

Preview Note

11 May 2017

Neutral

Recommendation unchanged

Share price: EUR 11.18

closing price as of 10/05/2017

Target price: EUR 10.00

Target Price unchanged

Upside/Downside Potential -10.6%

Reuters/Bloomberg CORA.LS/COR PL

Market capitalisation (EURm) 1,487

Current N° of shares (m) 133

Free float 25%

Daily avg. no. trad. sh. 12 mth 52

Daily avg. trad. vol. 12 mth (m) 619.64

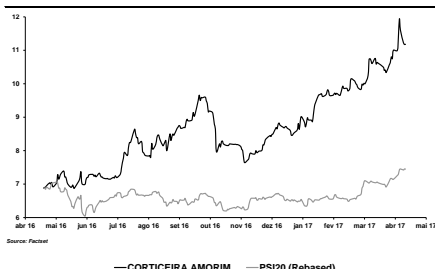
Price high/low 12 months 6.29 / 11.95

Abs Perfs 1/3/12 mths (%) 3.90/18.56/76.06

Key financials (EUR)	12/16	12/17e	12/18e
Sales (m)	641	679	694
EBITDA (m)	119	135	139
EBITDA margin	18.5%	19.9%	20.0%
EBIT (m)	92	105	109
EBIT margin	14.3%	15.5%	15.7%
Net Profit (adj.)(m)	103	78	80
ROCE	13.9%	15.5%	15.8%
Net debt/(cash) (m)	36	20	4
Net Debt Equity	0.1	0.0	0.0
Net Debt/EBITDA	0.3	0.1	0.0
Int. cover(EBITDA/Fin.int)	76.2	363.8	628.6
EV/Sales	1.9	2.3	2.2
EV/EBITDA	10.0	11.4	10.9
EV/EBITDA (adj.)	10.0	11.4	10.9
EV/EBIT	13.0	14.6	13.9
P/E (adj.)	11.0	19.2	18.5
P/BV	2.8	3.4	3.3
OpFCF yield	7.2%	4.4%	4.9%
Dividend yield	2.3%	3.9%	4.0%
EPS (adj.)	0.77	0.58	0.60
BVPS	3.09	3.25	3.41
DPS	0.26	0.44	0.45

Shareholders

Amorim Capital 51%; Investmark Holdings 14%; Amorim Int. Part. 10%; Treasury Shares 0.00%;



Analyst(s)

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1Q17 results preview – operational uptrend in place

The facts: Corticeira Amorim is going to announce 1Q17 results on May 15, before market open.

Consolidated P&L (EURm)	1Q16	1Q17e	%Chg.
Sales and Services (adj.)	156.7	166.0	6.0%
Raw Materials	38.8	40.2	3.6%
Cork Stoppers	102.4	108.2	5.7%
Floor & Wall Coverings	29.7	31.7	6.6%
Composite Cork	24.4	26.1	6.9%
Insulation Cork	2.9	3.4	15.8%
Holding	0.4	0.4	7.5%
Adjustments	-41.9	-43.9	4.8%
EBITDA (1)	27.6	30.6	10.8%
Raw Materials	3.8	4.9	28.5%
Cork Stoppers	17.8	19.8	11.2%
Floor & Wall Coverings	2.8	3.1	9.6%
Composite Cork	4.4	4.7	6.8%
Insulation Cork	0.7	0.7	2.0%
Holding	-1.0	-1.2	22.0%
Adjustments	-0.9	-1.4	49.2%
Non-recurrent items	-1.7	0.0	-100.0%
EBITDA margin	17.6%	18.4%	
EBIT	19.4	23.3	19.8%
Net income after minorities	13.9	17.0	22.1%
EPS	0.10	0.13	

Source: Company data and CaixaBI Equity Research

(1) EBITDA as reported - before non-recurrent items

Our analysis: Corticeira Amorim's 1Q17 sales should have grown 6% yoy, keeping the uptrend evidenced over the last reported quarters. Once again, Cork Stoppers absolute sales evolution is expected to have had the strongest impact on total sales growth. Nevertheless, we are expecting to witness sales growth throughout every segment of Corticeira Amorim. Organic improvements and cost containment should also have helped to improve the company's EBITDA margin in the quarter. Net Profit should have reached EUR 17m in the first quarter, a 22% increase over the 1Q16 figure.

