

# Gorenje (GRVG SV)

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12M Target price: 6.2 EUR

Recommendation: **BUY\***

Previous target price: 6.8 EUR, HOLD (25.8.2017)

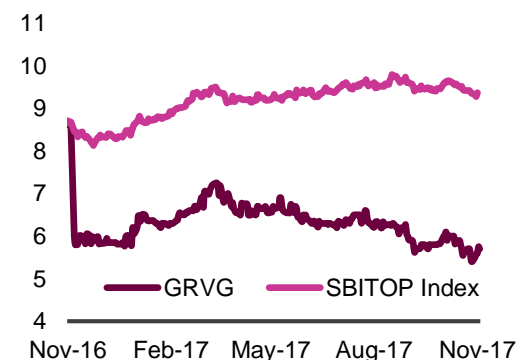
## KEY MARKET DATA:

Stock data as of 10.11.2017 :		Price performance:		3M	12M
Market price (EUR)	5.6	Price change in %		-9.8%	-35.0%
52 week range (EUR)	5.4 - 8.7	SBI 20 index change in %		-2.3%	8.0%
Market Cap (EUR)	136.8	Relative to SBI 20 index in %		-7.7%	-39.9%
		Valuation multiples:		TTM	Forward
Avg. daily trade vol., EUR(k)	36	EV/Sales		0.4	0.4
Average daily % of stock traded	0.023%	EV/EBITDA		6.3	5.9
No. of Shares in millions	24.4	EV/EBIT		16.3	15.9
		P/E		16.1	14.9
Dividend yield	1.8%	P/B		0.4	0.4

## KEY COMPANY DATA & ESTIMATES:

million €	FY2015	FY2016	TTM	2017F	2018F
Sales	1,225.0	1,258.1	1,301.2	1,311.8	1,359.6
EBITDA	80.1	87.2	85.5	91.1	100.2
Margin	6.5%	6.9%	6.6%	6.9%	7.4%
EBIT	34.4	40.2	33.0	33.9	40.0
Net income	-8.2	8.0	8.5	9.2	10.8
EPS	-0.3	0.3	0.3	0.4	0.4
DPS	0.1	0.0	0.1	0.1	0.0
Financial debt	362.0	376.8	441.1	400.8	418.8
Cash	31.6	35.2	24.0	36.7	38.1
Net debt	309.2	323.0	402.6	355.0	371.7
Equity	364.9	372.1	379.7	381.3	391.1
Assets	1,101.3	1,131.8	1,206.0	1,173.2	1,207.1
ND/EBITDA	3.9	3.7	4.7	3.9	3.7
P/E	neg.	18.3	16.1	14.9	12.7
EV/EBITDA	5.3	5.4	6.3	5.9	5.4

## SHARE PRICE DYNAMIC:



## KEY CURRENT DEVELOPMENTS:

- Overall **positive EU macro data** should bode well for cyclical companies. Electrolux White Goods Market unit shipments data for Europe showed 6Q consecutive growth for Eastern Europe albeit at the same time relatively anemic West Europe situation in 2016/17. True, Whirlpool complained about EMEA regarding 3Q volume dynamic, while value dynamic is worse than volume implies. This is due to **harsh competition**.
- Gorenje 3Q17 data is weaker than in 1Q17 and 2Q17 from top line and EBITDA margin dynamic. While investors should note 4Q is the strongest quarter, Gorenje announced all 2017 objectives are not attainable. Our cyclical model confirms this for profit levels given the 9M17, but even more concerning, quarterly YoY dynamic just before crucial 4Q is negative.
- Slight downward profitability revision** (also going forward; for now only slightly as 2018 Plan is coming on 11<sup>th</sup> January 2018; note we were estimating 2017 numbers below Gorenje guidance) **warrants lower target price** – the later now being EUR 6.2. **However share price plummeted below this level in the period before earnings**. In addition strategic alliance story could again drive the share price in the following year and make it interesting due to possible speculations. \* So we are **lingering between Buy and Hold** and this is tied to 10% upside and possible speculations; both can change from day to day; anyway risk is elevated.

# 9M17 Results

- Sales revenues of EUR 943.9m was reported for 9M17, up 4.8% YoY (with core Domestic Appliance segment sales at EUR 779.8m while non-core segment achieved sales of EUR 164.1m in the mentioned period).

