



3W Power SA/AEG Power Solutions

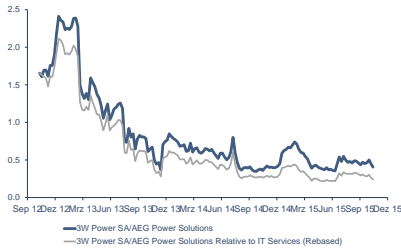
Buy → | Target price : 0.70 EUR

Price : 0.41 EUR | Upside : 72 %

Est.chg	2015e	2016e
EPS	-16.4%	-21.8%

Heading in the right direction: order momentum and margins improving

Friday 13 November 2015



Capital			
3W9K GY 3W9K.F			
Market Cap (EURm)			34
Enterprise value (EURm)			98
Extrema 12 months	0.34	-	0.80
Free Float (%)			69.8

Performance (%)	1m	3m	12m
Absolute	-3.3	-20.4	8.6
Perf. rel. "sector"	-6.1	-18.2	-2.4
Perf. rel. IT Services	-12.2	-25.9	-12.0

P&L	12/15e	12/16e	12/17e
Sales (EURm)	180	210	231
EBITDA (EURm)	-9.3	11.3	17.4
Current EBIT (EURm)	-20.3	1.7	8.5
Attr. net profit (EURm)	-23	-2	3.7
Adjusted EPS (EUR)	-0.28	-0.02	0.03
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	ns	ns	11.7
P/B (x)	1.8	2.0	1.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	29.8	38.7
EV/Sales (x)	0.54	0.49	0.41
EV/EBITDA (x)	ns	9.0	5.5
EV/Current EBIT (x)	ns	60.9	11.1
Gearing (%)	205	202	123
Net Debt/EBITDA(x)	ns	2.7	1.3

Next Events	
31.03.2016	FY Results

9M 2015 results: Improving order momentum, revenues still down

3W Power announced a mixed set of 9M 2015 results: While its P&L numbers remained weak, Q3 order entry improved 15% both yoy and qoq, with the book-to-bill ratio stabilizing at 1.19. Q3 2015 revenues were down, however, falling -11%/-8% yoy/qoq to € 42.2m. This decrease was attributable to weak order entry in H1 2015 amid soft demand in the oil gas business and project delays/cancellations. By contrast, the end markets Transportation and Data Centers experienced signs of improvement. 3W managed to break even on the operating line, reporting normalized expenses before one-offs of € 0.1m in Q3 2015. IFRS EBITDA was still in the red at €-2.6m in Q3 2015. On the bottom line, the company posted a Q3 2015 net loss of -7.6m (9M 2015: € -21.6m). The group cash position on September 30, 2015 stood at € 19.7m. Given the recent issuance of the bond and assuming no further cash burn in Q4 2015e, we think 3W should be able to finish the year with comfortable cash position of €~32m.

Summary of 9M 2015 results

	3Q 15	2Q 15	qoq	9M 15	9M 14	yoy
Group revenue	42.2	45.7	-7.7%	126.3	145.7	-13.3%
IPS revenue	42.2	45.7	-7.7%	126.3	145.7	-13.3%
Unallocated revenue	n.a.	n.a.	-	n.a.	n.a.	-
Group EBITDA	-2.6	-1.4	-	-7.4	-6.6	-
Group Normalized EBITDA	0.1	-0.9	-	-4.5	-18.5	-
Group Orders	50.3	43.6	15.4%	137.2	162.3	-15.5%
Group Backlog	-	-	-	97.2	99.9	-2.7%

Source : Oddo Securities ; company data

Short and mid-term targets achievable

For the full year 2015, the company confirmed its existing outlook, i.e. revenue of ~€ 180.0m. For the medium-term the company aims for top-line growth in the mid-single digits and an EBITDA margin of 5-10%. The group expects to achieve further cost reductions of ~€ 10.0m, and a headcount reduction of 150 (one-third already been implemented). Considering the encouraging Q3 2015 order intake level and management's indication of a similar order run rate for the current quarter (Q4 2015), we think 3W should be able to achieve its revenue target. Additionally, we expect to company to remain EBITDA-positive in Q4 2015e with revenues of € 53m, which would indicate a stop to the cash burn in Q4 2015e. Looking beyond 2015, we project stronger revenue growth than the company's current target level due to 1) pent-up demand (i.e. following its restructuring program, 3W is refocusing its selling activities to strategic end markets in order to regain some of its lost market share) and 2) tapping new market verticals/applications (data centers etc.). In terms of profitability projections, we are still conservative, modelling the low end of management's mid-term target. We have adjusted our EPS estimates for the convertible bond that the company placed this week.

