

ATU

ATU heading towards restructuring - we stop our coverage

We stop our coverage of the ATU €11% 2014 issue after the issue has been on SELL for six months.

On 21 February 2013 we changed our recommendation from Hold to SELL due to an increased refinancing risk, a lack of short-term price triggers and an, in our view, unrealistic guidance for the first six months of 2013.

Our fear was confirmed and the company announced that a plan to restructure the company's debt will be released at the end of October. If new capital is not injected into ATU, Moody's estimates a recovery rate for the €11% 2014 issue of 65%. We do not expect KKR to find a new buyer for ATU and estimate a recovery rate for the €11% 2014 issue of slightly below 80, and consequently we still see downside for the issue.

Concern about outstanding coupon and the outcome of the restructuring prompt us to repeat our SELL recommendation one last time before we stop our coverage of the company.

This is a case recommendation. The company will be included in our research universe as long as it holds price potential justifying a BUY recommendation. Basically we shall discontinue our coverage of the company if our recommendation changes to SELL.



This is a complex product

Recommendations:

SELL: €11% 2014 - XS0548968592

€ '000	2011R	2012R	2013E
Rev.	1239,400	1219,773	1,183,180
EBITDA	78,954	67,510	53,410
Adj. Leverage	7.8	8.3	9.1

€11% 2014



Source: Jyske Bank & Bloomberg

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Issue	Rec.	Risk	Price	Yield	Bid Spread	Bid Spread Target	Bid Price target	Exp. 12M Return	Rating*
€11% 2014	SELL	Very High	83.50	45.2%	4510	1700	90	15.8%	CCC-

Note: When on strong buy, buy or hold the offer price/yield is shown. When on sell the bid price/yield is shown.

**Composite rating. Source: Bloomberg

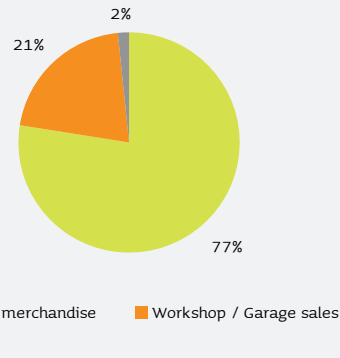
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Please see the last pages.

Overview

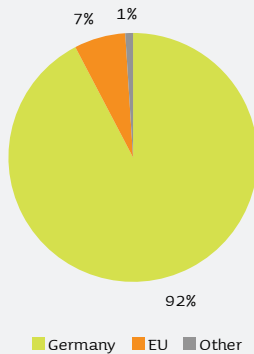
Company profile

ATU is Germany's largest independent chain within sale and fitting of spare parts and services through specialised workshops and merchandise shops. ATU has 11,295 full-time employees and operates 646 workshops across six European countries, of which Germany dominates with 599 workshops.

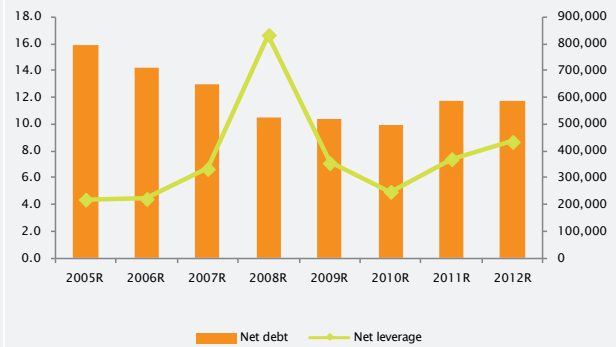
Revenue by segment



Earnings by segment (EBITDA)



Net debt and net leverage



Fundamental valuation

- The issue trades at lower multiples than comparable issues. Currently, the spread is higher than on issues from comparable companies despite their generally slightly poorer credit quality and longer maturity.
- In the event of default – e.g. in case of refinancing problems in 2014 – we assess that ATU will be an acquisition target.

Investment case

- Stable German economy supports the case
- Return to the thoroughly tested strategy
- Well-positioned in Germany

Price triggers

- Improvement of the German economy
- The discount to Franchise workshops wins new market share
- Rationalisations result in higher-than-expected margins
- IPO with resultant lower leverage
- Early refinancing

Risk factors

- Low diversification on both country and product basis
- Refinancing risk in 2014
- Very keen competition in the German automotive market
- Seasonal, particularly in connection with winter tyres in Q4
- Sale to new private equity fund

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Jyske Bank's corporate bond recommendations - current breakdown

Breakdown of recommendations, corporate bonds (number)



Source: Jyske Bank

Financial models

Jyske Bank models the expected development of the analysed company's income statement and balance sheet. A number of key figures for the company is calculated on the basis of these models, and the key figures are compared with those of comparable companies and the company's past performance. From this we infer the spread at which the bonds will trade for the period ahead. The recommendation and the price target are moreover adjusted for the expected news flow and the market sentiment based on knowledge of the industry and company-specific circumstances. Jyske Bank's recommendations take into account the expected development in the corporate-bond market, the various sectors and company-specific circumstances.

Risk

Investment in this corporate bond is associated with risk. The risk can be measured directly via the spread at which the bond trades relative to a 'risk free' investment with the same maturity. The spread reflects the probability of default, the recovery rate, and the liquidity of the corporate bond. Movements in the credit market, the sector and/or news flows, etc. regarding the company may affect the price of the bond. See the front page of the research report for our view of the risk associated with the corporate bond. The risk on the corporate bond is stated as Very Low, Low, Medium, High or Very High and is relative to the high-yield market for corporate bonds. The risk factors stated and/or calculations of sensitivities in the research report are not to be considered all-encompassing.

If the corporate bond is denominated in a currency other than the investor's base currency, the investor accepts an FX risk.

Update of the research report

The planned update of the report will be prepared immediately upon the release of the company's financial statements. In addition, there may be prepared research reports on special themes specifically for the company or research reports where the company is part of the special theme. These research reports are published on an ad-hoc basis.

See the front page for the initial date of publication of the report.

The prices stated are the latest prices quoted by Jyske Bank before the publication of the research report, unless otherwise stated.

Recommendation concepts

Our recommendations are based on market developments and an assessment of the expected return within the next twelve months. A BUY recommendation or a Strong BUY recommendation is based on expectations that investment in the bond will generate a return above that of the general corporate-bond market. On the other hand, a SELL recommendation implies that we expect investment in the bond to generate a return below that of the general corporate-bond market.

Since our recommendations are relative and risk-adjusted, it is possible to compare our recommendations across sectors and risk categories. In addition, the potential is stated in absolute terms via our return target.

The future and historical returns estimated in the research report are stated as returns before costs and tax-related circumstances since returns after costs and tax-related circumstances depend on a number of factors relating to individual customer relations, custodian charges, volume of trade as well as market-, currency- and product-specific factors. It is not certain that the bond will yield the stated expected future return/s. The stated expected future returns exclusively express our best assessment.

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