

Positive volume development, but raw material prices hurt profitability

Afarak reported their Q3 results on Friday. On topline level Afarak's development normalized from weak Q3'16 and was slightly above our expectations. However, profitability was burdened by significant adverse development in raw material costs. Higher cost load was more than enough to offset the positive volume development and thus profitability dropped to the negative side. Due to the dispute between Afarak's shareholders we abstain from giving a target price or a recommendation. However, the share looks overvalued by all metrics on operational perspective.

Topline slightly above expectations, but profitability was clearly below expectations

Afarak delivered 44.2 MEUR sales in Q3'17, which was clearly above our estimate of 37.9 MEUR (Q3'16: 28.9 MEUR). The 53 % sales growth Y-on-Y was driven by solid volume growth and a better pricing environment. Volume growth exceeded our expectations, which only expected volumes to normalize from the lows of Q3'16. Overall volume development was good considering for the seasonality affects that are common on the third quarter. Afarak's EBIT fell on to the negative side and came in at -4.2 MEUR (Q3'16: EBIT 4.5 MEUR) despite promising topline growth. Profitability was burdened especially in the Ferroalloys segment by higher than expected raw material costs. Chrome ore price had a pickup on the quarter which was not reflected into sales prices and thus affected profitability. Additional cost inflation was brought by electricity price in South Africa. The pricing of electricity in S-A tends to rise towards the end of the year due to seasonality. Net financials were above our expectations, but this impact was mitigated with positive income tax. Therefore, EPS of -0.01 EUR fell short of our expectations mainly due to operational profitability being worse than expected.

Guidance is in line with Q3'16 and our expectations

Afarak's guidance indicates Q4'17 to be in line with Q4'16 (EBIT: 2,7 MEUR). This was in line with our expectations and thus our estimates for the last quarter were unchanged. Last quarter will be affected by elevated raw material prices, but to some extent this will be offset with the better pricing environment. We did estimate revisions for the coming years. We still see the favorable development on the volume side to continue due to positive demand development and Afarak's continuous pursue for growth initiatives. However, we expect the pressure on margins to continue tighter than earlier anticipated and this reflected in our estimates.

It is hard to justify valuation by operative performance

Evaluated by the operative performance, we argue that Afarak's valuation is clearly elevated. We do not see the premium to book value (2017e P/B 1.3x) as justified when considering the return on equity (Q1-Q3'17: ROE-% 1.4 %). Also, the current EV/EBITDA multiples of 12x for 2017e and 15.5x 2018e are above acceptable levels in our opinion. On relative terms, Afarak is valued with a 78-86 % premium on EV/EBITDA and EV/EBIT-multiples which is also hard to justify. 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 in estimates.

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Recommendation

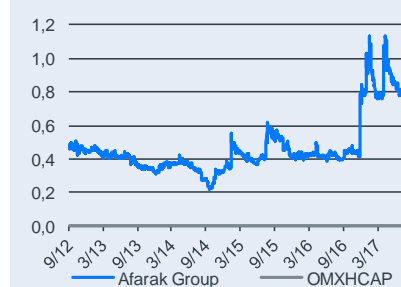
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Previous: -

Target

-

Previous: -



Lähde: Reuters

Last close **0,84 EUR**

12 month range **0,40-1,15 EUR**

Potential **-**

Guidance

Q4'17 results are expected to be in line with last year on account of higher raw material costs (Q4'16: EBIT 2.7 MEUR).

Guidance change: **New guidance**

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	200	13,0	6,5 %	4,3	0,02	0,02	1,1	11,7	17,3	51,4	2,4 %
2018e	204	8,5	4,2 %	5,0	0,01	0,02	1,1	15,5	27,1	58,0	2,4 %
2019e	221	10,0	4,5 %	7,0	0,02	0,02	1,1	13,7	23,5	41,1	2,4 %
MCAP, MEUR			217	Equity / share 2017e, EUR			0,66	CAGR EPS, 2016-2019, %			-224 %
Net debt 2017e, MEUR			4	P/B 2017e			1,3	CAGR growth, 2016-2019, %			12,9 %
EV, MEUR			226	Gearing 2017e, %			2,5 %	ROE 2017e, %			2,5 %
Balance sheet total 2017e, MEUR			279	Equity ratio 2017e, %			62,7 %	ROCE 2017e, %			7,0 %

