

Preview Note

2 May 2017

Buy

Recommendation unchanged

Share price: EUR 4.29

closing price as of 01/05/2017

Target price: EUR 4.70

Target Price unchanged

Upside/Downside Potential 9.7%

Reuters/Bloomberg ALSS.LS/ALTR.PL

Market capitalisation (EURm) 879

Current N° of shares (m) 205

Free float 34%

Daily avg. no. trad. sh. 12 mth

Daily avg. trad. vol. 12 mth (m)

Price high/low 12 months 2.86 / 4.45

Abs Perfs 1/3/12 mths (%) 2.27/4.61/25.88

Key financials (EUR)

Sales (m) 12/15 665 12/16e 598 12/17e 596

EBITDA (m) 221 164 153

EBITDA margin 33.3% 27.4% 25.6%

EBIT (m) 168 111 102

EBIT margin 25.3% 18.5% 17.2%

Net Profit (adj.)(m) 118 72 66

ROCE 15.1% 9.9% 9.3%

Net debt/(cash) (m) 430 425 378

Net Debt Equity 1.3 1.2 1.0

Net Debt/EBITDA 1.9 2.6 2.5

Int. cover(EBITDA/Fin.int) 10.7 11.7 12.0

EV/Sales 2.1 2.0 2.1

EV/EBITDA 6.4 7.4 8.2

EV/EBITDA (adj.) 6.4 7.4 8.2

EV/EBIT 8.4 11.0 12.3

P/E (adj.) 8.3 11.0 13.2

P/BV 3.0 2.3 2.3

OpFCF yield 13.0% 8.9% 9.4%

Dividend yield 7.7% 5.8% 4.0%

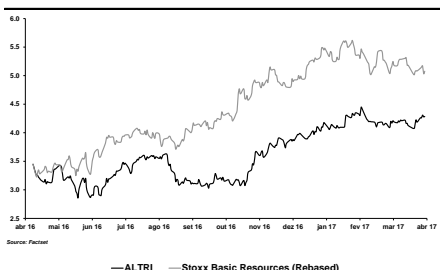
EPS (adj.) 0.57 0.35 0.32

BVPS 1.57 1.68 1.83

DPS 0.33 0.25 0.17

Shareholders

Management 61%; Bestinver 5%;



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1Q17 results preview: higher pulp prices

The facts: Altri will release its 1Q17 results on Friday after the market close. We anticipate revenues of EUR 154.0m, EBITDA of EUR 38.7m and net income of EUR 17.8m.

Our analysis: Following a very strong quarter in terms of production in 4Q16 with a historical high in terms of production (276.4 thousands tons) and sales (278.5 thousand tons), the 1Q17 should be regarded as a good quarter for Altri, with revenues benefiting from the pulp prices increase. FOEX listed bleached hardwood prices (BEKP) denominated in dollars went from USD 655 per ton to USD 680 per ton (+3.9% QoQ or -10.7% YoY), while in euros increased from EUR 608 per ton to EUR 639 per ton (+5.1% QoQ or -7.6% YoY). During 1Q17, the euro decreased its value against the dollar by 1.2%, still trading below the 1Q16's figure (-3.4% YoY).

Therefore, and based on the fact that there were no maintenance stops during the 1Q17, we expect Altri's revenues to reach EUR 154.0m, posting a YoY and QoQ decline of 4.8% and 3.2%, respectively.

EBITDA is forecasted to reach EUR 38.7m in the quarter (-25.6% YoY and -1.2% QoQ), with EBITDA margin increasing slightly versus the previous quarter (+0.5 p.p.).

Net income should stand at EUR 17.8m (-29.1% YoY and -10.7% QoQ).

The distribution of an ordinary DPS of EUR 0.25 was already approved by shareholders, which is equivalent to a dividend yield of 5.8% at current market prices.

