

Valuation does not fully reflect high risks

Afarak's Q2-report came below our expectations in the big picture, although the moderate market price environment supported sales Y-on-Y. Profitability fell short of our expectations despite being better than on weak Q2'16. Afarak guided that Q3'17 will be below Q2'17, which was in line with our expectations. However, we did some estimate revisions for H2'17. We argue that the valuation is still too high given our earnings estimates and thus the risk profile is still elevated. We retain our 0.75 EUR target price, but we raise our recommendation to reduce (previously sell).

Solid growth, but profitability fell short of expectations

Afarak reached 47.4 MEUR in sales in Q2'17, which was well in line with our estimate of 46.8 MEUR. Sales grew 20 % Y-on-Y due to better pricing environment and was not greatly impacted by lower volumes. On segment level, Speciality Alloys revenue growth (approximately 21 % Y-on-Y) was slightly better than expected. Ferroalloys sales came in slightly below our expectations, but posted solid growth of just below 15 % Y-on-Y. Afarak's EBIT came in at 3.3 MEUR, which was below our 5.3 MEUR expectation. However, our estimate included the 1.5 MEUR one-off and thus the operative performance was clearly less below our 3.8 MEUR estimate of operative EBIT. Below EBIT-line, net financials were greater than expected but this was partly offset by taxes that were clearly on the positive side. The company can deduct previous year's losses, which raised the tax-rate on to the positive side. Thus, earnings per share was 0.01 EUR and lined up with our expectations.

Guidance is in line with our expectations

Afarak guided that it's Q3'17 earnings will be below Q2'17 levels, which was in line with our expectations. However, the company expects to reach a better profitability level than on Q3'16 when the company posted a net loss. The third quarter will be affected by seasonality fluctuations due to holiday seasons, but on the positive side market prices have rebounded from the lows seen on Q2'17. We did some adjustments to our expectations of market prices as well as volumes for the second half of the year. We now estimate Afarak to reach 194 MEUR sales and 19.2 MEUR EBIT for full year 2017. Our estimates for 2018 and 2019 remained unchanged.

Valuation is clearly elevated

We argue that Afarak is valued clearly with elevated multiples in relation to its 2017 earnings. The current P/E multiples is at 21x and the respective EV/EBITDA is 8x. Also, the balance sheet based P/B multiple at a premium 1.1x level is clearly elevated in relation to the return on capital. Neither does the current years expected dividend yield of 2.6 % provide any support for the valuation. The relative premium pricing has come down significantly from prior levels, but Afarak is still valued with a slight premium in relation to the mixed peer group. Therefore, we see that the valuation is too high in relation to the risk level and believe that the risks stemming from high valuation are greater than the potential upside.

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Recommendation

Reduce



Previous: sell

Target price: **0.75 EUR**

Previous: **0.75 EUR**



Lähde: Reuters

Last close **0.77 EUR**

12 months range **0.39-1.15 EUR**

Potential **-2.6 %**

Guidance

Due to seasonality, lower ferrochrome prices and FX fluctuations Afarak expects Q3'17 profitability to be lower than on Q2'17 but better than on Q3'16.

Guidance change **New**

Key figures

	Net sales	EBIT	EBIT-%	Pre-tax profit	EPS	DPS	EV/S	EV/EBITDA	EV/EBIT	P/E	Div. Yield
	MEUR	MEUR	%	MEUR	EUR	EUR	(x)	(x)	(x)	(x)	%
2015	188	9,9	5,3 %	6,5	0,03	0,02	0,5	6,0	10,4	14,2	5,0 %
2016	154	-1,0	-0,7 %	-3,1	-0,01	0,02	1,3	37,3	-202,2	-73,4	2,6 %
2017e	194	19,2	9,9 %	11,2	0,04	0,02	1,0	7,8	10,4	21,1	2,6 %
2018e	203	14,0	6,9 %	10,5	0,03	0,02	1,0	9,9	14,4	25,3	2,6 %
2019e	225	16,5	7,3 %	14,0	0,04	0,02	0,9	8,7	12,4	19,0	2,6 %
MCAP, MEUR			200	Equity / share 2017e, EUR			0,68	CAGR EPS, 2016-2019, %			neg
Net debt 2017e, MEUR			-4	P/B 2017e			1,1	CAGR growth, 2016-2019, %			13,5 %
EV, MEUR			200	Gearing 2017e, %			-2,3 %	ROE 2017e, %			5,4 %
Balance sheet total 2017e, MEUR			275	Equity ratio 2017e, %			65,6 %	ROCE 2017e, %			10,4 %

