# ALUMIL

**[ ALMr.AT ]**


**Valuation & Research Specialists (VRS)**

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# Alumil Group

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## Company Description:

Alumil is a leading company in aluminium extrusion in Greece and one of the largest in Europe. The Group is seeking to expand its sales network for exploiting opportunities internationally. Group's aluminium profiles are mostly destined for uses in the building and construction industry. Alumil aims to be an innovative company with a strong customer focus, providing metal solutions to an increasingly sophisticated marketplace.

| (in mil. €) | 2004 | 2005 | 2006 E |
|---|---|---|---|
| **Turnover** | 179.69 | 189.45 | 224.00 |
| **EBITDA** | 31.75 | 30.77 | 39.49 |
| **Margin %** | 17.67% | 16.24% | 17.63% |
| **Net Income** | 11.57 | 4.02 | 8.84 |
| **Margin %** | 6.44% | 2.12% | 3.95% |

| | |
|---|---|
| **Price (05/04/2006)** | **€ 3.10** |
| **Shares (outstanding)** | **22,016,250** |
| **MktCap (in mn €)** | **68.25** |

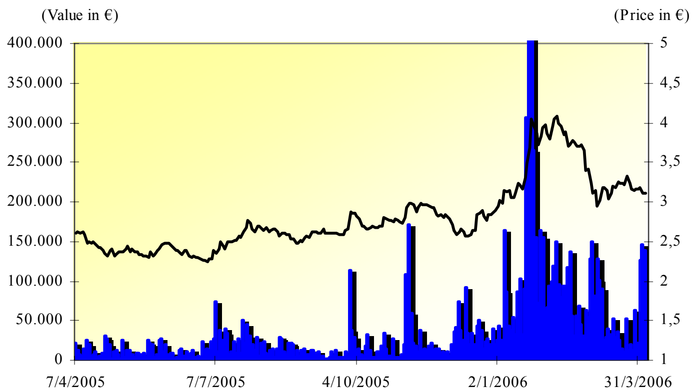
| | | | |
|---|---|---|---|
| **Beta (2Y)** | | | 0.80 |
| **Dividend '04** | | | € 0.06 |
| **Div. Yield** | | | 1.93% |
| **P/E** | 5.90x | 16.98x | 7.72x |
| **P/BV** | 0.63x | 0.61x | 0.58x |
| **Debt / Eq.** | 1.38 | 1.57 | 1.48 |
| **ROE** (avg) | 10.72% | 3.67% | 7.71% |

Source: VRS Projections

## Key Investment Points

- The strength of Alumil is its brand recognition in more than 45 countries with products in most construction, and industrial applications.
- Future growth for the Group will mostly derive from:
  1. **International expansion**. Promotion of current product portfolio in new countries as well as further penetration into countries already active. Revenues from abroad **will account for 65% of total Group turnover at end 2010 growing on a $CAGR_{2005-2010}$ of 13.14%.**
  2. The dynamic promotion of **new value added products** such as polycarbonate sheets, composite panels and automation systems.
- For the period 2005-2009, we expect Group turnover $CAGR_{2005-2010}$ of 9.46%, with EBITDA and net income $CAGR_{2005-2010}$ of 11.43% & 32.13% respectively.
- The company trades on attractive multiples based on our fiscal 2006 projections. P/E (a.t.&m.i.) stands at 7.72x while EV/EBITDA at 5.92x and P/BV at 0.58x.

**Share Price Graph** (07/04/2005-05/04/2006)




Please see important disclosure and disclaimer statements at the end of this report

## Investment Case

Alumil Group is the leading aluminium extruder in Greece, and one of the largest in Europe. The Group has managed to build a strong brand name in aluminium extrusion products with uses mostly in construction and related industries. Greek market could be characterized as the cash cow of the Group. Sales in the Greek market represent the highest stake of consolidated turnover (about 42%); it is not expected however to be the growth driver of future turnover. Future growth for the Group will mostly derive from:

1. International expansion. Promotion of current product portfolio in new countries as well as further penetration into countries being already active.
2. The dynamic promotion of new value added products, such as polycarbonate sheets, composite panels and automation systems.

### Strong Domestic Operations

For the period 2001-2005, Group's domestic operations increased significantly, representing about 45% of total turnover (at end 2005). Drivers for this growth were:

1. the significant load of public projects (Olympic Games, 2nd and 3rd EU Structural Support Framework),
2. the considerable increase in private building activity (expanding at a rampant pace in Greece), boosted by private homeowners, real estate developers and new commercial malls.

In the coming years we expect a mild slowdown in domestic construction activity, mostly due to the reduction of public projects. However, we expect a stable demand for Alumil products in Greece due to its highly recognizable brand name and its strong distribution network that facilitates the Group to utilize:

- The expected increase of commercial malls construction, with architects showing a preference in aluminium profile products,
- The expected increase in the construction of vacation house resorts, that utilize the high durability of aluminium profiles,
- The potential replacement of architectural parts for high quality aluminium profiles (the trend for aluminium to replace materials such as wood and plastic).

**For the fiscal 2006, domestic sales are expected to represent about 40% of total group turnover from 45% last year (+5.34% y-o-y growth), while at the end of fiscal 2010 are expected to represent about 35% of total, growing on a $CAGR_{2005-2010}$ of 4.14%.**

## International Expansion will Sustain Future Growth for the Group

International operations are expected to outpace the mild slowdown of domestic construction activity. Based on strategic planning, the Group raised its share in the markets of South-Eastern Europe, and expanded its commercial activity by widening its networks and strengthened its presence in Western Europe and Middle East. The Group is currently exporting over 55% of its production in more than 45 countries (from about 40 at end 2004), covering mostly **S-E Europe, where construction sector is set to deliver solid growth** in the coming years.

