

# CPH Group AG

Switzerland | Industrial Goods & Services

## Investor Day Update

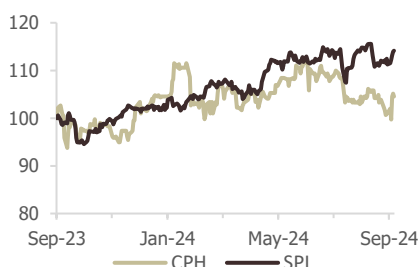
27 September 2024

### Company Data

Price:	CHF 65.40
Market Cap:	CHF 394.8mn
Free Float:	76.7%
No. of shares:	6.0mn
Avg. traded volume (30 day):	1,937
Bloomberg:	CPHN SW
Reuters:	CPHN-EB
ISIN:	CH0001624714

Source: SIX Swiss Exchange and Bloomberg

### Share Price Development



Source: Bloomberg

### Key Financial Data

	2023	2024E	2025E	2026E
Sales	361.5	355.4	371.4	388.1
EBITDA %	18.0%	16.5%	18.8%	19.2%
EBIT %	14.4%	12.3%	14.4%	14.8%
Net Margin %	12.5%	1.7%	11.0%	11.3%
Basic EPS	7.50	1.00	6.8	7.3
Diluted EPS	7.50	1.00	6.8	7.3
DPS	4.00	1.20	3.0	4.0
Equity Ratio %	72.9%	60.8%	64.2%	65.8%
Capex	(15.6)	(16.4)	(19.1)	(21.7)
P/Sales	1.1x	1.1x	1.1x	1.0x
P/E	8.7x	64.8x	9.5x	8.9x
EV/EBITDA	4.4x	4.8x	4.1x	3.8x

Source: Research Dynamics, Company data

### Next Events

ZKB Swiss Equity Conference	01 Nov 2024
Baader Helvea Swiss Equities Conference	08 Jan 2025
2024 Annual Report	25 Feb 2025

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## Packaging division to participate in the mega-trend of the pharmaceutical industry

CPH Group (CPH) hosted its annual Investor's Day. The company outlined its strategic and financial objectives with a focus on innovation and product development, growth in attractive niche markets and operational excellence in both the Chemistry and Packaging divisions. Following the spin-off of the paper business, the management is now fully focused on the Chemicals and Packaging segments, both of which have significant potential for further growth. With its strong brands Zeochem (chemistry) and Perlen Packaging (packaging), the CPH Group is already very well positioned and can now focus even more on these brands in order to take full advantage of the above-average growth opportunities in niche markets worldwide.

A special focus of the Investor's Day was the Packaging Division. Management outlined Perlen Packaging's strategy and presented the pharmaceutical packaging market, where the division holds a leading global position. They also provided information on the new plant in Brazil, which is now the most modern coating plant in Latin America and enables the company to supply local markets. Brazil, currently the fastest growing pharmaceutical market, offers further growth potential.

### Packaging division: Set for secular long-term growth

The division remains entirely focused on the pharmaceutical sector, with production sites in the top 10 pharmaceutical markets, including the US, China, Germany, and Brazil. It aims to further increase its international presence through expansion at various sites. The division has a strong market position and is among the top three players in the niche market for pharmaceutical packaging. Perlen Packaging is primarily active in the highly regulated Rx and OTC markets, where tablets and capsules remain highly attractive dosage forms. The company generates more than 90% of its business from repeat orders, which provide revenue visibility.

The division is developing new products, such as halogen-free films and mono-material packaging, to support the circular economy. In particular, the global market for pharmaceutical blister packaging is expected to grow by 3% to 6% annually over the next few years, creating a favourable environment for the division's growth. Key megatrends such as ageing and population growth, autonomy and self-determination, lifestyle diseases and improved healthcare will support long-term growth opportunities for the division.