Significant restructuring progress; Buy, TP unchanged at 0.70/share;

In our view the company has achieved significant progress in its financial and operational restructuring. Thus we stick to our Buy recommendation with an unchanged PT of 0.70/share.

Veysel Taze (Analyst)

+49 (69) 92 05 48 18

veysel.taze@oddoseydler.com

Conflict of interests:

Oddo Securities, a division of Oddo et Cie, limited sharepartnership - Bank authorised by ACPR. Oddo & Cie and/or one of its subsidiaries could be in a conflict of interest situation with one or several of the groups mentioned in this publication. Please refer to the conflict of interests section at the end of this document.

This is a non-contractual document, it is strictly for the private use of the recipient, and the information it contains is based on sources we believe to be reliable, but whose accuracy and completeness cannot be guaranteed. The opinions given in the document reflect our appraisal at the time of publication and may therefore be revised at a later date.

3W9K.F | 3W9K GY

Electronics | Luxembourg

Buy

Upside

72.41%

Price

TP

0.41EUR

0.70EUR

PER SHARE DATA (EUR)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Adjusted EPS	-1.78	-0.02	-3.72	-17.03	0.23	-0.28	-0.02	0.03
Reported EPS	-1.78	-0.02	-3.72	-17.03	0.23	-0.31	-0.03	0.05
Growth in EPS(%)	-	ns	ns	ns	ns	ns	ns	ns
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	-1.06	-0.10	-0.95	0.33	-0.87	-0.29	0.12	0.16
Book value per share	5.89	5.81	2.02	3.72	1.37	0.23	0.20	0.25
Number of shares market cap	47.60	47.66	47.86	4.79	32.24	83.70	107.00	107.00
Number of diluted shares	47.60	47.66	47.86	4.79	32.24	83.70	107.00	107.00
VALUATION	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
12m highest price	18.92	11.17	8.95	2.44	0.85	0.80		
12m lowest price	7.28	6.00	1.39	0.32	0.33	0.34		
(*) Reference price	13.15	8.28	4.11	1.28	0.55	0.41	0.41	0.41
Capitalization	626	395	197	6.1	18	34	43	43
Restated Net debt	-1.9	25	65	73	10	35	30	23
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	24	23	27	26	29	29	29	29
Enterprise Value	648	444	290	105	57	98	102	95
P/E (x)	ns	ns	ns	ns	2.4	ns	ns	12
P/CF (x)	ns	8.7	9.0	ns	ns	ns	2.4	1.7
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	ns	ns	26.2%	ns	ns	29.8%	38.7%
P/B incl. GW (x)	2.23	1.43	2.03	0.34	0.40	1.77	2.05	1.64
P/B excl. GW (x)	2.23	1.43	2.03	0.34	0.40	1.77	2.05	1.64
EV/Sales (x)	2.12	1.10	0.76	0.40	0.28	0.54	0.49	0.41
EV/EBITDA (x)	ns	8.2	26	ns	ns	ns	9.0	5.5
EV/EBIT (x)	ns	27	ns	ns	ns	ns	61	11
(*) historical average price								
PROFIT AND LOSS (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales	306	403	383	260	203	180	210	231
EBITDA	-23.9	54	11	-23.4	-12.2	-9.3	11	17
Depreciations	-102.7	-37.5	-207.2	-35.1	-22.4	-10.9	-9.6	-8.8
Current EBIT	-126.6	16	-196.0	-58.5	-34.6	-20.3	1.7	8.5
Published EBIT	-126.6	16	-196.0	-58.5	-34.6	-20.3	1.7	8.5
Net financial income	23	-4.7	-13.6	-16.1	36	-2.7	-3.9	-4.6
Corporate Tax	20	-9.5	32	0.1	6.6	-0.1	-0.1	-0.2
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	-2.8	0.0	-7.0	-0.9	0.0	0.0	0.0
Minority interests	-0.7	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	-84.5	-1.0	-177.9	-81.5	7.5	-23.1	-2.3	3.7