Solid growth, but profitability was below expectations

Growth on group level was mostly driven by prices

Afarak grew sales 20 % Y-on-Y on Q2 and reached 47.4 MEUR on group level, which was in line with our 46.8 MEUR estimate. The sales growth was most driven by better pricing environment as on group level volumes of processed products fell a substantial 26.4 % Y-on-Y.

Sales growth in Speciality Alloys segment was driven by slightly higher average prices than on Q2'16 that we believe reflects mostly the higher ferrochrome prices. However, the more significant effect came from the sales volumes that rose sharply 26.9 % (6426 tons vs. 5065 tons) as a reflection of better market conditions. Afarak has typically protected its margins whenever prices are weak (just like on Q2'16) and we believe this is mainly behind the significant volume growth. Volumes in the Ferroalloys segment decreased by 38 % and is behind the overall negative development of volumes Y-on-Y. The decrease was mainly driven by transition of one furnace from silicomanganese production to ferrochrome production, but also by customers delaying orders to the next quarter.

The operative EBIT of 3.3 MEUR (EBIT-% 7 %) came below our 3.8 MEUR (EBIT-% 11.2 %) expectation, but is still on a decent level. The weakness of Ferroalloys stemming from adverse pricing environment was greater than expected and thus pulled down group level profitability. It was slightly offset by the better than expected profitability of Speciality Alloys. Speciality Alloys EBIT-% was on a very good level at 15.1 % during the quarter and clearly reflects a very favorable market environment. On the contrary, Ferroalloys EBIT-% of only 3.4 % pulls down group level profitability.

Afarak's earnings on Q2'17 were supported by an additional 1.5 MEUR profit from the sale of saw mill equipment. Therefore, despite higher than expected net financials the company posted EPS of 0.01 EUR, which was in line with our expectations. Higher than expected net financials we believe to reflect mainly currency fluctuations. EPS was also supported by positive income taxes. Afarak can deduct previous years losses, which raised the total taxes on to the positive side.

Free cash flow on the negative side but balance sheet remains strong

Afarak's free cash flow was weak on the quarter, which was mainly due to changes in working capital. Cash from operations was on the positive side, but capex of 2.3 MEUR was enough to drag the overall free cash flow to just below - 1 MEUR. Working capital grew clearly due to trade receivables being high, but we do not see anything worrying here and expected them to smoothen to normal levels towards the end of the year. Also, Afarak's balance sheet remained strong as the equity ratio was at 66.4 % and gearing at -2.8 % in the end of H1'17. We still see the balance sheet strong and a good base to build on. Also, the strong balance sheet supports future investments.

Estimates MEUR / EUR	Q2'16	Q2'17	Q2'17e	Q2'17e	Consensus		Difference (%)	2017e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Net sales	39,5	47,4	46,8				1 %	194
EBITDA	0,8	4,8	7,0				-31 %	25,7
EBIT (exc. NRIs)	-0,9	3,3	3,8				-12 %	19,2
EBIT	-0,9	3,3	5,3				-37 %	19,2
EPS (excl. NRIs)	0,00	0,01	0,01				-1 %	0,04
Net sales growth-%	0,0 %	20,0 %	18,5 %				1,5 %-yks.	26,1 %
EBIT-% (adjusted)	-2,2 %	7,0 %	8,0 %				-1,1 %-yks.	9,9 %

Source: Inderes

Guidance in line with expectations

Some adjustments to estimates for H2'17

Afarak guided that it expects group Q3'17 earnings to be below Q2'17 levels and above the weak Q3'16 levels. This guidance was in line with our expectations. Q3 typically has some seasonality affects due to holiday seasons and this time is no different. However, on the positive side we have seen some positive price movements on the chrome ore prices. On the contrary, Q3 ferrochrome price fell sharply from Q2 1,54\$/lb level to 1,10 \$/lb and clearly has an impact.