### Global capacity expansions

				
Coating of Mono films and slitting/packaging	Production of Mono films and slitting/packaging	Coating of Mono films and slitting/packaging	Coating of Mono films and slitting/packaging	Slitting/Packaging

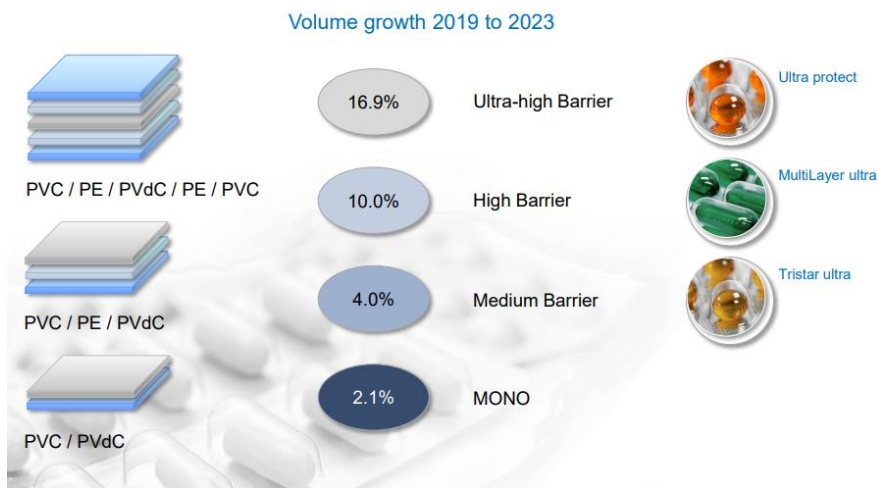
### Capex 2022 - 2024

Source: Company presentation

**Packaging division: Solid track record**

The segment has achieved impressive volume growth across its various product offerings. This has resulted in annual growth of more than 8% over the last 10 years and attractive EBITDA margins. Given the solid outlook for the pharmaceutical market, the division is expected to continue to deliver healthy volume growth and profitability.



Source: Company presentation

**Sustainability at its core**

CPH Group sustainability strategies emphasize a long-term commitment to sustainable value creation, which is embedded in its corporate purpose. The company is focused on reducing energy consumption, utilizing resources efficiently, and minimizing water usage through closed-circuit systems and through innovation, offering products with a reduced carbon footprint. One such example was presented at the Investor Day, where the product Perlalux, an alternative to the widely used Coldform and Aclar, can be produced more efficiently, using less raw material, while still providing excellent barrier properties. By using circular and bio-circular raw materials in combination with the utilization of renewable energies, the company can produce PVC mono films with a greatly reduced CO2 footprint.

**M&A Strategy to drive the growth**

CPH also outlined its M&A strategy for recurring growth. The M&A strategy focuses on supporting the transformation, creating shareholder value and ensuring consistent implementation of the strategy. The company does take a systematic and global approach in its Chemistry and Packaging divisions, focusing on growth markets. This includes ongoing market screening and target identification, resulting in continuously updated long and short lists. The company would thoroughly evaluate potential targets based on criteria such as strategic alignment, fit and management integration capability, all with a view to enhancing shareholder value. This strategic approach will ensure that the company remains agile and well positioned for sustainable growth in its key markets.

**Outlook for FY2024**

The overall market environment may improve somewhat as interest rates are expected to be lowered further in various regions. However, economic instability persists amid ongoing uncertainties and geopolitical conflicts in Eastern Europe, the Middle East, and Asia.

**Group:** Sales are expected to be below the previous year due to falling raw material prices. The management reiterated that the CPH Group with its remaining Chemistry and Packaging divisions expects to report an EBITDA in the mid-double-digit millions. Despite the negative net first-half result of CHF -29.8 mn on account of the spun-off Paper division, the group expects to report a positive net result for the year as a whole.

**Chemistry:** The efficiency enhancements envisaged in the USA, the capacity expansion in Rüti and the integration of Sorbchem India will be effected as planned. Net sales and EBITDA for the full 2024 business year are likely to be at or around their high 2023 levels.

**Packaging:** Net sales to be below the previous year's figure due to lower sales volumes and falling raw material prices. After an exceptional 2023, EBITDA for the year is likely to be lower than the previous year.

