



## ALNO AG

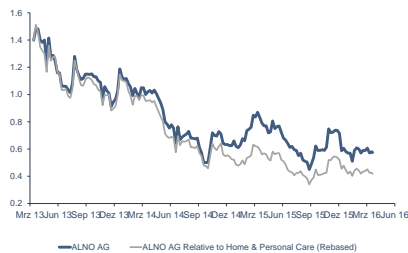
Neutral ↘ | Target 0.62 EUR vs 1.10 EUR ↘

Price : 0.57 EUR | Upside : 8 %

Est.chg	2016e	2017e
EPS	n.m.	n.m.

## Refinancing not yet secured, we downgrade from Buy to Neutral

Tuesday 19 April 2016



Capital			
ANO GY   ANOG.DE			
Market Cap (EURm)			40
Enterprise value (EURm)			261
Extrema 12 months	0.44	-	0.84
Free Float (%)			61.2
Performance (%)			
	1m	3m	12m
Absolute	-2.5	-9.6	-30.9
Perf. rel. Country Index	-3.2	-13.7	-18.9
Perf. rel. Home & Persona	-3.7	-16.2	-29.8
P&L			
	12/16e	12/17e	12/18e
Sales (EURm)	549	615	649
EBITDA (EURm)	17.2	34.4	38.6
Adj. EBIT (EURm)	0.1	17.2	21.3
Attr. net profit (EURm)	-17	-1	3.0
Adjusted EPS (EUR)	-0.22	-0.01	0.04
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	ns	ns	14.5
P/B (x)	ns	ns	ns
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	ns	ns
EV/Sales (x)	0.48	0.43	0.35
EV/EBITDA (x)	15.2	7.8	5.8
EV/Current EBIT (x)	ns	15.5	10.5
Gearing (%)	ns	ns	ns
Net Debt/EBITDA(x)	10.3	5.6	5.5

Next Events	
02.05.2016	Q1 Results
22.08.2016	Q2 Results
31.10.2016	Q3 Results

## Adjusted EBITDA still includes one-offs, so operating improvement less impressive than we thought

In 2015, revenue matched the preliminary figure (€ 521.5m). EBITDA came in at € 14.8m and thus below our estimate (€ 18.9m). ALNO reported an adjusted EBITDA of € -0.4m (2014: € -28.2m excluding an EBITDA contribution of +€ 5.8m from IMPULS in H2 2014). Since the scope of ALNO's adjustments do not match our previous assumptions, a comparison to our last estimate is pointless. While management subtracted restructuring expenses (€ -13.5m) and income from the sale of IMPULS (€ 28.7m), the adjusted 2015 EBITDA figure still includes one-off income from the sale of usage rights (€ 7.8m), income from a settlement deal (€ 1.2m), as well as higher net currency gains (€ 3.0m) than in 2014 (€ 0.8m). Against this backdrop, the operating improvement does not appear as impressive as we had previously assumed on the basis of the preliminary figures, i.e. without more detailed information from the notes to the financial statements. Since income from capitalisation of deferred tax assets on tax loss carryforwards was only € 18.2m instead of the € 59.0m booked in the H1 accounts ('five-years realisation rule' applied by auditors), the group's equity was still deeply negative at year-end (€ -30.6m).

## Vague guidance – we cut our EPS due to new interest expense ests.

The guidance for 2016 is only vague. Management expects 'substantial' yoy sales growth, while our last estimate corresponds to yoy growth of +5.3% on an unadjusted basis and about +15% if adjusted for IMPULS. In the first two months of 2016, sales increased by ~7.4% on an adjusted basis, according to ALNO. Management expects adjusted EBITDA to show 'substantial yoy growth' as well (our estimate: +€ 17.6m). For the time being, we leave our sales and EBITDA estimates unchanged, but note that sales momentum still has to increase in the coming months in order to meet our expectations. Due to new interest expense estimates (see new financing assumptions below), we lower our EPS expectations.

## Financing not yet secured – sweeping assumptions are necessary

In our view, ALNO's refinancing strategy lacks visibility. The auditors' report in the financial statements for 2015 substantiates this view. Without qualifying their opinion, the auditors point to the management report which states that in order for ALNO to continue its business activities, it will need to fully complete certain financing and capital measures in time. This includes in particular the cash inflow from an unspecified financing/capital raising of € 40m in Q2 2016 and the inflow of funds in a double-digit €m amount from the sale and lease back of property. Regarding the latter, a notarised land purchase agreement has been closed and a prepayment of € 15m has been made. The final purchase price as well as the final rental terms still have to be negotiated. For the time being, **we assume ALNO will receive € 60m in cash from these transactions in 2016e**. According to our cash flow estimates, **ALNO has to refinance an additional € 20m in 2017e and € 65m in 2018e** (repayment of about € 41m overdue trade payables in 2016-18e and repayment of a € 45m bond due in 2018). We emphasise that **these refinancing requirements still exclude the shareholder loans (Whirlpool: € 35m, Comco Holding: € 8.1m)** for which we assume further prolongations even beyond 2018e for the time being.