In addition, the Group is **exploiting opportunities from new commercial agreements** enhancing its distribution network in new as well as existing European and Middle East countries, diversifying its geographical presence. Alumil has already set a strong sales network, which plans on reinforcing by expanding its storage spaces and improving logistics in order to support the market's high growth.

Besides emerging markets, growth will also be driven by **higher penetration to Western Europe and the Middle East.** We expect international operations to represent about 65% of total turnover by the end of fiscal 2010.

### Turnover Breakdown by Country

| (in €,000) | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|
| Greece | 44.9% | 40.0% | 39.0% | 37.0% | 35.0% | 35.0% |
| The Balkans | 30.3% | 33.3% | 33.9% | 35.0% | 36.1% | 36.1% |
| W. Europe | 11.6% | 12.0% | 12.2% | 12.6% | 13.0% | 13.0% |
| Cyprus | 1.5% | 1.5% | 1.3% | 1.1% | 0.8% | 0.8% |
| C-E. Europe | 8.9% | 10.2% | 10.4% | 10.7% | 11.1% | 11.1% |
| Africa & M. East | 2.3% | 2.4% | 2.7% | 2.9% | 3.2% | 3.2% |
| U.S.A. | 0.6% | 0.6% | 0.6% | 0.7% | 0.9% | 0.9% |

Source: VRS Projections

## Strong & Innovative Industrial Product Portfolio

Group's industrial activity starts from the extrusion stage, continues with thermal-break techniques, powder coating, sublimination or anodizing techniques (according to the desired application) and ends with the packaging of the final product. Aluminium profiles can be processed in a wide range, wherever additional surface protection or an enhanced appearance is desired. Below we are analyzing our expectations for each main product category.

### PROCESSED - PROFILES

The majority of Group's turnover derives from processed profiles for architectural systems and industrial components. At end 2005, processed profiles (excluding Special Profiles) represented **47.3**% of total Group turnover, with the majority production accounting for architectural systems (90%). **This product category is expected to represent about 47% of total turnover at end 2010, growing on a CAGR$_{2005\text{-}2010}$ of 9.39%.** The Growth will mostly derive **from exports** (on both product categories), **utilizing robust construction activity of S-E Europe, while domestic market is expected to remain at current volume levels.**

#### Architectural Systems

The leading product group for Alumil is the Architectural Systems for all architectural applications, such as doors, windows, facades (curtain-walling), atriums, office partitions etc. Alumil is distributing products through an exclusive network of about 120 representatives covering the entire domestic market. Alumil Group holds approximately 23.5% share of the 80,000 tons architectural profile market in Greece (leading market share). The Group's target is to maintain its leadership domestically, both in sales and quality issues, focusing on innovation and customer satisfaction. **However, growth on this product category for the Group will derive from its expansion in South-East Europe by both production and commercial activities, as well as in Central - Western Europe, in the Middle East and in the U.S.A. by commercial activities.**

#### Industrial Components

Alumil excels in the manufacture and export of aluminium extrusions for industrial profiles that represent approximately 5% of total group turnover and account for exports to Central and Western European countries. Many features of aluminium profiles make extruded products ideal for a wide variety of applications, creating significant opportunities for Alumil to capture. The Group is currently diversifying its product range seeking to exploit opportunities in the automobile industry, entering at the same time into new areas where aluminium parts represent important portion of final product.

## SPECIAL ALUMINIUM PROFILES

Special aluminium profiles derive from a further process for aluminium profiles, providing added value to final products through its thermal and sound isolation properties in extreme conditions, diminishing the negative effects of sound and heat through the aluminium window frame from the inside or outside of the building envelopes. **This product category contributes approximately 21.5% to total turnover and refers to architectural systems. Special profiles' sales are expected to represent about 22.6% of total turnover at end 2010, growing on a CAGR$_{2005-2010}$ of 10.53%, following the international expansion of the Group.**

## NEW PRODUCTION LINES

### Polycarbonate Sheets

The Group is exploiting opportunities in Polycarbonate Sheets, products that replace the use of glass, in the construction of covering sheets, solar protection roofs, atriums, kiosks, greenhouses etc. The total market value is not determined yet, however, the usage rate is continuously expanding, since this product provides significant benefits (almost unbreakable, heat and noise insulated, with long lifetime). **For the fiscal 2006, polycarbonate product sales are expected to reach € 4.37 mn, while total capacity of current production line is estimated at € 12 mn. We expect polycarbonate product sales to exceed € 8 mn in 2010.**

### Composite Panels

The Group has already invested in the production of aluminium composite panels (namely J-Bond) with applications in buildings outer-walls, curtain walls, redecoration of old buildings outer-walls, balconies, installation units, indoor partitions, inner-wall decorating panels, roof panels, ceilings, advertisement signboards, etc. J-Bond products offer significant advantages such as:

1. Perfect weather ability, high strength, and no special maintenance.
2. Convenient construction, short working time.
3. Excellent machining, heat insulation, sound insulation property and perfect fireproof performance.
4. High plasticity, good impact resistance, quakeproof performance and reducing buildings load.
5. Good smoothing ness, lightweight and rigid, aesthetic and low cost.
6. Various colors.