**Valuation and conclusion**

The Packaging and Chemistry divisions offer a favourable long-term outlook and the operating results of these divisions are expected to remain resilient. Apart from a supportive outlook, the cost optimisation efforts are expected to result in margin improvement to the 16-18% range going forward, which should lead to solid earnings growth.

We value CPH using DCF and relative valuation techniques. Our intrinsic value of CHF 86.1 per share implies an upside of 31.7% from current levels. For relative valuation, since the Group operates in two entirely different divisions, we compare CPH's divisions with various 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 an EV/EBITDA multiple of 4.8x (FY2024e), a 45.0% discount to the weighted average multiple of division peers.

**Exhibit 1: CPH – Comparison with division peers**

Company	EV/EBITDA			P/S			P/E		
	3 year average	CY2024E	CY2025E	3 year average	CY2024E	CY2025E	3 year average	CY2024E	CY2025E
CPH Chemie & Paper	5.8x	4.8x	4.1x	0.8x	1.1x	1.1x	8.3x	64.8x	9.5x
<b>Chemistry peers:</b>									
Honeywell International	15.5x	15.1x	14.0x	3.7x	3.5x	3.3x	25.2x	20.3x	18.5x
Clariant AG	8.8x	8.3x	7.3x	1.1x	1.0x	0.9x	29.5x	14.9x	12.2x
Arkema	5.3x	6.3x	5.8x	0.7x	0.7x	0.6x	11.4x	9.4x	8.3x
Lanxess AG	17.6x	8.4x	6.4x	2.5x	0.4x	0.3x	60.1x	nm	19.7x
<b>Packaging peers:</b>									
Berry Global Group	7.7x	8.0x	7.8x	0.6x	0.6x	0.6x	11.7x	8.9x	8.2x
Macfarlane Group	6.7x	0.1x	0.1x	0.7x	0.0x	0.0x	12.5x	9.1x	8.7x
Gerresheimer AG	10.7x	10.1x	8.3x	1.6x	1.6x	1.4x	27.6x	20.0x	15.4x
West Pharmaceutical Services	29.6x	26.9x	23.1x	8.9x	7.4x	6.8x	44.3x	39.7x	34.2x
Amcor Plc	10.7x	11.4x	11.1x	1.1x	1.2x	1.1x	18.8x	15.8x	15.0x
Mold-Tek Packaging Ltd	22.0x	16.4x	13.3x	4.1x	3.2x	2.7x	38.4x	31.7x	24.5x
Median	10.7x	8.8x	8.3x	1.3x	1.0x	1.0x	25.2x	15.4x	15.0x
High	29.6x	26.9x	23.1x	8.9x	7.4x	6.8x	60.1x	39.7x	34.2x
Low	5.3x	0.1x	0.1x	0.6x	0.0x	0.0x	11.4x	8.9x	8.2x
Premium (disc) to peers	(46%)	(45%)	(51%)	(38%)	10%	9%	(67%)	322%	(36%)

Source: Bloomberg and Thomson Eikon (as on 26 September 2024)

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

	EV/EBITDA			P/S			P/E		
	3 year average	CY2024E	CY2025E	3 year average	CY2024E	CY2025E	3 year average	CY2024E	CY2025E
Chemistry peers	12.1x	8.3x	6.8x	1.8x	0.8x	0.8x	27.3x	14.9x	15.3x
Packaging peers	10.7x	10.1x	8.3x	1.3x	1.2x	1.1x	18.8x	15.8x	15.0x

Source: Bloomberg and Thomson Eikon (as on 26 September 2024)