We did some minor estimate revisions for H2'17 due to changes in market price and changes in our estimates for full year 2017 volumes. We expect Q3'17 to be impacted especially by seasonality, but on Q4'17 volumes should see some positive impact from better demand. We also estimate that this will have a positive impact on the pricing environment, but we remain cautious and avoid being over optimistic. We now estimate Afarak to reach 194 MEUR sales and 19.2 MEUR EBIT for full year 2017.

No changes in 2018 and 2019 estimates

Our estimates for 2018 and 2019 remained unchanged. However, we underline the weak visibility in the medium-term. Our 2018 and 2019 estimates are based on the estimates of stainless steel industry's demand growth reflecting also into the chrome ore and ferrochrome markets. Also, we expect a solid demand to keep the pricing level at least on moderate levels. These estimates may be highly affected by rapid short-term price and demand fluctuations and therefore are prone to be volatile, which reflects the industry's higher than market average risk profile.

Estimate revisions MEUR / EUR	2017e			2018e			2019e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Net sales	184	194	5 %	204	203	0 %	225	225	0 %
EBITDA	30,0	25,7	-14 %	20,4	20,4	0 %	23,5	23,6	0 %
EBIT (exc. NRIs)	21,8	19,2	-12 %	14,0	14,0	0 %	16,5	16,5	0 %
EBIT	23,3	19,2	-17 %	14,0	14,0	0 %	16,5	16,5	0 %
PTP	17,1	11,2	-35 %	10,5	10,5	0 %	14,0	14,0	0 %
EPS (excl. NRIs)	0,04	0,04	-12 %	0,03	0,03	0 %	0,04	0,04	0 %
DPS	0,02	0,02	0 %	0,02	0,02	0 %	0,02	0,02	0 %

Source: Inderes

Valuation is clearly elevated

Absolute multiples are too high

Based on FY'17 estimates Afarak is valued at 21x P/E and 8x EV/EBITDA multiples, which we believe are clearly too high and are not willing to accept such high multiples. We argue that the current valuation would require clearly more positive earnings expectations in the short-term. Multiples of EV/EBITDA 10x and EV/EBIT 154x for FY'18 seem even more elevated and are far from attractive currently. However, due to weak visibility we do not put much weight on next year's multiples for now.

Despite depreciation of the stock price from previous highs Afarak's price to book is still at a premium level at 1.1x. We argue that this is also too high when compared to return on equity in the short-term. For the premium to be justified the return on equity should be clearly on double digit levels.

Afarak will be focused in the short- and mid-term in long-term investments and therefore we do not believe in a generous dividend (return of capital) policy. Therefore, the modest 2.6 % payout does not give any support for current valuation either.

Relative valuation points to overvaluation but is only indicative

Afarak is clearly overvalued based on its relative valuation as the main EV based multiples point to a 10 to 49 % overvaluation. Due to Afarak's specialized products offering the peer group is only indicative, but supports the view of elevated multiples. Also, we argue that the P/B multiple gives a rather good picture on overvaluation since it may be compared to the industry's returns on capital. The relative P/B valuation, when compared to the closer peers, also signals a slight overvaluation although clearly less than the earnings based multiples.

In a broad perspective, all our valuation methods point to a clear overvaluation and therefore we remain cautious.

Company	MCAP	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2017e	2018e	2017e	2018e	2017e	2018e	2017e	2018e	2017e	2018e	2017e
Rio Tinto	68770	80853	8,0	10,0	5,7	6,6	2,5	2,7	10,5	13,0	2,5	2,0	1,8
Glencore	50876	73555	12,2	13,3	6,5	6,6	0,5	0,5	13,4	13,7	0,1	0,2	1,3
BHP Billiton	85729	107497	9,8	11,3	6,1	6,7	3,3	3,4	12,8	14,5	0,9	0,8	1,6
Assore	2002	1747	9,2	26,0	11,6	26,9	4,3	5,5	4,6	8,7	17,4	10,4	1,1
African Rainbow Minerals	1291	1554	61,0	43,6	18,3	23,6	2,8	2,7	5,1	10,0	4,0	3,3	0,7
South32	10358	9569	7,0	8,2	4,8	5,4	1,6	1,6	10,8	12,7	0,1	0,1	1,2
Exxaro Resources	2204	2497	7,1	8,4	6,0	6,7	1,7	1,7	6,6	8,2	5,1	4,2	0,9
Impala Platinum	2007	2383	117,8	25,5	11,0	8,1	1,0	0,9		35,7		0,0	0,5
Afarak Group (Inderes)	200	200	10,4	14,4	7,8	9,9	1,0	1,0	21,1	25,3	2,6	2,6	1,1
Average			24,5	16,4	8,0	10,3	1,9	2,1	9,7	14,6	3,3	2,1	1,1
Median			9,5	12,3	6,3	6,7	1,7	1,7	10,5	12,8	0,9	0,5	1,1
Premium/discount -% vs. mediaan			10 %	17 %	23 %	49 %	-39 %	-41 %	101 %	97 %	202 %	465 %	1 %

