

CPH Chemie + Papier Holding AG

Switzerland | Industrial Goods & Services

Event Update

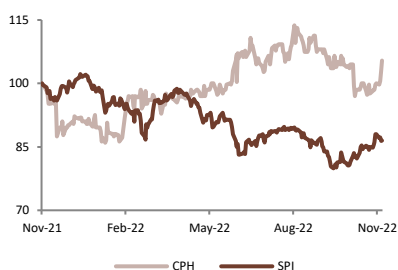
17 November 2022

Company Data

Price:	CHF 75.60
Market Cap:	CHF 453.6mn
Free Float:	56.9%
No. of shares:	6.0mn
Avg. traded volume (30 day):	1417
Bloomberg:	CPHN SW
Reuters:	CPHN-EB
ISIN:	CH0001624714

Source: SIX Swiss Exchange and Bloomberg

Share Price Development



Source: Bloomberg

Key Financial Data

	2020	2021	2022E	2023E
Sales	445.2	496.7	737.8	671.7
EBITDA %	12.4%	5.2%	17.0%	11.9%
EBIT %	5.5%	(0.5%)	14.4%	8.7%
Net Margin %	10.5%	(30.5%)	13.1%	7.1%
Basic EPS	7.82	(25.26)	16.13	7.94
Diluted EPS	7.82	(25.26)	16.13	7.94
DPS	1.80	1.30	1.30	2.50
Equity Ratio %	66.8%	55.2%	59.3%	62.9%
Capex	(13.5)	(19.4)	(51.6)	(28.9)
P/Sales	1.0x	0.9x	0.6x	0.0x
P/E	9.2x	NM	4.5x	9.2x
EV/EBITDA	8.4x	18.1x	3.6x	5.7x

Source: Research Dynamics, Company data

Next Events

Baader Helvea Conference	11 Jan 2023
FY 2022 report	21 Feb 2023
Annual General Meeting	14 Mar 2023

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Strong volumes and higher realizations lifts CPH's profitability

FY2022 guidance raised again with group EBIT guided above CHF 100 million

CPH Group yet again lifted the FY2022 guidance on continued strength in volumes and realization, which was led by strong demand and in part resulted from an increase in the price of raw materials. The company now expects net sales for FY2022 to be well over CHF 700 million.

The upward revision in guidance is led by the Paper Division, which is projected to report highest sales growth taking revenue close to ~CHF 400 million for the year. The division is also expected to report annual EBIT in the high double-digit millions. Further, the Chemistry and Packaging divisions could witness double-digit million operating results, which will further aid the Group in achieving the Group EBIT of more than CHF 100 million in FY2022. The net group result for the year is projected to reach around CHF 100 million, barring any unforeseen new variables.

Other Highlights

The CPH Group stated in the summer of 2021 that it would be supplying water and electricity to the Schilliger Holz AG and proposed a new wood-fiber insulation board manufacturing facility on land owned by Perlen Papier AG at its Perlen location. The planned project is no longer feasible because of the sharp rises in energy prices.

Valuation and conclusion

We value CPH using DCF and relative valuation techniques. Our intrinsic value of CHF 98.6 per share (higher than our last estimated target price of CHF 97.7 per share) implies an upside of ~30% from current levels. For relative valuation, since the Group operates in three entirely different divisions, we compare each of CPH's divisions with different sets of relevant industry peers. We have employed three parameters – EV/EBITDA, P/S, and P/E – to analyse the relative valuation of the Group. CPH currently trades at a P/S multiple of 0.7x (CY2022E), a significant 60% discount to the weighted average multiple of division peers.

All the three divisions are expected to report improved net sales, as it was largely able to pass on the higher costs of its raw materials to its various markets across the business segments. The Paper Division was benefited by certain one-off situations that led to short term imbalance in the market, the division is expected to report improvement in profitability and register a high double-digit-million EBIT this year, but the performance will stabilize going forward. Moreover, the operating result of the Packaging Division is also expected to improve. With improvement in the bottom line at Group level along with net sales and the cost optimisation efforts are expected to offer a required boost to the company's stock price. However, there could be some headwinds in the 2023e due to uncertain macroeconomic outlook.