The aluminium composite panel products have low penetration in Greece. **Domestic market is estimated to gradually reach approximately € 70 mn (annually) in a period of 10 years. For the fiscal 2006, we expect composite panels to add about € 1.26 mn to Alumil Group's turnover.**

## COMMERCIAL ACTIVITIES

The Group expands its commercial activity strategically, forming partnerships with large international groups. The most important are with Phifer (Alumil is exclusive representative in Greece and the Balkans), ASA Italia (exclusive representative in Greece and the Balkans), Gretsch-Unitas (exclusive representative in the Middle East and the Balkans). **Commercial activity represented approximately 20% of total Group turnover, at the end of 2005. In the future however, sales will expand on a lower pace compared to other activities, representing at end 2010 about 19% of total turnover, growing on a $CAGR_{2005\text{-}2010}$ of 8.2%.**

### Analysis of Group Turnover Breakdown

| | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|
| **PROCESSED PROFILES** | **89,619** | **105,264** | **113,736** | **122,830** | **132,599** | **140,404** |
| % of Total Turnover | 47.3% | 47.0% | 47.0% | 47.0% | 47.0% | 47.2% |
| y-o-y growth | | 17.5% | 8.0% | 8.0% | 8.0% | 5.9% |
| **SPECIAL PROFILES** | **40,736** | **50,392** | **54,448** | **58,802** | **63,478** | **67,214** |
| % of Total Turnover | 21.5% | 22.5% | 22.5% | 22.5% | 22.5% | 22.6% |
| y-o-y growth | | 23.7% | 8.0% | 8.0% | 8.0% | 5.9% |
| **POLYCARBONATE** | **3,304** | **4,370** | **5,177** | **6,369** | **7,592** | **8,191** |
| % of Total Turnover | 1.7% | 2.0% | 2.1% | 2.4% | 2.7% | 2.8% |
| y-o-y growth | | 32.3% | 18.5% | 23.0% | 19.2% | 7.9% |
| **J-BOND** | **976** | **1,263** | **1,561** | **1,927** | **2,333** | **2,610** |
| % of Total Turnover | 0.5% | 0.6% | 0.6% | 0.7% | 0.8% | 0.9% |
| y-o-y growth | | | 23.6% | 23.5% | 21.0% | 11.9% |
| **COMMERCIAL ACTIVITIES** | **37,894** | **42,554** | **45,978** | **49,655** | **53,604** | **56,223** |
| % of Total Turnover | 20.0% | 19.0% | 19.0% | 19.0% | 19.0% | 18.9% |
| y-o-y growth | | 12.3% | 8.0% | 8.0% | 8.0% | 4.9% |
| **AUTOMATIONS** | **7,443** | **8,959** | **10,130** | **11,238** | **12,696** | **13,570** |
| % of Total Turnover | 3.9% | 4.0% | 4.2% | 4.3% | 4.5% | 4.6% |
| y-o-y growth | | 20.4% | 13.1% | 10.9% | 13.0% | 6.9% |
| **OTHER** | **8,526** | **10,078** | **9,680** | **9,147** | **8,464** | **8,032** |
| % of Total Turnover | 4.5% | 4.5% | 4.0% | 3.5% | 3.0% | 2.7% |
| y-o-y growth | | 18.2% | -4.0% | -5.5% | -7.5% | -5.1% |
| **SERVICES** | **947** | **1,120** | **1,210** | **1,307** | **1,411** | **1,451** |
| % of Total Turnover | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| y-o-y growth | | 18.2% | 8.0% | 8.0% | 8.0% | 2.9% |
| **TOTAL GROUP TURNOVER** | **189,445** | **224,000** | **241,920** | **261,274** | **282,175** | **297,695** |

Source: Company Data & VRS Estimates

## Investment Risks

- Competition in the broader market of aluminium profile products.
- Unpredictable price fluctuations in raw materials. Final product prices and profitability margins depend directly on the fluctuation of international aluminium prices.
- Dependence on the evolution of construction activities.
- Dependence on the evolution of industrial production.
- Sensitive to the regional politics (East Europe, Balkans, Middle East), which have been historically volatile.

# Company Overview

## Company Profile

Alumil, established in 1988, is the leading aluminium extruder in Greece, included 4 times in GrowthPlus Europe's Top 500 for its contribution to the European economy. The Group provides:

- integrated aluminium profile systems, certified from world known institutes,
- industrial profiles for automotive industry, sailing industry, transportations, etc.

Additionally, the Group produces and provides:

- state-of-the-art automation systems,
- interiors,
- solar protection systems (trading),
- plastic products & accessories.

The Group also produces, imports and trades self designed accessories for aluminium systems (to offer integrated technical support), produces and trades fine aluminium products and automation systems designed for specific applications, homogenized aluminium rods (bigettes), polycarbonate sheets and composite panels, namely J-Bond. Most products are designed, developed and tested by its R&D department. The Group's emphasis is on achieving leading positions in attractive market sectors, where sustainable growth can be achieved.

Sites and warehouses are spread in Kilkis, Serres, Xanthi, Komotini (Greece); internationally in Romania, Bulgaria, Serbia, Bosnia and Albania, covering 600,000 $m^2$ of land, 230,000 $m^2$ of industrial establishments, providing more than 80,000 tons of aluminium profiles per year (production capacity).