## DETAILED FINANCIAL STATEMENTS

### Income Statement

CHF mn (except per share)	FY20A	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
Chemistry sales	73	95	110	124	120	125	129
Paper sales	210	231	384	262			
Packaging sales	162	171	231	237	235	247	259
<b>Net Sales</b>	<b>445</b>	<b>497</b>	<b>725</b>	<b>362</b>	<b>355</b>	<b>371</b>	<b>388</b>
Cost of Sales	(255)	(336)	(431)	(203)	(196)	(195)	(204)
<b>Gross profit</b>	<b>190</b>	<b>161</b>	<b>294</b>	<b>158</b>	<b>159</b>	<b>177</b>	<b>184</b>
Personnel cost	(93)	(92)	(102)	(66)	(66)	(72)	(74)
Outsourced maintenance/repairs	(17)	(18)	(28)	(9)	(10)	(10)	(10)
Other operating expense	(25)	(25)	(34)	(19)	(25)	(25)	(26)
<b>Total operating costs</b>	<b>(135)</b>	<b>(135)</b>	<b>(163)</b>	<b>(94)</b>	<b>(100)</b>	<b>(107)</b>	<b>(110)</b>
<b>EBITDA</b>	<b>55</b>	<b>26</b>	<b>131</b>	<b>65</b>	<b>59</b>	<b>70</b>	<b>74</b>
Depreciation on tangible fixed assets	(29)	(27)	(16)	(13)	(14)	(14)	(15)
Depreciation on intangible assets	(1)	(1)	(2)	0	(1)	(2)	(2)
<b>Operating profit (EBIT) before impairment</b>	<b>25</b>	<b>(3)</b>	<b>112</b>	<b>52</b>	<b>44</b>	<b>53</b>	<b>57</b>
Impairment	0	(150)	0	0	0	0	0
<b>Operating profit (EBIT)</b>	<b>25</b>	<b>(153)</b>	<b>112</b>	<b>52</b>	<b>44</b>	<b>53</b>	<b>57</b>
Finance costs	(5)	(5)	(4)	(2)	(0)	(0)	(0)
Finance income	0	1	0	0	1	1	1
<b>Total financial income (expenses)</b>	<b>(5)</b>	<b>(4)</b>	<b>(4)</b>	<b>(2)</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Profit before taxes</b>	<b>20</b>	<b>(157)</b>	<b>108</b>	<b>50</b>	<b>44</b>	<b>54</b>	<b>58</b>
Non-operating items	19	7	(8)	8	(28)	0	0
Income taxes	8	(2)	1	(12)	(11)	(13)	(14)
<b>Profit attributable to the parent</b>	<b>47</b>	<b>(152)</b>	<b>101</b>	<b>45</b>	<b>6</b>	<b>41</b>	<b>44</b>
<b>Basic EPS</b>	<b>7.8</b>	<b>(25.3)</b>	<b>16.8</b>	<b>7.5</b>	<b>1.0</b>	<b>6.8</b>	<b>7.3</b>
<b>Diluted EPS</b>	<b>7.8</b>	<b>(25.3)</b>	<b>16.8</b>	<b>7.5</b>	<b>1.0</b>	<b>6.8</b>	<b>7.3</b>
<b>DPS</b>	<b>1.8</b>	<b>1.3</b>	<b>4.5</b>	<b>4.0</b>	<b>1.2</b>	<b>3.0</b>	<b>4.0</b>

