

CPH Chemie + Papier Holding AG

Switzerland | Industrial Goods & Services

FY2014 earnings update

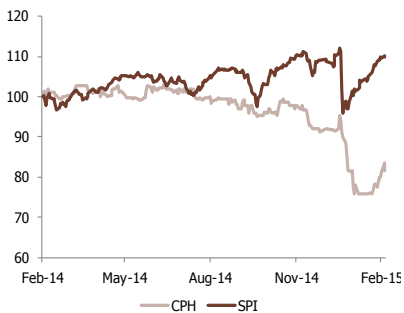
3 March 2015

Company Data

Price:	CHF 1000
Market Cap:	CHF 300mn
Free Float:	40%
No. of shares:	0.30mn
Avg. traded volume (1 year):	21
Bloomberg:	CPHN SW
Reuters:	CPHN-EB
ISIN:	CH0001624717

Source: SIX Swiss Exchange

Share Price Development (1-year)



Key Financial Data

	2013	2014	2015E	2016E
Sales	481.3	492.5	445.6	456.1
EBITDA %	6.4%	10.3%	3.6%	4.1%
EBIT %	(5.5%)	3.3%	(4.0%)	(3.3%)
Net Margin %	(56.4%)	2.1%	(4.5%)	(3.8%)
Basic EPS	(904.93)	35.01	(67.37)	(58.24)
Diluted EPS	(904.93)	35.01	(67.37)	(58.24)
DPS	13.00	13.00	-	-
Equity Ratio %	63.7%	64.2%	62.9%	61.8%
Capex	(17.8)	(19.4)	(28.3)	(20.1)
P/Sales	0.8x	0.6x	0.7x	0.7x
P/E	NM	28.47x	NM	NM
EV/EBITDA	13.7x	7.2x	22.7x	19.4x

Next Event

43rd Annual General Meeting 1 April 2015

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Gratifying 2014 results, challenging outlook

CPH Chemie + Papier Holding AG (CPH/the group) – a diversified industrial group – has a presence in paper, chemical products and packaging films industries. The group generates two-thirds of its revenue from the paper division, with almost all sales coming from Europe. CPH is one of only two newsprint paper producers in the Swiss market and the country's sole magazine paper producer. The Packaging division manufactures high barrier films for the global pharmaceutical industry and is the third-largest supplier of PVdC coated high-barrier films. The Chemistry division produces molecular sieves and has a global exposure. In FY2014, the group's sales stood at CHF 492.5mn with an employee headcount of 860.

• FY2014 numbers in line with guidance

CPH's FY2014 results were broadly in line with the expectations set by the group (guidance given on occasion of 1HFY2014 results), indicating management's accurate reading of the markets in which it operates. CPH reported net sales of CHF 492.5mn, a modest rise of 2.3% y/y, as all the three operating segments posted revenue growth for the first time since FY2011. Despite price pressures, EBITDA amounted to CHF 50.8mn and operating profit (EBIT) turned positive and stood at CHF 16mn. Consequently, EBIT margin for the year returned to black as guided by management.

• Execution of plans yield solid results

CPH reported a healthy set of numbers for FY2014 as the group's key division – Paper – revenues jumped 2.9% y/y despite a decline in paper demand (-6.3% in newsprint and -3.2% in magazine papers) due to ongoing structural changes in the industry. The Chemistry division revenues rose by 1.7%, the first y/y annual growth in the last three years, as shale gas boom boosted the division's sales. The Packaging division's revenues too moved northward as demand for its products grew in North and South America. The group's EBIT margin was positively impacted by a superior operating performance (y/y) by the Paper division, as the plant was able to operate the PM4 machine at higher profitability by solely utilizing it for higher-margin magazine paper. Further, the group saved costs executing its plans to source a large proportion of recovered paper locally and by moving to the free electricity market.

• A shift to high-growth markets to reduce dependency on Europe

CPH's Packaging division derived a significant 66% of its revenues from Europe (including Switzerland). However, despite being well positioned in the region, the group continues to face stagnancy on account of a low growth rate. To enhance its presence across the globe and enhance sales, the group has decided to set-up a coating plant in China. CPH has invested CHF 4.4mn in FY2014 and plans to spend around CHF 20mn towards the China project. The plant, which is expected to be commissioned in FY2016, will enable the group to cater to the high-growing Asian market and improve EBIT margin on the back of low cost base over the medium term.