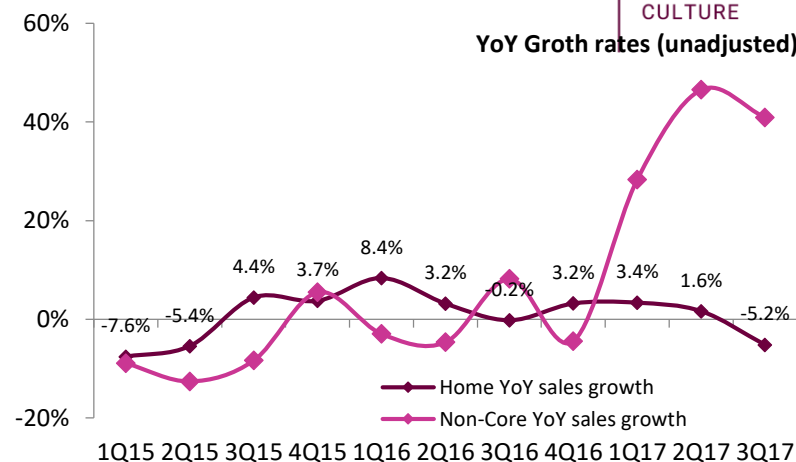
million EUR	9M15	9M16	9M17	YoY	
Western Europe	338.1	344.4	327.2	-5.0%	↓
Eastern Europe	454.0	476.8	521.6	9.4%	↑
Other	83.1	79.7	95.1	19.3%	↑
Total Group	875.2	900.9	943.9	4.8%	↑

- Core Domestic Appliance sales is up mildly, 1.2% YoY, in 9M17 vs 9M16.
- However 3Q sales have stagnated, which is a break from positive first two quarters. Also Domestic Appliance sales is even down 2.3% YoY in 3Q17, albeit compensated with 16.9% YoY growth in non-core. 3Q17 top-line therefore disappointed.
- Home segment (core domestic appliances):**
  - West Europe Domestic Appliances sales is down 5.5% YoY, while East Europe sales is up by 3.3% YoY, albeit down -0.1% if adjusted for FX effects. Other markets sales is up by hefty 19.6% YoY (18% adjusted for FX). Therefore growth is somewhat helped by FX and mostly derived from other (overseas) markets – these now represent 12.2% share or up 1.9 p.p. versus 2016.
  - Gorenje noted that in the past few months situation in Russia again weakened. This seems to be a culprit for a negative change in East Europe dynamic. Namely otherwise markets delivered growth.
  - West Europe drop is still explained as a consequence of lower sales in Germany and UK and as a result of repositioning (in line with its strategy). But this will take a toll in 2017. For other key markets in the region Gorenje noted it achieved a higher level of sales, however Gorenje also complained about sharp competition in the region.
  - Asko +9.5% YoY; Atag, Pelgrim, Etna +2.3 YoY.
  - Premium appliances +6.0% YoY, Innovative appliances +8.2% YoY.
  - Dishwashers +17.6% YoY.
  - Small household appliances +18.0% YoY
- In non-core segment the revenue increase is a consequence of ecology, catering, medical equipment, heating line and coal sales.

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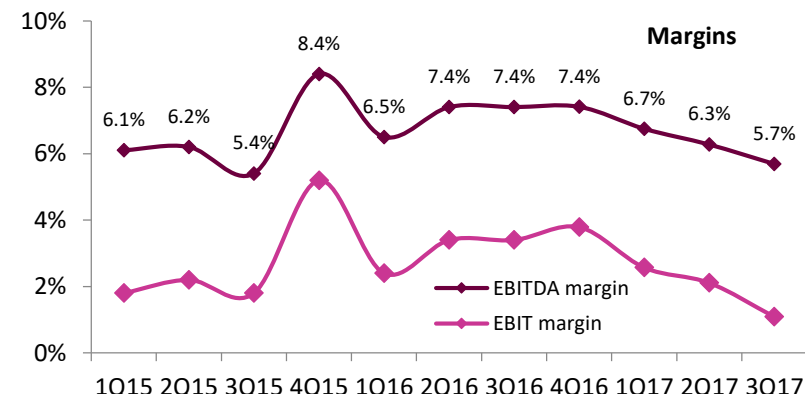
YoY Groth rates (unadjusted)



million EUR	9M16	9M17	YoY	
<b>HOME SEGMENT</b>				
Sales to 3rd parties	770.6	779.8	1.2%	↑
EBITDA	35.3	36.7	3.9%	↑
Profit	3.7	2.0	-47.3%	↓

<b>NON-CORE SEGMENT</b>				
Sales to 3rd parties	130.3	164.1	26.0%	↑
EBITDA	8.1	10.7	32.8%	↑
Profit	0.4	2.7	509.7%	↑

Restated 9M16 data vs 9M16 report as now net costs of joint functions are now distributed based on income-related share.



