



# SFPI

Misc. Bldg &amp; Construct Prod / France

## In excellent shape

Significant news - 24/09/2021

**SFPI released impressive H1 earnings. H2 looks promising too. Ideal operating conditions may not survive into 2022.**

### Fact

SFPI had kept market expectations low for 2021. This cautious policy could not survive the excellent delivery in H1 21: sales back to H1 19's level at €283m and recurring operating margin up 470bp to 7.7%. The bottom line jumped to €15.7m vs. €4.4m in 2019 (loss of €4.7m in 2020) while the net cash position of the group at €62m stood close to the €64.7m of end 2020 in spite of the working capital draw.

### Analysis

Strong earnings were visible across the four main business lines which suggests that outside factors (recovery-type demand) matter the most. This led management to be very cautious for the next few quarters even though Q3 seems to be excellent as well.

### DOM

DOM is about locks and security in all shapes. It is the less cyclical bit of the four main businesses. H1 21 sales down 3% on 2019 look a bit disappointing but this is mostly due to the lasting COVID-19 in Germany where local installers have experienced delays in orders. Most of this may be recovered in H2. Margins are excellent and price hikes are well accepted, partly because of continuing investments in digital products (TapKey) and assistance (virtual show room). We see an annual operating margin at 11% vs. 10% previously but 2021 sales are raised only marginally. This may be too cautious.

### MAC

Windows shift, again. This was expected as the housing sector is booming on a combination of household renovation efforts and subsidies to cut on heat losses. MAC has also been striving to offer ever better products with a higher technology content. The mix is thus improving, while costs have been under control after heavy restructuring. The 3.5% increase on 2019 revenues has generated a surge in the operating result to €5.9m from €0.6m. This upswing is the largest contributor to the jump in earnings compared to 2019. This may continue but it is dependent on passing on sharp input price increases and continued subsidies toward the installation of energy-efficient windows.

### NEU-JFK & MMD

Businesses aimed at industry (HVAC, heat exchangers, thermal treatment, air cleaning) have recorded flat sales on 2019 but booming margins on past reorganisation/cost cutting. The combined upswing of the operating result is €3.8m to €4.6m. Not bad and presumably sustainable as the orderbook is full and industrial buyers are not so much discussing prices when their own orderbooks are full. A slowdown is inevitable but the calendar is postponed.

### Funding

A stainless-steel balance sheet has been and remains a key feature of SFPI. This means a net cash position at €62m by 06/2021. The big jump in business vs. 2020



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<b>Buy</b>	<b>Upside: 66.5%</b>
Target Price (6 months)	€ 5.49
Share Price	€ 3.30
Market Cap. €M	327
Price Momentum	<b>STRONG</b>
Extremes 12Months	1.07 ▶ 3.30
Sustainability score	1.9 /10
Credit Risk	BBB →
Bloomberg	SFPI FP Equity
Reuters	SFPI.PA

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PERF	1w	1m	3m	12m
SFPI Group	11.7%	8.39%	27.5%	168%
Building Prod. & Materials	-1.59%	-4.39%	-0.39%	41.9%
STOXX 600	0.33%	-0.91%	3.18%	30.0%

Last updated: 24/09/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	5.82	11.3	10.1	9.00
Dividend yield (%)	4.45	1.97	2.12	2.28
EV/EBITDA(R) (x)	2.90	5.07	4.57	3.89
Adjusted EPS (€)	0.23	0.29	0.33	0.37
Growth in EPS (%)	44.5	25.4	12.6	12.0
Dividend (€)	0.06	0.07	0.07	0.08
Sales (€M)	499	556	580	601
EBIT margin (%)	5.41	7.54	7.82	8.11
Attributable net profit (€M)	19.8	26.9	30.5	34.4
ROE (after tax) (%)	9.57	11.8	12.1	12.6
Gearing (%)	-16.0	-26.4	-32.2	-36.4

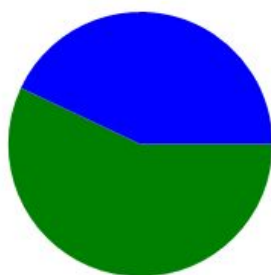
[Company Valuation](#) - [Company Financials](#)

has not materialised so much in working capital increased requirement. H1 has also been helped by a favourable sequencing of capex which will not last. The cautious group may deploy some of this excess cash into acquisitions, but the conditions are not right for now and any move would be driven by acquiring capacity in existing business lines.

## ■ Impact

We have raised our sales and earnings forecasts. Sales are now at the group's expected level (€556m) which may be on the cautious side. Our earnings forecasts see a substantial jump to €41m from €35m at the recurring operating level while the bottom line sees a 10% upgrade too. This may be too cautious too. The difficult point is how to handle the next two years as the 2021 good news will most certainly not last that long. We have left so far a mechanical sort of impact notably on the DCF. This helps raise the target price by c. 7% and leaves a 65% upside potential.

