

Airopack Technology Group AG

Switzerland | Packaging Solutions

News Update

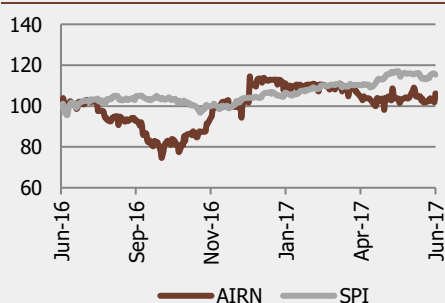
27 June 2017

Company Data

Price:	CHF11.20
Market Cap:	CHF220m
Free Float (%):	45.1%
Nr. Of shares:	19'606'676
Avg. traded vol. (1 year):	11'107
Bloomberg:	AIRN SW
Reuters:	AIRN.S
ISIN:	CH0242606942

Source: SIX Swiss Exchange and Bloomberg

Share Price Development (rebased)



Source: FactSet

Key Financial Data (CHFm)

	2017e	2018e	2019e	2020e
Sales	46.4	93.0	117.5	200.5
EBITDA%	11%	20%	23%	30%
EBIT %	(24%)	(3%)	4%	18%
Net Margin %	(40%)	(14%)	(4%)	14%
Net Income	(18.7)	(12.8)	(5.2)	27.1
Equity Ratio %	50%	50%	50%	50%
Capex	7.5	14.5	5.0	15.0
EV/EBITDA	n.m.	18.8	13.0	5.9
EV/EBIT	n.m.	n.m.	n.m.	9.0

Analysts

Doris Rudischhauser
dru@researchdynamics.ch
 Alexandre Müller
amu@researchdynamics.ch
 Tel: +41 43 268 3232
www.researchdynamics.ch

Upscaling to 200 million Airopack dispensers annually

Airopack Technology Group AG ('Airopack') is a Netherlands-based manufacturer and supplier of dispensing packaging technologies and systems. The company is a pioneer in providing a green and eco-friendly alternative to traditional aerosol-based dispensers, by leveraging on its globally patented PCD technology, which uses air instead of chemical propellants to dispense the formulation. The PCD technology enables the company to replace traditional aluminium/steel cans with recyclable plastic material (PET) and replacing propellants with air, leading to a lower carbon footprint. We believe these advantages along with various other benefits (such as 360° dispensing and open-neck filling) have placed the company in a better position than its competitors.

Manufacturing capacity set to be doubled

Airopack is on track to double its manufacturing capacity at the Waalwijk plant. The state-of-the-art plant in Waalwijk, Netherlands was set up in December 2016 by ATG with an initial annual capacity of 80 million pieces of Airopack. The company is now targeting to increase the installed capacity to 100 million pieces annually by end 2017, with a further modular expansion of installed capacity to 200 million pieces annually over the course of 2018. The increased capacity will help the company to fulfill increasing demand for its patented and unique dispenser.

New financing secured

Airopack has secured additional financing to fund its expansion plans. The financing comes in a combination of (i) a capital increase with expected net proceeds of approximately EUR 11.7 million, (ii) an additional EUR 10 million debt facility provided by funds managed by affiliates of Apollo Global Management, and (iii) asset-based financing, including lease and factoring provided by Rabobank and KBC, respectively.

ATG is doing a private placement of 1,228,955 registered shares with a nominal value of CHF 5.00 per share and an issue price of CHF 10.65 each. The issue has been fully subscribed by investors, with Apollo Funds participating in the private placement pro rata for their current shareholding. The proposed shares will be issued from the authorized capital and will be eligible for dividends from next year. ATG is expecting the private placement and listing of the new shares to be completed in the first half of July 2017.

Conclusion

The company is in a ramp up phase and is on track to meet its growth targets. With this investment, Airopack is confirming its ability to bring sustainable packaging innovations to the market at competitive costs, becoming the new standard in planet friendly packaging solutions. By end of 2018 we expect the company to be able to fully utilize the expanded production capacity of its plant in the Netherlands. There are no material changes in our income statement projections for the company as we had already accounted for a planned expansion in our model.

Valuation

We remain optimistic about the growth prospects of Airopack. The company has promising plans and aggressive strategies in place to achieve the specified targets, along with a global financing partner. We expect Apollo to continue to support ATG in its future endeavours to expand its production capacity and also in opening new facilities to meet the growing demand for Airopack's products. There is no material change in our financial projections for the company as we had already accounted for a planned expansion in our model. Based on a Discounted Cash Flow (DCF) approach, we value Airopack at CHF13.5 per share, which is lower than our previous estimate of CHF14.3 per share. The decrease is due to the increase in the number of shares outstanding following the recent private placement of shares.