Exhibit 1: CPH – Comparison with division peers

Company	EV/EBITDA			P/S			P/E		
	3 year average	CY2022E	CY2023E	3 year average	CY2022E	CY2023E	3 year average	CY2022E	CY2023E
CPH Chemie & Paper	6.1x	4.0x	5.4x	0.8x	0.7x	0.7x	10.5x	5.6x	8.6x
Paper peers:									
Holmen	NA	8.3x	12.4x	NA	3.0x	3.3x	NA	12.3x	19.9x
Stora Enso	7.9x	5.4x	6.7x	1.0x	1.0x	1.0x	13.7x	8.1x	11.4x
Altri Sgps	7.1x	5.3x	7.5x	1.7x	1.1x	1.4x	10.0x	6.7x	11.0x
Metsa Board	11.4x	4.8x	5.9x	1.2x	1.1x	1.1x	14.0x	6.5x	8.4x
Upm-Kymmene	8.5x	9.5x	9.1x	1.4x	1.6x	1.5x	12.8x	11.7x	11.8x
Norske Skogindustrier	10.8x	NA	NA	NA	NA	NA	2.8x	NA	NA
Cropper (James)	16.8x	0.1x	0.1x	1.3x	NA	NA	35.3x	30.1x	15.7x
Oji Holdings Corp	8.4x	965.0x	925.6x	0.4x	0.3x	0.3x	13.5x	6.2x	6.5x
Chemistry peers:									
Honeywell Int.	13.0x	17.7x	16.3x	2.8x	4.0x	3.9x	21.0x	24.5x	23.1x
Clariant	10.9x	7.3x	7.5x	1.4x	1.0x	1.0x	33.0x	13.9x	14.1x
Arkema	6.1x	4.3x	5.7x	0.8x	0.6x	0.6x	12.6x	5.5x	9.1x
Chemours Co/The	14.4x	5.3x	5.7x	2.4x	0.7x	0.7x	30.3x	6.5x	7.0x
Packaging peers:									
Macfarlane Group Plc	10.5x	0.1x	0.1x	0.7x	NA	NA	16.7x	8.8x	8.6x
Gerresheimer Ag	10.5x	9.5x	8.3x	1.6x	1.2x	1.1x	25.2x	14.6x	12.7x
West Pharmaceutical Services	24.7x	20.0x	20.4x	5.3x	6.2x	6.1x	41.9x	29.2x	31.7x
Convertidora Industrial Sa-A	5.0x	NA	NA	0.3x	NA	NA	41.9x	NA	NA
Psb Industries	4.7x	NA	NA	0.3x	NA	NA	15.3x	NA	NA
Astrapak Ltd-Uts	NA	NA	NA	NA	NA	NA	NA	NA	NA
Bilcare Ltd	34.4x	NA	NA	NA	NA	NA	6.9x	NA	NA
Median	10.5x	6.3x	7.5x	1.3x	1.1x	1.1x	15.3x	10.2x	11.6x
High	34.4x	965.0x	925.6x	5.3x	6.2x	6.1x	41.9x	30.1x	31.7x
Low	4.7x	0.1x	0.1x	0.3x	0.3x	0.3x	2.8x	5.5x	6.5x
Premium (disc) to peers	(42%)	(37%)	(29%)	(37%)	(42%)	(36%)	(31%)	(46%)	(26%)

Source: Bloomberg and Thomson Eikon (as on 16 Nov 2022)