Q3 came in short of expectations

Volume growth drove topline

Afarak's topline was highly affected by the positive development of volumes in both segments. Specialty alloys sales of processed materials grew 78.6 % and reached 6263 tons and normalized from previous year's levels (Q3'16: 3507 tons), which was affected by highly negative pricing environment. The volume improvement was also significant in the Ferroalloys segment which grew volumes 46.6 % (Q3'17: 21 275 tons vs. Q3'16: 14 516 tons). Volume growth in the segment was driven by customers delaying orders from Q2 to Q3 due to the significant uptick in ferrochrome price (Q2'17 benchmark 1,54\$/lb vs. Q3'17 1,1\$/lb). All in all, the 52.5 % volume growth was significant and underlines the positive market environment for demand.

Margins were under pressure due to elevated costs

On group level, Afarak's EBIT-% fell to -9.5 % (Q3'16: 15.6 %) and thus the company was not able to profit from the positive volume growth. Margins were especially burdened in the Ferroalloys segment, which was due to rising chrome ore prices. The rise in ore price hit the segments profitability as it buys ore from 3rd parties. This effect was strengthened by extended seasonal shutdowns and higher electricity tariffs. Due to these reasons the segments EBIT fell to -3.4 MEUR (Q3'16: -2.7 MEUR) which reflects a weak -15.4 EBIT-%. Speciality Alloys managed to grow EBIT to 0.7 MEUR (Q3'16: -0.9 MEUR) despite the challenge

of rising raw material prices. The positive topline development was thus enough to offset the rising cost burden.

Below operative figures the higher than expected net financials was offset by positive taxes. Afarak can deduct previous years losses, which raised the total taxes on to the positive side. In total net financials and taxes were slightly on the positive side, but this only had a minor impact and EPS -0.01 was below our estimate of 0.01 due to weaker than anticipated operational profitability.

Balance sheet remains strong

Afarak's balance sheet remained strong in the end of the quarter as their equity ratio was at 64.4 % and gearing at -1.3 %. Such a strong balance sheet is rather untypical for the industry and thus the company has ability to add leverage through investments and grow return on equity. Afarak's cash flow came in at -0.4 MEUR on Q3'17 and free cash flow as a total was on the negative side (-2.7 MEUR) after the 2.3 MEUR investments during the quarter. Due to fluctuations in working capital the development on a quarter basis is not as significant and we monitor free cash flow rather on an annual basis.

Estimates MEUR / EUR	Q3'16	Q3'17	Q3'17e	Q3'17e	Consensus		Difference (%)	2017e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Net sales	28,9	44,1	37,9				16 %	200
EBITDA	-2,8	-2,7	3,7				-174 %	19,3
EBIT (exc. NRIs)	-4,5	-4,2	2,0				-308 %	13,0
EBIT	-4,5	-4,2	2,0				-308 %	13,0
EPS (excl. NRIs)	-0,01	-0,01	0,01				-391 %	0,02
Net sales growth-%	-35,4 %	53,0 %	31,4 %				21,7 %-yks.	30,2 %
EBIT-% (adjusted)	-15,6 %	-9,4 %	5,3 %				-14,7 %-yks.	6,5 %

Source: Inderes

Q4 estimates unchanged

Q4'17 estimates were in line with guidance

Afarak guided that it's Q4'17 results are expected to be in line with previous year's results (Q4'16: EBIT 2.7 MEUR). The new guidance was in line with our expectations (Q4'17e EBIT: 2.8 MEUR) and we did not do any changes to estimates for the last quarter. We estimate aggregate volumes to be slightly higher than on the previous year. Also, sales should be additionally boosted by positive pricing environment and we expect the boost from ferrochrome price (contract price Q4'17 1.39 \$/lb) to be reflected especially into sales of Ferroalloys-segment. We do not expect the burden from raw material costs to ease quickly and therefore the pressure on profitability will continue on Q4. Our EBIT estimate reflects a 5.4 % margin and is slightly below Q4'16 level of 6.0 %.