**Alumil Group Production Capacity** (as of December 2005)

| (in tons) | Foundry | | | Extrusion | | | Powder Coating | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2003** | **2004** | **2005 E** | **2003** | **2004** | **2005** |
| Kilkis | 18,000 | 28,000 | 28,000 | 46,000 | 46,000 | 46,000 | 24,000 | 24,000 | 24,000 |
| Komotini | | | | 11,000 | 11,000 | 12,000 | | | |
| Xanthi | | | | 14,000 | 8,000 | 8,000 | 6,000 | 6,000 | 6,000 |
| Bulgaria | | | | | | | 6,000 | 6,000 | 6,000 |
| Romania | | | | | | | 6,000 | 6,000 | 6,000 |
| Serbia | | | | | 8,000 | 8,000 | | 8,000 | 8,000 |
| Albania | | | | | 6,000 | 6,000 | | 6,000 | 6,000 |
| Bosnia | | | | | 6,000 | 6,000 | | 1,500 | 1,500 |
| **Total** | **18,000** | **28,000** | **28,000** | **71,000** | **85,000** | **86,000** | **42,000** | **49,500** | **57,500** |

Alumil integrates all phases of the production process, from idea to design of the matrices, from billet over extrusion to surface treatment for the coating, insulation, packing and transport. The Group has manufacturing operations in Greece, utilizing maximum plant production, reinforced by strong investment incentives that enjoys in its production domestically. Further processing and painting of aluminium profiles take place in Greece as well as in Eastern Europe, where labour cost is significantly lower, offering at the same time better service to local customers. The commercial expansion of Alumil involves enhancing its distribution network, setting up storage facilities abroad and engaging on strong promotional activities.

## Sales Network

In small and medium-sized urban centers, Alumil usually cooperates with one or two clients (representatives), who sell to end-users (mainly fabricators, or engineers and construction agencies), while in large urban centers (Athens, Thessalonica), it uses more than one representative for different, non-competitive areas. In this way, by not selling its products directly to the end-client (aluminium fabricators reach 5,000 in Greece), the Company has succeeded in achieving economies of scale in transportation expenses and better monitoring and collection of debt and checks receivables, since the number of its direct clients is significantly limited.

**Production Process:** *Aluminium profiles are produced through aluminium extrusion. The extrusion process aims to form aluminium rods in the desired shapes. In particular, homogenized rods "raw material" for Alumil, 6", 7" and 8" (inches) diameter, that is, 152 mm, 178 mm & 203 m), pre-heated at 400-500 $^{o}$ C, enter into appropriate matrices with high pressures to produce profiles. The accomplishment of the desired technical characteristics of the produced profiles (without malformations, distresses, etc.) depends, to a great extent, on the quality of the matrices and their continuous maintenance. Completion of this first part, signals the next production stage: profiles processing (to take on final shape). Initially, they are cooled using water or air, they are then strained and cut to the desired length, and artificial ageing in special furnaces follows. Finally, depending on the desired technical characteristics, profiles are subjected to various further processes, such as powder coating, sublimation and anodizing techniques, covering with special protection and insulating materials, or in case of no further process, they simply enter the next step. Packaging follows, with special attention to avoid possible mechanical distresses. Scrap produced is transferred to Alumil foundry, where the afore-mentioned process is repeated.*

## New Innovative Products in Existing Sectors

Alumil invests in the development of new products offering innovation, improving quality and product strength, and covering customer's changing needs in architecture. The Company is licensing its products seeking at the same time certification from international organizations in order to ensure high standard quality. Group's know-how supports the development of unique products and this represents a strong competitive advantage, especially when entering Western European countries where strong competition exists.

## Subsidiaries

The Group consists of 25 subsidiaries in Greece and abroad, which are either production sites or commercial companies with distribution centers. Alumil is the main or unique shareholder of the above companies.

**ALUMIL'S HOLDINGS IN SUBSIDIARIES, AS AT 30/09/2005**

| SUBSIDIARIES | COUNTRY | ALUMIL STAKE |
|---|---|---|
| ALUNEF | KILKIS/GREECE | 98.90% |
| ALUKOM | KOMOTINI/GREECE | 85.86% |
| ALUSYS | ATHENS/GREECE | 51.00% |
| ALUMIL ROM INDUSTRY | ROMANIA | 70.00% |
| ALUMIL FRANCE | FRANCE | 100.00% |
| ALUMIL BULGARIA | BULGARIA | 100.00% |
| VARNA ALUMINIUM | BULGARIA | 71.00% |
| ALUMIL HUNGARY | HUNGARY | 100.00% |
| ALUMIL POLSKA | POLAND | 51.00% |
| METRON AUTOMATIONS | SERRES/GREECE | 66.00% |
| ALUFIL | KILKIS/GREECE | 99.95% |
| G.A. PLASTICS S.A. | KILKIS/GREECE | 50.00% |
| ALUMIL UKRAINE | UKRAINE | 90.00% |
| ALUMIL S.R.B. D.O.O. | SERBIA | 45.00% |
| ALUMIL MILONAS CYPRUS | CYPRUS | 66.67% |
| ALUMIL CY | CYPRUS | 100% |
| ALUMIL YU INDUSTRY | SERBIA | 100% |
| ALUMIL COATING SRB | SERBIA | 99.96% |
| ALUMIL MISR FOR ALUMINIUM | EGYPT | 100% |
| ALUMIL MISR FOR ACCESORIES | EGYPT | 100% |
| ALUMIL DEUTCHLAND | GERMANY | 99.88% |
| ALUMIL ITALIA | ITALY | 100% |
| ALUMIL ALBANIA | ALBANIA | 97.32% |
| ALUMIL INDUSTRY (MOLDAVIA) | MOLDAVIA | 70% |
| ALUMIL SKOPJE | FYROM | 100% |