## Downgrade to Neutral

Due to increased risks related to the lack of visibility on ALNO's refinancing, we now use much more cautious assumptions (especially a higher fundamental beta) in our DCF model. Our new DCF-based TP is € 0.62 (old: € 1.10). We **downgrade from Buy to Neutral**.

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## Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	∞
Sales revenues	549.0	615.4	649.2	675.2	695.5	712.9	727.1	741.7	756.5	767.8	
Y-o-Y growth	5.3%	12.1%	5.5%	4.0%	3.0%	2.5%	2.0%	2.0%	2.0%	1.5%	
EBIT	0.1	17.2	21.3	25.7	29.9	34.2	38.5	41.5	42.4	43.0	
EBIT margin as % of sales	0.0%	2.8%	3.3%	3.8%	4.3%	4.8%	5.3%	5.6%	5.6%	5.6%	
Income tax on EBIT (cash tax rate)	0.0	-1.7	-2.3	-2.8	-3.2	-3.7	-4.2	-4.5	-8.9	-9.1	
Depreciation and amortisation	17.0	17.1	17.2	16.7	16.6	16.8	17.0	17.2	17.4	17.6	
Change in other long-term provisions	-7.5	-7.6	-7.7	-5.9	-5.7	-5.5	-5.3	-5.1	-4.9	-4.7	
Other non-cash income and expenses	2.5	4.3	3.6	2.8	2.2	1.9	1.5	1.6	1.6	1.2	
Change in net working capital*	-10.7	-4.1	-1.9	-1.7	-1.3	-1.1	-0.9	-1.0	-1.0	-0.7	
Capital expenditure net of disposals	-11.8	-18.6	-19.0	-18.2	-18.5	-18.7	-18.8	-18.8	-18.9	-17.6	
<b>Free cash flow*</b>	<b>-10.4</b>	<b>6.6</b>	<b>11.4</b>	<b>16.5</b>	<b>20.0</b>	<b>23.9</b>	<b>27.9</b>	<b>30.9</b>	<b>27.7</b>	<b>29.7</b>	
<b>Present values</b>	<b>-9.7</b>	<b>5.6</b>	<b>8.7</b>	<b>11.5</b>	<b>12.6</b>	<b>13.7</b>	<b>14.5</b>	<b>14.6</b>	<b>11.8</b>	<b>11.5</b>	<b>141.3</b>
Present value Phase 1	4.7										
Present value Phase 2	90.2										
Present value Phase 3	141.3										
<b>Total present value = fair EV</b>	<b>236.2</b>										
+ Liquid funds	4.8										
+ Financial assets & receivables	16.7										
- Interest-bearing debt incl. pension liab.	-210.9										
- Minority interests	0.0										
<b>Fair value of equity</b>	<b>46.8</b>										
Number of shares outstanding (m)	75.6										
<b>Fair value per share (EUR)</b>	<b>0.62</b>										

Risk free rate	2.5%	Target equity ratio	50.0%
Equity risk premium	6.0%	Beta (fundamental)	1.9
Debt risk premium	5.5%	<b>WACC</b>	<b>9.8%</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>8.78%</b>	0.88	1.02	1.18	1.36	1.58
<b>9.28%</b>	0.62	0.74	0.88	1.04	1.21
<b>WACC 9.78%</b>	0.40	0.50	<b>0.62</b>	0.75	0.90
<b>10.28%</b>	0.20	0.29	0.39	0.50	0.62
<b>10.78%</b>	0.02	0.10	0.18	0.28	0.38

\*Changes in working capital (and thus the FCF) in our DCF model exclude the reduction of interest-bearing trade liabilities to Whirlpool which are treated as financial liabilities and thus deducted from the EV.

Source: Oddo Seydler Bank AG

### Multiple-based valuation (peer group comparison)

Company name	EV / EBITDA	
	2017e	2018e
ALNO AG (based on estimates by Oddo Seydler Bank)	6.8	6.0
NOBIA AB	7.6	7.3
STEINHOFF INTERNATIONAL H NV	12.1	11.3
HOWDEN JOINERY GROUP PLC	9.0	8.4
FABRYKI MEBLI FORTE SA	10.3	n.a.
AMERICAN WOODMARK CORP	n.a.	n.a.
STANLEY FURNITURE CO INC	11.8	n.a.
LA-Z-BOY INC	6.6	n.a.
HERMAN MILLER INC	6.8	n.a.
HNI CORP	7.5	6.9
<b>Median</b>	<b>8.3</b>	<b>7.6</b>
<b>Average</b>	<b>8.7</b>	<b>7.6</b>
<b>Minimum</b>	<b>6.6</b>	<b>6.9</b>
<b>Maximum</b>	<b>11.8</b>	<b>8.4</b>