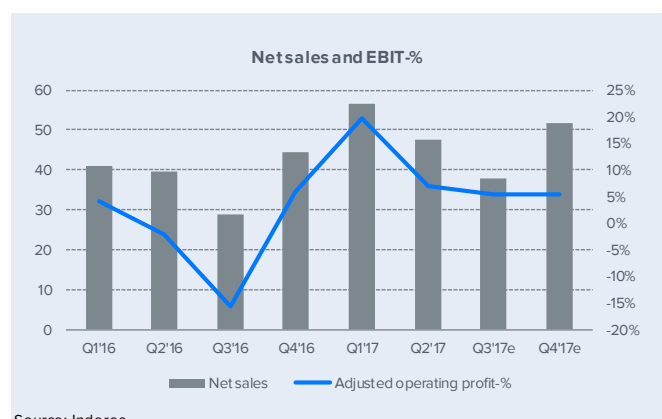
Source: Reuters / Inderes. Notification: Inderes' MCAP does not include treasury shares

Income statement and quarterly estimates

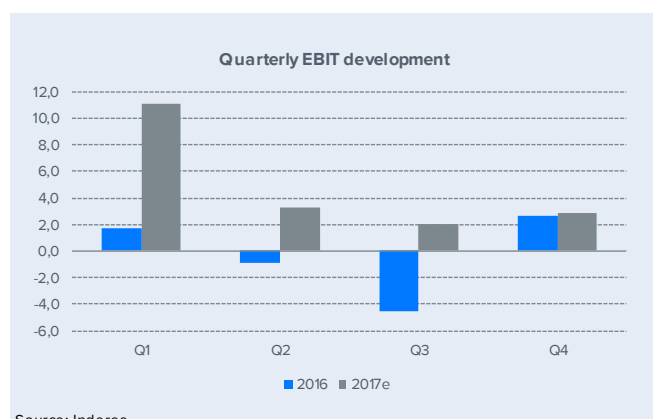
Quarterly earnings	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17e	Q4'17e	2017e	2018e	2019e
Net sales	187,7	40,8	39,5	28,9	44,4	153,6	56,6	47,4	37,9	51,7	193,6	203,5	224,5
Specialty Alloys	96,5	18,4	18,4	11,4	20,5	68,7	21,7	22,3	17,6	18,2	79,7	94,7	99,9
Ferroalloys	91,8	22,3	21,1	17,5	23,6	84,5	34,1	24,2	21,3	33,6	113,2	108,7	124,6
Eliminations and unallocated	-0,5	0,0	0,0	0,0	0,4	0,4	0,8	1,0	-0,9	-0,2	0,7	0,1	0,1
EBITDA	17,2	3,3	0,8	-2,8	4,2	5,5	12,7	4,8	3,7	4,5	25,7	20,4	23,6
Depreciation	-7,3	-1,6	-1,7	-1,7	-1,6	-6,5	-1,6	-1,5	-1,7	-1,7	-6,5	-6,4	-7,1
EBIT (excl. NRI)	9,9	1,7	-0,9	-4,5	2,7	-1,0	11,1	3,3	2,0	2,8	19,2	14,0	16,5
EBIT	9,9	1,7	-0,9	-4,5	2,7	-1,0	11,1	3,3	2,0	2,8	19,2	14,0	16,5
Specialty Alloys	10,1	1,7	0,9	-1,4	1,9	3,1	4,2	3,4	1,7	1,7	10,9	10,8	11,7
Ferroalloys	2,8	0,9	-0,5	-2,6	3,1	0,9	8,0	0,8	0,9	2,1	11,9	7,1	8,8
Eliminations and unallocated	-3,0	-0,9	-1,3	-0,5	-2,2	-4,9	-1,1	-0,9	-0,6	-1,0	-3,6	-3,9	-4,0
Net financial items	-3,4	-0,9	-0,4	0,3	-1,2	-2,1	-4,2	-2,4	-0,5	-1,0	-8,1	-3,5	-2,5
PTP	6,5	0,8	-1,2	-4,2	1,5	-3,1	6,9	1,0	1,5	1,8	11,2	10,5	14,0
Taxes	1,2	-1,1	0,2	0,7	0,5	0,3	-2,7	0,4	-0,1	-0,2	-2,5	-2,6	-3,5
Minority interest	-0,3	-0,1	0,1	0,0	0,0	0,0	-0,6	-0,1	0,0	0,0	-0,7	0,0	0,0
Net earnings	7,4	-0,3	-1,0	-3,5	2,0	-2,8	5,1	1,3	1,4	1,7	9,5	7,9	10,5
EPS (adj.)	0,03	0,00	0,00	-0,01	0,01	-0,01	0,02	0,01	0,01	0,01	0,04	0,03	0,04
EPS (rep.)	0,03	0,00	0,00	-0,01	0,01	-0,01	0,02	0,01	0,01	0,01	0,04	0,03	0,04