Adjusted attributable net profit	-84.5	-1.0	-177.9	-81.5	7.5	-23.1	-2.3	3.7
BALANCE SHEET (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Goodwill	86	87	15	13	12	12	12	12
Other intangible assets	214	191	73	54	34	33	34	34
Tangible fixed assets	34	40	37	30	27	22	19	16
WCR	96	115	110	38	33	35	35	36
Financial assets	1.5	3.2	5.3	3.6	3.1	2.5	2.9	3.2
Ordinary shareholders equity	280	277	97	18	44	17	15	19
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	280	277	97	18	44	17	15	19
Non-current provisions	153	134	78	49	54	52	57	60
Net debt	-1.9	25	65	73	10	35	30	23
CASH FLOW STATEMENT (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
EBITDA	-23.9	53.8	11.2	-23.4	-12.2	-9.3	11.3	17.4
Change in WCR	-12.1	-27.2	-56.9	24.7	-23.4	-4.6	2.7	0.6
Interests & taxes	-21.9	-7.7	-8.3	-4.0	2.3	-0.3	-0.2	-0.3
Others	36.3	-0.7	18.8	12.6	6.5	-2.5	1.7	1.2
Operating Cash flow	-21.6	18.2	-35.2	9.9	-26.8	-16.7	15.5	18.9
CAPEX	-28.8	-23.2	-10.5	-8.3	-1.3	-5.5	-6.4	-7.1
Free cash-flow	-50.4	-5.0	-45.7	1.6	-28.1	-22.2	9.1	11.8
Acquisitions / disposals	0.2	-2.6	-1.9	0.7	29.4	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	1.3	0.0	0.0	0.0	4.0	0.0	0.0	0.0
Others	112.8	-32.2	8.2	-13.3	-7.9	21.5	-3.9	-4.6
Change in net debt	-48.1	-20.7	-56.1	-7.4	0.9	-24.9	5.2	7.2
GROWTH MARGINS PRODUCTIVITY	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales growth	-	31.5%	-4.8%	-32.0%	-21.9%	-11.5%	16.6%	10.0%
Lfl sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	-	ns	ns	ns	ns	ns	ns	ns
Growth in EPS(%)	-	ns	ns	ns	ns	ns	ns	ns
Net margin	-27.6%	-0.2%	-46.4%	-31.3%	3.7%	-12.9%	-1.1%	1.6%
EBITDA margin	-7.8%	13.4%	2.9%	-9.0%	-6.0%	-5.2%	5.4%	7.5%
Current EBIT margin	-41.4%	4.1%	-51.2%	-22.5%	-17.0%	-11.3%	0.8%	3.7%
CAPEX / Sales	-9.4%	-5.8%	-2.7%	-3.2%	-0.7%	-3.1%	-3.1%	-3.1%
WCR / Sales	31.4%	28.6%	28.7%	14.5%	16.1%	19.2%	16.7%	15.7%
Tax Rate	19.4%	81.2%	15.2%	0.2%	ns	-0.6%	-5.0%	5.0%
Normative tax rate	-	81.2%	-	-	ns	-	-	5.0%
Asset Turnover	-	0.9	1.1	1.4	1.7	1.7	2.1	2.3
ROCE post-tax (normative tax rate)	-	0.7%	-	-	ns	-	-	8.2%
ROCE post-tax hors GW (normative tax rate)	-	0.9%	-	-	ns	-	-	9.3%
ROE	-	-0.4%	-95.2%	ns	24.2%	-75.5%	-14.4%	22.1%
DEBT RATIOS	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Gearing	-1%	9%	67%	ns	24%	ns	ns	ns
Net Debt / Market Cap	0.00	0.06	0.33	11.90	0.59	1.04	0.70	0.53
Net debt / EBITDA	0.08	0.47	5.84	ns	ns	ns	2.67	1.32
EBITDA / net financial charges	-11.5	11.5	0.8	-1.5	0.3	-3.4	2.9	3.7


Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
14.08.15	Buy	0.70	0.50
27.03.15	Buy	0.75	0.59
20.11.14	Buy	0.50	0.39

Disclosures
Investment banking and/or Distribution

Has Oddo Group, or Oddo & Cie, or Oddo Seydler managed or co-managed in the past 12 months a public offering of securities for the subject company/ies? Yes

Has Oddo Group, or Oddo & Cie, or Oddo Seydler received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months? No

Research contract between Oddo group & the issuer

Oddo & Cie and the issuer have agreed that Oddo & Cie will produce and disseminate investment recommendations on the said issuer as a service to the issuer Yes