• De-peg of CHF vs. EUR to be a near-term headwind

The Swiss National Bank's sudden decision to scrap the EUR/CHF floor of 1.20 created ripples among the Swiss companies, as the structural change would negatively impact their revenues and earnings. CPH too would be impacted as the group derives a significant portion of its revenues from global markets (ex-Switzerland). Further, with ~70% of expenses being incurred in Switzerland, cost base remains high. Given the scenario, we have revised our revenues and EBIT estimates for FY2015 downward.

• Attractive entry point at current valuations

Despite the currency headwind, CPH remains attractive on account of its balanced focus on cyclical and defensive businesses. CPH currently trades at a P/S multiple of 0.7x (FY2015), which is at a 19% discount to weighted average of division peers. Given the management's focus on expanding high-growth markets, we believe a discount to its peers is unwarranted, despite 2015E being a challenging year. Further, a 20-for-1 split to be proposed by the management would enhance liquidity of the stock in the market.

Segmental performance

• **Paper: Heavyweight segment lifts performance**

CPH’s Paper division reported revenues of CHF 314.4mn, a healthy 2.9% y/y growth, on the back of higher sales volumes, offsetting the price pressures that came due to excess capacities in the market. Volumes grew as the recently installed PM7 machine operated at near-full capacity across the year. Further, management was able to fully use the PM4 machine solely to produce higher-margin magazine paper instead of a mix of newsprint and magazine. CPH succeeded in consolidating its market position domestically as well as in the international arena by selling ~20,000 tonnes more y/y, despite witnessing a structural demand decline. In addition to higher production efficiency, the switch to a free energy market and an increased sourcing of recovered paper domestically helped the division cut costs. As a result, the division’s EBITDA more than doubled y/y to CHF 37mn with EBITDA margin climbing to 11.8% vs. 5.1% in FY2014. The division’s EBIT stood at CHF 12.5mn with margins turning positive at a respectable 4%. CPH’s newsprint paper market share (31.8% in FY2014) in Switzerland declined marginally, although it was more than compensated by a rising market share in the high-margin magazine paper market (35.5% in FY2014). In Europe, the newsprint market share (4.8% in FY2014), remained largely unchanged while the magazine paper market share rose to 6%.

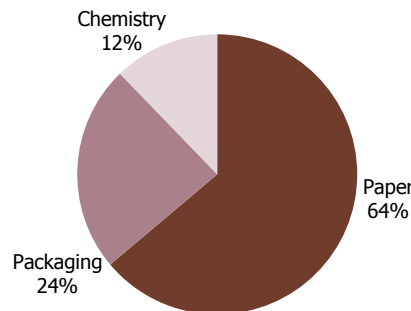
• **Packaging: Rising costs impact margin**

The packaging division’s revenues inched up 1.2% y/y to CHF 117.8mn despite a 3.7% rise in volumes indicating price pressure in the market. The division’s strong growth in both North and South America more than offset by a lower growth in Europe and Asia. The division generated ~13% of its sales from high-margin products it had brought to the market over the past five years. Meanwhile, high personnel costs and expenses associated with project development pulled down EBIT to CHF 5.1mn. EBIT margin correspondingly declined by over 180bps y/y to 4.3% in FY2014. In FY2014, the division launched PERLALUX® Ultra, thereby entering the ultra-high-barrier-film market for the first time. Europe continued to be the key market for the division with two-thirds of its sales coming from the region, while the rest came from Asia and America. In an endeavour to increase revenues, CPH is establishing a coating base in China. This would help it distribute its products easily in the local markets and lower its cost base.

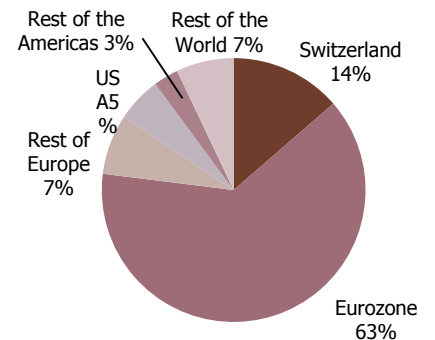
• **Chemistry: Revenue grows amid price pressure**

The division’s annual revenue moved up for the first time since FY2011. The top-line number improved 1.7% y/y to stand at CHF 60.2mn. With new competitors, especially from Asia, entering the market, the division faced price pressures. However, a strong demand from North and South America stemming from the energy sector, coupled with better and efficient procurement at operating sites helped the division post sales growth. Increased production of higher margin products along with the stringent implementation of efficiency enhancements helped the division reduce its operating losses to CHF 2.2mn in FY2014 from CHF 5.3mn a year earlier. The division invested CHF 3.1mn in FY2014 (vs. CHF 4.3mn) in production expansion related to high-margin products, indicating its focus on gearing the division towards profits.