EURm	1Q16	4Q16	1Q17e	Chg. % (YoY)	Chg. % (QoQ)
Revenues	161.7	159.1	154.0	-4.8%	-3.2%
EBITDA	52.1	39.2	38.7	-25.6%	-1.2%
margin	32.2%	24.7%	25.2%	-7.1 p.p.	0.5 p.p.
EBIT	38.8	27.4	27.3	-29.8%	-0.6%
margin	24.0%	17.2%	17.7%	-6.3 p.p.	0.5 p.p.
Net Fin.	-4.8	-4.8	-3.2	-33.1%	-32.9%
Net Inc.	25.1	19.9	17.8	-29.1%	-10.7%
margin	15.5%	12.5%	11.6%	-4.0 p.p.	-1.0 p.p.

Conclusion & Action: We expect a positive set of results in 1Q17 with Altri continuing to benefit from rising pulp prices and its operational efficiency. The market outlook has been improving since the beginning of the year and last week several major players announced price increases in Europe, North America and Asia, effective from the 1st of May onwards.

Altri : Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Sales	573	553	665	598	596	576
Cost of Sales & Operating Costs	-431	-439	-444	-434	-443	-435
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	141	113	221	164	153	141
EBITDA (adj.)*	141	113	221	164	153	141
Depreciation	-49.2	-48.5	-52.8	-52.9	-50.5	-45.7
EBITA	92.2	65.0	168	111	102	95.0
EBITA (adj)*	92.2	65.0	168	111	102	95.0
Amortisations and Write Downs	-3.4	0.1	0.0	0.1	0.0	0.0
EBIT	88.8	65.1	168	111	102	95.0
EBIT (adj.)*	88.8	65.1	168	111	102	95.0
Net Financial Interest	-23.5	-24.4	-20.7	-14.0	-12.7	-13.3
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	65.3	40.6	148	96.8	89.5	81.7
Tax	-9.9	-3.2	-29.9	-24.8	-23.0	-20.9
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations	55.4	37.4	118	72.1	66.5	60.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	55.4	37.4	118	72.1	66.5	60.9
Net Profit (adj.)	55.4	37.4	118	72.1	66.5	60.9
CASH FLOW (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Cash Flow from Operations before change in NWC	108	85.9	170	125	117	107
Change in Net Working Capital	15.7	-6.8	-4.8	-13.0	0.5	3.5
Cash Flow from Operations	124	79.0	166	112	117	110
Capex	-19.7	-20.0	-38.3	-41.7	-35.0	-35.0
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	104	59.0	127	70.2	82.5	75.0
Dividends	-5.1	-8.6	-67.7	-51.3	-34.9	-34.9
Other (incl. Capital Increase & share buy backs)	-41.7	-0.8	19.8	-14.5	0.0	0.0
Change in Net Debt	57.2	49.6	79.6	4.5	47.6	40.2
NOPLAT	65.3	47.8	124	81.5	75.1	-25.2
BALANCE SHEET & OTHER ITEMS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Tangible Assets	763	755	731	720	704	694
Net Intangible Assets (incl. Goodwill)	0.2	0.1	0.1	0.6	0.6	0.6
Net Financial Assets & Other	43.3	43.1	42.7	45.3	45.3	45.3
Total Fixed Assets	807	798	774	766	750	740
Inventories	54.8	54.7	56.4	74.5	74.1	71.5
Trade receivables	80.3	88.9	91.5	82.4	81.9	79.1
Other current assets	32.4	25.9	19.6	48.9	48.9	48.9
Cash (-)	-247	-272	-254	-212	-212	-212
Total Current Assets	415	441	421	418	417	412
Total Assets	1,221	1,239	1,195	1,184	1,168	1,151
Shareholders Equity	242	272	322	344	375	401
Minority	0.1	0.2	0.0	0.0	0.0	0.0
Total Equity	242	272	322	344	375	401
Long term interest bearing debt	514	382	567	531	483	443
Provisions	5.1	5.1	5.1	5.0	5.0	5.0
Other long term liabilities	61.9	55.0	57.9	55.6	55.6	55.6
Total Long Term Liabilities	581	442	630	592	544	504
Short term interest bearing debt	292	399	116	106	106	106
Trade payables	60.0	61.7	61.2	57.2	56.9	54.9
Other current liabilities	46.5	64.4	65.1	84.7	84.7	84.7
Total Current Liabilities	399	525	243	248	248	246
Total Liabilities and Shareholders' Equity	1,221	1,239	1,195	1,184	1,168	1,151
Net Capital Employed	868	842	815	830	814	799
Net Working Capital	75.1	81.9	86.7	99.7	99.1	95.7
GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
<i>Sales growth</i>	<i>5.5%</i>	<i>-3.4%</i>	<i>20.2%</i>	<i>-10.1%</i>	<i>-0.4%</i>	<i>-3.4%</i>
EBITDA (adj.)* growth	-1.1%	-19.8%	94.8%	-26.0%	-6.7%	-7.8%
<i>EBITA (adj.)* growth</i>	<i>-2.1%</i>	<i>-29.5%</i>	<i>158.9%</i>	<i>-34.2%</i>	<i>-7.7%</i>	<i>-7.0%</i>
<i>EBIT (adj.)* growth</i>	<i>-5.7%</i>	<i>-26.7%</i>	<i>158.7%</i>	<i>-34.1%</i>	<i>-7.8%</i>	<i>-7.0%</i>

