). Adjusted EBITDA was up by € 20.2m to € -2.2m.

Centralisation of administration still being blocked by works council

Last summer, ALNO agreed upon a general reconciliation of interests with the works council of ALNO Group, which provided for a downsizing of administrative areas at domestic locations as part of the current restructuring program (introduced in February 2015). Including some job cuts at Piatti (Switzerland), ALNO targets a reduction of up to 100 jobs. Meanwhile, negotiations with the local works councils at Pfullendorf and Coswig have been completed, while the works council at Enger (Wellmann brand) has applied at the labour court to have the general reconciliation of interests annulled. This means the established conciliation committee may no longer be able to settle the matter. We do assume, however, that ALNO will be ultimately able to implement all of its targeted job cuts, and this should result in sustainable cost reductions of some € 7m from 2016e.

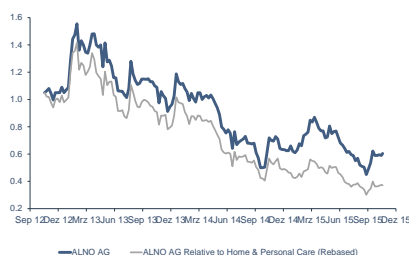
Results distorted by restructuring costs and other one-off items

ALNO is well on track to achieve its guidance, that is i) a slight yoy increase in sales (adjusted for deconsolidation of IMPULS), and ii) a significant yoy increase in operating EBITDA (adjusted for deconsolidation of IMPULS and for one-off effects from the takeover of AFP in 2014). ALNO's management assumes that at least 20-25% of its previous IMPULS customers do not want to buy IMPULS from the new owner of IMPULS since Steinhoff is a vertically integrated player with own furniture stores and therefore one of their competitors. As many of these customers now order PINO kitchens from ALNO instead, the deconsolidation of IMPULS might have less of an impact on ALNO's group revenue than previously expected. For the time being, however, we leave our sales estimates unchanged. Due to higher than expected restructuring costs, especially for the layoffs, we lower our EBITDA estimate for 2015e from € 30.1m to € 21.7m. By contrast, we raise our adjusted EBITDA estimate for 2015e from € -4.8m to € -3.9m. As we now assume that a lower share of the book profits from the contribution in kind to the Russian joint venture (machinery of Piatti) will accrue in 2016e, we slightly reduce our EBITDA estimate for 2016e, but this does not affect our adjusted EBITDA estimate for 2016e (€ 17.1m). In H1 2015, ALNO booked income from the capitalisation of deferred tax assets on tax loss carryforwards in the amount of € 59.0m (non-cash). We therefore now expect a positive tax result of € 57.5m in 2015e, assuming that the final year-end audit concludes (with a probability of >50%) that ALNO will be able to achieve sufficiently positive earnings in the future, order to capture the full loss carryforwards. The impact on tax expenses in the following years is still hard to assess. Our new, very roughly adjusted EPS estimates exclude the following items: i) bargain purchase gain in 2014; ii) book profit on disposals of PP&E and subsidiaries of (2015/2016: subsidiary IMPULS, Piatti's machinery); iii) restructuring results; iv) income from first capitalisation of deferred tax assets in 2015.

New convertible bond investor and shareholder; TP confirmed – BUY

ALNO announced today that Shun Hing will subscribe a convertible bond with the nominal value of € 5.7m (more details on page 2). We confirm our Buy and our TP of € 1.10.

