

# Alphaform AG

**BUY (BUY) | Target EUR 5.00 (EUR 4.00)**

Price (last closing price) : **2.70 EUR** | Upside : 85%

Est. change	2015e	2016e
EPS	-	-22%

## Confidence in company should come back; undervalued stock

**Monday, 27 April 2015**


### Preliminary 1Q15 results; our expectations for 2015e

Today the company announced its preliminary key financial figures for 1Q15. Sales were up by ~4% yoy and 7% qoq to EUR 7.8m, thus slightly exceeding our expectation (EUR 7.4m), accompanied by an EBITDA of EUR -0.6m and net loss (EUR -1.1m vs. our estimate of EUR -1.2m). Both metrics remained negative due to the restructuring measures. We assume the company will return to profitability on a quarterly basis later on in the year, but remain at a slight loss for the full year.

### Feedback from CMD: mid-term targets reaffirmed

On 22 April the company held a capital markets day at its headquarters in Feldkirchen. Management reaffirmed its midterm (2019) target to surpass sales of EUR 100m (CAGR 2014-19: 28%) and an EBIT margin of >10%. In addition to the Automotive industry, the company sees strong business potential for itself in other industries, e.g. agricultural and construction machinery.

For 2015 management reiterated its outlook for double-digit sales growth and break-even operating cash flow. In this connection management mentioned that its restructuring plans Alphaform Excellence and the 11-point plan are well on track to meet their projected targets. The Alphaform Excellence programme is almost fully implemented at the Eschenlohe and Stade production sites and will be finalized in 2015. The restructuring of Feldkirchen site is also well on track. The company will book its final restructuring expenditures in 2015.

### Confidence should rebound; BUY

In the past, the company destroyed substantial investor confidence. Meanwhile, however, they have acknowledged their mistakes and identified their problems, changed senior management and implemented a problem-solving strategy. We expect the implemented restructuring measures to lead to gradual sales growth and a significant improvement in profitability in the coming quarters, thereby restoring investors' confidence in the company's ability to generate shareholder value. In this context, the company won the largest order in its history, ~EUR 10m, in October 2014. The company has also indicated that it is likely that this should be just the first of many such orders. Incorporating our 2017e expectations into our valuation models (peer group, DCF), we derive a new price target of EUR 5.00 (old: EUR 4.00). Thus, the Alphaform stock remains clearly undervalued in our view. BUY recommendation confirmed.

#### Capital

ATF GY   ATFG.DE	
Market Cap (EURm)	21.3
Enterprise value (EURm)	20.6
Extrema 12 months	3.62 - 2.11
Free Float (%)	54.9%

Performance (%)	1m	3m	12m
Absolute	-1.8	-8.1	-12.8
Perf. rel. "sector"	-0.6	-9.1	-21.7
Perf. rel. CDAX	-1.4	-17.1	-30.5

P & L	12/15e	12/16e	12/17e
Sales (EURm)	32.6	39.1	50.8
EBITDA (EURm)	1.7	3.5	5.1
EBIT (EURm)	0.1	1.6	2.6
Attr. net profit (EURm)	-0.4	1.0	1.8
EPS (EUR)	-0.05	0.13	0.22
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	ns	20.4	12.0
P/B (x)	2.1	1.9	1.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	-15.3	-1.2	0.9
EV/Sales (x)	0.6	0.5	0.4
EV/EBITDA (x)	12.1	5.8	4.0
EV/EBIT (x)	279.5	13.1	8.0
Gearing (%)	10	11	8
Net Debt/EBITDA(x)	0.6	0.4	0.2