Exhibit 1: FY2014 – Revenue distribution Segmental



Regional



Source: Research Dynamics, Company data

Business strategy

In view of massive overcapacity in the European paper industry and structural changes that have impacted the newsprint and magazine paper market, CPH plans to reduce its reliance on the Paper division and lay higher emphasis on enhancing its geographic footprint in the Packaging and Chemistry divisions. By building up capacities outside of Switzerland, management also aims to bring the value-add contribution of the Swiss franc of 70% currently closer to 50% in the medium to longer terms. This move should also be enhanced by the expansion into growth markets outside of Europe (North and South Americas, Asia-Pacific).

Paper

After recovering from the winder fire in FY2013, the Paper division reported strong volumes growth in FY2014 as the recently installed PM7 machine operated towards full-capacity. CPH intends to continue with the high utilization rates and become a volume play in the European paper industry. Further, the PM4 machine, which can manufacture both newsprint and magazine paper, was utilised to produce only the latter one, as it is a higher-margin commodity. Additionally, the division has a strong focus on robust cost management. The Renergia unit, which will come on stream in 2QFY2015, will enable CPH to enhance energy efficiency and make the division fully carbon neutral. Also, the division plans to increase sourcing of recovered paper domestically to further cut down the input costs. Through these initiatives, CPH plans to become the clear cost leader in its prime sales markets.

Packaging

The Packaging division, which is strongly positioned in Europe, has a firm focus on developing and manufacturing high-margin films. However, with the region's pharmaceutical market growing at low-single-digit rate, the division plans to expand geographically and make its presence felt in the emerging markets, where it expects a low-double-digit growth in the next few years. In line with this, CPH is constructing a new coating plant near Shanghai, China. The new facility, which will become operational in FY2016, will help CPH reduce costs and distribute its products more easily in the Asian market. Further, optimal utilization of the Chinese facility will free-up its European manufacturing site, aiding further growth over the coming years.

Chemistry

The division continues to strategize on developing and manufacturing high-margin products. For the molecular sieves business, the division's focus remains on the North American shale gas market, although a rising demand for medical oxygen remains key revenue driver. Further, in chromatography gel business, a slew of products are under development, which will offer growth opportunities over the medium-term. Although geo-political tensions persist in the Middle East, the group is well positioned to grow at a healthy rate in the energy producing region.

FX impact on our estimates & outlook per segment

On January 15, 2015, the Swiss National Bank unexpectedly abandoned its EUR/CHF peg of 1.20 and allowed CHF to be directed by market forces. The de-peg along with the robust Swiss economy, strengthened the CHF instantly and brought it almost on par with EUR. In the meantime, the exchange rate since 'de-pegging' has recovered somewhat and appears to be stabilising around 1.07, indicating CHF appreciation of ~13%. With 86% of revenues generated outside Switzerland, a strong CHF will adversely impact the CPH group's sales and EBIT. We expect a -7.7% forex impact to further impact the sales, which we had estimated in local currency terms. Consequently, we expect the group's revenue to decline y/y on a total basis. Further, with ~70% of expenses incurred in CHF, the group's cost base would remain elevated. On these grounds, we expect CPH to report an operating loss in FY2015.

Based on our detailed currency model we have adjusted our estimates for 2015E and going forward, the results of which can be seen in the table below and in the Financial Tables section of this report. Given the structurally challenging scenario and forex uncertainty, it is difficult to exactly forecast revenues and EBIT for FY2016.