Estimate cuts for FY'18 and FY'19

We cut our estimates for FY'18 and FY'19 clearly due to weaker than expected margin development. We expect the volume development to be on the positive side as Afarak pursues its growth initiatives. However, we argue it will take time for the margin potential to kick in and this has reflected in our estimates. Our 2018 EBIT-% estimate is at 4.2 % and below year 2017 levels. We do not anticipate such a big market disorder on the global ferrochrome market as we saw on H1'17. This should keep the market pricing clearly below 2017 levels on average and put pressure on margins.

Estimate revisions MEUR / EUR	2017e		Change %	2018e		Change %	2019e		Change %
	Old	New		Old	New		Old	New	
Net sales	194	200	3 %	203	204	0 %	225	221	-2 %
EBITDA	25,7	19,3	-25 %	20,4	14,9	-27 %	23,6	17,1	-27 %
EBIT (exc. NRIs)	19,2	13,0	-32 %	14,0	8,5	-40 %	16,5	10,0	-39 %
EBIT	19,2	13,0	-32 %	14,0	8,5	-40 %	16,5	10,0	-39 %
PTP	11,2	4,3	-62 %	10,5	5,0	-53 %	14,0	7,0	-50 %
EPS (excl. NRIs)	0,04	0,02	-56 %	0,03	0,01	-53 %	0,04	0,02	-50 %
DPS	0,02	0,02	0 %	0,02	0,02	0 %	0,02	0,02	0 %

Source: Inderes

Valuation is clearly too high

Multiples are not justifiable

Based on FY'17 estimates Afarak is valued at 1.3x P/B 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. EV/EBITDA 15.5x and EV/EBIT 27x 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.

Afarak will be focusing 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 also points to overvaluation

Afarak is clearly overvalued based on relative basis as the main EV based multiples point to a 78 % to 86 % overvaluation based on current year's multiples. 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, is in line to their median. However, considering for ROE-% Afarak is far behind the average peer group company levels, and thus a discount on a P/B basis should be required.

In a broad perspective, all our valuation methods point to overvaluation from an operational perspective.

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	73357	85577	7,3	9,2	5,5	6,3	2,5	2,7	10,0	11,8	2,7	2,4	1,9
Glencore	56902	79679	11,3	11,9	6,5	6,3	0,5	0,5	12,6	12,2	0,1	0,2	1,4
BHP Billiton	88170	106933	9,8	9,2	6,1	5,9	3,3	3,1	13,2	12,6	0,9	0,9	1,6
Assore	2684	2380	16,9	33,9	16,5	28,8	6,1	6,9	6,1	8,0	17,7	15,0	1,5
African Rainbow Minerals	1545	1720	70,8	25,2	21,2	14,0	3,2	3,1	6,1	7,5	3,4	6,0	0,8
South32	11040	9620	7,0	7,8	4,8	5,4	1,6	1,6	11,3	12,0	0,1	0,1	1,3
Exxaro Resources	2796	3042	6,7	7,9	6,0	6,7	2,1	2,1	7,6	9,4	6,5	5,2	1,2
Impala Platinum	1835	2083		121,1	10,4	9,2	0,9	0,9					0,5
Afarak Group (Inderes)	217	226	17,3	27,1	11,7	15,5	1,1	1,1	51,4	58,0	2,4	2,4	1,3
Average			16,0	24,6	8,8	9,6	2,2	2,2	10,2	11,9	3,5	3,3	1,2
Median			9,8	10,6	6,3	6,5	1,9	1,8	10,0	11,8	0,9	0,9	1,3
Premium/discount -% vs. mediaan			78 %	157 %	86 %	138 %	-40 %	-39 %	416 %	392 %	177 %	176 %	0 %