Source: Alumil Data

## Share Price Performance vs. General Index & FTSE/ASE 80 (base=100, period=12months)

| | Ticker |
|---|---|
| ASE: | AΛMY |
| Bloomberg: | ALMY GA |
| Reuters: | ALMr.AT |

**Alumil Stock is included in the following indices of ASE:**

- Basic Metals Price Index
- FTSE/ASE-80


| Data as of 05/04/2006 | | 2004 | 2005 | 2006 E | 2007 E |
|---|---|---|---|---|---|
| Price (in €) | € 3.10 | | | | |
| Shares Outstanding | 22,016,250 | | | | |
| Market Capitalization (in €) | 68,250,375 | | | | |
| EPS (in €) | | 0.53 | 0.18 | 0.40 | 0.49 |
| Book Value / Share (x) | | 4.9 | 5.0 | 5.4 | 5.8 |
| EV (in € mn) | | 207,486 | 228,467 | 233,895 | 235,741 |
| P/E (a.t.& m.i.) | | 5.90x | 16.98x | 7.72x | 6.38x |
| P/BV | | 0.63x | 0.61x | 0.58x | 0.54x |
| P/Cash Flow | | 2.75x | 1.91x | 1.75x | 1.61x |
| EV/EBITDA | | 6.53x | 7.42x | 5.92x | 5.45x |
| EV/Sales | | 1.15x | 1.21x | 1.04x | 0.97x |
| Dividend / Share (in €) | | 0.06 | 0.06 | 0.08 | 0.10 |
| Dividend Yield | | 1.9% | 1.9% | 2.6% | 3.1% |

Source: VRS Estimates

## Financial Analysis

**Strong Growth Rates – Improve Operating Profit Margins**

With the 4-year investment program being successfully completed, we expect turnover to grow in line with capacity utilization, higher market share in most product categories and regions, and penetration in new geographic areas.

- For the period 2005-2010 (following the completion of Group's investment program), we estimate Group turnover $CAGR_{2005\text{-}2010}$ of 9.5%, with revenues related to international operations, representing 65% of total at end 2010.
- **Gross profit margin will improve** and settle at about 31.54% at end 2010 from 30.22% at end 2005) as a result of
  1. increased productivity mainly due to synergies and efficiencies that arrive from higher production capacity,
  2. fully utilization of the new production and storage facilities,
  3. higher stake of value added new products to total turnover,
  4. tighter cost control,
  5. pressures on pricing due to high competition.

  We note that most products are at a mature stage domestically and at a growth stage in S-E Europe.
- **EBITDA** margin accounted for approximately 16.24% at end fiscal 2005, affected by other income of € 3 mn deriving from investment grants. This effect is expected to be repeated in the next 5-year period, and thus, for the fiscal 2006 and on EBITDA margin will range at about 17.63%, growing on **a $CAGR_{2005\text{-}2010}$ of 11.43%**, attributed to:
  1. strong turnover growth,
  2. lower pace of administrative expenses growth compared to turnover ($CAGR_{2005\text{-}2010}$ of 8.02%),
  3. lower pace of distribution expenses growth compared to turnover growth ($CAGR_{2005\text{-}2010}$ of 7.57% mostly attributed to higher advertising spending that will represent about 1% of total Group turnover).
- **Net income before minorities** was positively affected by deferred income tax of € 2.68 million that boosted **net income margin to 8.06% during 2004.** We do not estimate this effect to take place again. For the period 2006-2010, **net income margin will increase from 3.25% at end 2005, to 6.35% at end 2010, growing on a $CAGR_{2005\text{-}2010}$ of 25.19%.**

| | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|
| **Profit Margins** | | | | | | |
| Gross Margin | 30.22% | 31.62% | 31.10% | 31.29% | 31.51% | 31.54% |
| EBITDA Margin | 16.24% | 17.63% | 17.87% | 17.83% | 17.94% | 17.76% |
| EBIT Margin | 9.40% | 10.81% | 11.14% | 10.97% | 10.89% | 10.69% |
| Pre-tax profit margin | 5.54% | 6.58% | 7.11% | 7.45% | 7.88% | 7.94% |
| Net Profit margin | 2.12% | 3.95% | 4.42% | 4.90% | 5.34% | 5.44% |
| **Cost Absorption & Sources** | | | | | | |
| Cost of sales on sales | 69.78% | 68.38% | 68.90% | 68.71% | 68.49% | 68.46% |
| Administrative cost on sales | 6.13% | 6.05% | 5.58% | 5.62% | 5.66% | 5.74% |
| Distribution cost on sales | 10.20% | 9.97% | 9.51% | 9.36% | 9.30% | 9.35% |

## Key Elements of Balance Sheet

The Group has recently completed a 2000-2005 investment program of more than € 130 mn and is currently seeking to utilize its new facilities. For the next 5 year period (2006-2010), the Group is planning to invest approximately € 53 mn, for the further expansion and renovation of buildings, machinery and transportation vehicles.