Exhibit 2: Pre and post currency impact scenario

Pre-currency impact numbers (In CHF mn)

Segment-wise revenues	FY2014	FY2015E
Chemistry	60.2	60.9
<i>% contribution to total sales</i>		12.6%
<i>% organic growth</i>		1.1%
Paper	314.4	301.8
<i>% contribution to total sales</i>		62.4%
<i>% organic growth</i>		-4.0%
Packaging	117.8	120.6
<i>% contribution to total sales</i>		25.0%
<i>% organic growth</i>		2.4%
Total Sales	492.5	483.4
<i>% change y/y</i>		-1.8%
EBIT		10.9
EBIT Margin		2.3%

Estimates post forex impact (In CHF mn)

	FY2015E
Chemistry	59.4
<i>% contribution (revised) to total revenues</i>	13.3%
<i>% change (due to organic & forex impact)</i>	-2.4%
Paper	274.9
<i>% contribution (revised) to total revenues</i>	61.7%
<i>% change (due to organic & forex impact)</i>	-8.9%
Packaging	111.2
<i>% contribution (revised) to total revenues</i>	25.0%
<i>% change (due to organic & forex impact)</i>	-7.8%
Total Sales	445.6
<i>% change y/y</i>	-9.5%
<i>% organic growth</i>	-1.8%
<i>% change due to forex impact</i>	-7.7%
EBIT	(18.0)
EBIT Margin	-4.0%

Paper: The ongoing structural changes in the newsprint and magazine industry will result in lower newspaper publishing revenues (y/y) in Germany, France and Italy in FY2015 (source: PwC) and continued overcapacities. However, a few European peers have already announced to reduce capacities by ~1mn tonnes (source: industry news) in FY2015, although any relief, if any, on account of this will only be felt in the latter half of the year. Meanwhile, the elimination of the EUR/CHF floor will greatly impact the division's top-line, as it generates over ~82% of its revenues from Europe (ex-Switzerland). While we had already anticipated a slight decline in the organic growth rate of this division, the higher CHF will affect Paper revenues and earnings significantly. Thus, lower revenues y/y coupled with continued over-capacities and lower expected paper prices will dramatically affect reported numbers (as efficiency measures are not expected to compensate for both FX and price declines). Our estimates call for reported sales declines to the tune of 9% with prices negatively affecting the top-line by 4%. Overall, we expect an operating loss of CHF 19.2mn for FY2015 with EBIT margin becoming negative.

Packaging: Strong demand from Asia and Latin America along with a stable European market is expected to help the division report a rise in revenues and EBIT in local currency terms. However, the de-peg will negatively impact the top-line y/y. We believe production facilities in the US and Germany will offer some respite on the expenses front. Consequently, we forecast EBIT to decline y/y in FY2015 although the division will continue to report a positive EBIT.

Chemistry: Development of high-margin products along with the attractive medical oxygen and chromatography gels markets will remain the division's key drivers; however, lower shale gas exploration on account of the supply glut will remain the key impediment. As with the other segments, we expect CHF appreciation to negatively influence the division's revenues. We expect the division's EBIT to decline y/y and become negative in FY2015.

Non-operating real estate: Importantly, the group is still in discussion with the Canton of Zurich and local authorities to develop the Chemistry division's Uetikon production site into alternative mixed-use real estate (educational, commercial, possibly residential space). As such, CPH has submitted a proposal for construction of a new high school to be located along the right side of the lake of Zurich (completion expected by 2020). As it stands, two out of four projects considered have been abandoned, with the Uetikon and an adjacent Meilen project still "in the race". We expect a (political) decision in the first half of 2015. If the deal goes through, the division should report a high non-operating income from real estate, which will boost CPH's bottom-line.

While CPH still has other non-operational real estate near its headquarters in Perlen and Full (Canton of Aargau) near the Rhine river, the most promising development would concern the site in Uetikon.

Recent developments

Dividend: CPH's board is expected to recommend a dividend of CHF 13 per share for FY2014 (unchanged y/y) in the forthcoming Annual General Meeting (AGM).

Stock split: The group plans to propose a stock split of 20-for-1. If the proposal passed the AGM, shareholders will get 19 additional shares for every 1 share held. In our view, the stock split should boost the trading volumes thereby boosting liquidity for the stock.