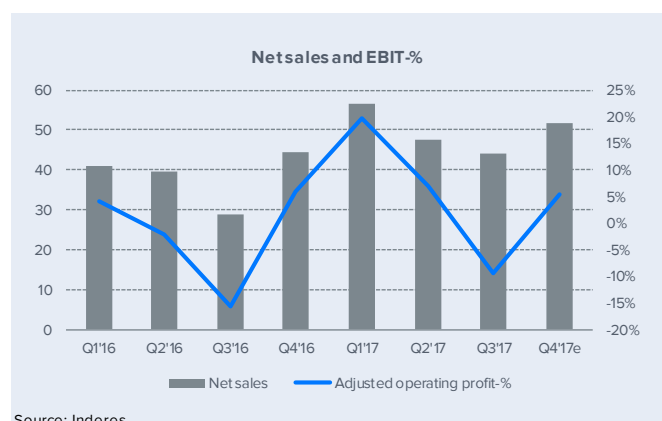
Source: Reuters / Inderes. Notification: Inderes' MCAP does not include treasury shares

Quarterly key figures

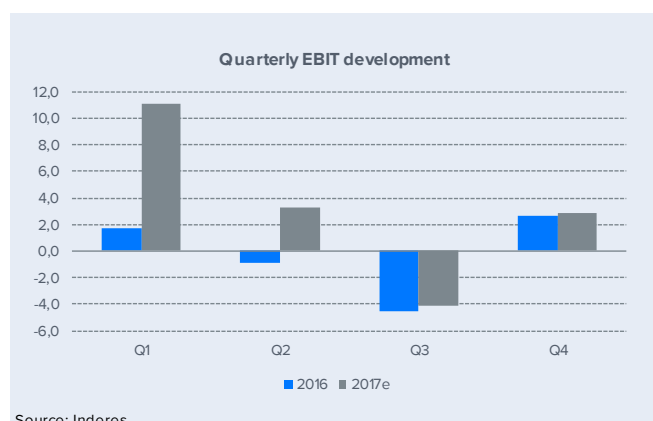
Quarterly earnings	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17e	2017e	2018e	2019e
Net sales	187,7	40,8	39,5	28,9	44,4	153,6	56,6	47,4	44,1	51,7	199,9	203,5	220,9
Specialty Alloys	96,5	18,4	18,4	11,4	20,5	68,7	21,7	22,3	21,2	18,2	83,4	85,4	91,5
Ferroalloys	91,8	22,3	21,1	17,5	23,6	84,5	34,1	24,2	22,2	33,6	114,1	118,0	129,4
Eliminations and unallocated	-0,5	0,0	0,0	0,0	0,4	0,4	0,8	1,0	0,7	-0,2	2,4	0,1	0,1
EBITDA	17,2	3,3	0,8	-2,8	4,2	5,5	12,7	4,8	-2,7	4,5	19,3	14,9	17,1
Depreciation	-7,3	-1,6	-1,7	-1,7	-1,6	-6,5	-1,6	-1,5	-1,4	-1,7	-6,2	-6,4	-7,1
EBIT (excl. NRI)	9,9	1,7	-0,9	-4,5	2,7	-1,0	11,1	3,3	-4,2	2,8	13,0	8,5	10,0
EBIT	9,9	1,7	-0,9	-4,5	2,7	-1,0	11,1	3,3	-4,2	2,8	13,0	8,5	10,0
Specialty Alloys	10,1	1,7	0,9	-1,4	1,9	3,1	4,2	3,4	0,6	1,7	9,9	8,5	9,3
Ferroalloys	2,8	0,9	-0,5	-2,6	3,1	0,9	8,0	0,8	-3,4	2,1	7,5	4,3	4,7
Eliminations and unallocated	-3,0	-0,9	-1,3	-0,5	-2,2	-4,9	-1,1	-0,9	-1,4	-1,0	-4,4	-4,3	-4,0
Net financial items	-3,4	-0,9	-0,4	0,3	-1,2	-2,1	-4,2	-2,4	-1,2	-1,0	-8,8	-3,5	-3,0
PTP	6,5	0,8	-1,2	-4,2	1,5	-3,1	6,9	1,0	-5,4	1,8	4,3	5,0	7,0
Taxes	1,2	-1,1	0,2	0,7	0,5	0,3	-2,7	0,4	1,5	-0,2	-0,9	-1,2	-1,8
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	-3,9	1,7	4,2	3,7	5,3
EPS (adj.)	0,03	0,00	0,00	-0,01	0,01	-0,01	0,02	0,01	-0,01	0,01	0,02	0,01	0,02
EPS (rep.)	0,03	0,00	0,00	-0,01	0,01	-0,01	0,02	0,01	-0,01	0,01	0,02	0,01	0,02