Altri : Summary tables

GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Profit growth	6.2%	-32.4%	214.3%	-38.8%	-7.8%	-8.4%
EPS adj. growth	6.2%	-32.4%	214.3%	-38.8%	-7.8%	-8.4%
DPS adj. growth	25.0%	68.0%	685.6%	-24.2%	-32.0%	0.0%
EBITDA (adj)* margin	24.7%	20.5%	33.3%	27.4%	25.6%	24.5%
EBITA (adj)* margin	16.1%	11.8%	25.3%	18.5%	17.2%	16.5%
EBIT (adj)* margin	15.5%	11.8%	25.3%	18.5%	17.2%	16.5%
RATIOS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Debt/Equity	2.3	1.9	1.3	1.2	1.0	0.8
Net Debt/EBITDA	4.0	4.5	1.9	2.6	2.5	2.4
Interest cover (EBITDA/Fin.interest)	6.0	4.7	10.7	11.7	12.0	10.6
Capex/D&A	37.4%	41.3%	72.4%	78.8%	69.3%	76.6%
Capex/Sales	3.4%	3.6%	5.8%	7.0%	5.9%	6.1%
NWC/Sales	13.1%	14.8%	13.0%	16.7%	16.6%	16.6%
ROE (average)	26.0%	14.6%	39.6%	21.6%	18.5%	15.7%
ROCE (adj.)	7.8%	5.7%	15.1%	9.9%	9.3%	-3.2%
WACC	7.7%	7.7%	7.7%	7.7%	0.0%	
ROCE (adj.)/WACC	1.0	0.7	2.0	1.3	n.m.	
PER SHARE DATA (EUR)***	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Average diluted number of shares	205.1	205.1	205.1	205.1	205.1	205.1
EPS (reported)	0.27	0.18	0.57	0.35	0.32	0.30
EPS (adj.)	0.27	0.18	0.57	0.35	0.32	0.30
BVPS	1.18	1.33	1.57	1.68	1.83	1.96
DPS	0.03	0.04	0.33	0.25	0.17	0.17
VALUATION	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
EV/Sales	1.8	1.8	2.1	2.0	2.1	2.1
EV/EBITDA	7.2	9.0	6.4	7.4	8.2	8.6
EV/EBITDA (adj.)*	7.2	9.0	6.4	7.4	8.2	8.6
EV/EBITA	11.0	15.7	8.4	11.0	12.3	12.8
EV/EBITA (adj.)*	11.0	15.7	8.4	11.0	12.3	12.8
EV/EBIT	11.5	15.7	8.4	11.0	12.3	12.8
EV/EBIT (adj.)*	11.5	15.7	8.4	11.0	12.3	12.8
P/E (adj.)	8.3	13.6	8.3	11.0	13.2	14.4
P/BV	1.9	1.9	3.0	2.3	2.3	2.2
Total Yield Ratio	1.9%	13.3%	5.8%	4.0%	4.0%	4.0%
EV/CE	1.2	1.2	1.7	1.5	1.6	1.5
OpFCF yield	22.6%	11.6%	13.0%	8.9%	9.4%	8.5%
OpFCF/EV	10.2%	5.8%	9.1%	5.8%	6.6%	6.2%
Payout ratio	9.3%	23.0%	57.5%	71.2%	52.5%	57.3%
Dividend yield (gross)	1.1%	1.7%	7.7%	5.8%	4.0%	4.0%
EV AND MKT CAP (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Price** (EUR)	2.24	2.48	4.77	3.86	4.29	4.29
Outstanding number of shares for main stock	205.1	205.1	205.1	205.1	205.1	205.1
Total Market Cap	459	509	978	793	879	879
Net Debt	559	509	430	425	378	337
<i>o/w Cash & Marketable Securities (-)</i>	<i>-247</i>	<i>-272</i>	<i>-254</i>	<i>-212</i>	<i>-212</i>	<i>-212</i>
<i>o/w Gross Debt (+)</i>	<i>806</i>	<i>781</i>	<i>684</i>	<i>637</i>	<i>590</i>	<i>550</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	1,018	1,019	1,408	1,218	1,257	1,216

