

# CPH Group AG

Switzerland | Industrial Goods & Services

## Event Update

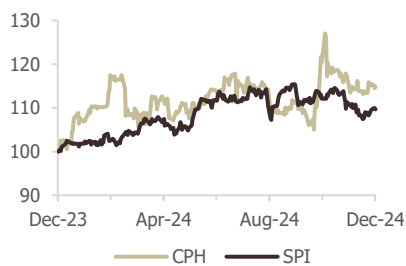
05 December 2024

### Company Data

Price:	CHF 67.40
Market Cap:	CHF 404.4mn
Free Float:	76.7%
No. of shares:	6.0mn
Avg. traded volume (30 day):	909
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	67.2x	9.9x	9.2x
EV/EBITDA	4.4x	5.0x	4.2x	3.9x

Source: Research Dynamics, Company data

### Next Events

Baader Helvea Swiss Equities Conference	08 Jan 2025
2024 Annual Report	25 Feb 2025

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## CPH's Perlen Packaging to acquire LOG Pharma

### Deal Overview

On December 4, 2024, CPH Group (CPH) announced that its Packaging Division - Perlen Packaging is set to acquire the LOG Pharma company, which has production sites in Israel and Hungary. The purchase price remains undisclosed, but the transaction is expected to be completed in 1QFY25.

LOG Pharma produces packaging solutions with high barrier properties against oxygen and water vapour, ensuring the safe and secure packaging of both solid and liquid pharmaceutical and medicinal products. The company is pursuing a growth strategy and reported revenues of CHF 26 million and an EBITDA of CHF 2.7 million for FY23.

The management noted that it is cognisant of the current tense political situation in Israel and has therefore thoroughly assessed the opportunities and risks associated with this acquisition. After careful deliberation, the Board of Directors decided to proceed with the transaction as planned, concluding that the potential for further development of Perlen Packaging in alignment with its strategy outweighs the existing risks.

Previously, in June 2024, CPH Group AG had completed a strategic spin-off in which the more volatile Perlen Paper business was separated from its Chemistry and Packaging divisions. This resulted in the creation of Perlen Industrieholding AG, which focuses on the Paper business and real estate in Perlen, Switzerland. The aim of the spin-off was to refocus the business by creating two independent companies with distinct strategic orientations. Following this restructuring, Perlen Packaging's plan to expand through the acquisition of LOG Pharma is in line with its strategic objectives and will strengthen its global market position in pharmaceutical packaging.

### Deal Rationale

Perlen Packaging operates in several key segments within the pharmaceutical packaging industry, including high-barrier films, mono films, coated films, and blister packs and has a global presence with production facilities in Europe, the USA, China, and Brazil.

LOG Pharma produces packaging solutions with high barrier properties against oxygen and water vapour, ensuring the safe and secure packaging of both solid and liquid pharmaceutical and medicinal products. By acquiring LOG Pharma and establishing a presence in Israel and Hungary, the CPH Group aims to strengthen its global market position in growth regions for pharmaceutical packaging. According to management, this acquisition would add complementary primary pharmaceutical packaging solutions, such as bottles and containers, to the Perlen Packaging product range. It will also help CPH to gain a foothold in the lucrative Eastern European pharmaceutical packaging market.

The CPH Group focuses on attractive niche markets with above-average growth potential worldwide. The acquisition of LOG Pharma is a strategic step in further advancing the expansion of its Packaging Division and integrating it with the former's existing packaging business will allow market synergies to be exploited and overall capabilities to be enhanced. With the production site in Hungary, CPH is also gaining market access to Eastern Europe, a region that is becoming increasingly important for its customers in the production of pharma blister packaging. The manufacturing location will enable CPH to respond more quickly and effectively to its customers' needs, while the new product offering will strengthen CPH's market proposition.

**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 27.8% 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 4.2x (FY2025e), a 44.0% 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	5.0x	4.2x	0.8x	1.1x	1.1x	8.3x	67.2x	9.9x
<b>Chemistry peers:</b>									
Honeywell International	15.7x	16.7x	15.5x	3.8x	3.9x	3.6x	25.8x	22.5x	20.5x
Clariant AG	9.0x	7.4x	6.5x	1.2x	0.8x	0.8x	30.9x	12.6x	10.3x
Arkema	5.3x	5.7x	5.2x	0.7x	0.6x	0.6x	10.9x	8.1x	7.2x
Lanxess AG	18.3x	8.0x	6.1x	2.5x	0.3x	0.3x	85.8x	nm	18.1x
<b>Packaging peers:</b>									
Berry Global Group	7.7x	7.6x	7.4x	0.6x	0.7x	0.6x	11.6x	9.1x	8.4x
Macfarlane Group	6.8x	0.1x	0.1x	0.7x	0.0x	0.0x	12.9x	8.8x	8.3x
Gerresheimer AG	10.8x	8.5x	7.0x	1.6x	1.2x	1.1x	27.6x	15.5x	12.0x
West Pharmaceutical Services	30.6x	28.1x	24.1x	9.2x	7.7x	7.1x	45.8x	41.5x	35.8x
Ancor Plc	10.8x	11.1x	10.8x	1.2x	1.1x	1.0x	18.7x	14.6x	13.8x
Mold-Tek Packaging Ltd	21.6x	15.0x	12.1x	4.0x	2.9x	2.4x	37.8x	28.8x	22.3x
Median	10.8x	8.5x	7.4x	1.3x	1.0x	1.0x	25.8x	13.6x	12.0x
High	30.6x	28.1x	24.1x	9.2x	7.7x	7.1x	85.8x	41.5x	35.8x
Low	5.3x	0.1x	0.1x	0.6x	0.0x	0.0x	10.9x	8.1x	7.2x
Premium (disc) to peers	(46%)	(41%)	(44%)	(38%)	14%	13%	(68%)	392%	(17%)

Source: Bloomberg and Thomson Eikon (as on 04 December 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	12.3x	7.7x	6.3x	1.8x	0.7x	0.7x	28.3x	12.6x	14.2x
Packaging peers	10.8x	8.8x	8.3x	1.3x	1.1x	1.0x	18.7x	14.6x	12.0x

Source: Bloomberg and Thomson Eikon (as on 04 December 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	5.0x	4.2x	3.9x
P/E	8.3x	NM	3.9x	8.7x	67.2x	9.9x	9.2x

Source: Research Dynamics, Bloomberg, Company data

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