# 9M17 Results

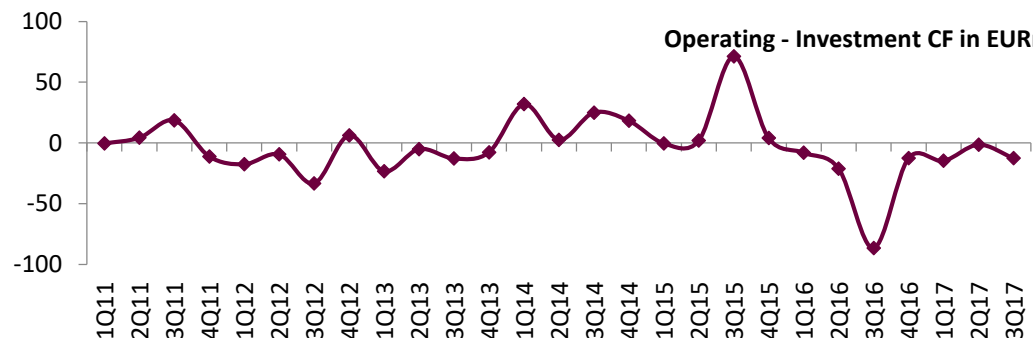
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million EUR	9M15	9M16	9M17	YoY	
Net sales revenues	875.2	900.9	943.9	4.8%	↑
Change in inventories	31.7	15.0	14.2		
Cost of goods, materials and services	683.2	677.5	720.3	6.3%	↑
Gross profit	223.7	238.3	237.8	-0.2%	↓
Other opex	15.0	20.2	18.9	-6.4%	↓
Labour costs	171.2	175.8	183.8	4.5%	↑
Other operating profit	13.3	13.5	23.6	75.1%	↑
EBITDA	50.8	55.9	58.8	5.2%	↑
Margin	5.8%	6.2%	6.2%		
EBIT	16.3	20.5	18.0	-12.1%	↓
Margin	1.9%	2.3%	1.9%		
Net income	-9.5	4.0	4.5	12.6%	↑
Margin	-1.1%	0.4%	0.5%		
million EUR	9M15	9M16	9M17	YoY	
Financial debt	424.5	426.7	441.1	3.4%	↑
Cash	23.2	21.6	24.0	11.5%	↑
Net debt	401.4	405.1	417.1	3.0%	↑
ST Investments	18.4	11.9	8.4	-28.8%	↓
Net debt 2	382.9	393.2	408.6	3.9%	↑
Equity	360.8	368.2	379.7	3.1%	↑
Assets	1,161.6	1,169.1	1,206.0	3.2%	↑
Inventories	249.7	249.3	258.5	3.7%	↑
Operating receivables	220.5	212.3	221.5	4.3%	↑
Operating liabilities	191.2	191.2	201.1	5.1%	↑
CAPEX	45.3	52.0	46.5	-10.6%	↓

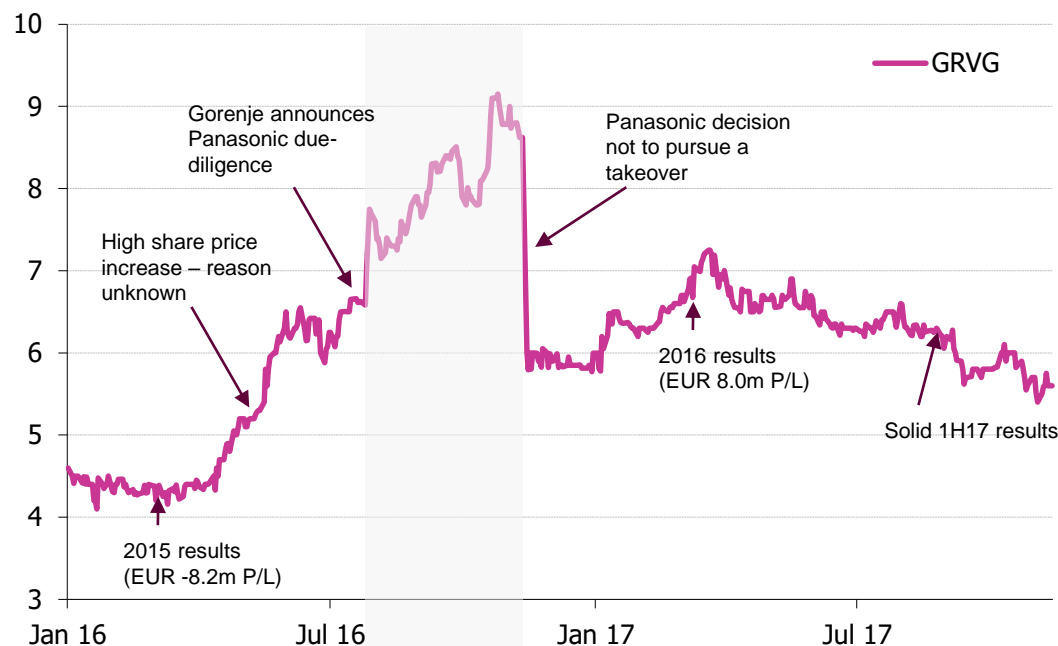
- Cost of material increased by 3.7% YoY to EUR 365.7m albeit it decreased related to revenues due to optimization of material consumption and competitive supply chain. However Gorenje here noted that some favorable trends on purchase markets soured rapidly in 3Q17 and that this is also expected for 2018. This is unfortunate.
- Cost of services increased by 7.0% YoY to EUR 165.0m – EUR 7.6m of this surge is attributed to other segment (catering, ecology) where revenues also grew significantly. Domestic Appliance cost increase in this segment is at EUR 3.3m (mostly unification of accounting disclosure of quality-related costs).
- Headcount stands at 11,044 out of which 9,009 can be attributed to core segment. On average, headcount this year is higher by 259 (224 core) and explained by Gorenje through higher production volume. This is the main reason for labor cost increase, albeit partially this can also be attributed to the increase of the lowest wages and salaries due to an adopted wage system since 1.6.2017. From 3Q17 perspective labor costs increased by 3.4% YoY.
- On the other hand net income continues to increase double digit. The reason here is financing activities. Net financing expense in 9M17 is at EUR 10.9m versus EUR 12.5m last year (comparable). In addition effective tax rate is expectedly lower than in 9M16 (EBT is down 17% YoY).
- Reported NWC stood at EUR 227.4m vs EUR 221.7m a year ago with NWC to net revenues ratio lowering by 0.2 p.p. to 17.5%.
- A second disappointment, beside 3Q core, came from deleveraging. Here net debt and financial debt increased YoY by 3.9% and 3.4% respectively. We believe financial debt and debt ratios should be coming down more in these economic times to prepare for harsher times.
- Note that net debt to EBITDA ratios comes down at the end of the year as 4Q is FCF accretive due to seasonality.