Key figures	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17e	2017e	2018e	2019e
Revenue growth-%	8,7 %	0,0 %	0,0 %	0,0 %	-76,3 %	-18,2 %	38,8 %	20,1 %	53,0 %	16,3 %	30,2 %	1,8 %	8,5 %
Adjusted EBIT growth-%	472,9 %				neg.	neg.	553,2 %	neg.	neg.	5,1 %	neg.	neg.	18,3 %
EBITDA-%	9,2 %	8,0 %	2,0 %	-9,7 %	9,5 %	3,6 %	22,4 %	10,2 %	-6,2 %	8,7 %	9,7 %	7,3 %	7,8 %
Adjusted operating profit-%	5,3 %	4,2 %	-2,2 %	-15,6 %	6,0 %	-0,7 %	19,6 %	7,0 %	-9,4 %	5,4 %	6,5 %	4,2 %	4,5 %
Net profit-%	3,9 %	-0,8 %	-2,4 %	-12,1 %	4,5 %	-1,8 %	9,0 %	2,8 %	-8,8 %	3,2 %	2,1 %	1,8 %	2,4 %

Source: Inderes



Source: Inderes

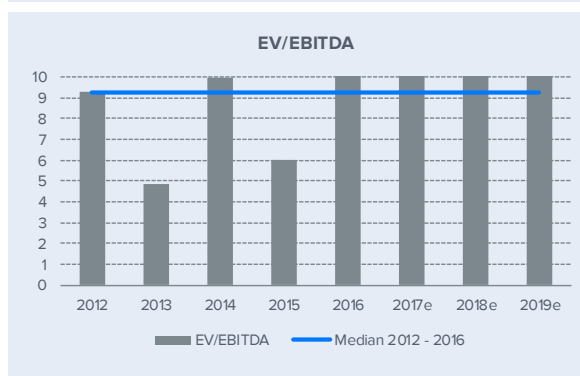
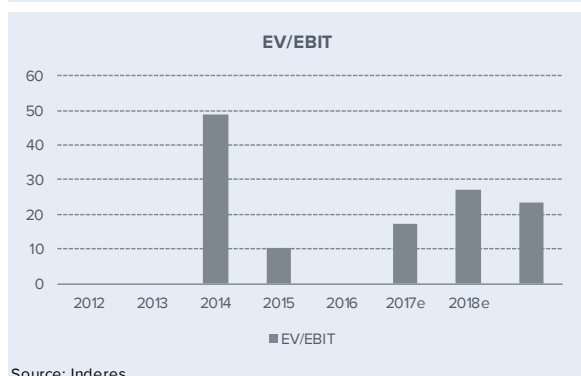
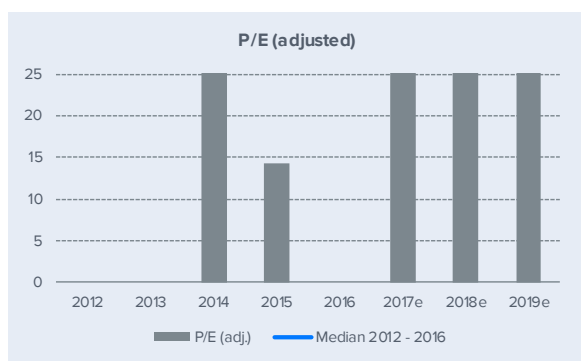