EURm, except EPS (EUR)	EBITDA	
	2017e	2018e
ALNO AG (estimates by Oddo Seydler Bank)	34.4	38.6
Applied multiples (peer group median)	8.3	7.6
<b>Fair Enterprise Value (EV)</b>	<b>284.0</b>	<b>294.7</b>
+ Liquid funds	4.8	
+ Financial assets & receivables	16.7	
- Interest-bearing debt incl. long-term provisions	-210.9	
- Minority interests	0.0	
<b>Fair value of equity from each multiple</b>	<b>94.6</b>	<b>105.4</b>
<b>Average of derived fair values</b>	<b>100.0</b>	
Premium (discount) vs. peer group companies*	-50%	
<b>Fair value of equity</b>	<b>50.0</b>	
Number of shares outstanding (m)	75.6	
<b>Fair value per share (EUR)</b>	<b>0.66</b>	

\*Reasons for discount: 1) ALNO still has much lower margins than peers; 2) ALNO's refinancing is not yet secured; 3) EBITDA multiples 2016e as well as EBIT and P/E multiples 2016e and 2017e lead to negative results.

Source: Bloomberg, Oddo Seydler Bank AG

**ANOG.DE | ANO GY**  
**Household appliances | Germany**

	Neutral			Price	0.57EUR		
	Upside	7.83%		TP	0.62EUR		
	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
<b>PER SHARE DATA (EUR)</b>							
Adjusted EPS	0.05	-0.16	-0.99	-0.67	-0.22	-0.01	0.04
<b>Reported EPS</b>	<b>-0.05</b>	<b>-0.14</b>	<b>-0.06</b>	<b>-0.06</b>	<b>-0.22</b>	<b>-0.01</b>	<b>0.04</b>
Growth in EPS(%)	-	ns	ns	ns	ns	ns	ns
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	0.37	-0.63	-0.02	-0.35	-0.59	-0.19	-0.28
Book value per share	-0.29	-0.26	-0.40	-0.41	-0.63	-0.64	-0.60
Number of shares market cap	70.09	70.09	70.09	75.59	75.59	75.59	0.00
Number of diluted shares	30.90	70.05	70.09	73.83	75.59	75.59	75.59
<b>VALUATION</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
12m highest price	1.90	1.61	1.19	0.91	0.68		
12m lowest price	0.80	0.90	0.49	0.44	0.47		
(*) Reference price	1.28	1.20	0.83	0.67	0.58	0.58	0.58
Capitalization	90	84	58	50	43	43	0.0
Restated Net debt	14	90	168	175	202	210	213
Minorities (fair value)	0.2	0.1	0.0	0.0	-0.1	-0.2	-0.4
Financial fixed assets (fair value)	3.7	3.6	10	17	13	13	13
Provisions	23	25	35	31	29	27	25
<b>Enterprise Value</b>	<b>123</b>	<b>195</b>	<b>251</b>	<b>240</b>	<b>261</b>	<b>268</b>	<b>225</b>
P/E (x)	26	ns	ns	ns	ns	ns	14
P/CF (x)	ns	ns	ns	ns	ns	2.9	2.4
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	28.7%	ns	ns	ns	ns	ns	ns
P/B incl. GW (x)	ns	ns	ns	ns	ns	ns	ns
P/B excl. GW (x)	ns	ns	ns	ns	ns	ns	ns
EV/Sales (x)	0.28	0.49	0.46	0.46	0.48	0.43	0.35
EV/EBITDA (x)	8.8	29	6.3	16	15	7.8	5.8
<b>EV/EBIT (x)</b>	<b>140</b>	<b>80</b>	<b>40</b>	<b>ns</b>	<b>ns</b>	<b>16</b>	<b>11</b>
(*) historical average price							
<b>PROFIT AND LOSS (EURm)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales	446	395	546	522	549	615	649
EBITDA	14.0	6.7	40.0	14.8	17.2	34.4	38.6
Depreciations	-13.1	-4.3	-33.7	-26.2	-17.0	-17.1	-17.2
<b>Adj. EBIT</b>	<b>0.9</b>	<b>2.4</b>	<b>6.2</b>	<b>-11.5</b>	<b>0.1</b>	<b>17.2</b>	<b>21.3</b>
Published EBIT	0.9	2.4	6.2	-11.5	0.1	17.2	21.3
Net financial income	-2.1	-8.4	-12.6	-13.0	-16.8	-17.3	-17.3
Corporate Tax	-0.2	-3.5	2.2	20.0	-0.5	-1.1	-1.2
Net income of equity-accounted companies	0.0	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	0.0
Minority interests	0.0	0.0	0.1	0.1	0.1	0.1	0.2