#### Next Events

Q1 Results	4 May 2015
H1 Results	7 August 2015

**Daniel Kukalj** (Analyst)  
+49 (0)69 920 54 821  
Daniel.Kukalj@oddoseydl.com

## Alphaform AG

### Profit and loss account

(31 December) IFRS EURm	2011	2012	2013	2014	2015E	2016E	2017E
<b>Sales</b>	<b>26.3</b>	<b>27.1</b>	<b>25.9</b>	<b>29.1</b>	<b>32.6</b>	<b>39.1</b>	<b>50.8</b>
YoY growth	26.8%	3.0%	-4.6%	12.4%	12.0%	20.0%	30.0%
Change in inventories	0.0	0.2	-0.7	-0.1	0.2	0.2	0.3
Other work performed	0.0	0.1	0.0	0.1	0.0	0.0	0.0
<b>Total output</b>	<b>26.3</b>	<b>27.4</b>	<b>25.2</b>	<b>29.1</b>	<b>32.7</b>	<b>39.3</b>	<b>51.1</b>
Material expenses	-9.2	-8.7	-11.6	-10.7	-11.4	-13.4	-17.5
Staff expenses	-10.7	-10.8	-10.6	-11.9	-13.1	-14.9	-18.9
Other operating income	0.5	0.3	0.5	1.2	0.7	0.9	1.2
Other operating expenses	-5.9	-6.0	-7.0	-9.0	-7.3	-8.3	-10.8
<b>EBITDA</b>	<b>1.0</b>	<b>2.0</b>	<b>-3.5</b>	<b>-1.3</b>	<b>1.7</b>	<b>3.5</b>	<b>5.1</b>
Amortization, depreciation and impairment	-2.2	-1.3	-2.3	-1.3	-1.6	-2.0	-2.5
<b>EBIT</b>	<b>-1.3</b>	<b>0.8</b>	<b>-5.8</b>	<b>-2.6</b>	<b>0.1</b>	<b>1.6</b>	<b>2.6</b>
in % of sales	-4.9%	2.8%	-22.3%	-9.0%	0.2%	4.0%	5.0%
Net financial result	-0.3	-0.2	-0.4	-0.5	-0.5	-0.5	-0.7
<b>EBT</b>	<b>-1.6</b>	<b>0.5</b>	<b>-6.1</b>	<b>-3.1</b>	<b>-0.4</b>	<b>1.0</b>	<b>1.9</b>
in % of sales	-6.0%	2.0%	-23.6%	-10.5%	-1.3%	2.7%	3.7%
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<b>Earnings from continuing operations</b>	<b>-1.6</b>	<b>0.5</b>	<b>-6.1</b>	<b>-3.1</b>	<b>-0.4</b>	<b>1.0</b>	<b>1.8</b>
Profit/loss from discontinuing operations	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
<b>Net income</b>	<b>-1.6</b>	<b>0.5</b>	<b>-6.2</b>	<b>-3.2</b>	<b>-0.4</b>	<b>1.0</b>	<b>1.8</b>
Minority interests	0.0	0.0	0.0	0.1	0.0	0.0	0.0
<b>Net income attributable to shareholders</b>	<b>-1.6</b>	<b>0.5</b>	<b>-6.2</b>	<b>-3.1</b>	<b>-0.4</b>	<b>1.0</b>	<b>1.8</b>
in % of sales	-6.0%	2.0%	-23.8%	-10.7%	-1.3%	2.7%	3.5%
Shares outstanding (in millions)	5.3	5.3	5.3	7.5	7.9	7.9	7.9
<b>Earnings per share (EUR)</b>	<b>-0.30</b>	<b>0.10</b>	<b>-1.16</b>	<b>-0.42</b>	<b>-0.05</b>	<b>0.13</b>	<b>0.22</b>
<b>Dividend per share (EUR)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Source: Company Data, Oddo Seydler Bank AG