Valuation

To consider the cyclical nature of the business, we have used the discounted cash flow (DCF) valuation methodology. We have used the weighted average cost of capital (WACC) of 7.5%, which is based on a cost of equity of 10.2% and a pre-tax cost of debt of 2.8%. We have considered a beta higher than that indicated by regression due to the group’s small size and vulnerability to macro-economic events such as the abolition of EUR/CHF floor. We have explicitly forecasted cash flows till FY2023E and thereafter assumed a terminal growth rate of 1%. Based on these factors, we have arrived at the intrinsic value of CHF 1,197 a share.

Exhibit 3: Sensitivity of WACC & terminal growth rate with the share price

		Sensitivity Table				
		WACC				
		5.5%	6.5%	7.5%	8.5%	9.5%
Terminal growth rate	0.25%	1,605	1,311	1,095	930	799
	0.50%	1,672	1,356	1,127	953	817
	0.75%	1,746	1,404	1,161	978	835
	1.00%	1,829	1,457	1,197	1,004	855
	1.25%	1,921	1,515	1,236	1,032	876
	1.50%	2,024	1,579	1,279	1,062	898
	1.75%	2,141	1,650	1,325	1,094	921

Source: Company data, Research Dynamics

There are no exact comparables available for CPH, as it operates three completely independent divisions with no synergies between them. In order to value the group on a relative basis, we have thus prepared a separate set of industry peers for each of CPH’s divisions.

We have employed three parameters – EV/EBITDA, P/S and P/E – to analyse the relative valuation of the group. Initially, we have calculated the peer average of CPH’s individual divisions, and then taken a weighted average of these based on the sales contribution of the respective division. Given its diversified business model, this consolidated peer average is most comparable to CPH’s valuation multiples.

CPH currently trades at an P/S multiple of 0.7x (FY2015E), a significant 19% discount over the weighted average of division peers. EV/EBITDA multiple looks expensive on a comparative basis as majority of expenses are incurred in Switzerland.

Exhibit 4: CPH – Comparison with division peers

Company	EV/EBITDA			P/S			P/E		
	3 year average	CY2015E	CY2016E	3 year average	CY2015E	CY2016E	3 year average	CY2015E	CY2016E
CPH Chemie & Paper	8.7x	22.7x	19.4x	0.7x	0.7x	0.7x	20.7x	NM	NM
Paper peers:									
Holmen	8.3x	9.5x	9.3x	1.1x	1.5x	1.5x	15.6x	17.6x	16.7x
Stora Enso	6.9x	7.3x	7.0x	0.5x	0.7x	0.7x	12.1x	13.2x	12.2x
Altri	7.9x	8.2x	7.8x	0.8x	1.1x	1.1x	10.0x	9.6x	9.5x
Metsa Board	6.0x	9.0x	8.1x	0.5x	1.1x	1.1x	15.2x	18.7x	15.2x
UPM-Kymmene	6.5x	8.4x	8.1x	0.6x	0.9x	0.9x	11.6x	13.9x	13.4x
Norkse	NA	8.3x	9.3x	NA	0.1x	0.1x	88.6x	-4.4x	-4.3x
Scogindustrier									
James Cropper	6.6x	0.1x	0.1x	0.3x	0.0x	0.0x	9.7x	11.7x	9.4x
OJI Holdings	NA	9.8x	9.2x	NA	0.4x	0.4x	12.2x	16.3x	13.4x
Chemistry peers:									
Honeywell Int.	9.0x	10.1x	9.2x	1.5x	2.0x	1.9x	14.7x	17.0x	15.3x
Clariant	7.3x	8.3x	7.7x	0.7x	1.0x	0.9x	11.6x	15.4x	13.3x
Arkema	5.8x	6.2x	5.5x	0.7x	0.6x	0.6x	10.4x	15.0x	12.3x
WR Grace & Co.	9.0x	11.1x	10.2x	1.8x	2.2x	2.1x	17.0x	20.6x	17.7x
Packaging peers:									
Meadwestwaco	8.4x	10.1x	9.5x	1.1x	1.6x	1.5x	19.6x	24.8x	21.7x
MacFarlane Group	6.2x	0.1x	0.1x	0.2x	0.0x	0.0x	8.2x	9.3x	8.5x
Gerresheimer	7.5x	8.0x	7.5x	1.1x	1.2x	1.2x	16.4x	17.3x	15.7x
West Pharmaceutical Services	10.9x	13.4x	11.7x	1.8x	2.7x	2.5x	21.4x	29.6x	24.1x
Convertidora Industrial	8.3x	7.3x	7.5x	0.4x	0.4x	0.4x	NA	NA	NA
PSB Industries	5.0x	5.6x	5.2x	0.4x	0.6x	0.6x	8.5x	11.6x	10.4x
Astrapak Ltd	5.0x	0.0x	0.0x	0.3x	0.0x	0.0x	9.9x	10.2x	6.4x
Bilcare Ltd	3.5x	NA	NA	0.1x	NA	NA	2.1x	NA	NA
Median	7.1x	8.3x	7.8x	0.6x	0.9x	0.9x	12.1x	15.2x	13.3x
High	10.9x	13.4x	11.7x	1.8x	2.7x	2.5x	88.6x	29.6x	24.1x
Low	3.5x	0.0x	0.0x	0.1x	0.0x	0.0x	2.1x	-4.4x	-4.3x
Premium (disc) to peers	23%	173%	147%	10%	(27%)	(28%)	72%	NM	NM