Conclusion & Action: Our current yearly estimates for Corticeira Amorim comprehend strong sales growth and profitability improvement and we are expecting first quarter results to already demonstrate this solid performance (Corticeira Amorim's sales' seasonality usually leads to stronger performances being achieved in the year's first half and particularly in the second quarter). After achieving very solid sales and margins' growth last year, the bar is set high for our expectations towards the company's performance over the course of 2017; but Corticeira Amorim has been able to surprise us before.

Corticeira Amorim : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Sales	560	605	641	679	694	710
Cost of Sales & Operating Costs	-480	-504	-523	-544	-555	-567
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	80.5	101	119	135	139	143
EBITDA (adj.)*	80.5	101	119	135	139	143
Depreciation	-22.3	-25.1	-26.3	-27.2	-28.0	-28.4
EBITA	58.2	76.1	92.4	108	111	114
EBITA (adj)*	58.2	76.1	92.4	108	111	114
Amortisations and Write Downs	-0.1	-3.3	-0.7	-2.0	-2.1	-2.1
EBIT	58.0	72.8	91.7	105	109	112
EBIT (adj.)*	58.0	72.8	91.7	105	109	112
Net Financial Interest	-4.6	-2.1	-1.6	-0.4	-0.2	0.0
Other Financials	-1.2	-0.7	50.1	-2.1	-2.1	-2.1
Associates	1.3	3.1	2.4	3.2	3.3	3.3
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	53.5	73.1	143	106	110	113
Tax	-16.8	-17.5	-37.9	-27.8	-28.8	-29.8
<i>Tax rate</i>	<i>31.4%</i>	<i>23.9%</i>	<i>26.6%</i>	<i>26.2%</i>	<i>26.2%</i>	<i>26.3%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.9	-0.6	-2.0	-0.8	-0.8	-0.9
Net Profit (reported)	35.8	55.0	103	77.5	80.3	82.7
Net Profit (adj.)	35.8	55.0	103	77.5	80.3	82.7
CASH FLOW (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Cash Flow from Operations before change in NWC	59.2	83.9	132	108	111	114
Change in Net Working Capital	-0.1	-27.0	-15.4	-17.5	-7.6	-6.8
Cash Flow from Operations	59.1	56.9	116	90.2	104	107
Capex	-21.2	-31.4	-35.4	-24.5	-30.2	-31.6
Net Financial Investments	-3.9	-2.8	2.0	1.8	0.0	0.0
Free Cash Flow	34.0	22.7	83.0	67.5	73.4	75.7
Dividends	-23.9	-50.2	-31.9	-54.4	-58.8	-60.8
Other (incl. Capital Increase & share buy backs)	6.8	31.1	-3.0	3.1	0.7	1.1
Change in Net Debt	16.9	3.7	48.0	16.1	15.3	16.0
NOPLAT	42.1	52.8	66.5	76.5	79.1	81.3
BALANCE SHEET & OTHER ITEMS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Tangible Assets	183	190	197	194	194	195
Net Intangible Assets (incl. Goodwill)	4.0	2.5	3.8	2.5	2.5	2.5
Net Financial Assets & Other	19.7	22.5	20.5	18.7	18.7	18.7
Total Fixed Assets	207	215	222	215	215	216
Inventories	248	272	269	305	311	318
Trade receivables	151	164	175	186	191	196
Other current assets	6.7	8.4	10.0	8.9	9.1	9.1
Cash (-)	-6.0	-7.5	-51.1	-10.0	-11.8	-15.7
Total Current Assets	411	452	505	510	524	539
Total Assets	617	667	727	725	739	755
Shareholders Equity	302	341	411	432	453	475
Minority	13.4	13.4	15.9	14.2	14.6	15.0
Total Equity	316	354	427	446	468	490
Long term interest bearing debt	26.2	41.2	38.6	13.2	7.2	1.9
Provisions	28.0	32.2	30.7	34.2	35.3	36.3
Other long term liabilities	11.5	10.0	10.1	11.8	12.1	12.4
Total Long Term Liabilities	65.7	83.5	79.3	59.3	54.6	50.5
Short term interest bearing debt	67.4	50.1	48.4	16.6	9.0	2.3
Trade payables	162	173	165	195	199	203
Other current liabilities	7.0	6.7	6.9	8.1	8.2	8.4
Total Current Liabilities	236	230	221	219	216	214
Total Liabilities and Shareholders' Equity	617	667	727	725	739	755
Net Capital Employed	443	480	504	512	520	528
Net Working Capital	236	263	279	296	304	311
GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
<i>Sales growth</i>	<i>3.3%</i>	<i>7.9%</i>	<i>6.1%</i>	<i>5.8%</i>	<i>2.3%</i>	<i>2.2%</i>
EBITDA (adj.)* growth	0.6%	25.6%	17.4%	13.5%	3.2%	2.6%
<i>EBITA (adj.)* growth</i>	<i>-0.6%</i>	<i>30.7%</i>	<i>21.5%</i>	<i>16.3%</i>	<i>3.4%</i>	<i>2.9%</i>
<i>EBIT (adj.)* growth</i>	<i>2.5%</i>	<i>25.4%</i>	<i>26.0%</i>	<i>15.0%</i>	<i>3.4%</i>	<i>2.9%</i>