Source: Research Dynamics, Company data

### Balance Sheet

CHF mn	FY20A	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
<b>Assets</b>							
<b>Non-current assets</b>							
PPE	352.6	196.5	213.7	125.0	126.0	129.3	133.8
Intangible assets	5.6	5.8	4.5	12.0	12.2	11.7	12.1
Long-term financial assets	10.0	10.0	10.0	0.0	0.0	0.0	0.0
Long-term financial receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	64.8	58.4	55.8	9.1	9.1	9.1	9.1
Total non-current assets	432.9	270.7	284.0	146.1	147.3	150.1	155.0
<b>Current assets</b>							
Inventories	78.3	87.5	113.1	72.5	73.1	73.0	76.5
Trade accounts receivable	52.9	69.3	93.9	51.1	48.7	50.9	55.3
Other receivables	17.2	28.5	21.9	22.8	22.8	22.8	22.8
Prepaid expenses and accrued income	6.7	9.2	9.6	0.0	0.0	0.0	0.0
Short-term financial receivables	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Liquid funds and Securities	116.3	95.1	143.6	35.4	34.8	39.3	48.6
<b>Total assets</b>	<b>704.2</b>	<b>560.4</b>	<b>666.2</b>	<b>327.9</b>	<b>326.8</b>	<b>336.1</b>	<b>358.1</b>
<b>Shareholders' Equity and Liabilities</b>							
Share capital	1.2	1.2	1.2	0.9	0.9	0.9	0.9
Capital reserves	4.2	(0.1)	(0.1)	(0.8)	(0.8)	(0.8)	(0.8)
Profit reserves	418.5	459.5	397.1	200.0	176.0	158.0	174.9
Net result for the year	46.9	(151.6)	0.0	0.0	6.0	40.9	44.0
<b>Non-current liabilities</b>							
Long-term financial liabilities	109.7	106.6	0.0	0.0	8.1	8.1	8.1
Pension scheme liabilities	1.2	1.4	1.7	0.0	0.0	0.0	0.0
Other long-term liabilities	0.4	0.3	0.0	0.0	0.0	0.0	0.0
Long-term provisions	31.5	24.1	31.4	32.3	27.3	22.3	22.3
<b>Current liabilities</b>							
Trade accounts payable	56.8	84.8	93.0	36.0	45.4	42.8	44.8
Other payables	4.6	3.9	6.5	5.1	5.1	5.1	5.1
Accrued liabilities and deferred income	16.8	18.3	27.2	31.1	31.1	31.1	31.1
Short-term financial liabilities	8.1	3.2	98.9	0.7	5.1	5.1	5.1
Short-term provisions	3.3	7.4	7.8	6.0	6.0	6.0	6.0
<b>Total liabilities</b>	<b>232.4</b>	<b>249.9</b>	<b>266.6</b>	<b>111.2</b>	<b>128.0</b>	<b>120.4</b>	<b>122.4</b>
<b>Total equity and liab.</b>	<b>704.2</b>	<b>560.4</b>	<b>666.2</b>	<b>327.9</b>	<b>326.8</b>	<b>336.1</b>	<b>358.1</b>

Source: Research Dynamics, Company data

**Cash Flow Statement**

CHF mn	FY20	FY21	FY22	FY23*	FY24E	FY25E	FY26E
Net profit for the period	47.0	(151.4)	101.0	79.0	6.0	40.9	44.0
Non-cash adjustments:	(2.2)	169.5	28.4	11.3	15.2	16.3	16.9
<b>Change in CA and CL:</b>							
(Increase)/ decrease in inventories	(4.1)	(9.6)	(27.2)	7.4	(0.6)	0.1	(3.5)
Decrease in trade accounts receivable	20.5	(15.5)	(26.7)	18.7	2.5	(2.2)	(4.4)
Increase/ (decrease) in trade accounts payable	(9.0)	30.7	6.9	(17.1)	9.4	(2.6)	2.0
Other changes in working capital	2.8	(7.9)	15.3	10.5	(5.0)	(5.0)	0.0
<b>CFO</b>	<b>55.0</b>	<b>15.8</b>	<b>97.6</b>	<b>109.9</b>	<b>27.5</b>	<b>47.6</b>	<b>55.0</b>
Investments in tangible fixed assets	(17.5)	(23.0)	(32.9)	(33.8)	(15.0)	(17.6)	(19.4)
Disposals of tangible fixed assets	5.2	5.2	4.3	19.1	0.0	0.0	0.0
Investments in intangible assets	(1.3)	(1.6)	(1.0)	(0.9)	(1.4)	(1.5)	(2.3)
Sale of subsidiary/ Divestiture of interests	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Investments in business activities	(1.6)	0.0	0.0	(2.4)	0.0	0.0	0.0
Repayment of long-term financial receivables	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
<b>CFI</b>	<b>(15.3)</b>	<b>(19.2)</b>	<b>(29.6)</b>	<b>(18.0)</b>	<b>(16.4)</b>	<b>(19.1)</b>	<b>(21.7)</b>
Increase/ (Decrease) in short-term financial liabilities and receivables	(4.4)	(6.9)	(3.2)	0.7	4.3	0.0	0.0
Increase/ (Decrease) in long-term financial liabilities	0.0	0.0	(6.5)	0.0	8.1	0.0	0.0
Increase in other long-term liabilities	(0.4)	(0.3)	(1.3)	(98.7)	0.0	0.0	0.0
Dividends to shareholders	(10.8)	(10.8)	(7.8)	(27.0)	(24.0)	(24.0)	(24.0)
<b>CCF</b>	<b>(15.6)</b>	<b>(18.0)</b>	<b>(19.0)</b>	<b>(125.7)</b>	<b>(11.6)</b>	<b>(24.0)</b>	<b>(24.0)</b>
Exchange (losses)/gains	(0.9)	0.2	(0.5)	(2.2)	0.0	0.0	0.0
<b>Net change in cash</b>	<b>23.2</b>	<b>(21.2)</b>	<b>48.5</b>	<b>(36.0)</b>	<b>(0.5)</b>	<b>4.4</b>	<b>9.3</b>
Opening cash balance	93.1	116.3	95.1	143.6	35.4	34.8	39.3
<b>Closing cash balance</b>	<b>116.3</b>	<b>95.1</b>	<b>143.6</b>	<b>107.6</b>	<b>34.8</b>	<b>39.3</b>	<b>48.6</b>