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Capital			
ANO GY ANOG.DE			
Market Cap (EURm)			42
Enterprise value (EURm)			201
Extrema 12 months	0.44	-	0.91
Free Float (%)			58.5
Performance (%)			
	1m	3m	12m
Absolute	-2.9	1.3	-8.5
Perf. rel. "sector"	-7.2	3.3	-18.8
Perf. rel. Home & Personal	-6.9	-1.6	-28.1
P&L			
	12/15e	12/16e	12/17e
Sales (EURm)	520	523	553
EBITDA (EURm)	21.7	22.2	30.5
Current EBIT (EURm)	1.3	1.5	9.6
Attr. net profit (EURm)	46.0	-12	-4
Adjusted EPS (EUR)	-0.51	-0.22	-0.05
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	ns	ns	ns
P/B (x)	1.9	3.8	5.5
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	ns	8.6
EV/Sales (x)	0.39	0.39	0.36
EV/EBITDA (x)	9.3	9.2	6.6
EV/Current EBIT (x)	155.6	133.0	20.9
Gearing (%)	646	1286	1841
Net Debt/EBITDA(x)	7.1	7.0	5.0

Next Events

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New convertible bond investor and shareholder

Today, ALNO announced that Shun Hing Electric Works & Engineering Company Ltd., Hong Kong China, ("Shun Hing") has signed an investment agreement to subscribe a convertible bond with the nominal value of € 5.7m. Shun Hing has also purchased 2m shares off-market, and thereby holds 2.7% of ALNO's share capital. If the convertible bond is converted into shares in full in the future, Shun Hing will consequently hold 9.1% of the share capital, according to ALNO. No further detail on the term of the convertible bond have been announced. We included the cash inflow in our model but will probably have to do some more fine-tuning later with regards to the arising interest expenses.

Shun Hing and ALNO have already been working together successfully for more than two years. Shun Hing sells ALNO products exclusively in Hong Kong and Macao, where it manages an ALNO flagship store