Key figures	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17e	Q4'17e	2017e	2018e	2019e
Revenue growth-%	8,7 %	0,0 %	0,0 %	0,0 %	-76,3 %	-18,2 %	38,8 %	20,1 %	31,4 %	16,3 %	26,1 %	5,1 %	10,3 %
Adjusted EBIT growth-%	472,9 %				neg.	neg.	553,2 %	neg.	neg.	5,1 %	neg.	neg.	17,5 %
EBITDA-%	9,2 %	8,0 %	2,0 %	-9,7 %	9,5 %	3,6 %	22,4 %	10,2 %	9,8 %	8,7 %	13,3 %	10,0 %	10,5 %
Adjusted operating profit-%	5,3 %	4,2 %	-2,2 %	-15,6 %	6,0 %	-0,7 %	19,6 %	7,0 %	5,3 %	5,4 %	9,9 %	6,9 %	7,3 %
Net profit-%	3,9 %	-0,8 %	-2,4 %	-12,1 %	4,5 %	-1,8 %	9,0 %	2,8 %	3,7 %	3,2 %	4,9 %	3,9 %	4,7 %

Source: Inderes



Source: Inderes

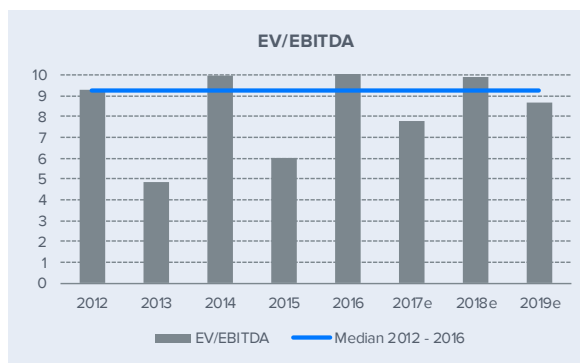
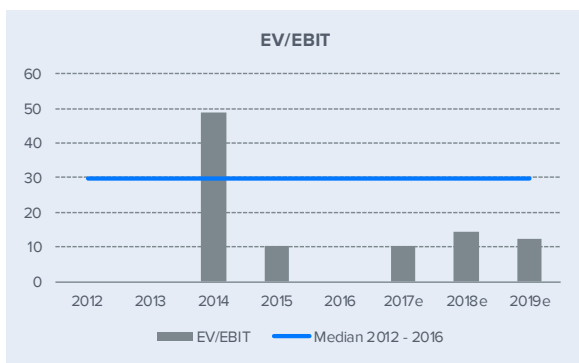
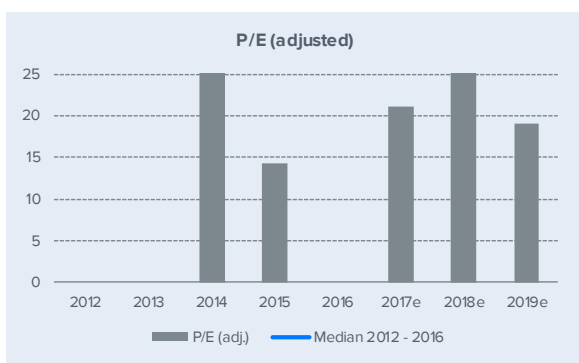