Operating - Investment CF in EURm



# Strategic Alliance Story

- In October it was announced that agreements to sell products to Panasonic expired and will not be extended in the field of washing machines, tumble dryers, and freestanding refrigerators. However Gorenje in the same time stated that the strategic cooperation between Panasonic-Gorenje is continuing (even more, discussions are in progress regarding cooperation on development of high-tech built-in cooking appliances) while the existing revenue stream for the mentioned operations will not be budgeted for 2018. Note that these two contracts represented only EUR 6.3m of sales for Jan-Sep period (EUR 6m was planned for entire 2017); while in 2014 Gorenje presented that by 2018 incremental revenues were expected at EUR 80m (with EBITDA contribution of EUR 20m). Consequently the level of cooperation seems to be significantly lower than expected at inception but Gorenje is not disclosing all Panasonic revenues.



- In addition it was not hard to imagine that after 2016 Panasonic rejection of a takeover, the alliance strength will sooner or later significantly lighten or terminate and with it, Panasonic shareholding (10.7%). Therefore the October news flow was not surprising but actually expected. And the question what Panasonic will do with their existing shareholding remained lingering...
- Now Gorenje released a statement that Gorenje will continue to explore potential strategic alliances opportunities aimed at "pursuing growth of business, economies of scale to guarantee cost competitiveness, strengthening brand power, accessing prime distribution channels, accelerating product innovation and business digitalisation". Active search of these alliances will commence which could also lead to shareholding in Gorenje. The activities are planned to end in 3Q18. This news was somewhat a surprise, albeit a disappointment of Panasonic decision warranted an action.
- All in all this could somewhat provide a tailwind for Gorenje shares as speculations will again emerge as it happened before with Panasonic in 2016. See the graph on the page. On the other hand Panasonic strategic announcement itself in 2013 did not boost share price of Gorenje back then with -4% return over the 6 months period. However 2013 was troublesome year while Panasonic injected capital at EUR 4.31 per share in 2013.
- However investors must be prudent in their expectations and investment strategy regarding Gorenje shares.

# Investment Thesis

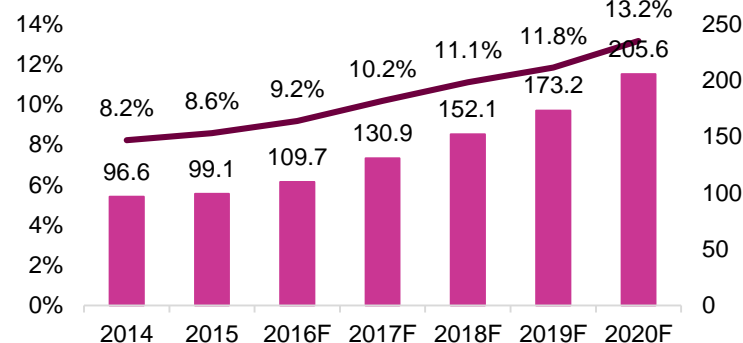
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## POSITIVE:

- Gorenje has recognized in the past that the right direction for the Group is toward higher end premium products while at the same time optimizing production costs. **There is an ambitious plan in place to further upgrade brand portfolio and expand margins – closing the gap to peer group:**
  - Sales revenue CAGR of 6.2% in 2015-2020 period (EUR 1,562m by 2020) with 2020 EBITDA margin goal set at 9.0% and EBIT margin at 4.5%.** Consequently net debt is seen at 2.5x.
  - Asko is one of the key drivers of profitability as well as ATAG in Benelux.** The goal is to increase its sales to EUR 206m by 2020 with 30% of sales coming from **innovative or premium segment** (the later, namely innovative and premium product groups are driving growing also in 9M17).
  - Key is also lower level of complexity that should curb costs.
  - Gorenje Group will transform its conventional functional organizational structure to divisional ("business-product") organizational structure focused on brands and product programs.
- 2016 results were in-line with mentioned strategy. However it seems not all 2017 numbers** (EUR 1,315m of sales, EUR 97.1m of EBITDA, EUR 13.1 of net profit) will be achieved as 3Q17 disappointed from top line and especially margin perspective. Also to tackle situation and lower debt, **Gorenje will in 4Q17 continue with divestment procedures in ecology (Surovina) and is embarking more on supply chain factoring** (effects should be seen in 2018).
- Economic conditions are picking up** (macro and industry data), as well as demand for appliances (albeit remain below pre-crisis levels). This bodes well for Gorenje, especially given its industry operating leverage while also specific financial leverage. **Incremental changes to profitability are high.**
- Gorenje has approximately **3% market share in terms of volume on EU-28 markets**. Its also one of Slovenian biggest exporters while its sales is distributed between Western Europe (37%; 2016A), Eastern Europe (54%) and Overseas markets (9%). The later share grows.
- Gorenje is contently developing new products and consequently keeping up with competitors regarding technology.
- The search for strategic partner could drive speculations** and sentiment. Note share price dropped in the 3M period before this announcement.

Asko sales guidance (in EURm) encouraging



	2017 plan		Value to
	volume	value	volume ratio
Gorenje	74.9%	68.2%	0.91
Mora	6.8%	3.8%	0.56
<b>Asko</b>	<b>5.4%</b>	<b>12.6%</b>	<b>2.33</b>
Etna	4.4%	3.5%	0.80
Pelgrim	3.0%	4.2%	1.40
<b>Atag</b>	<b>2.5%</b>	<b>5.4%</b>	<b>2.16</b>
Upo	2.2%	1.8%	0.82
Korting	0.7%	0.4%	0.57
Sidex	0.1%	0.1%	1.00

*Market positioning is crucial and explains discrepancy between Groups East and West Europe sales, as Gorenje has different market positions. Namely the more you are in premium segment, less of price pressures is mounting. Gorenje is better positioned in East Europe.*



# Investment Thesis

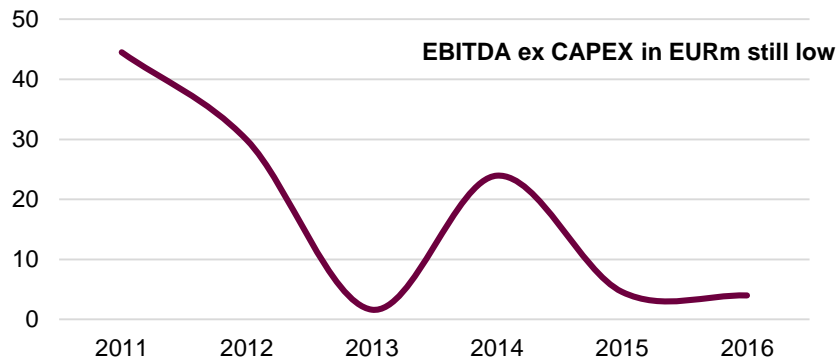
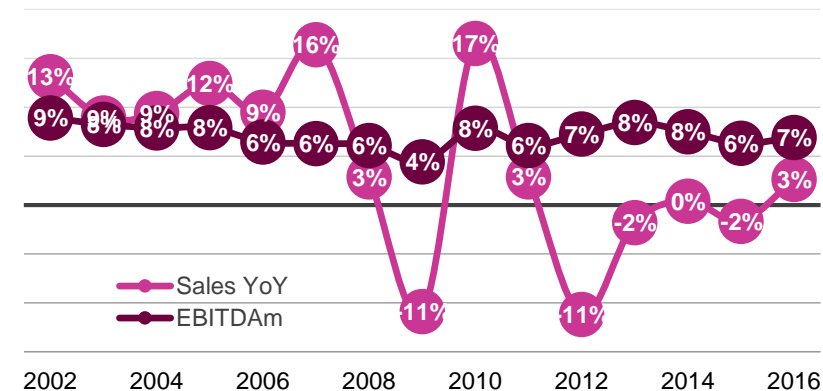
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OUTLOOK