With regard to **current assets** for the Group, inventory turnover ratio is expected to settle at 210 days (avg) from fiscal 2006 and on, from 218 (avg.) during 2005. **Debtor's turnover ratio** is expected to increase and range around 175 days (avg) from 162 (avg.) during 2005, while **creditor's turnover ratio** will remain at approximately 105 days.

| | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|
| **Activity** | | | | | | |
| Stock Days | 218 | 210 | 210 | 210 | 210 | 210 |
| Debtors Days | 162 | 162 | 170 | 175 | 175 | 175 |
| Creditors Days | 110 | 107 | 105 | 105 | 105 | 105 |
| Operating Cycle | 380 | 372 | 380 | 385 | 385 | 385 |
| Cash Cycle | 270 | 265 | 275 | 280 | 280 | 280 |
| **Capital Structure** | | | | | | |
| Total Liabilities / Total Equity | 2.03 | 1.97 | 1.87 | 1.73 | 1.56 | 1.37 |
| Bank Loans/ Total Equity (D/E ratio) | 1.39 | 1.30 | 1.22 | 1.11 | 0.96 | 0.81 |

# Valuation

## DCF Valuation Method

Evaluating our projections on the DCF valuation method, we end up on a fair value of € 105.99 million or € 4.81 per share.

| | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E | L-Term Assumptions |
|---|---|---|---|---|---|---|
| **ASSUMPTIONS** | | | | | | |
| Growth Rate (Sales) | 18.2% | 8.0% | 8.0% | 8.0% | 5.5% | **2.0%** |
| EBIT Margin | 10.8% | 11.1% | 11.0% | 10.9% | 10.7% | **10.7%** |
| Tax Rate | 24.9% | 24.1% | 21.6% | 20.6% | 20.0% | **20.0%** |
| Working Capital (% of sales) | 9.8% | 7.3% | 6.7% | 4.9% | 3.7% | **3.7%** |
| Capex (% of sales) | 5.1% | 4.0% | 3.7% | 3.5% | 3.3% | **3.5%** |
| Cost of Capital | 6.5% | 6.7% | 7.0% | 7.3% | 7.6% | **7.6%** |
| Depreciation (% of sales) | 6.0% | 6.8% | 6.7% | 6.9% | 7.1% | **3.5%** |
| **CASH FLOW STATEMENT** | | | | | | |
| **Turnover** | **224,000** | **241,920** | **261,274** | **282,175** | **297,695** | **303,649** |
| EBIT | 24,220 | 26,938 | 28,660 | 30,729 | 31,835 | **32,490** |
| Less: Adjusted Tax | 3,665 | 4,148 | 4,201 | 4,579 | 4,727 | **4,824** |
| **Adjusted Operating Profit** | **20,555** | **22,791** | **24,459** | **26,150** | **27,108** | **27,666** |
| Plus: Depreciation | 15,269 | 16,292 | 17,938 | 19,894 | 21,027 | **10,628** |
| **Operating Cash Flow** | **35,825** | **39,083** | **42,397** | **46,044** | **48,135** | **38,294** |
| Less: Change in Working Capital | 21,912 | 17,718 | 17,396 | 13,867 | 11,021 | **11,242** |
| Less: Capex | 11,392 | 9,582 | 9,621 | 9,757 | 9,792 | **10,628** |
| **Cash Flow to the Firm (FCFF)** | **2,521** | **11,783** | **15,380** | **22,420** | **27,322** | **16,424** |
| Discount Factor | 0.94 | 0.88 | 0.82 | 0.75 | 0.69 | 0.69 |
| Present Value of Cash Flows | 2,368 | 10,347 | 12,546 | 16,914 | 18,976 | |
| Accumulated Present Value | 2,368 | 12,715 | 25,260 | 42,174 | **61,150** | |
| Residual Value | | | | | | 295,248 |
| **Present Value of Residual Value** | | | | | | **205,057** |

| | |
|---|---|
| **VALUATION** | |
| Enterprise Value | 266,207 |
| % Residual Value of Total | 77.0% |
| Less: Net Debt | 160,216 |
| **Value of firm** | **105,991** |
| **Outstanding number of shares (000)** | **22,016** |
| **Value of share** | **4.81** |

| | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E | L-Term Assumptions |
|---|---|---|---|---|---|---|
| **WACC CALCULATION** | | | | | | |
| Risk Free Rate | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Beta Factor | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Market risk Premium | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| **Cost of Equity** | **11.0%** | **11.0%** | **11.0%** | **11.0%** | **11.0%** | **11.0%** |
| Debt / Debt + Equity | 58.1% | 56.5% | 54.9% | 52.6% | 49.1% | 49.1% |
| Cost of Debt | 4.3% | 4.5% | 4.8% | 5.0% | 5.0% | 5.0% |
| Tax Rate | 24.9% | 24.1% | 21.6% | 20.6% | 20.0% | 20.0% |
| **Weighted Average Cost of Capital** | **6.5%** | **6.7%** | **7.0%** | **7.3%** | **7.6%** | **7.6%** |

We have chosen to use the DCF method in order to calculate our fundamental valuation, since it better reflects the intrinsic value of the Group, future net profit growth and strong cost control efforts on the part of the Company's management. The model's assumptions reflect:

1. growing market share in every division,
2. continuing expansion of each division's revenues,
3. ongoing profitability of the Group, and
4. ability to finance its long-term investment program.