Exhibit 2: CPH – Comparison with weighted average of division peers

	EV/EBITDA			P/S			P/E		
	3 year average	CY2022E	CY2023E	3 year average	CY2022E	CY2023E	3 year average	CY2022E	CY2023E
Weighted peer multiples	12.1x	75.9x	73.7x	1.5x	1.8x	1.8x	20.4x	13.2x	13.7x
CPH	6.1x	4.0x	5.4x	0.8x	0.7x	0.7x	10.5x	5.6x	8.6x
Premium (disc) to peers	(49%)	(95%)	(93%)	(47%)	(64%)	(61%)	(49%)	(58%)	(37%)

Source: Bloomberg and Thomson Eikon (as on 16 Nov 2022)

DETAILED FINANCIAL STATEMENTS

Income Statement FY2022

CHF mn (except per share)	1H22E	2H22E	FY22E
Chemistry sales	56	58	114
Paper sales	188	214	402
Packaging sales	116	106	222
Net Sales	360	378	738
Cost of Sales	(229)	(226)	(449)
Gross profit	140	152	289
Personnel cost	(50)	(51)	(102)
Outsourced maintenance/repairs	0	(25)	(25)
Other operating expense	(28)	(9)	(37)
Total operating costs	(79)	(85)	(164)
EBITDA	62	67	125
Depreciation	(10)	(8)	(18)
Amortisation	0	(1)	(1)
Operating profit (EBIT) before impairment	52	54	106
Impairment	0	0	0
Operating profit (EBIT)	52	54	106
Finance costs	(1)	(1)	(2)
Finance income	0	0	0
Total financial income (expenses)	(1)	(1)	(2)
Profit before taxes (before exceptional items)	50	53	104
Non-operating items	(2)	0	0
Income taxes	(1)	(5)	(7)
Profit attributable to the parent	47	48	97
Basic EPS	7.9	8.2	16.1
Diluted EPS	7.9	8.2	16.1

Source: Research Dynamics, Company data

Income Statement

CHF mn (except per share)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Chemistry sales	75	79	78	73	95	114	116
Paper sales	264	301	293	210	231	402	344
Packaging sales	130	153	153	162	171	222	212
Net Sales	470	534	525	445	497	738	672
Cost of Sales	(309)	(311)	(298)	(255)	(336)	(449)	(419)
Gross profit	161	222	227	190	161	289	252
Personnel cost	(84)	(92)	(93)	(93)	(92)	(102)	(109)
Outsourced maintenance/repairs	(17)	(19)	(20)	(17)	(18)	(25)	(27)
Other operating expense	(26)	(28)	(26)	(25)	(25)	(37)	(37)
Total operating costs	(127)	(139)	(139)	(135)	(135)	(164)	(173)
EBITDA	34	83	88	55	26	125	80
Depreciation	(30)	(30)	(30)	(29)	(27)	(18)	(20)
Amortisation	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Operating profit (EBIT) before impairment	3	52	57	25	(3)	106	58
Impairment	0	0	0	0	(150)	0	0
Operating profit (EBIT)	3	52	57	25	(153)	106	58
Finance costs	(8)	(7)	(6)	(5)	(5)	(2)	(2)
Finance income	2	1	0	0	1	0	0
Total financial income (expenses)	(7)	(6)	(6)	(5)	(4)	(2)	(2)
Profit before taxes (before exceptional items)	(4)	46	51	20	(157)	104	56
Non-operating items	23	0	1	19	7	0	0
Income taxes	(3)	(3)	(3)	8	(2)	(7)	(8)
Profit attributable to the parent	16	42	48	47	(152)	97	48
Basic EPS	2.7	7.1	8.1	7.8	(25.3)	16.1	7.9
Diluted EPS	2.7	7.1	8.1	7.8	(25.3)	16.1	7.9
DPS	0.7	1.8	1.8	1.8	1.3	1.3	2.5