Source: Bloomberg (data as of 27.2.2015)

Exhibit 5: CPH – Comparison with weighted average of division peers

Multiples	EV/EBITDA			P/S			P/E		
	3 year average	CY2015E	CY2016E	3 year average	CY2015E	CY2016E	3 year average	CY2015E	CY2016E
Weighted peer multiples	6.9x	8.2x	8.0x	0.6x	0.8x	0.8x	11.7x	14.1x	13.0x
CPH	8.7x	22.7x	19.4x	0.7x	0.7x	0.7x	20.7x	NM	NM
Premium (disc) to peers	26%	177%	142%	21%	(19%)	(19%)	77%	NM	NM

Source: Bloomberg (data as of 27.2.2015)

Conclusion

Despite an economic slowdown in its key market – Eurozone – CPH was able to deliver a decent top-line growth in FY2014. The group’s continued focus on enhancing productivity and efficiency (through an efficient use of PM7machine) has enabled it deliver a positive EBIT after a span of four years. We believe CPH’s strategy of optimising operations at its Paper division’s and becoming a cost leader in it will enable the group to survive industry consolidation in the long run. However, the de-peg of CHF with EUR will post major challenges in the mid-term and remain a major headwind in FY2015. We believe the commissioning of the packaging facility in China in FY2016 will reduce costs and bolster earnings as well. The Chemistry division’s endeavour to develop high-margin products and expand geographically will enable the group to report earnings growth over the medium term.

DETAILED FINANCIAL STATEMENTS

Income Statement

CHF mn (except per share)	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Chemistry sales	97	101	68	59	60	59	61
Paper sales	218	315	314	306	314	275	280
Packaging sales	102	106	106	116	118	111	115
Net Sales	417	521	489	481	492	446	456
Cost of Sales	(259)	(338)	(325)	(323)	(313)	(299)	(305)
Gross profit	158	182	163	158	180	147	151
Personnel cost	(89)	(93)	(85)	(86)	(88)	(88)	(89)
Outsourced maintenance/repairs	(17)	(20)	(19)	(19)	(18)	(18)	(18)
Other operating expense	(23)	(23)	(21)	(22)	(23)	(25)	(25)
Total operating costs	(129)	(136)	(125)	(127)	(129)	(131)	(132)
EBITDA	29	47	38	31	51	16	19
Depreciation on tangible fixed assets	(58)	(65)	(59)	(57)	(34)	(34)	(33)
Depreciation on intangible assets	(2)	(2)	(2)	(1)	(1)	(1)	(1)
Operating profit (EBIT) before impairment	(31)	(20)	(22)	(27)	16	(18)	(15)
Impairment	0	0	0	(251)	0	0	0
Operating profit (EBIT)	(31)	(20)	(22)	(278)	16	(18)	(15)
Finance costs	(10)	(13)	(7)	(5)	(7)	(6)	(6)
Finance income	1	1	1	1	2	1	1
Total financial income (expenses)	(9)	(12)	(6)	(4)	(6)	(5)	(5)
Profit before taxes (before exceptional items)	(40)	(32)	(28)	(281)	10	(23)	(20)
Non-operating items	13	12	38	2	1	0	0
Income taxes	7	2	(2)	8	(1)	3	3
Profit attributable to the parent	(20)	(18)	8	(271)	11	(20)	(17)
Basic EPS	(66.7)	(60.0)	26.9	(904.9)	35.0	(67.4)	(58.2)
Diluted EPS	(66.7)	(60.0)	26.9	(904.9)	35.0	(67.4)	(58.2)
DPS	0.0	13.0	13.0	13.0	13.0	0.0	0.0