**Sensitivity Analysis**

| | | WACC | | | | |
|---|---|---|---|---|---|---|
| | ***Parameters*** | **5.6%** | **6.6%** | **7.6%** | **8.6%** | **9.6%** |
| **Growth** | **0.50%** | 5.58 | 4.32 | 2.73 | 1.55 | 0.64 |
| | **1.50%** | 9.44 | 6.17 | 4.00 | 2.47 | 1.33 |
| | **2.00%** | 11.47 | 7.40 | **4.81** | 3.04 | 1.75 |
| | **2.50%** | 14.17 | 8.93 | 5.78 | 3.70 | 2.22 |
| | **3.00%** | 17.92 | 10.89 | 6.97 | 4.48 | 2.77 |

Source: VRS Projections

## GROUP HISTORIC & PROJECTED PROFIT & LOSS ACCOUNT

| | 2004 | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|---|
| **Turnover** | **179,689** | **189,445** | **224,000** | **241,920** | **261,274** | **282,175** | **297,695** |
| y-o-y Change. % | | 5.43% | 18.24% | 8.00% | 8.00% | 8.00% | 5.50% |
| **Cost of Sales** | 126,599 | 132,191 | 153,168 | 166,682 | 179,509 | 193,271 | 203,805 |
| % of Turnover | 70.45% | 69.78% | 68.38% | 68.90% | 68.71% | 68.49% | 68.46% |
| y-o-y Change. % | | 4.42% | 15.87% | 8.82% | 7.70% | 7.67% | 5.45% |
| **Total Gross Operating Results** | **53,090** | **57,255** | **70,832** | **75,238** | **81,765** | **88,905** | **93,890** |
| Gross Operating Margin | 29.55% | 30.22% | 31.62% | 31.10% | 31.29% | 31.51% | 31.54% |
| y-o-y Change. % | | 7.85% | 23.71% | 6.22% | 8.68% | 8.73% | 5.61% |
| Other operating income | 6,418 | 5,372 | 5,500 | 5,500 | 5,000 | 5,000 | 5,000 |
| Administrative Expenses | 11,342 | 11,617 | 13,557 | 13,507 | 14,685 | 15,962 | 17,084 |
| % of Turnover | 6.31% | 6.13% | 6.05% | 5.58% | 5.62% | 5.66% | 5.74% |
| Research and development costs | 859 | 920 | 951 | 989 | 1,028 | 1,070 | 1,113 |
| % of Turnover | 0.48% | 0.49% | 0.42% | 0.41% | 0.39% | 0.38% | 0.37% |
| Distribution Cost | 15,555 | 19,320 | 22,335 | 23,011 | 24,453 | 26,250 | 27,831 |
| % of Turnover | 8.66% | 10.20% | 9.97% | 9.51% | 9.36% | 9.30% | 9.35% |
| **Total Expenses** | **27,755** | **31,857** | **36,843** | **37,507** | **40,167** | **43,282** | **46,028** |
| % of Turnover | 15.45% | 16.82% | 16.45% | 15.50% | 15.37% | 15.34% | 15.46% |
| y-o-y Change. % | | 14.78% | 15.65% | 1.80% | 7.09% | 7.75% | 6.34% |
| **EBITDA** | **31,753** | **30,770** | **39,489** | **43,230** | **46,598** | **50,623** | **52,862** |
| EBITDA Margin | 17.67% | 16.24% | 17.63% | 17.87% | 17.83% | 17.94% | 17.76% |
| y-o-y Change. % | | -3.09% | 28.34% | 9.47% | 7.79% | 8.64% | 4.42% |
| **Depreciation** | **9,949** | **12,957** | **15,269** | **16,292** | **17,938** | **19,894** | **21,027** |
| % of Turnover | 5.54% | 6.84% | 6.82% | 6.73% | 6.87% | 7.05% | 7.06% |
| **EBIT** | **21,804** | **17,814** | **24,220** | **26,938** | **28,660** | **30,729** | **31,835** |
| % of Turnover | 12.13% | 9.40% | 10.81% | 11.14% | 10.97% | 10.89% | 10.69% |
| y-o-y Change. % | | -18.30% | 35.96% | 11.22% | 6.39% | 7.22% | 3.60% |
| Total Financial Results | -6,371 | -7,326 | -9,480 | -9,740 | -9,200 | -8,500 | -8,200 |
| **Net Results Before Taxes** | **15,433** | **10,488** | **14,740** | **17,198** | **19,460** | **22,229** | **23,635** |
| EBT Margin | 8.59% | 5.54% | 6.58% | 7.11% | 7.45% | 7.88% | 7.94% |
| y-o-y Change. % | | -32.04% | 40.55% | 16.68% | 13.15% | 14.23% | 6.32% |
| Tax income | 1,982 | 4,338 | 3,665 | 4,148 | 4,201 | 4,579 | 4,727 |
| Effective Tax Rate | 12.84% | 30.00% | 24.86% | 24.12% | 21.59% | 20.60% | 20.00% |
| **Net Results After Taxes** | **13,451** | **6,150** | **11,075** | **13,051** | **15,259** | **17,650** | **18,908** |
| EAT Margin | 7.49% | 3.25% | 4.94% | 5.39% | 5.84% | 6.26% | 6.35% |
| y-o-y Change. % | | -54.28% | 80.10% | 17.83% | 16.92% | 15.67% | 7.12% |
| Proportion of Minority rights | 1,884 | 2,131 | 2,237 | 2,349 | 2,466 | 2,590 | 2,719 |
| **Consolidated Net Results (a.t.&m.i.)** | **11,568** | **4,019** | **8,838** | **10,702** | **12,793** | **15,061** | **16,189** |
| **Net Margin** | **6.44%** | **2.12%** | **3.95%** | **4.42%** | **4.90%** | **5.34%** | **5.44%** |
| **y-o-y Change. %** | | **-65.26%** | **119.91%** | **21.08%** | **19.54%** | **17.73%** | **7.49%** |