Source: Company, Caixa-Banco de Investimento estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Basic Resources/Forestry & Paper

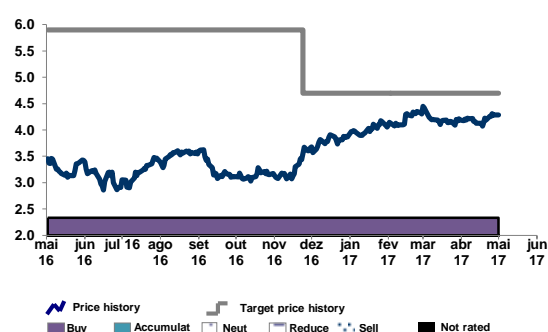
Company Description: Altri is a pulp company with interests in the biomass business. Its core operation is pulp production, holding c. 900 kton of BHK capacity in three plants (Celbi, Caima and Celtejo).

Recommendation history for ALTRI

Date	Recommendation	Target price	Price at change date
24-nov-16	Buy	4.70	3.55
05-nov-15	Buy	5.90	4.77
01-abr-15	Neutral	4.10	3.97
20-out-14	Buy	2.70	2.03

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Caixa-Banco de Investimento continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Carlos Jesus (since 06/09/2007)



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The company or companies covered in this report had knowledge of the changes in the fair-value, recommendation included in this report or validated the assumptions used in the report before its publication? No.

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Meaning of each rating or recommendation:

- Buy: the stock is expected to generate a total return of over 15% during the next 12-month time horizon;
- Accumulate: the stock is expected to generate a total return of 5% to 15% during the next 12-month time horizon;
- Neutral: the stock is expected to generate a total return of -5% to +5% during the next 12-month time horizon;
- Reduce: the stock is expected to generate a total return of -5 to -15% during the next 12-month time horizon;
- Sell: the stock is expected to generate a total return below -15% during the next 12-month time horizon;
- Rating Suspended: the rating is suspended due to a capital operation (take-over bid, SPO,) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock;
- Not Rated: there is no rating for a company being floated (IPO) by the issuer or a related party of the issuer.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

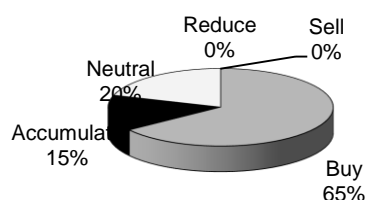
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Caixa Banco de Investimento Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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