Corticeira Amorim : Summary tables

GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Profit growth	17.9%	53.9%	86.7%	-24.5%	3.6%	3.1%
EPS adj. growth	17.9%	45.3%	86.7%	-24.5%	3.6%	3.1%
DPS adj. growth	16.7%	92.9%	-35.8%	68.1%	3.6%	3.1%
EBITDA (adj)* margin	14.4%	16.7%	18.5%	19.9%	20.0%	20.1%
EBITA (adj)* margin	10.4%	12.6%	14.4%	15.8%	16.0%	16.1%
EBIT (adj)* margin	10.4%	12.0%	14.3%	15.5%	15.7%	15.8%
RATIOS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Debt/Equity	0.3	0.2	0.1	0.0	0.0	0.0
Net Debt/EBITDA	1.1	0.8	0.3	0.1	0.0	-0.1
Interest cover (EBITDA/Fin.interest)	17.4	48.6	76.2	n.m.	n.m.	n.m.
Capex/D&A	94.4%	110.8%	131.0%	83.6%	100.3%	103.6%
Capex/Sales	3.8%	5.2%	5.5%	3.6%	4.3%	4.5%
NWC/Sales	42.2%	43.5%	43.5%	43.6%	43.7%	43.8%
ROE (average)	12.1%	17.1%	27.3%	18.4%	18.1%	17.8%
ROCE (adj.)	9.9%	11.6%	13.9%	15.5%	15.8%	16.0%
WACC	7.8%	7.3%	7.3%	7.7%	7.7%	7.8%
ROCE (adj.)/WACC	1.3	1.6	1.9	2.0	2.0	2.1
PER SHARE DATA (EUR)***	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Average diluted number of shares	125.6	133.0	133.0	133.0	133.0	133.0
EPS (reported)	0.28	0.41	0.77	0.58	0.60	0.62
EPS (adj.)	0.28	0.41	0.77	0.58	0.60	0.62
BVPS	2.41	2.56	3.09	3.25	3.41	3.57
DPS	0.21	0.41	0.26	0.44	0.45	0.47
VALUATION	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
EV/Sales	0.8	1.5	1.9	2.3	2.2	2.1
EV/EBITDA	5.8	8.7	10.0	11.4	10.9	10.5
EV/EBITDA (adj.)*	5.8	8.7	10.0	11.4	10.9	10.5
EV/EBITA	8.0	11.6	12.9	14.3	13.7	13.2
EV/EBITA (adj.)*	8.0	11.6	12.9	14.3	13.7	13.2
EV/EBIT	8.0	12.1	13.0	14.6	13.9	13.4
EV/EBIT (adj.)*	8.0	12.1	13.0	14.6	13.9	13.4
P/E (adj.)	10.6	14.4	11.0	19.2	18.5	18.0
P/BV	1.3	2.3	2.8	3.4	3.3	3.1
Total Yield Ratio	13.2%	4.0%	3.7%	4.0%	4.1%	
EV/CE	1.1	1.9	2.5	3.1	3.0	3.0
OpFCF yield	10.0%	3.2%	7.2%	4.4%	4.9%	5.1%
OpFCF/EV	8.2%	2.9%	6.8%	4.3%	4.8%	5.0%
Payout ratio	73.8%	97.9%	33.7%	75.0%	75.0%	75.0%
Dividend yield (gross)	7.0%	6.8%	2.3%	3.9%	4.0%	4.2%
EV AND MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Price** (EUR)	3.02	5.95	8.50	11.18	11.18	11.18
Outstanding number of shares for main stock	125.6	133.0	133.0	133.0	133.0	133.0
Total Market Cap	379	791	1,131	1,487	1,487	1,487
Net Debt	88	84	36	20	4	-12