Source: Research Dynamics, Company data

Balance Sheet

CHF mn	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Assets							
Non-current assets							
PPE	384.1	376.1	366.4	352.6	196.5	228.5	235.9
Intangible assets	4.8	5.8	5.6	5.6	5.8	6.0	6.1
Long-term financial assets	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Long-term financial receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	56.4	55.3	54.0	64.8	58.4	58.4	58.4
Total non-current assets	455.3	447.2	436.0	432.9	270.7	302.8	310.4
Current assets							
Inventories	59.2	69.6	78.5	78.3	87.5	103.1	99.7
Trade accounts receivable	77.8	72.1	72.4	52.9	69.3	78.8	73.6
Other receivables	18.0	13.1	14.0	17.2	28.5	28.5	28.5
Prepaid expenses and accrued income	7.0	9.2	8.6	6.7	9.2	9.2	9.2
Short-term financial receivables	0.0	100.3	0.0	0.0	0.1	0.1	0.1
Liquid funds and Securities	80.2	89.0	93.1	116.3	95.1	148.6	165.8
Total assets	697.6	800.5	702.7	704.2	560.4	671.1	687.3
Shareholders' Equity and Liabilities							
Share capital	30.0	12.0	12.0	1.2	1.2	1.2	1.2
Capital reserves	0.8	15.0	4.2	4.2	(0.1)	(0.1)	(0.1)
Profit reserves	346.4	336.2	375.2	418.5	459.5	300.2	382.0
Net result for the year	16.0	42.3	48.3	46.9	(151.6)	96.8	47.6
Non-current liabilities							
Long-term financial liabilities	143.5	120.5	116.8	109.7	106.6	102.7	98.8
Pension scheme liabilities	0.6	1.3	0.7	1.2	1.4	1.4	1.4
Other long-term liabilities	0.0	0.8	0.6	0.4	0.3	0.3	0.3
Long-term provisions	51.8	50.0	47.5	31.5	24.1	24.1	24.1
Current liabilities							
Trade accounts payable	69.5	69.7	66.3	56.8	84.8	110.3	97.7
Other payables	3.3	4.1	3.6	4.6	3.9	3.9	3.9
Accrued liabilities and deferred income	17.2	20.0	16.3	16.8	18.3	18.3	18.3
Short-term financial liabilities	9.8	125.8	5.9	8.1	3.2	3.1	3.0
Short-term provisions	5.6	1.2	3.8	3.3	7.4	7.4	7.4
Total liabilities	301.3	393.3	261.4	232.4	249.9	271.5	254.9
Total equity and liab.	697.6	800.5	702.7	704.2	560.4	671.1	687.3