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Valuation

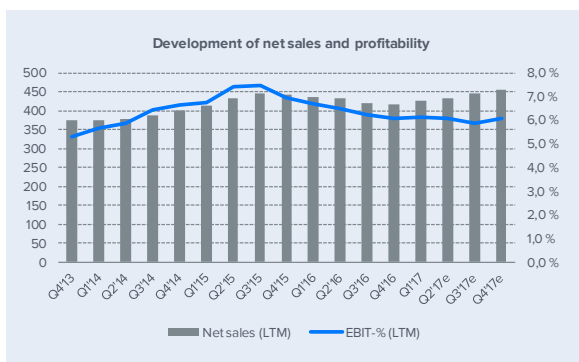
Valuation	2012	2013	2014	2015	2016	2017e	2018e	2019e
Share price	0,45	0,32	0,32	0,40	0,78	0,77	0,77	0,77
MCAP	110	78	83	105	205	200	200	200
EV	113	68	84	103	204	200	203	205
P/E (adj.)	neg.	neg.	185,0	14,2	neg.	21,1	25,3	19,0
P/E	neg.	neg.	185,0	14,2	neg.	21,1	25,3	19,0
P/FCF	3,4	1,8	-5,3	4,7	-77,0	19,2	37,2	40,1
P/B	0,5	0,4	0,5	0,6	1,2	1,1	1,1	1,1
P/S	0,8	0,6	0,5	0,6	1,3	1,0	1,0	0,9
EV/S	0,9	0,5	0,5	0,5	1,3	1,0	1,0	0,9
EV/EBITDA	9,3	4,8	10,0	6,0	37,3	7,8	9,9	8,7
EV/EBIT	neg.	neg.	48,8	10,4	neg.	10,4	14,4	12,4
Payout (%)	-13,6 %	-110,9 %	1156,2 %	71,0 %	-188,1 %	54,8 %	65,6 %	49,4 %
Dividend yield-%	2,2 %	6,3 %	6,3 %	5,0 %	2,6 %	2,6 %	2,6 %	2,6 %

Source: Inderes

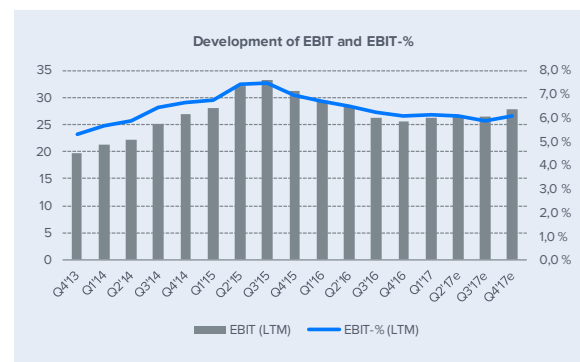


Source: Inderes

Earnings trend (rolling 12 months)