DETAILED FINANCIAL STATEMENTS

INCOME STATEMENT

Figures in EUR '000	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E	2020 E	2021 E
Sales	7,210	7,996	11,282	46,375	93,000	117,500	200,500	240,750
Ready to fill				28,000	54,000	68,000	100,000	99,000
Ready to sell				15,000	30,000	36,000	60,000	81,000
EQS				3,375	9,000	13,500	40,500	60,750
Cost of good sold	5,742	7,277	11,006	28,238	56,400	69,150	116,250	138,375
Raw material expense	5,817	7,758	11,611	28,238	56,400	69,150	116,250	138,375
Change in inventory of finished and semi finished goods	75	481	605	-	-	-	-	-
Gross Profit	1,468	719	276	18,138	36,600	48,350	84,250	102,375
% margin	20.4%	9.0%	2.4%	39.1%	39.4%	41.1%	42.0%	42.5%
Personnel expense	3,469	4,745	11,422	6,973	9,947	12,252	12,956	13,605
Other operating expense	3,663	7,310	17,749	6,274	7,935	9,109	11,978	13,509
Research and development cost	187	224	336	370	407	447	492	541
Charges for operation of the production facility	199	227	800	464	930	1,175	2,005	2,408
Office rental and maintenance	656	828	1,656	1,739	1,826	2,008	2,109	2,214
Marketing and public relations	418	654	981	928	1,860	2,350	4,010	4,815
Audit, legal and consulting	728	851	1,277	1,341	1,408	1,549	1,704	1,789
Other operating cost	514	610	1,365	1,433	1,505	1,580	1,659	1,742
Incidental consulting expense	961	1,236	-	-	-	-	-	-
Incidental cost other	-	2,680	11,334	-	-	-	-	-
Total operating expenses	7,132	12,055	29,171	13,247	17,882	21,362	24,935	27,114
Other operating income	1,711	726	440	-	-	-	-	-
EBITDA	(3,953)	(10,610)	(28,455)	4,891	18,718	26,988	59,315	75,261
% margin	(54.8%)	(132.7%)	(252.2%)	10.5%	20.1%	23.0%	29.6%	31.3%
Depreciation	1,199	1,244	3,248	6,983	9,463	10,088	10,579	7,781
Amortization	780	741	8,239	9,253	11,693	11,693	11,693	11,693
EBIT	(5,932)	(12,595)	(39,942)	(11,345)	(2,437)	5,208	37,044	55,787
% margin	(82.3%)	(157.5%)	(354.0%)	(24.5%)	(2.6%)	4.4%	18.5%	23.2%
Interest expense	597	3,661	6,227	7,321	10,361	10,361	9,961	8,361
EBT	(6,529)	(16,256)	(46,169)	(18,666)	(12,798)	(5,153)	27,083	47,427
% margin	(90.6%)	(203.3%)	(409.2%)	(40.3%)	(13.8%)	(4.4%)	13.5%	19.7%
Income Taxes	-	-	(3,852)	-	-	-	-	-
Net Income	(6,529)	(16,256)	(42,317)	(18,666)	(12,798)	(5,153)	27,083	47,427

BALANCE SHEET

Figures in EUR '000	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E	2020 E	2021 E
Cash	956	2,918	8,340	6,317	1,899	8,087	17,057	51,878
Trade accounts receivable	2,686	2,941	2,054	3,812	7,644	9,658	16,479	19,788
Other receivables	518	1,128	679	4,638	8,370	9,400	14,035	14,445
Inventories	1,565	2,354	3,445	9,275	18,600	23,500	40,100	48,150
Prepayments and accrued income	93	186	458	-	-	-	-	-
Current Assets	5,818	9,527	14,976	24,041	36,513	50,644	87,671	134,261
Financial assets	7,482	8,927	4,314	4,314	4,314	4,314	4,314	4,314
Fixed assets	3,882	6,736	28,341	28,858	33,895	28,808	33,229	29,448
Intangible assets	7,540	7,444	46,265	37,012	49,717	38,024	26,332	14,639
Non-Current Assets	18,904	23,107	78,920	70,184	87,926	71,146	63,874	48,400
Total Assets	24,722	32,634	93,896	94,224	124,439	121,790	151,546	182,662
Bank overdrafts	422	510	510	510	510	510	510	510
Short term portion of financial liabilities	1,363	579	579	-	-	-	-	-
Trade accounts payable	1,894	3,539	3,539	4,236	8,460	10,373	17,438	20,756
Other current payables	94	465	465	927	1,252	1,495	1,745	1,898
Accrued liabilities and deferred income	1,412	1,282	5,189	1,325	1,788	2,136	2,493	2,711
Current Liabilities	5,185	6,375	10,282	6,998	12,010	14,514	22,186	25,876
Financial liabilities	14,687	26,103	80,930	91,509	129,509	129,509	124,509	104,509
Provisions	83	-	-	-	-	-	-	-
Non-Current Liabilities	14,770	26,103	80,930	91,509	129,509	129,509	124,509	104,509
Share capital	49,726	55,276	74,500	86,200	86,200	86,200	86,200	86,200
Capital reserves	(19,167)	(13,733)	10,753	10,753	10,753	10,753	10,753	10,753
Cumulative translation adjustments	(123)	32	912	912	912	912	912	912
Accumulated losses	(25,669)	(41,419)	(83,481)	(102,147)	(114,945)	(120,098)	(93,015)	(45,588)
Shareholders' equity	4,767	156	2,684	(4,282)	(17,080)	(22,233)	4,850	52,277
Total Liabilities and Shareholders' equity	24,722	32,634	93,896	94,224	124,439	121,790	151,546	182,662