Source: Inderes

Valuation

Valuation	2012	2013	2014	2015	2016	2017e	2018e	2019e
Share price	0,45	0,32	0,32	0,40	0,78	0,84	0,84	0,84
MCAP	110	78	83	105	205	217	217	217
EV	113	68	84	103	204	226	230	235
P/E (adj.)	neg.	neg.	185,0	14,2	neg.	51,4	58,0	41,1
P/E	neg.	neg.	185,0	14,2	neg.	51,4	58,0	41,1
P/FCF	3,4	1,8	-5,3	4,7	-77,0	82,3	53,2	121,1
P/B	0,5	0,4	0,5	0,6	1,2	1,3	1,3	1,3
P/S	0,8	0,6	0,5	0,6	1,3	1,1	1,1	1,0
EV/S	0,9	0,5	0,5	0,5	1,3	1,1	1,1	1,1
EV/EBITDA	9,3	4,8	10,0	6,0	37,3	11,7	15,5	13,7
EV/EBIT	neg.	neg.	48,8	10,4	neg.	17,3	27,1	23,5
Payout (%)	-13,6 %	-110,9 %	1156,2 %	71,0 %	-188,1 %	123,2 %	138,9 %	98,4 %
Dividend yield-%	2,2 %	6,3 %	6,3 %	5,0 %	2,6 %	2,4 %	2,4 %	2,4 %

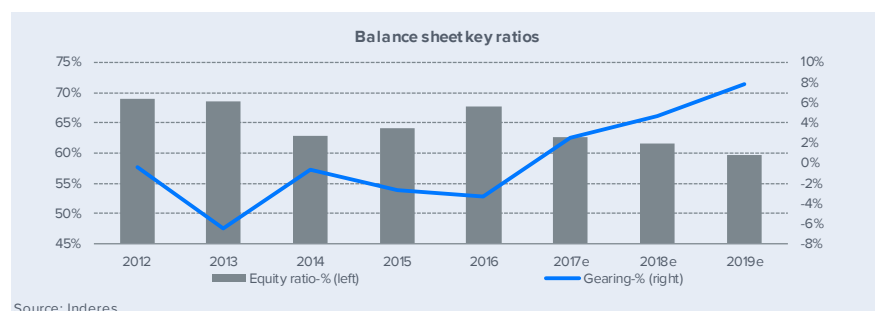
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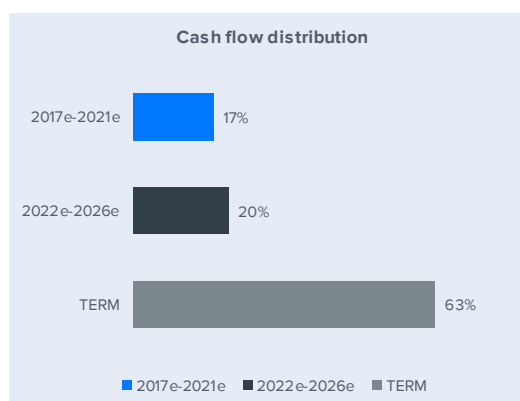
Balance sheet and DCF

Assets (MEUR)	2014	2015	2016	2017e	2018e	Liabilities (MEUR)	2014	2015	2016	2017e	2018e
Non-current assets	176	161	166	168	170	Equity	182	171	176	175	174
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	20,0	20,4	Retained earnings	-103,7	-93,8	-96,0	-97,0	-98,5
Tangible assets	48,0	43,6	45,1	45,9	47,5	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	111	112	Deferred tax liabilities	8,2	5,9	5,9	5,9	5,9
Inventories	60,1	45,2	48,4	53,0	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	44,0	44,8	Convertibles	0,0	0,0	0,0	0,0	0,0
Cash and equivalents	13,3	19,6	9,7	14,0	14,2	Other long term liabilities	39,6	43,9	40,5	40,5	40,5
Balance sheet total	290	267	260	279	282	Current debt	44	34	27	47	51
						Short term debt	5,9	12,1	3,8	18,3	22,3
						Payables	32,0	15,4	18,5	24,0	24,4
						Other current liabilities	6,0	6,1	4,8	4,8	4,8
						Balance sheet total	290	267	260	279	282