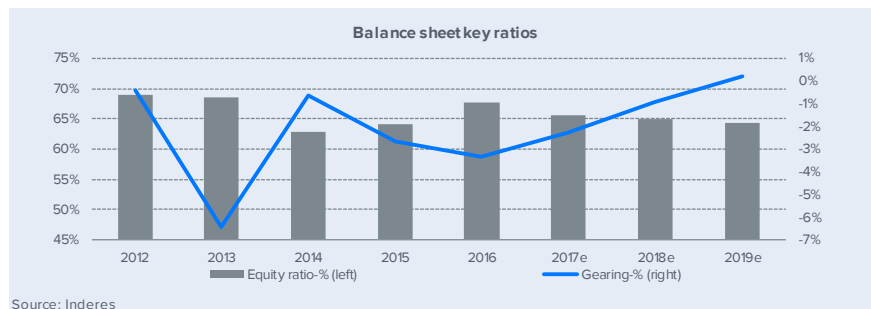
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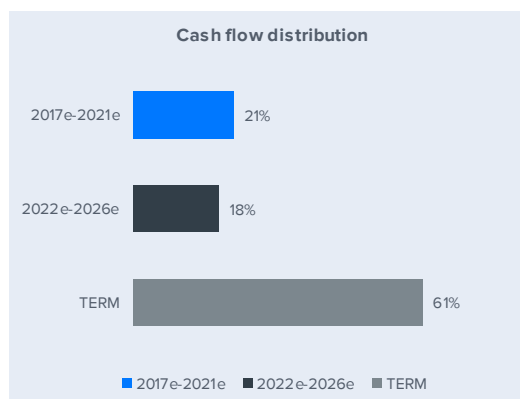
Balance sheet and DCF

Assets (MEUR)	2014	2015	2016	2017e	2018e	Liabilities (MEUR)	2014	2015	2016	2017e	2018e
Non-current assets	176	161	166	167	170	Equity	182	171	176	180	183
Goodwill	63,1	58,3	63,8	63,8	63,8	Share capital	23,6	23,6	23,6	23,6	23,6
Intangible assets	20,4	17,0	18,3	19,4	20,3	Retained earnings	-103,7	-93,8	-96,0	-91,8	-89,0
Tangible assets	48,0	43,6	45,1	45,6	47,2	Shares repurchased	0,0	0,0	0,0	0,0	0,0
Associated companies	0,1	0,0	0,0	0,0	0,0	Revaluation reserve	-12,1	-28,7	-16,8	-16,8	-16,8
Other investments	0,6	0,6	0,2	0,2	0,2	Other equity	269,4	266,2	261,1	261,1	261,1
Other non-current assets	39,9	38,6	34,0	34,0	34,0	Minorities	4,9	3,8	4,2	4,2	4,2
Deferred tax assets	4,2	3,3	4,4	4,4	4,4	Non-current debt	64	62	57	57	57
Current assets	114	106	94	107	112	Deferred tax liabilities	8,2	5,9	5,9	5,9	5,9
Inventories	60,1	45,2	48,4	51,3	52,9	Provisions	10,1	9,3	10,7	10,7	10,7
Other current assets	0,0	0,0	0,0	0,0	0,0	Long term debt	6,3	3,0	0,0	0,0	0,0
Receivables	40,8	40,8	36,3	42,6	44,8	Convertibles	0,0	0,0	0,0	0,0	0,0
Cash and equivalents	13,3	19,6	9,7	13,6	14,2	Other long term liabilities	39,6	43,9	40,5	40,5	40,5
Balance sheet total	290	267	260	275	282	Current debt	44	34	27	37	42
						Short term debt	5,9	12,1	3,8	9,4	12,5
						Payables	32,0	15,4	18,5	23,2	24,4
						Other current liabilities	6,0	6,1	4,8	4,8	4,8
						Balance sheet total	290	267	260	275	282



DCF model (MEUR)	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	TERM
EBIT (operating profit)	-1,0	19,2	14,0	16,5	17,0	18,0	18,6	18,9	19,2	19,6	20,0	
+ Depreciation	6,5	6,5	6,4	7,1	7,2	7,4	7,6	7,7	7,9	8,1	8,2	
- Paid taxes	-0,9	-2,5	-2,6	-3,5	-3,6	-3,9	-4,0	-4,1	-4,2	-4,3	-5,0	
- Tax, financial expenses	-0,2	-1,8	-0,9	-0,6	-0,6	-0,6	-0,6	-0,6	-0,6	-0,6	0,0	
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	2,9	-4,4	-2,6	-5,3	-0,8	-2,4	-2,5	-2,5	-2,6	-1,8	-1,8	
Operating cash flow	7,2	16,9	14,4	14,1	19,2	18,5	19,0	19,4	19,7	21,0	21,4	
+ Change in other long-term liabilities	-2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-9,7	-8,1	-9,0	-9,1	-9,2	-9,2	-9,3	-9,5	-9,7	-9,7	-7,7	
Free operating cash flow	-4,5	8,9	5,4	5,0	10,0	9,4	9,7	9,8	9,9	11,3	13,6	
+/- Other	1,9	1,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	-2,7	10,4	5,4	5,0	10,0	9,4	9,7	9,8	9,9	11,3	13,6	215,1
Discounted FCFF		11,6	4,8	4,1	7,6	6,6	6,3	5,8	5,5	5,7	6,4	100,3
Sum of FCFF present value		163,1	153,0	148,2	144,1	136,5	129,9	123,7	117,8	112,4	106,7	100,3
Debt free DCF		163,1										
- Interesting bearing debt												
+ Cash and equivalents												
- Minorities												
- Dividend/capital return												
Equity value DCF												
Equity value DCF per share												