## Alphaform AG

### Balance Sheet

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
<b>Assets</b>									
<b>Noncurrent assets</b>			<b>10.2</b>	<b>10.6</b>	<b>9.1</b>	<b>11.0</b>	<b>12.6</b>	<b>13.4</b>	<b>14.4</b>
as % of total assets			49.5%	49.5%	57.9%	54.9%	61.6%	61.8%	61.1%
Property, plant and equipment			4.3	4.2	3.8	5.5	7.3	8.3	9.5
Intangible assets			5.4	5.4	4.4	4.6	4.4	4.2	4.0
Others			0.5	0.9	0.8	0.9	0.9	0.9	0.9
<b>Current assets</b>			<b>10.3</b>	<b>10.8</b>	<b>6.6</b>	<b>9.0</b>	<b>7.9</b>	<b>8.2</b>	<b>9.1</b>
as % of total assets			50.5%	50.5%	41.9%	45.0%	38.3%	38.0%	38.8%
Inventories			4.0	4.6	2.3	3.1	3.7	4.1	4.5
Receivables and other assets			4.3	4.5	3.1	3.5	3.8	4.0	4.3
Cash and cash equivalents			2.1	1.7	1.2	2.4	0.3	0.1	0.4
<b>Assets classified as held for sale and discontinued operation</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>			<b>20.5</b>	<b>21.4</b>	<b>15.8</b>	<b>20.0</b>	<b>20.5</b>	<b>21.7</b>	<b>23.6</b>
<b>Shareholders' equity and liabilities</b>									
<b>Shareholders' equity</b>			<b>12.3</b>	<b>12.8</b>	<b>6.6</b>	<b>9.6</b>	<b>10.2</b>	<b>11.3</b>	<b>13.1</b>
as % of total equity and liabilities			59.8%	59.8%	42.0%	47.9%	50.0%	52.1%	55.4%
Subscribed capital			5.3	5.3	5.3	7.5	7.9	7.9	7.9
Capital reserves			11.3	11.3	11.3	15.1	15.8	15.8	15.8
Accumulated profit/loss			-4.4	-3.9	-10.0	-13.1	-13.6	-12.5	-10.7
Accumulated other comprehensive loss			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests			0.0	0.0	0.0	0.1	0.1	0.1	0.1
<b>Noncurrent liabilities</b>			<b>1.9</b>	<b>2.5</b>	<b>1.6</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
as % of total equity and liabilities			9.3%	11.5%	10.2%	13.9%	13.7%	13.0%	12.0%
Long-term financial debt			1.6	0.8	0.3	0.1	0.1	0.1	0.2
Finance lease obligations			0.3	0.5	0.3	0.5	0.5	0.5	0.5
Liabilities from MediMet purchase			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others			0.0	1.2	1.0	2.2	2.2	2.2	2.2
<b>Current liabilities</b>			<b>6.3</b>	<b>6.1</b>	<b>7.5</b>	<b>7.7</b>	<b>7.5</b>	<b>7.6</b>	<b>7.7</b>
as % of total equity and liabilities			30.9%	28.7%	47.8%	38.2%	36.3%	34.9%	32.6%
Trade accounts payable			2.7	2.4	3.0	3.4	3.4	3.4	3.5
Current financial debt			0.8	0.9	2.3	1.1	1.2	1.2	1.3
Others			2.8	2.8	2.2	3.2	2.9	2.9	2.9
<b>Total equity and liabilities</b>			<b>20.5</b>	<b>21.4</b>	<b>15.8</b>	<b>20.0</b>	<b>20.5</b>	<b>21.7</b>	<b>23.6</b>