## NEGATIVE:

- We must recognize **industry competition is tough** with innovations being more of a necessity to keep competitiveness than being an actual competitive advantage. **This is even a bigger problem for smaller players versus appliances giants.** Players have (in mid or low pricing segment) no bargaining power.
- Meaningful margin lag.** Peer comparison clearly states (we acknowledge peer groups' limited comparability) that Gorenje is trailing its (capital market) peer's in terms of margins. Namely trailing twelve months EBITDA margin of Gorenje is on 64% of peer median, EBIT margin on 34% while net margin is on 13% of peer median. This shows that while Gorenje was and is successful in maintaining market shares and top line, it is still too cost ineffective and/or too small.
- For now the **company had a hard time transforming its sales into more than relatively negligible profit.** ROIC remains anemic and so does free cash flow generation. In-line with this note that in 2020 strategy FCF item was at EUR 20m in 2019.
- Net debt to EBITDA ratio is still at elevated 3.9x (2016A).** This is not so much a short term refinancing risk but a longer-term threat. As a cyclical company, EBITDA would inevitably be in times of recession under pressure, so consequently net debt to EBITDA should be lowered toward levels that would encompass a margin of safety for harsher times. This has so far not materialized.
- On one hand **non-core activities are stealing management attention and increasing complexity.** Consequently a divestment question was and is constantly lingering, especially given the conditions (low interest rate, high market valuation). Gorenje announced it started selling Surovina. **On the other hand Ecology can be more profitable than core:** fact confirmed by 9M17 data. This by itself shows how problematic profitability is in a core segment.
- The table on the right shows Gorenje **bad track record regarding guidance delivery.** Their 9M17 report unfortunately again states „all key objectives laid down for 2017 are not attainable“. So history is repeating itself.

When will Gorenje catch up?



in EURm	Gorenje's plans				Delivered			
	Sales	EBITDA	EBIT	Profit	Sales	EBITDA	EBIT	Profit
2016	1,258	89.1	39.8	7.7	1,257	87.0	38.7	8.4
2015	1,220	91.4	41.7	6.1	1,225	80.1	34.4	-8.0
2015*		80.7		-7.8				
2014	1,287	93.7	46.4	13.2	1,246	86.5	43.5	1.2
2014*	1,240			positive				
2013	1,340	96.7	48.9	4.2	1,241	78.2	36.3	-25.2
2013*	1,274	83.3	39.5	-8.8				
2012	1,391	101.3	50	13.4	1,263	90.6	44.9	0.1
2011	1,548	107.4	54.6	21.1	1,422	86.7	36.5	9.1
2010	1,244	97.8	45	10.1	1,382	108.7	56.4	19.9

\* Lowered mid-year estimates

# Relative comparison

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Name	EV/S			EV/EBITDA			EV/EBIT			P/E			P/B		
	TTM	2017F	2018F	TTM	2017F	2018F	TTM	2017F	2018F	TTM	2017F	2018F	TTM	2017F	2018F
Electrolux	0.7	0.7	0.7	8.1	7.5	7.2	12.6	11.3	10.7	16.6	15.1	14.2	4.6	3.6	3.1
Arcelik	1.0	0.8	0.7	9.4	7.8	6.7	12.7	10.0	9.0	14.1	10.7	9.4	2.1	1.8	1.6
De'Longhi	2.1	2.0	1.9	14.0	12.0	11.2	17.3	14.5	13.4	24.1	21.4	19.7	4.6	3.6	3.2
Whirlpool	0.8	0.7	0.7	8.9	6.8	6.3	13.6	9.4	8.5	15.1	10.3	9.2	2.5	2.4	2.3
SEB SA	1.7	1.4	1.4	14.9	11.0	10.2	20.9	13.8	12.7	27.9	17.4	15.7	4.9	3.4	2.9
Amica	0.5	0.4	0.4	5.9	6.0	6.2	7.7	8.3	8.8	6.3	8.9	9.7	1.4	1.2	1.1
Vestel Beyaz	0.6	0.7	n.a.	4.9	7.2	n.a.	6.3	9.6	n.a.	7.3	9.4	n.a.	2.0	2.0	n.a.