\*Group Cash flow

**Key Ratios**

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Ratios</b>							
Sales Growth	(15%)	12%	46%	(14%)	(2%)	4%	4%
Chemistry division	(6%)	30%	16%	13%	(3%)	4%	4%
Paper division	(29%)	10%	67%	(32%)	(17%)	24%	9%
Packaging division	6%	5%	35%	3%	(1%)	5%	5%
Operating Profit Growth	(56%)	NM	NM	(54%)	(17%)	23%	7%
Net Income Growth	(3%)	NM	NM	(55%)	NM	580%	8%
<b>Profitability Ratios (%)</b>							
Operating margin (%)	6%	(1%)	16%	14%	12%	14%	15%
Chemistry division	6%	16%	13%	13%	11%	13%	13%
Paper division	(1%)	(11%)	20%	12%	(7%)	6%	9%
Packaging division	13%	3%	10%	15%	13%	15%	16%
EBITDA Margin %	12%	5%	18%	18%	17%	19%	19%
Net Margin (%)	11%	(31%)	14%	12%	2%	11%	11%
<b>Return Ratios</b>							
Profit Margin	11%	(31%)	14%	12%	2%	11%	11%
Asset Turnover	0.6x	0.8x	1.2x	0.6x	0.8x	1.1x	1.1x
Financial Leverage	1.5x	1.6x	1.7x	1.5x	1.5x	1.6x	1.5x
Dupont ROE (%)	10%	(39%)	28%	11%	2%	20%	19%
ROCE (%)	4%	(1%)	28%	12%	21%	24%	24%
ROA (%)	7%	(24%)	16%	7%	1%	12%	13%
<b>Leverage Ratios</b>							
Debt - Equity Ratio	0.2x	0.4x	0.2x	0.0x	0.1x	0.1x	0.1x
Net Debt - Equity Ratio	0.0x	0.0x	(0.1x)	(0.2x)	(0.1x)	(0.1x)	(0.2x)
Interest Coverage	9.1x	(1.1x)	46.8x	19.9x	38.8x	51.4x	51.2x
<b>Liquidity Ratios</b>							
Current Ratio	3.0x	2.5x	1.6x	2.5x	1.9x	2.1x	2.2x
Quick Ratio	2.2x	1.7x	1.2x	1.7x	1.1x	1.3x	1.4x
<b>Valuation Ratios</b>							
EV/EBITDA	5.1x	11.0x	2.2x	4.4x	4.8x	4.1x	3.8x
P/E	8.3x	NM	3.9x	8.7x	64.8x	9.5x	8.9x

Source: Research Dynamics, Bloomberg, Company data

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