Source: Company Data, Oddo Seydler Bank AG

## Alphaform AG

### Cash flow statement

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
<b>Net income/loss from continuing operations</b>			<b>-1.6</b>	<b>0.5</b>	<b>-6.2</b>	<b>-3.1</b>	<b>-0.4</b>	<b>1.0</b>	<b>1.8</b>
Depreciation and amortisation			2.2	1.3	2.2	1.3	1.6	2.0	2.5
Deferred taxes			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bad debt allowances			0.1	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation differences			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain/loss on disposal of property, plant and equipment			0.3	0.0	0.1	0.1	0.0	0.0	0.0
<b>Movements in working capital:</b>			<b>0.7</b>	<b>-1.6</b>	<b>3.5</b>	<b>-0.3</b>	<b>-1.2</b>	<b>-0.5</b>	<b>-0.6</b>
Change in inventories			-0.3	-0.7	2.3	-0.8	-0.6	-0.4	-0.4
Change in trade and other receivables			1.9	-0.7	2.1	-0.3	-0.3	-0.2	-0.2
Change in trade accounts payable			0.2	-0.3	0.6	0.4	0.0	0.0	0.0
Change in Payments received on account of orders			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in provisions			0.2	-0.3	-0.5	0.9	-0.3	0.0	0.0
Change in other positions			-1.2	0.5	-1.0	-0.5	0.0	0.0	0.0
<b>Net cash flow from operating activities</b>			<b>1.7</b>	<b>0.2</b>	<b>-0.3</b>	<b>-1.9</b>	<b>0.0</b>	<b>2.5</b>	<b>3.7</b>
Operating Cash flow from discontinued operations			0.0	0.0	0.0	-0.1	0.0	0.0	0.0
<b>Operating Cash flow</b>			<b>1.7</b>	<b>0.2</b>	<b>-0.3</b>	<b>-2.0</b>	<b>0.0</b>	<b>2.5</b>	<b>3.7</b>
Capital expenditures for intangibles assets and PPE			-0.6	-0.7	-1.0	-2.6	-3.3	-2.7	-3.6
Acquisitions of subsidiaries			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others			0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>			<b>-0.5</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.6</b>	<b>-3.3</b>	<b>-2.7</b>	<b>-3.6</b>
Proceeds from capital increase			0.0	0.0	0.0	6.0	1.1	0.0	0.0
Purchase of treasury stock			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/Decrease in debt position			-2.4	0.5	0.8	-0.2	0.1	0.1	0.1
Dividends paid			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others			0.0	0.0	0.0	0.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>			<b>-2.4</b>	<b>0.5</b>	<b>0.8</b>	<b>5.9</b>	<b>1.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Net increase (decrease) in cash&amp;cash equivalents for period</b>			<b>-1.2</b>	<b>0.1</b>	<b>-0.6</b>	<b>1.2</b>	<b>-2.1</b>	<b>-0.2</b>	<b>0.3</b>
Cash at the beginning of the period from discontinuing operations			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash			2.1	-0.4	0.1	0.0	0.0	0.0	0.0
Cash&cash equivalents and short term investments at beginning of period			<b>1.0</b>	<b>1.9</b>	<b>1.6</b>	<b>1.2</b>	<b>2.4</b>	<b>0.3</b>	<b>0.1</b>
<b>Cash and cash equivalents at the end of the period</b>			<b>1.9</b>	<b>1.6</b>	<b>1.2</b>	<b>2.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>
of which cash and cash equivalents as reported in the balance sheet			2.1	1.7	1.2	2.4	0.3	0.1	0.4
of which bank borrowings repayable on demand			-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0

Source: Company Data, Oddo Seydler Bank AG

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BUY: The expected performance of the share price is above +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
27 April 2015	BUY	EUR 2.70	EUR 5.00
2 March 2015	BUY	EUR 2.85	EUR 4.00
11 November 2014	BUY	EUR 2.64	EUR 4.00
21 October 2014	BUY	EUR 2.35	EUR 3.80
11 August 2014	BUY	EUR 3.20	EUR 4.20
6 May 2014	BUY	EUR 2.97	EUR 4.20

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Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)  
Graurheindorferstraße 108  
53117 Bonn

and

Marie-Curie-Str. 24-28  
60439 Frankfurt

Oddo Seydler Bank AG  
Schillerstrasse 27 - 29  
60313 Frankfurt am Main  
[www.oddoseydler.com](http://www.oddoseydler.com)  
Tel.: 0049 - (0)69 - 920 54 800