<b>Gorenje</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>6.3</b>	<b>5.9</b>	<b>5.4</b>	<b>16.3</b>	<b>15.9</b>	<b>13.5</b>	<b>16.1</b>	<b>14.9</b>	<b>12.7</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>
Median	0.8	0.7	0.7	8.9	7.5	7.0	12.7	10.0	9.8	15.1	10.7	12.0	2.5	2.4	2.6

Company name	EBITDA margin TTM	EBIT margin (%)	Profit margin (%)	ROE TTM	ROA TTM	Assets turnover	Div. yield (%)	Assets/ Equity	Net debt to EBITDA
Electrolux	9.1%	5.8%	4.2%	27.7%	5.7%	1.37	2.56	4.85	-0.14
Arcelik	10.2%	7.6%	5.0%	15.1%	4.9%	0.99	2.60	3.06	2.48
De'Longhi	15.3%	12.4%	9.2%	19.0%	9.7%	1.06	2.85	1.96	-0.43
Whirlpool	8.7%	5.7%	3.8%	16.3%	3.8%	1.02	1.97	4.39	2.54
SEB SA	11.4%	8.2%	4.8%	17.5%	4.2%	0.88	1.11	4.18	3.10
Amica	8.3%	6.4%	6.3%	22.5%	9.2%	1.45	4.23	2.46	1.13
Vestel Beyaz	12.6%	9.9%	6.7%	27.1%	8.8%	1.32	8.44	3.09	1.11

<b>Gorenje</b>	<b>6.6%</b>	<b>2.5%</b>	<b>0.7%</b>	<b>2.1%</b>	<b>0.7%</b>	<b>1.08</b>	<b>1.79</b>	<b>3.18</b>	<b>4.71</b>
Median	10.2%	7.6%	5.0%	19.0%	5.7%	1.06	2.60	3.09	1.13

# Historic Financial Data

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in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	904.6	1,000.8	1,257.7	1,178.7	1,317.8	1,251.7	1,197.3	1,148.1	1,102.4	1,101.3	1,131.8
Non-current assets	409.0	448.7	606.0	574.3	563.4	556.3	566.1	593.9	594.6	614.1	637.2
Current assets	495.6	552.1	651.7	604.4	754.3	695.3	631.2	554.2	507.8	487.1	494.6
Short term investment	21.6	27.1	64.5	68.2	48.0	42.3	32.8	17.2	20.5	16.4	8.8
Cash	9.0	17.7	24.1	27.1	82.7	101.6	53.5	38.6	36.1	31.6	35.2
Equity	254.4	351.0	394.5	369.6	392.1	397.8	389.8	380.7	380.3	368.1	374.2
Equity of non-controlling interests	0.2	10.9	13.2	6.1	1.8	1.8	2.4	2.8	2.8	3.1	2.2
Provisions	56.4	51.7	64.3	62.2	88.2	76.3	65.0	66.7	64.1	62.3	64.1
Non-current liabilities	143.6	153.8	230.6	247.9	267.0	308.4	286.3	207.2	279.0	277.7	281.5
Non-current financial liabilities	141.1	145.1	224.1	242.4	260.9	302.5	276.9	198.8	270.1	271.0	275.6
Current liabilities	401.4	387.7	487.3	406.2	460.0	375.9	368.3	412.5	300.2	385.9	325.0
Current financial liabilities	173.6	167.4	263.7	209.9	223.0	181.6	155.8	198.7	97.5	91.0	101.2

in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales revenues	1,111.0	1,293.4	1,330.8	1,185.9	1,382.2	1,386.6	1,263.1	1,240.5	1,253.7	1,225.0	1,258.1
Total Revenues	1,134.1	1,324.0	1,367.5	1,207.1	1,416.2	1,446.1	1,315.9	1,248.9	1,263.4	1,270.3	1,285.2
Cost of goods, materials and services	851.6	1,004.8	1,027.9	901.1	1,040.5	1,105.0	946.2	910.5	927.7	937.2	942.2
Labour costs	186.0	208.6	226.5	219.3	244.4	253.3	258.7	237.9	228.5	231.4	235.3
D&A plus impairments	49.6	53.2	57.1	56.1	52.2	48.3	45.7	41.9	43.0	45.6	47.1
Other operating expenses	16.1	21.2	19.0	18.4	22.6	24.3	20.4	22.2	21.7	21.6	20.5
EBITDA	80.4	89.4	94.0	68.2	108.7	63.5	90.6	78.2	85.6	80.1	87.2
Operating income	30.8	36.2	36.9	12.1	56.4	15.1	44.9	36.3	42.5	34.4	40.2
Financial Income	19.2	26.3	19.6	19.5	12.5	15.1	6.8	7.5	8.7	7.4	6.2
Financial expenses	22.8	33.1	41.0	41.0	46.5	40.4	37.2	61.9	47.4	46.2	33.2
Interest cost	14.2	19.7	25.3	21.2	21.1	25.5	24.3	22.4	21.5	18.9	15.6
EBT	27.8	29.4	15.5	-9.3	22.5	-10.2	5.9	-29.2	3.9	-4.0	13.2
Total taxes	5.5	5.7	5.3	2.9	2.4	1.9	5.6	-4.2	2.6	4.0	4.8
Net profit / loss	22.3	23.7	10.2	-12.2	20.0	-12.1	0.3	-25.0	1.2	-8.0	8.4
Attributable to equity holders of the parent	22.3	22.7	8.9	-11.5	20.1	-12.0	0.5	-24.8	1.5	-7.8	8.0