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	Buy			Price	0.60EUR		
	Upside	82.12%		TP	1.10EUR		
PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Adjusted EPS	0.05	-0.16	-0.95	-0.51	-0.22	-0.05	
Reported EPS	-0.05	-0.14	-0.06	0.62	-0.15	-0.05	
Growth in EPS(%)	-	ns	ns	ns	ns	ns	
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	
FCF to equity per share	0.37	-0.63	-0.02	-0.66	-0.02	0.05	
Book value per share	-0.29	-0.26	-0.40	0.32	0.16	0.11	
Number of shares market cap	70.09	70.09	70.09	75.59	75.59	75.59	
Number of diluted shares	30.90	70.05	70.09	73.83	75.59	75.59	
VALUATION	12/12	12/13	12/14	12/15e	12/16e	12/17e	
12m highest price	1.90	1.61	1.19	0.91			
12m lowest price	0.80	0.90	0.49	0.44			
(*) Reference price	1.28	1.20	0.83	0.60	0.60	0.60	
Capitalization	90	84	58	46	46	46	
Restated Net debt	14	90	129	153	156	152	
Minorities (fair value)	0.2	0.1	0.0	0.0	0.0	0.0	
Financial fixed assets (fair value)	3.7	3.6	10	4.0	4.0	4.0	
Provisions	2.5	4.2	6.2	6.4	6.7	6.7	
Enterprise Value	103	174	183	201	204	201	
P/E (x)	26	ns	ns	ns	ns	ns	
P/CF (x)	ns	ns	ns	ns	10	2.4	
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
FCF yield (%)	28.7%	ns	ns	ns	ns	8.6%	
P/B incl. GW (x)	ns	ns	ns	1.88	3.77	5.52	
P/B excl. GW (x)	ns	ns	ns	2.28	5.72	11.01	
EV/Sales (x)	0.23	0.44	0.34	0.39	0.39	0.36	
EV/EBITDA (x)	7.4	26	4.6	9.3	9.2	6.6	
EV/EBIT (x)	117	72	29	156	133	21	
(*) historical average price							
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Sales	446	395	546	520	523	553	
EBITDA	14	6.7	40	22	22	31	
Depreciations	-13.1	-4.3	-33.7	-20.4	-20.6	-20.9	
Current EBIT	0.9	2.4	6.2	1.3	1.5	9.6	
Published EBIT	0.9	2.4	6.2	1.3	1.5	9.6	
Net financial income	-2.1	-8.4	-12.6	-13.0	-12.7	-12.7	
Corporate Tax	-0.2	-3.5	2.2	58	-0.5	-0.7	
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	
Minority interests	0.0	0.0	0.1	0.0	0.0	0.0	
Attributable net profit	-1.4	-9.5	-4.0	46	-11.6	-3.8	
Adjusted attributable net profit	1.5	-11.5	-66.4	-37.8	-16.7	-3.8	
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Goodwill	3.7	3.7	4.2	4.1	4.1	4.1	
Other intangible assets	5.0	6.0	51	48	45	41	
Tangible fixed assets	76	84	111	100	97	94	
WCR	-60.4	-2.9	-42.0	-19.1	-22.1	-22.0	
Financial assets	4.1	4.7	12	78	78	77	
Ordinary shareholders equity	-8.9	-18.5	-28.0	24	12	8.3	
Minority interests	0.2	0.1	0.0	0.0	0.0	0.0	
Shareholders equity	-8.7	-18.4	-28.0	24	12	8.3	
Non-current provisions	23	25	35	34	34	33	
Net debt	14	90	129	153	156	152	
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15e	12/16e	12/17e	
EBITDA	14.0	6.7	40.0	21.7	22.2	30.5	
Change in WCR	29.9	-24.9	40.8	-18.3	3.0	-0.1	
Interests & taxes	-7.1	-5.5	-8.5	-12.9	-12.7	-11.4	
Others	-11.3	-5.9	-57.0	-38.6	-5.0	-0.5	
Operating Cash flow	25.5	-29.5	15.2	-48.2	7.6	18.5	
CAPEX	-14.1	-14.7	-16.4	-0.6	-9.3	-14.6	
Free cash-flow	11.4	-44.2	-1.2	-48.8	-1.7	3.9	
Acquisitions / disposals	0.5	1.0	0.6	0.3	0.0	0.0	
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	
Net capital increase	46.2	0.0	0.0	5.8	0.0	0.0	
Others	-53.3	41.6	36.6	24.9	1.6	-4.3	
Change in net debt	55.0	-45.6	-38.7	-24.2	-1.7	3.9	
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Sales growth	-	-11.5%	38.2%	-4.7%	0.6%	5.7%	
Lfl sales growth	-	-	-	-	-	-	
Current EBIT growth	-	ns	ns	-79.3%	18.5%	ns	
Growth in EPS(%)	-	ns	ns	ns	ns	ns	
Net margin	0.3%	-2.9%	-12.2%	-7.3%	-3.2%	-0.7%	
EBITDA margin	3.1%	1.7%	7.3%	4.2%	4.2%	5.5%	
Current EBIT margin	0.2%	0.6%	1.1%	0.2%	0.3%	1.7%	
CAPEX / Sales	-3.2%	-3.8%	-3.0%	-3.7%	-2.8%	-2.6%	
WCR / Sales	-13.5%	-0.7%	-7.7%	-3.7%	-4.2%	-4.0%	
Tax Rate	-16.7%	-58.0%	34.7%	ns	-4.0%	-23.9%	
Normative tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	
Asset Turnover	-	6.9	5.1	4.1	4.1	4.6	
ROCE post-tax (normative tax rate)	-	3.0%	4.2%	0.7%	0.9%	5.8%	
ROCE post-tax hors GW (normative tax rate)	-	3.2%	4.3%	0.8%	0.9%	6.0%	
ROE	-	84.1%	ns	ns	-93.3%	-37.6%	
DEBT RATIOS	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Gearing	ns	ns	ns	ns	ns	ns	
Net Debt / Market Cap	0.15	1.07	2.22	3.35	3.41	3.34	
Net debt / EBITDA	1.00	13.28	3.23	7.05	7.02	4.99	
EBITDA / net financial charges	7.8	0.9	5.7	1.9	2.0	3.0	

Recommendation and target price changes history over the last 12 months for the company analysed in this report

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