Attributable net profit	-1.4	-9.5	-4.0	-4.3	-17.0	-1.0	3.0
<b>Adjusted attributable net profit</b>	<b>1.5</b>	<b>-11.5</b>	<b>-69.3</b>	<b>-49.3</b>	<b>-17.0</b>	<b>-1.0</b>	<b>3.0</b>
<b>BALANCE SHEET (EURm)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Goodwill	3.7	3.7	4.2	4.7	4.7	4.7	4.7
Other intangible assets	5.0	6.0	51	43	44	45	45
Tangible fixed assets	76	84	111	99	98	99	100
WCR	-60.4	-2.9	-42.0	-47.5	-20.8	-8.3	10
Financial assets	4.1	4.7	12	36	32	32	32
Ordinary shareholders equity	-8.9	-18.5	-28.0	-30.6	-47.6	-48.7	-45.7
Minority interests	0.2	0.1	0.0	0.0	-0.1	-0.2	-0.4
Shareholders equity	-8.7	-18.4	-28.0	-30.6	-47.7	-48.9	-46.1
Non-current provisions	23	25	35	31	29	27	25
<b>Net debt</b>	<b>14</b>	<b>90</b>	<b>129</b>	<b>134</b>	<b>177</b>	<b>193</b>	<b>213</b>
<b>CASH FLOW STATEMENT (EURm)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
<b>EBITDA</b>	<b>14.0</b>	<b>6.7</b>	<b>40.0</b>	<b>14.8</b>	<b>17.2</b>	<b>34.4</b>	<b>38.6</b>
Change in WCR	29.9	-24.9	40.8	-3.0	-26.7	-12.5	-18.8
Interests & taxes	-7.1	-5.5	-8.5	-10.8	-15.2	-16.3	-16.7
Others	-11.3	-5.9	-57.0	-29.5	-5.0	-3.3	-4.0
Operating Cash flow	25.5	-29.5	15.2	-28.5	-29.8	2.3	-0.9
CAPEX	-14.1	-14.7	-16.4	2.0	-15.4	-18.6	-19.0
<b>Free cash-flow</b>	<b>11.4</b>	<b>-44.2</b>	<b>-1.2</b>	<b>-26.6</b>	<b>-45.2</b>	<b>-16.3</b>	<b>-19.9</b>
Acquisitions / disposals	0.5	1.0	0.6	0.2	-0.1	0.3	0.0
Dividends	0.0	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	0.0
Others	-53.3	41.6	36.6	4.0	42.2	16.4	16.7
Change in net debt	55.0	-45.6	-38.7	-1.3	-41.6	-16.0	-19.8
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales growth	-	-11.5%	38.2%	-4.4%	5.3%	12.1%	5.5%
<b>Lfi sales growth</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current EBIT growth	-	ns	ns	ns	ns	ns	23.8%
Growth in EPS(%)	-	ns	ns	ns	ns	ns	ns
Net margin	0.3%	-2.9%	-12.7%	-9.4%	-3.1%	-0.2%	0.5%
<b>EBITDA margin</b>	<b>3.1%</b>	<b>1.7%</b>	<b>7.3%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>5.6%</b>	<b>5.9%</b>
<b>Current EBIT margin</b>	<b>0.2%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>-2.2%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>3.3%</b>
CAPEX / Sales	-3.2%	-3.8%	-3.0%	-3.2%	-3.2%	-3.0%	-2.9%
WCR / Sales	-13.5%	-0.7%	-7.7%	-9.1%	-3.8%	-1.4%	1.6%
Tax Rate	-16.7%	-58.0%	34.7%	82.0%	-2.7%	ns	29.8%
Normative tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Asset Turnover	-	6.9	5.1	4.7	4.9	4.6	4.3
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>3.0%</b>	<b>4.2%</b>	<b>-7.4%</b>	<b>0.1%</b>	<b>9.3%</b>	<b>10.2%</b>
ROCE post-tax hors GW (normative tax rate)	-	3.2%	4.3%	-7.7%	0.1%	9.7%	10.5%
ROE	-	84.1%	ns	ns	43.5%	2.2%	-6.4%
<b>DEBT RATIOS</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Gearing	ns	ns	ns	ns	ns	ns	ns
Net Debt / Market Cap	0.15	1.07	2.22	2.66	4.06	4.45	ns
<b>Net debt / EBITDA</b>	<b>1.00</b>	<b>13.28</b>	<b>3.23</b>	<b>9.09</b>	<b>10.29</b>	<b>5.63</b>	<b>5.53</b>
EBITDA / net financial charges	7.8	0.9	4.2	1.2	1.0	2.0	2.2

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

Date	Reco	Price Target (EUR)	Price (EUR)
19.04.16	Neutral	0.62	0.58

**Risk of conflict of interest :**

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