<i>o/w Cash & Marketable Securities (-)</i>	<i>-6</i>	<i>-7</i>	<i>-51</i>	<i>-10</i>	<i>-12</i>	<i>-16</i>
<i>o/w Gross Debt (+)</i>	<i>94</i>	<i>91</i>	<i>87</i>	<i>30</i>	<i>16</i>	<i>4</i>
Other EV components	-3	9	23	30	29	28
Enterprise Value (EV adj.)	464	884	1,190	1,537	1,521	1,504

Source: Company, Caixa-Banco de Investimento estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Basic Resources/Forestry & Paper

Company Description: Corticeira Amorim, incorporated in 1870, is the world leader in Cork Stoppers production, benefiting from Portugal's statute as the worlds' largest Cork producer (with a c. 50% share). Over the years, the company expanded its production to Floor and Wall coverings, Composite Cork and Insulation products, in order to better explore Cork's specific characteristics. Corticeira Amorim exports c. 95% of its production, with c. 63% of it being sold in Europe in 2015.

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- Reduce: the stock is expected to generate a total return of -5 to -15% during the next 12-month time horizon;
- Sell: the stock is expected to generate a total return below -15% during the next 12-month time horizon;
- Rating Suspended: the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock;
- Not Rated: there is no rating for a company being floated (IPO) by the issuer or a related party of the issuer.

Recommendation history for CORTICEIRA AMORIM

Date	Recommendation	Target price	Price at change date
23/fev/17	Neutral	10.00	9.77
03/jan/17	Buy	10.00	8.65
09/ago/16	Accumulate	8.30	8.09
05/mai/16	Neutral	6.00	6.11
05/abr/16	Reduce	6.00	6.76
04/ago/15	Neutral	4.65	4.68
22/jun/15	Buy	4.65	3.89

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Caixa-Banco de Investimento continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

Current analyst: José Mota Freitas, CFA (since 19/06/2015)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

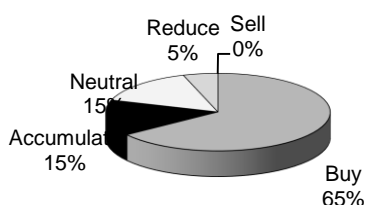
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Caixa Banco de Investimento Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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