Liquidity provider agreement and market-making

At the date of the distribution of this report, does Oddo Group, or Oddo & Cie, or Oddo Seydler act as a market maker or has Oddo Group or Oddo & Cie, or Oddo Seydler signed a liquidity provider agreement with the subject company/ies? Yes

Significant equity stake

Does Oddo Group, or Oddo & Cie, or Oddo Seydler own 5% or more of any class of common equity securities of the subject company/ies? No

Does the subject company beneficially own 5% or more of any class of common equity of Oddo & Cie or its affiliates? No

Disclosure to Company

Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? No

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

Additional material conflicts

Is Oddo Group, or Oddo & Cie, or Oddo Seydler aware of any additional material conflict of interest? No

Statement of conflict of interests of all companies mentioned in this document may be consulted on Oddo & Cie's: www.oddosecurities.com



Disclaimer:

Disclaimer for Distribution by Oddo & Cie to Non-United States Investors:

This research publication is produced by Oddo Securities ("Oddo Securities"), a division of Oddo & Cie ("ODDO"), which is licensed by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the Autorité des Marchés Financiers ("AMF"), and/or by ODDO SEYDLER BANK AG ("Oddo Seydler"), a German subsidiary of ODDO, regulated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin").

The research, when distributed outside of the U.S., is intended exclusively for non-U.S. customers of ODDO and cannot be divulged to a third-party without prior written consent of ODDO. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities and/or issuers and no part of his compensation was, is, or will be directly or indirectly related to the specific views contained in the research report.

This research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

Disclaimer for Distribution by Oddo New York to United States Investors:

This research publication is produced by Oddo Securities, a division of ODDO and/or by Oddo Seydler.

This research is distributed to U.S. investors exclusively by Oddo New York Corporation ("ONY"), MEMBER: FINRA/SIPC, and is intended exclusively for U.S. customers of ONY and cannot be divulged to a third-party without prior written consent of ONY. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice.

Rule 15a-6 Disclosure:

Under Rule 15a-6(a)(3), any transactions conducted by ODDO and/or Oddo Seydler, and/or one of its subsidiaries with U.S. persons in the securities described in this foreign research must be effected through ONY. ONY accepts responsibility for the contents of the research only to the extent it may be distributed to persons who are not major U.S. institutional investors as defined in Rule 15a-6, or where this research is distributed to major U.S. institutional investors who are located in states where there is no institutional exemption from registration in the state comparable to the definition of major U.S. institutional investor in Rule 15a-6.

FINRA Disclosures:

- Neither ONY, ODDO, nor Oddo Securities, nor Oddo Seydler beneficially owns 1% or more of any class of common equity securities of the subject company.
- The research analyst of Oddo Securities or Oddo Seydler, at the time of publication of this research report, is not aware, nor does he know or have reason to know of any actual, material conflict of interest of himself, ODDO, Oddo Securities, Oddo Seydler or ONY, except those mentioned in the paragraph entitled "Risk of Conflict of Interest."
- Oddo Securities or ODDO or Oddo Seydler may receive or seek compensation for investment banking services in the next 3 months from the subject company of this research report, but ONY would not participate in those arrangements.
- Neither ONY, ODDO, Oddo Securities, nor Oddo Seydler has received compensation from the subject company in the past 12 months for providing investment banking services except those mentioned in the paragraph of "Risk of Conflict of Interest".
- Neither ONY, ODDO, Oddo Securities nor Oddo Seydler has managed or co-managed a public offering of securities for the subject company in the past 12 months except those mentioned in the paragraph of "Risk of Conflict of Interest".
- ONY does not make (and never has made) markets and, accordingly, was not making a market in the subject company's securities at the time that this research report was published.

Regulation AC:

ONY is exempt from the certification requirements of Regulation AC for its distribution to a U.S. person in the United States of this research report that is prepared by an Oddo Securities research analyst because ODDO has no officers or persons performing similar functions or employees in common with ONY and ONY maintains and enforces written policies and procedures reasonably designed to prevent it, any controlling persons, officers or persons performing similar functions, and employees of ONY from influencing the activities of the third party research analyst and the content of research reports prepared by the third party research analyst.

Contact Information of firm distributing research to U.S. investors: Oddo New York Corporation, MEMBER: FINRA/SIPC, is a wholly owned subsidiary of Oddo & Cie; Philippe Bouclainville, President (pbouclainville@oddonyc.com) 150 East 52nd Street New York, NY 10022 212-481-4002.