CAPEX	-67.4	-69.4	-71.3	-25.9	-39.4	-41.1	-53.5	-60.9	-40.4	-52.4	-59.4
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in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross margin	23.4%	22.3%	22.8%	24.0%	24.7%	20.3%	25.1%	26.6%	26.0%	23.5%	25.1%
EBITDA margin	7.2%	6.9%	7.1%	5.8%	7.9%	4.6%	7.2%	6.3%	6.8%	6.5%	6.9%
EBIT margin	2.8%	2.8%	2.8%	1.0%	4.1%	1.1%	3.6%	2.9%	3.4%	2.8%	3.2%
Net margin	2.0%	1.8%	0.7%	-1.0%	1.5%	-0.9%	0.0%	-2.0%	0.1%	-0.6%	0.6%
Assets Turnover	1.23	1.29	1.06	1.01	1.05	1.11	1.05	1.08	1.14	1.11	1.11
ROA	2.5%	2.3%	0.7%	-1.0%	1.5%	-1.0%	0.0%	-2.2%	0.1%	-0.7%	0.7%
Assets to Equity	3.56	2.85	3.19	3.19	3.36	3.15	3.07	3.02	2.90	2.99	3.02
ROE	8.8%	6.5%	2.2%	-3.1%	5.1%	-3.0%	0.1%	-6.5%	0.4%	-2.1%	2.1%
Net debt / EBITDA	3.8	3.3	4.9	6.2	3.7	6.0	4.2	4.6	3.9	4.1	3.9
Debt to Assets	34.8%	31.2%	38.8%	38.4%	36.7%	38.7%	36.1%	34.6%	33.3%	32.9%	33.3%
Debt to Equity	1.24	0.89	1.24	1.22	1.23	1.22	1.11	1.04	0.97	0.98	1.01
TIE ratio	2.2	1.8	1.5	0.6	2.7	0.6	1.8	1.6	2.0	1.8	2.6
NWC / Assets	23.0%	25.6%	23.2%	23.2%	24.8%	24.5%	21.2%	19.8%	18.1%	8.6%	14.8%
Days inventory outstanding	82.6	79.0	89.8	88.3	90.4	81.1	95.4	94.5	86.5	88.0	87.5
Days receivable outstanding	79.8	73.0	71.9	77.5	80.9	67.4	63.1	60.5	53.2	48.8	48.1
Days payable outstanding	97.6	80.0	79.4	79.5	83.1	64.2	81.9	85.7	79.7	114.8	86.7
EBITDA - CAPEX	13.0	20.0	22.7	42.3	69.3	22.4	37.1	17.3	45.2	27.7	27.8



# Company & ALTA Description

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## COMPANY DESCRIPTION:

- Manufacturer of white goods & Slovenia's biggest exporter with approximately 3% market share in volume terms in the 28 EU markets.
- It has production facilities in Slovenia (62%), Serbia (26%) and Czech Republic (12%).
- 90% of its products are sold under its own brand name.
- In last decade, Gorenje grew organically and through acquisitions, the largest being ATAG in 2008 and Asko in 2010.

## OWNERSHIP STRUCTURE:

KAD d.d.	16.4%
IFC	11.8%
Panasonic Corp	10.7%
KDPW (Fiduciary account)	7.7%
Home Products Europe	5.0%

Source: KDD

## RESEARCH REPORT:

### Prepared by:

Sašo Stanovnik  
Head of Research

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10.11.2017 15:00

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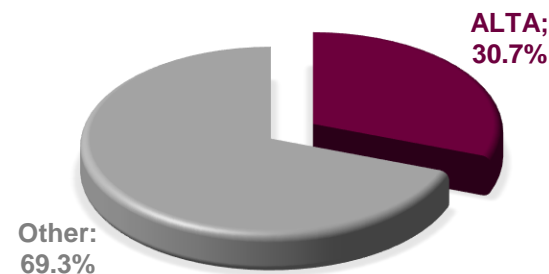
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- ✓ Our trading advantage is our execution of large trading blocks with low impact on the market.
- ✓ 38,300 brokerage clients with EUR 3.3 bn of assets.
- ✓ European Banking award: Best Broker & Best Asset Manager in 2015 and 2016.

### TTM market share:



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