Source: Research Dynamics, Company data

Balance Sheet

In CHF mn	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Assets							
Non-current assets							
PPE	853.9	769.2	719.7	433.7	419.1	413.2	399.5
Intangible assets	3.8	2.9	1.5	1.2	1.3	1.4	1.5
Long-term financial assets	0.0	0.0	10.0	10.0	10.0	10.0	10.0
Long-term financial receivables	0.1	2.5	0.0	0.0	2.8	2.8	2.8
Other non-current assets	26.1	23.9	21.2	22.4	22.7	22.7	22.7
Total Non Current Assets	883.9	798.5	752.4	467.3	456.0	450.1	436.5
Current assets							
Inventories	63.7	57.3	58.8	56.9	63.4	57.1	58.4
Trade accounts receivable	60.9	75.6	74.0	70.8	79.5	67.1	68.7
Other receivables	19.5	13.2	10.7	7.3	7.7	7.7	7.7
Prepaid expenses and accrued income	4.6	3.9	3.0	5.3	6.6	6.6	6.6
Short-term financial receivables	0.3	0.9	0.2	0.0	0.1	0.1	0.1
Liquid funds and Securities	73.6	42.6	73.3	74.2	75.1	75.5	70.0
Total assets	1106.5	992.1	972.4	681.8	688.4	664.3	648.1
Shareholders' Equity and Liabilities							
Share capital	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Capital reserves	13.3	24.0	20.1	16.2	12.3	8.4	8.4
Profit reserves	686.9	670.3	651.6	659.5	389.2	399.7	379.5
Net result for the year	(20.0)	(18.0)	8.1	(271.5)	10.5	(20.2)	(17.5)
Non-current liabilities							
Long-term financial liabilities	225.9	169.3	144.0	117.9	128.0	135.6	135.6
Pension scheme liabilities	0.3	0.6	0.5	0.7	0.6	0.6	0.6
Other long-term liabilities	0.1	0.0	0.0	2.5	2.4	2.4	2.4
Long-term provisions	40.6	32.0	31.3	21.3	20.8	20.8	20.8
Current liabilities							
Trade accounts payable	93.6	40.0	52.9	59.4	53.8	53.7	55.0
Other payables	3.5	6.9	2.6	4.4	3.9	3.9	3.9
Accrued liabilities and deferred income	8.8	12.7	15.8	11.0	9.1	9.1	9.1
Short-term financial liabilities	12.7	11.3	9.8	23.0	22.6	15.1	15.1
Short-term provisions	10.9	12.9	5.7	7.2	5.1	5.1	5.1
Total liabilities	396.3	285.8	262.6	247.5	246.4	246.4	247.7
Total equity and liab.	1106.5	992.1	972.4	681.8	688.4	664.3	648.1