Source: Company Data & VRS Estimates

## GROUP HISTORIC & PROJECTED BALANCE SHEET

| Assets | 2004 | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|---|
| **Total Net Intangible Assets** | **526** | **1,990** | **1,873** | **1,372** | **894** | **488** | **105** |
| Tangible Assets | 221,329 | 236,230 | 247,099 | 256,531 | 266,002 | 275,559 | 285,151 |
| Accumulated Depreciation | 41,157 | 51,282 | 65,911 | 81,553 | 98,863 | 118,150 | 138,594 |
| **Total Net Tangible Assets** | **180,172** | **184,948** | **181,188** | **174,978** | **167,139** | **157,409** | **146,557** |
| Other L-term Receivables | 1,450 | 1,487 | 1,383 | 1,288 | 1,200 | 1,120 | 1,046 |
| **TOTAL FIXED ASSETS** | **182,148** | **188,425** | **184,443** | **177,638** | **169,234** | **159,017** | **147,707** |
| % Total Assets | 53.48% | 51.42% | 47.87% | 44.41% | 40.96% | 37.65% | 34.73% |
| Inventories | 69,685 | 79,069 | 88,124 | 95,899 | 103,279 | 111,197 | 117,258 |
| Debtors | 72,561 | 83,945 | 99,419 | 112,675 | 125,268 | 135,290 | 142,731 |
| Other Receivables | 10,621 | 6,922 | 10,433 | 11,268 | 12,885 | 13,916 | 14,681 |
| Cash in bank and at hand | 5,569 | 8,064 | 2,856 | 2,509 | 2,531 | 2,884 | 2,967 |
| **TOTAL CURRENT ASSETS** | **158,436** | **177,999** | **200,832** | **222,351** | **243,963** | **263,286** | **277,637** |
| % Total Assets | 46.5% | 48.6% | 52.1% | 55.6% | 59.0% | 62.3% | 65.3% |
| **GRAND TOTAL ASSETS** | **340,584** | **366,424** | **385,275** | **399,989** | **413,197** | **422,302** | **425,344** |

Source: Company Data & VRS Estimates

## GROUP HISTORIC & PROJECTED BALANCE SHEET

| Equity & Liabilities | 2004 | 2005 | 2006 E | 2007 E | 2008 E | 2009 E | 2010 E |
|---|---|---|---|---|---|---|---|
| Share capital | 7,045 | 7,045 | 7,045 | 7,045 | 7,045 | 7,045 | 7,045 |
| Share premium account | 33,153 | 33,153 | 33,153 | 33,153 | 33,153 | 33,153 | 33,153 |
| Total Reserves | 44,972 | 50,369 | 50,899 | 51,541 | 52,309 | 53,212 | 54,184 |
| Profit carried forward | 22,749 | 20,511 | 27,051 | 34,970 | 44,437 | 55,582 | 67,561 |
| Minority Rights | 8,917 | 10,043 | 11,385 | 12,794 | 14,274 | 15,828 | 17,459 |
| **TOTAL CAPITAL & RESERVES** | **116,836** | **121,120** | **129,533** | **139,504** | **151,218** | **164,820** | **179,403** |
| % Total Equity & Liabilities | 34.30% | 33.05% | 33.62% | 34.88% | 36.60% | 39.03% | 42.18% |
| **Long Term Liabilities** | | | | | | | |
| L-Term Bank Loans | 94,122 | 106,678 | 104,000 | 93,000 | 105,000 | 67,000 | 60,000 |
| Provisions for Staff Retirement | 581 | 955 | 1,085 | 1,081 | 1,175 | 1,277 | 1,367 |
| Investment Grants | 17,637 | 20,850 | 22,918 | 21,772 | 20,683 | 19,649 | 18,667 |
| Other long term debts | 4,647 | 6,366 | 6,491 | 6,364 | 6,239 | 6,117 | 5,998 |
| **Total L-Term Liabilities** | **116,987** | **134,849** | **134,493** | **122,216** | **133,097** | **94,043** | **86,031** |
| **Short Term Liabilities** | | | | | | | |
| Suppliers | 46,473 | 38,316 | 44,901 | 47,950 | 51,640 | 55,598 | 58,629 |
| Banks | 36,439 | 40,996 | 44,000 | 56,500 | 35,000 | 54,000 | 66,000 |
| Current portion of long term debt | 14,244 | 20,606 | 20,500 | 20,500 | 28,000 | 38,000 | 19,000 |
| Taxes-duties | 1,113.3 | 1,998 | 1,832 | 2,074 | 2,100 | 2,289 | 2,363 |
| Dividends | 0 | 0 | 1,768 | 2,140 | 2,559 | 3,012 | 3,238 |
| Sundry debtors | 8,491 | 8,538 | 8,248 | 9,106 | 9,583 | 10,538 | 10,680 |
| **Total Current Liabilities** | **106,761** | **110,454** | **121,249** | **138,269** | **128,882** | **163,438** | **159,910** |
| **TOTAL LIABILITIES** | **223,748** | **245,303** | **255,742** | **260,485** | **261,979** | **257,482** | **245,941** |
| % Total Equity & Liabilities | 65.70% | 66.95% | 66.38% | 65.12% | 63.40% | 60.97% | 57.82% |
| **TOTAL EQUITY & LIABILITIES** | **340,584** | **366,424** | **385,275** | **399,989** | **413,197** | **422,302** | **425,344** |

Source: Company Data & VRS Estimates

## Notes

Equity Research

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## DISCLOSURE CHECKLIST

| Covered Company | Reuters | Price | Price Close | Disclosure |
|---|---|---|---|---|
| Alumil | ALMr.AT | € 3.10 | 05 April 2006 | 2, 4, 5, 7 |

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: no change has been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
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