DCF model (MEUR)	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	TERM
EBIT (operating profit)	-1,0	13,0	8,5	10,0	16,4	17,8	18,3	18,6	18,9	15,8	16,1	
+ Depreciation	6,5	6,2	6,4	7,1	7,3	7,4	7,6	7,8	7,9	8,1	8,2	
- Paid taxes	-0,9	-0,9	-1,2	-1,8	-3,3	-3,7	-3,8	-3,9	-4,0	-3,2	-4,0	
- Tax, financial expenses	-0,2	-1,9	-0,9	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	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	-6,7	-0,3	-4,1	-0,8	-2,3	-2,4	-2,5	-2,6	-1,8	-1,8	
Operating cash flow	7,2	9,8	12,4	10,6	18,7	18,4	18,9	19,2	19,5	18,2	18,6	
+ 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	-8,7	-8,4	-8,8	-9,2	-9,1	-9,3	-9,5	-9,7	-9,7	-6,8	
Free operating cash flow	-4,5	1,1	4,1	1,8	9,6	9,3	9,6	9,7	9,8	8,5	11,8	
+/- 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	2,6	4,1	1,8	9,6	9,3	9,6	9,7	9,8	8,5	11,8	185,5
Discounted FCFF		4,1	3,7	1,5	7,4	6,6	6,3	5,9	5,5	4,4	5,6	88,4
Sum of FCFF present value		138,0	135,3	131,6	130,1	122,7	116,1	109,8	103,9	98,4	94,0	88,4
Debt free DCF		138,0										
- Interesting bearing debt												-3,8
+ Cash and equivalents												9,7
- Minorities												-5,3
- Dividend/capital return												-5,3
Equity value DCF												133,3
Equity value DCF per share												0,51

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	199,9	203,5
EBITDA	8,4	17,2	5,5	19,3	14,9
EBITDA-%	4,9	9,2	3,6	9,7	7,3
EBIT	1,7	9,9	-1,0	13,0	8,5
PTP	0,5	6,5	-3,1	4,3	5,0
Net earnings	2,2	8,2	-0,9	4,2	3,7
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	279,2	282,2
Equity	182,2	171,2	176,2	175,1	173,7
Goodwill	63,1	58,3	63,8	63,8	63,8
Interest-bearing debt	12,1	15,1	3,8	18,3	22,3

Cash flow	2014	2015	2016	2017e	2018e
EBITDA	8,4	17,2	5,5	19,3	14,9
Change in NWC	-12,4	-1,6	2,9	-6,7	-0,3
Operating cash flow	4,1	16,0	7,2	9,8	12,4
Free cash flow	-15,7	22,4	-2,7	2,6	4,1

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	0,02	0,01
EPS (adj.)	0,00	0,03	-0,01	0,02	0,01
Oper. cash flow per share	0,02	0,06	0,03	0,04	0,05
Book value per share	0,68	0,64	0,65	0,66	0,65
Dividend per share	0,02	0,02	0,02	0,02	0,02
Payout ratio (%)	1156	71	-188	123	139
Dividend yield (%)	6,3	5,0	2,6	2,4	2,4

Key figures	2014	2015	2016	2017e	2018e
P/E	185,0	14,2	neg.	51,4	58,0
P/B	0,5	0,6	1,2	1,3	1,3
P/S	0,5	0,6	1,3	1,1	1,1
P/CF	20,1	6,6	28,3	22,1	17,4
EV/S	0,5	0,5	1,3	1,1	1,1
EV/EBITDA	10,0	6,0	37,3	11,7	15,5
EV/EBIT	48,8	10,4	neg.	17,3	27,1

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, LTM

Date	Recommendation	Target price	Share price
12.7.2017	Sell	0,75 €	0,86 €
14.8.2017	Reduce	0,75 €	0,77 €
25.9.2017	-	-	0,84 €
20.11.2017	-	-	0,84 €

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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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