Source: Research Dynamics, Company data

Cash Flow Statement

CHF mn	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net profit for the period	16.2	42.3	48.5	47.0	(151.4)	96.9	47.8
Non-cash adjustments:	(1.5)	26.3	31.2	(2.2)	169.5	19.4	21.4
Change in CA and CL:							
(Increase)/ decrease in inventories	13.6	(8.6)	(10.2)	(4.1)	(9.6)	(15.5)	3.4
Decrease in trade accounts receivable	(7.7)	5.0	(1.3)	20.5	(15.5)	(9.6)	5.2
Increase/ (decrease) in trade accounts payable	15.8	(1.1)	(2.8)	(9.0)	30.7	25.6	(12.6)
Other changes in working capital	(4.2)	0.4	(4.3)	2.8	(7.9)	0.0	0.0
CFO	32.2	64.3	61.0	55.0	15.8	116.8	65.1
Investments in tangible fixed assets	(32.3)	(22.3)	(21.9)	(17.5)	(23.0)	(50.1)	(27.4)
Disposals of tangible fixed assets	15.4	6.3	0.8	5.2	5.2	0.0	0.0
Investments in intangible assets	(2.4)	(2.2)	(1.0)	(1.3)	(1.6)	(1.5)	(1.5)
Sale of subsidiary/ Divestiture of interests	0.0	0.0	0.0	0.1	0.2	0.0	0.0
Investments in business activities	0.0	(27.9)	0.0	(1.6)	0.0	0.0	0.0
Repayment of long-term financial receivables	0.0	0.0	100.9	(0.3)	(0.1)	0.0	0.0
CFI	(19.3)	(46.0)	78.9	(15.3)	(19.2)	(51.6)	(28.9)
Increase/ (Decrease) in short-term financial liabilities and receivables	1.0	(4.3)	(123.4)	(4.4)	(6.9)	(0.1)	(0.1)
Increase/ (Decrease) in long-term financial liabilities	(0.6)	(3.0)	(1.1)	0.0	0.0	(3.9)	(3.9)
Increase in other long-term liabilities	0.2	2.1	(0.2)	(0.4)	(0.3)	0.0	0.0
Dividends to shareholders	(3.9)	(3.9)	(10.9)	(10.8)	(10.8)	(7.8)	(15.0)
CCF	(3.3)	(9.1)	(135.6)	(15.6)	(18.0)	(11.8)	(19.0)
Exchange (losses)/gains	0.2	(0.3)	(0.2)	(0.9)	0.2	0.0	0.0
Net change in cash	9.8	8.9	4.1	23.2	(21.2)	53.5	17.2
Opening cash balance	70.3	80.1	89.0	93.1	116.3	95.1	148.5
Closing cash balance	80.1	89.0	93.1	116.3	95.1	148.5	165.8

Key Ratios

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Growth Ratios							
Sales Growth	8%	14%	(2%)	(15%)	12%	49%	(9%)
Chemistry division	9%	5%	(2%)	(6%)	30%	20%	2%
Paper division	7%	14%	(3%)	(29%)	10%	74%	(14%)
Packaging division	9%	17%	0%	6%	5%	30%	(5%)
Operating Profit Growth	(51%)	NM	10%	(56%)	NM	NM	(45%)
Net Income Growth	NM	165%	14%	(3%)	NM	NM	(51%)
Profitability Ratios (%)							
Operating margin	1%	10%	11%	6%	(1%)	14%	9%
Chemistry division	5%	8%	6%	6%	16%	11%	15%
Paper division	(5%)	10%	12%	(1%)	(11%)	18%	5%
Packaging division	7%	10%	11%	13%	3%	9%	10%
EBITDA Margin %	7%	16%	17%	12%	5%	17%	12%
Net Margin (%)	3%	8%	9%	11%	(31%)	13%	7%
Return Ratios							
Profit Margin	3%	8%	9%	11%	(31%)	13%	7%
Asset Turnover	0.7x	0.7x	0.7x	0.6x	0.8x	1.2x	1.0x
Financial Leverage	1.8x	1.9x	1.8x	1.5x	1.6x	1.7x	1.6x
Dupont ROE (%)	4%	11%	11%	10%	(39%)	27%	11%
ROCE (%)	1%	10%	10%	4%	(1%)	21%	11%
ROA (%)	2%	6%	6%	7%	(24%)	16%	7%
Leverage Ratios							
Debt - Equity Ratio	0.4x	0.6x	0.3x	0.2x	0.4x	0.3x	0.2x
Net Debt - Equity Ratio	0.2x	0.4x	0.1x	0.0x	0.0x	(0.1x)	(0.2x)
Interest Coverage	0.7x	11.8x	9.1x	9.1x	(1.1x)	44.3x	25.1x
Liquidity Ratios							
Current Ratio	2.3x	1.6x	2.8x	3.0x	2.5x	2.6x	2.9x
Quick Ratio	1.7x	1.3x	2.0x	2.2x	1.7x	1.9x	2.1x
Valuation Ratios							
EV/EBITDA	13.0x	5.3x	5.0x	8.0x	17.1x	3.5x	5.5x
P/E	28.2x	10.7x	9.3x	9.6x	NM	4.7x	9.5x

Source: Research Dynamics, Bloomberg, Company data

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