

## SLOVENIA

## Household Appliances

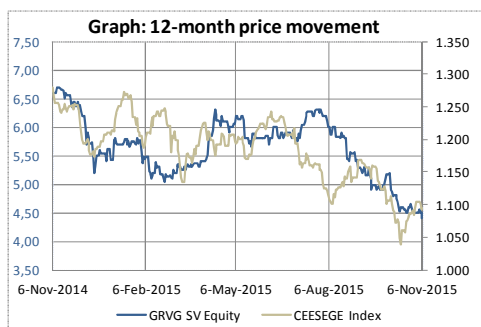
LJSE ticker: GRVG Bloomberg: GRVG SV www.gorenje.si

## Gorenje

Current price: €4,45

Target price: €6,00

## Under Review



## Key financials

(in EUR million)	2010	2011	2012	2013	2014
REVENUE	1.382	1.422	1.263	1.240	1.246
EBITDA	109	87	92	105	93
NET PROFIT	20	9	0	-25	1
TOTAL ASSETS	1.318	1.252	1.197	1.148	1.102
TOTAL EQUITY	392	398	392	381	380
F.DEBT/EQUITY (%)	124,0	120,9	109,7	104,4	97,1
EBITDA Margin (%)	7,9	6,1	7,3	8,4	7,5

Source: Bloomberg

## Basic share data

	GRVG SV
Share price (EUR)	4,41
Market Cap. (EUR m)	107,79
52-week high / low	6,7 / 4,4
Dividend per share (EUR)	0,06
Dividend yield (%)	1,35
Trailing 12M P/E	#N/A N/A
Trailing 12M P/B	0,30

Source: Bloomberg

## Business summary

Gorenje is a European household appliances producer, which sells its products globally. Besides household appliances, which account for 75% of total sales, the company is also active in energy and ecology (20% of sales).

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Trading

## Another difficult quarter

Gorenje's numbers improved a bit in 3Q15, but the overall situation remains uncertain. Group sales in 3Q15 are higher (EUR 317,4m; +2,3% YoY), however 9M15 sales are still down (EUR 875m; -4,3% YoY). 9M15 EBIT (EUR 16,3m; -49,5%) and EBITDA (EUR 50,8m; -20,5% YoY) numbers continue to feel pressure due to strong USD against EUR and RUB devaluation. The Group's bottom line recorded loss of EUR 9,4m in 9M15 (compared to EUR 4,0m of profit in 9M14). Net debt increased to EUR 401m (+3,5% YoY) and is now at 5,5x of EBITDA. Despite higher quarterly sales, GRVG profitability lines continued to deteriorate in 3Q15.

Eastern Europe 9M15 sales remain the biggest reason for overall drop in group's sales (EUR 454m; -6,5% YoY). Good news is RUS sales have not dropped in 3Q15 and are lower by EUR 26,1m in 2015. 9M15 Western Europe sales are lower to EUR 338,1m (-2,6% YoY). Core GER markets sales stayed flat. Better sales are recorded in Benelux and non-EUR markets. The 13,5% YoY sales increase of high-end brand ASKO contributed to good 3Q15 non-EUR markets numbers (EUR 31,4m; +36,3% YoY).

The company lowered year-end targets across all lines, but stays optimistic for the 4Q15 sales (+3% QoQ) and expects same yearly sales as in 2015. This is going to be difficult to achieve as RUS sales were very high in Dec. 2014. The company expects 10% increase in GER sales, 7% in Benelux sales while sales outside Europe should record a 30% YoY increase. EBITDA should reach EUR 80,7m (from EUR 92,9m) while net loss should reach EUR 7,8m (vs. projected net income of EUR 6,2m). The year-end net debt /EBITDA should decrease to 3,9x. Despite lowering targets across all lines from 2Q15 full year projections, we think presented numbers will be difficult to achieve.

We continue to see GRVGs operations as very volatile and unpredictable. The company continues to have difficulties to adopt quickly on changes in EUR/USD and RUB/EUR. Moreover, the company cannot react swiftly on the cost side (labour cost +0,6% YoY, CGS -1,2% YoY) once sales are under pressure. Current company's performance is not supportive to our 12m target price, hence we put our valuation under review.



November 6th, 2015

<b>Perspektiva research - Recommendation definition</b>				
Expected performance over next 12 months				
Buy	10% or greater increase in share price			
Hold	0% to 10% increase in share price			
Sell	decrease in share price			
<b>Distribution of Perspektiva's equity recommendations in last 12 months</b>				
All covered companies			Companies where Perspektiva has provided investment banking services (last 12 months)	
Buy	3	60%	0	0%
Hold	2	40%	0	0%
Sell	0	0%	0	0%
<b>Total</b>	<b>5</b>		<b>0</b>	

**Additional information available upon request.**

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