Source: Research Dynamics

CASH FLOW STATEMENT

Figures in EUR '000	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E	2020 E	2021 E
Net Income	(6,529)	(16,256)	(42,317)	(18,666)	(12,798)	(5,153)	27,083	47,427
Depreciation, impairments and amortization	1,979	1,985	11,487	16,236	21,155	21,780	22,272	19,474
Change in provisions	-	(83)	-	-	-	-	-	-
Impairment receivables	-	-	-	-	-	-	-	-
Other positions with no impact on liquidity	(799)	846	6,967	-	-	-	-	-
Operating cash flow	(5,349)	(13,508)	(23,863)	(2,430)	8,358	16,628	49,355	66,901
Change in trade accounts receivable	(2,033)	(256)	1,861	(1,758)	(3,832)	(2,014)	(6,822)	(3,308)
Change in other receivables	41	(597)	226	(3,959)	(3,733)	(1,030)	(4,635)	(410)
Change in inventories	(193)	(722)	110	(5,830)	(9,325)	(4,900)	(16,600)	(8,050)
Change in prepayments and accrued income	289	(450)	(760)	458	-	-	-	-
Change in trade accounts payable	125	1,567	(870)	697	4,224	1,913	7,065	3,319
Change in other current payables	(46)	371	496	462	324	244	250	153
Paid income tax and received tax refunds (net)	118	118	395	-	-	-	-	-
Change in accrued liabilities and deferred income	1,159	(249)	298	(3,864)	464	348	357	218
Cash flow from operating activities	(5,889)	(13,726)	(22,107)	(16,223)	(3,520)	11,188	28,970	58,822
Purchase of fixed assets	(378)	(4,104)	(19,168)	(7,500)	(14,500)	(5,000)	(15,000)	(4,000)
Purchase of intangible assets	-	-	-	-	(24,398)	-	-	-
Sale of fixed assets	45	-	1,516	-	-	-	-	-
Payment for the acquisition of consolidated organisati	-	-	(25,091)	-	-	-	-	-
Outflow from long term financial assets	(1,204)	(1,550)	(2,030)	-	-	-	-	-
Cash flow from investing activities	(1,537)	(5,654)	(44,773)	(7,500)	(38,898)	(5,000)	(15,000)	(4,000)
Inflow / (Outflow) from current financial liabilities third	15	85	(31,717)	-	-	-	-	-
Inflow / (Outflow) from shareholder loan	2,375	(2,824)	65,145	-	-	-	-	-
Inflow / (Outflow) from long-term financial liabilities	3,649	13,383	(3,754)	10,000	38,000	-	(5,000)	(20,000)
Inflow from capital increase	1,895	10,657	42,636	11,700	-	-	-	-
Cash flow from financing activities	7,934	21,301	72,310	21,700	38,000	-	(5,000)	(20,000)
Total Cash Flow	508	1,921	5,430	(2,023)	(4,418)	6,188	8,970	34,822
Add: Opening cash balance	443	956	2,918	8,340	6,317	1,899	8,087	17,057
Add: Currency translation impact	5	41	(8)	-	-	-	-	-
Closing cash balance	956	2,918	8,340	6,317	1,899	8,087	17,057	51,878

Source: Research Dynamics

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Dynamics Group AG

Utoquai 43
CH-8008 Zürich
Tel. +41 43 268 32 32
Fax +41 43 268 32 39

Zeughausgasse 22
CH-3011 Bern
Tel. +41 31 312 28 41
Fax +41 31 312 28 49

21, rue des Caroubiers
CH-1227 Carouge/GE
Tel. +41 22 308 62 20
Fax +41 22 308 62 36

contact@dynamicsgroup.ch

<http://www.dynamicsgroup.ch>