

Ticker: **ALTR PL**

Recommendation: **Reduce**

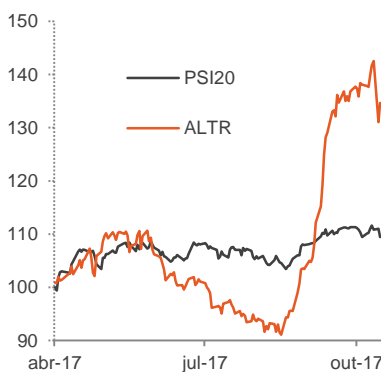
Share details

Current price	5.37
Price target	4.78
Beta	1.2
52w max	5,72
52w low	3,04
1y total return (%)	78.7
3m total return (%)	38.5
Market cap	1.100
Free float	28,7

Financial highlights
(€ million)

	2016	2017e
Revenue	612	663
EBITDA	167	196
Net profit	77	88
Net debt	440	439
Free cash flow	51	51
EPS	0,38	0,43
DPS	0,25	0,24

Price graph (Oct 2016=100)



Recommendation	Date	PT
Reduce	7th Nov	4.78
Reduce	17th Oct	4.58

Main shareholders

Management team	66%
Indumenta Pueri	5%
Lazard Ltd	2%

Note: data as of 07/11/2017 close

Source: Bloomberg; Research BiG; Company

ALTRI SGPS

3Q2017 operating results in line with our estimates, but cash flows are more disciplined than we anticipated

We maintain our recommendation for Altri's stock to **reduce** but review the **price target upwards to €4.78**. We leave our operating results and pulp's price estimates unchanged but review our cash flows and net debt estimates, which gives upside to our valuation.

3Q2017 operating results in line with our estimates. Altri recorded revenues of €165.5 million on 3Q2017, which was basically in line with our estimates of €167 million. The company sold 255 thousand tons of pulp (vs our est. 265 thousand tons) and was able to achieve an EBITDA margin of 32.5% with EBITDA growing to €53.7 million (vs our estimate of €51 million).

Net debt stood at €436 million at the end of September 2017, which forces us to update our net debt estimates downwards. The company is being more disciplined regarding its capex than we previously estimated, and therefore we update our Net Debt estimate for 2017 year end to €439 million, which gives upside to our valuation.

Company's outlook for 4Q2017 anticipates continued pulp's price upward trend in the short term. The company affirmed that pulp price's current upward trend is to continue in the short term but that current price levels start to affect paper producers' profitability, which makes us anticipate a peak during 2018. This view is in line with our estimates for BHKP dollar prices, which we leave unchanged. We estimate BHKP dollar average prices of \$923 for 2018, \$873 for 2019, \$820 for 2020, and assume a terminal price of \$795, in line with the long term moving average plus inflation. 4Q2017 should be weaker in terms of volumes due to Celbi's scheduled stoppage, but BHKP's price raise should compensate for part of that.

Analysts:

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Altri's key financial data

€ million	2012	2013	2014	2015	2016	2017E	2018F	2019F	2020F	Terminal
Income statement										
Revenues	543	573	553	665	612	663	715	678	633	623
Pulp	453	473	449	565	516	559	613	575	529	519
Energy	69	77	85	82	78	86	83	84	84	84
Other	21	22	19	18	19	19	19	19	20	20
EBITDA	143	144	114	221	167	196	247	209	162	156
D&A	49	49	49	53	51	45	48	49	50	48
Financial results	-36	-26	-27	-24	-19	-22	-24	-23	-22	-26
Taxes	9	10	3	30	24	39	52	41	27	25
Net income	52	62	37	118	77	88	119	92	60	54
Cash flows										
Net income	52	62	37	118	77	88	119	92	60	54
Non-cash adjustments	51	47	46	54	48	43	46	48	49	47
Change in Working capital	-24	11	-7	-5	5	-9	-47	9	14	2
Capex	-15	-15	-38	-37	-32	-70	-60	-55	-35	-35
Free Cash Flow	50	55	39	138	51	51	59	94	88	68
Net borrowing	-56	65	-23	-100	58	-30	-30	-30	0	0
Change in cash	-10	115	7	-30	57	-29	-21	14	34	19
Balance sheet										
Fixed assets	424	391	384	364	360	385	397	402	387	374
Current assets	142	135	144	148	151	159	206	198	183	180
Current liabilities	56	60	62	61	69	67	67	68	68	67
Net debt	631	574	520	440	440	439	430	386	352	333
Shareholders' equity	184	242	272	322	344	381	451	493	499	504
Operating and financial indicators										
Revenue growth		5%	-3%	20%	-8%	8%	8%	-5%	-7%	-2%
EBITDA margin	26%	25%	21%	33%	27%	30%	35%	31%	26%	25%
Profit margin	10%	11%	7%	18%	13%	13%	17%	14%	9%	9%
EPS	0,25	0,30	0,18	0,57	0,38	0,43	0,58	0,45	0,29	0,27
ROCE	10%	13%	8%	26%	17%	18%	22%	17%	12%	11%
Operating cash flow/EBITDA	55%	83%	67%	75%	78%	62%	48%	71%	76%	66%
Net debt/EBITDA	4,4	4,0	4,6	2,0	2,6	2,2	1,7	1,8	2,2	2,1
Interest coverage	2,6	3,7	2,4	7,1	6,2	6,9	8,1	6,8	5,0	4,2
Dividends	4	5	9	68	51	50	50	50	54	49
DPS	0,02	0,03	0,04	0,33	0,25	0,24	0,24	0,24	0,26	0,24

Source: Company; BiG Research

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Altri's key valuation items

€ million	2012	2013	2014	2015	2016	2017E	2018F	2019F	2020F	Terminal
Revenues	543	573	553	665	612	663	715	678	633	623
EBITDA	143	144	114	221	167	196	247	209	162	156
D&A	49	49	49	53	51	45	48	49	50	48
EBIT	94	95	65	168	116	151	199	159	112	108
Taxes	28	28	19	50	34	45	59	47	33	32
NOPLAT	66	67	46	119	82	107	140	112	79	76
Change in Working capital	-24	11	-7	-5	5	-9	-47	9	14	0
Capex	-15	-15	-38	-37	-32	-70	-60	-55	-35	-35
OFCF	50	55	39	138	51	72	81	115	108	89
rf	3,0%									
Beta	1,2									
Market risk premium	6,0%									
Ke	10,2%									
Kd	3,0%									
Debt to EV (target)	40%									
WACC	7,0%									
ROCE (long term median)	9,5%									
Payout ratio	90%									
Margin of safety	20%									
g	0,76%									
Time to discount						0,1	1,1	2,1	3,1	4,1
Discounted OFCF						71	75	100	88	68
Terminal value						1.089				
EDP Bioelétrica (valued at 12x Earnings)						36				
Enterprise value						1.527				
Net debt (2017)						439				
Minority interests						0				
Equity fair value						1.088				
Shares outstanding (# million)						205,1				
Liquidity discount						10%				
Price target						4,78				
P/E 2018E							8,2			
EV/EBITDA 2018E							6,2			
P/OFCF 2018E							12,1			
DY 2018E							4,6%			

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- Clarification of the qualitative terms implied in the recommendations:
 - Buy, expected absolute return above 15%;
 - Accumulate, expected absolute return between +5% and +15%;
 - Keep/Neutral, expected absolute return between -5% and +5%;
 - Reduce, expected absolute return between -5% and -15%;
 - Sell, expected absolute return below -15%;

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PSI20 Notes in the last 12 months as of 30th of September of 2017:

	Number of Recommendations	%
Accumulate/Buy	2	66,7%
Keep/Neutral	0	0,0%
Reduce/Sell	1	33,3%
Total	3	100,0%

Trading Ideas in the last 12 months as of 30th of September of 2017

	Number of Recommendations	%
Profit Taking	7	63,6%
Stop Loss	3	27,3%
In Place	1	9,1%
Total	11	100,0%

Pair Trades in the last 12 months as of 30th of September of 2017:

	Number of Recommendations	%
Profit Taking	3	75,0%
Stop Loss	1	25,0%
In Place	0	0,0%
Total	4	100,0%

Source: BiG Research

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