WACC	
Tax-% (WACC)	25,0 %
Target debt ratio (D/(D+E))	20,0 %
Cost of debt	5,0 %
Equity Beta	1,40
Market risk premium	4,75 %
Liquidity premium	0,00 %
Risk free interest rate	3,0 %
Cost of equity	9,7 %
Average cost of capital (WACC)	8,5 %



Summary

Income statement	2014	2015	2016	2017e	2018e
Sales	172,7	187,7	153,6	193,6	203,5
EBITDA	8,4	17,2	5,5	25,7	20,4
EBITDA-%	4,9	9,2	3,6	13,3	10,0
EBIT	1,7	9,9	-1,0	19,2	14,0
PTP	0,5	6,5	-3,1	11,2	10,5
Net earnings	2,2	8,2	-0,9	9,5	7,9
Non-recurring items	0,0	0,0	0,0	0,0	0,0

Balance sheet	2014	2015	2016	2017e	2018e
Balance sheet total	290,3	267,0	260,2	274,8	281,9
Equity	182,2	171,2	176,2	180,4	183,1
Goodwill	63,1	58,3	63,8	63,8	63,8
Interest-bearing debt	12,1	15,1	3,8	9,4	12,5

Cash flow	2014	2015	2016	2017e	2018e
EBITDA	8,4	17,2	5,5	25,7	20,4
Change in NWC	-12,4	-1,6	2,9	-4,4	-2,6
Operating cash flow	4,1	16,0	7,2	16,9	14,4
Free cash flow	-15,7	22,4	-2,7	10,4	5,4

Company description

Afarak is a globally operating speciality alloys provider. The company operates a vertically integrated business model and thus its core business operations cover the whole value chain from extracting raw materials to global distribution of its products. In 2016 Afarak's revenues were 154 MEUR and their EBITDA was 5,5 MEUR.

Share based key figures	2014	2015	2016	2017e	2018e
EPS	0,00	0,03	-0,01	0,04	0,03
EPS (adj.)	0,00	0,03	-0,01	0,04	0,03
Oper. cash flow per share	0,02	0,06	0,03	0,07	0,06
Book value per share	0,68	0,64	0,65	0,68	0,69
Dividend per share	0,02	0,02	0,02	0,02	0,02
Payout ratio (%)	1156	71	-188	55	66
Dividend yield (%)	6,3	5,0	2,6	2,6	2,6

Key figures	2014	2015	2016	2017e	2018e
P/E	185,0	14,2	neg.	21,1	25,3
P/B	0,5	0,6	1,2	1,1	1,1
P/S	0,5	0,6	1,3	1,0	1,0
P/CF	20,1	6,6	28,3	11,8	13,9
EV/S	0,5	0,5	1,3	1,0	1,0
EV/EBITDA	10,0	6,0	37,3	7,8	9,9
EV/EBIT	48,8	10,4	neg.	10,4	14,4

Largest shareholders

	% of shares
Nominee Registered	59.65%
Hino Resources Co. Ltd	14.06%
Joensuun Kauppa ja Kone Oy	4.76%
Hanwa Company Limited	3.42%
Kankaala Markku	2.69%

Recommendation history, last 12 months

Recommendation history, LTM

Date	Recommendation	Target price	Share price
12.7.2017	Sell	0,75 €	0,86 €
14.8.2017	Reduce	0,75 €	0,77 €

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Recommendation	Upside potential*
Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

Potential regarding to 12 month target price

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