Source: Research Dynamics, Company data

Cash Flow Statement

<i>In CHF mn</i>	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Net profit for the period	(20.0)	(18.0)	8.1	(271.5)	10.5	(20.2)	(17.5)
Non-cash adjustments:	28.7	47.9	20.8	298.8	30.3	34.1	33.7
Change in current assets and liabilities:							
(Increase)/ decrease in inventories	(6.5)	(2.7)	(1.7)	(2.6)	(5.5)	6.3	(1.4)
Decrease in trade accounts receivable	2.1	(20.2)	1.3	3.4	(11.2)	12.3	(1.6)
Increase/ (decrease) in trade accounts payable	65.3	(52.0)	13.0	6.4	(5.8)	(0.0)	1.3
Other changes in working cap.	9.9	27.5	0.8	(3.0)	1.5	-	-
Cash flows from operating activities	79.4	(17.5)	42.3	31.4	19.8	32.5	14.5
Investments in tangible fixed assets	(220.9)	(24.4)	(10.9)	(18.2)	(19.2)	(27.6)	(19.4)
Disposals of tangible fixed assets	24.9	39.9	30.1	0.9	0.4	-	-
Investments in intangible assets	(0.3)	(1.4)	(0.3)	(0.5)	(0.6)	(0.7)	(0.7)
Sale of subsidiary/ Divestiture of interests	-	33.1	-	-	-	-	-
Repayment of long-term financial receivables	0.1	0.1	2.5	0.0	-	-	-
Cash flow generated (used) in investment activities	(196.1)	47.4	21.4	(17.8)	(19.4)	(28.3)	(20.1)
Increase/ (Decrease) in short-term financial liabilities and receivables	-	3.7	(1.5)	(2.0)	(0.4)	(7.6)	-
Increase/ (Decrease) in long-term financial liabilities	114.9	(56.2)	(25.1)	(10.8)	9.8	7.6	-
Increase in other long-term liabilities	(0.6)	(0.0)	0.0	2.5	(0.2)	-	-
Minority interests and changes resulting from minorities	-	-	-	-	-	-	-
Dividends to shareholders	(9.0)	-	(3.9)	(3.9)	(3.9)	(3.9)	-
Cash flow generated (used) in financing activities	105.3	(52.6)	(30.6)	(14.2)	5.3	(3.8)	-
Exchange (losses)/gains	(1.1)	(0.1)	0.1	(0.2)	0.2	-	-
Net change in cash	(12.5)	(22.8)	33.2	(0.7)	6.0	0.4	(5.5)
Opening cash balance	41.0	28.4	5.6	38.8	38.1	44.0	44.4
Closing cash balance	28.4	5.6	38.8	38.1	44.0	44.4	38.9

Source: Research Dynamics, Company data

Key Ratios

	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Growth Ratios							
Sales Growth	(13%)	25%	(6%)	(2%)	2%	(10%)	2%
Chemistry division	(21%)	3%	(33%)	(13%)	2%	(1%)	3%
Paper division	(16%)	44%	(0%)	(3%)	3%	(13%)	2%
Packaging division	4%	4%	1%	9%	1%	(6%)	3%
Operating Profit Growth	NM	NM	NM	NM	NM	NM	NM
Net Income Growth	NM	NM	NM	NM	NM	NM	NM
Profitability Ratios (%)							
Operating margin (before impairment) (%)	(7%)	(4%)	(5%)	(6%)	3%	(4%)	(3%)
Chemistry division	(3%)	1%	(0%)	(9%)	(4%)	(2%)	(3%)
Paper division	(13%)	(8%)	(8%)	(10%)	4%	(7%)	(6%)
Packaging division	1%	4%	5%	6%	4%	2%	2%
EBITDA Margin %	7%	9%	8%	6%	10%	4%	4%
Net Margin (%)	(5%)	(3%)	2%	(56%)	2%	(5%)	(4%)
Return Ratios							
Profit Margin	(5%)	(3%)	2%	(56%)	2%	(5%)	(4%)
Asset Turnover	0.4x	0.5x	0.5x	0.6x	0.7x	0.7x	0.7x
Financial Leverage	1.4x	1.5x	1.4x	1.4x	1.6x	1.6x	1.6x
Dupont ROE (%)	(3%)	(3%)	1%	(47%)	2%	(5%)	(4%)
ROCE (%)	(3%)	(2%)	(3%)	(5%)	3%	(3%)	(3%)
ROA (%)	(2%)	(2%)	1%	(33%)	2%	(3%)	(3%)
Leverage Ratios							
Debt - Equity Ratio	0.3x	0.3x	0.2x	0.3x	0.3x	0.4x	0.4x
Net Debt - Equity Ratio	0.3x	0.2x	0.1x	0.2x	0.2x	0.2x	0.2x
Interest Coverage	(6.9x)	(2.0x)	(3.2x)	(6.0x)	5.2x	(2.7x)	(2.2x)
Liquidity Ratios							
Current Ratio	1.7x	2.3x	2.5x	2.0x	2.5x	2.5x	2.4x
Quick Ratio	1.2x	1.6x	1.9x	1.5x	1.8x	1.8x	1.7x
Valuation Ratios							
EV/EBITDA	23.4x	9.4x	12.3x	13.7x	7.2x	22.7x	19.4x
P/E	NM	NM	48.4x	NM	28.5x	NM	NM
P/BV	0.7x	0.4x	0.5x	0.8x	0.7x	0.7x	0.7x

Source: Research Dynamics, Bloomberg, Company data

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