## Sales by Geography



■ France (57.0%)  
■ Other (43.0%)

## Consolidated P&L Accounts

	12/20A	12/21E	12/22E
Sales	€M 499	556	580
Change in sales	% -11.4	11.4	4.36
Change in staff costs	% -9.48	4.50	3.47
EBITDA	€M 48.7	61.4	65.4
<b>EBITDA(R) margin</b>	<b>% 9.76</b>	<b>11.0</b>	<b>11.3</b>
Depreciation	€M -20.2	-20.0	-21.5
Underlying operating profit	€M 28.6	41.4	43.9
<b>Operating profit (EBIT)</b>	<b>€M 27.0</b>	<b>38.7</b>	<b>41.2</b>
Net financial expense	€M 3.20	-0.20	-0.20
of which related to pensions	€M	-0.97	-0.99
Exceptional items & other	€M		
Corporate tax	€M -10.5	-11.7	-10.6
Equity associates	€M 0.16	0.20	0.20
Minority interests	€M -0.11	-0.11	-0.11
<b>Adjusted attributable net profit</b>	<b>€M 23.0</b>	<b>28.9</b>	<b>32.5</b>
NOPAT	€M 20.1	29.8	31.6

## Cashflow Statement

	12/20A	12/21E	12/22E
EBITDA	€M 48.7	61.4	65.4
Change in WCR	€M 17.4	-3.11	-4.91
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -10.2	-11.7	-10.6
Exceptional items	€M		
Other operating cash flows	€M -1.00	-1.00	-1.00
Total operating cash flows	€M 54.9	45.6	48.9
Capital expenditure	€M -11.4	-18.9	-19.7
Total investment flows	€M -11.7	-18.9	-24.7
Net interest expense	€M 3.20	-0.20	-0.20
Dividends (parent company)	€M 0.00	-5.96	-6.46
Dividends to minorities interests	€M -0.10	-0.10	-0.10
New shareholders' equity	€M -1.20		
Total financial flows	€M 1.35	-5.28	-31.1
Change in cash position	€M 44.5	21.4	-6.96
<b>Free cash flow (pre div.)</b>	<b>€M 46.6</b>	<b>26.5</b>	<b>29.0</b>

## Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Mio	99.3	99.3	99.3
Number of diluted shares (average)	Mio	99.3	99.3	99.3
<b>Benchmark EPS</b>	<b>€</b>	<b>0.23</b>	<b>0.29</b>	<b>0.33</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 5.15	35%	<ul style="list-style-type: none"> <li>● GEA Group</li> <li>● Alfa Laval</li> <li>● IMI</li> <li>● Travis Perkins</li> </ul>
NAV/SOTP per share	€ 5.04	20%	
EV/Ebitda	€ 6.59	20%	
P/E	€ 6.59	10%	
Dividend Yield	€ 3.71	10%	
P/Book	€ 6.59	5%	
<b>TARGET PRICE</b>	<b>€ 5.49</b>	<b>100%</b>	

### NAV/SOTP Calculation

## Balance Sheet

	12/20A	12/21E	12/22E
Goodwill	€M 47.0	47.0	47.0
Total intangible	€M 52.8	52.8	52.8
Tangible fixed assets	€M 78.4	80.0	81.6
Financial fixed assets	€M 2.40	2.45	2.45
WCR	€M 110	113	118
Other assets	€M 45.3	46.2	46.2
Total assets (net of short term liab.)	€M 309	318	325
<b>Ordinary shareholders' equity</b>	<b>€M 214</b>	<b>242</b>	<b>260</b>
Quasi Equity & Preferred	€M		
Minority interests	€M 1.60	2.00	1.63
Provisions for pensions	€M 66.5	67.0	67.9
Other provisions for risks and liabilities	€M 9.80	10.00	15.0
Total provisions for risks and liabilities	€M 76.3	77.0	82.9
Tax liabilities	€M 9.10	9.28	9.47
Other liabilities	€M 61.0	62.2	63.4
<b>Net debt (cash)</b>	<b>€M -53.3</b>	<b>-74.7</b>	<b>-93.1</b>
Total liab. and shareholders' equity	€M 309	318	325

## Capital Employed

	12/20A	12/21E	12/22E
Capital employed after depreciation	€M 243	248	254

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	<b>%</b>	<b>9.57</b>	<b>11.8</b>	<b>12.1</b>
ROCE	%	8.29	12.0	12.4
<b>Gearing (at book value)</b>	<b>%</b>	<b>-16.0</b>	<b>-26.4</b>	<b>-32.2</b>
Adj. Net debt/EBITDA(R)	x	-1.09	-1.22	-1.42
Interest cover (x)	x	-8.92	-53.4	-55.6

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>5.82</b>	<b>11.3</b>	<b>10.1</b>
Free cash flow yield	%	34.8	8.09	8.85
P/Book	x	0.63	1.35	1.26
<b>Dividend yield</b>	<b>%</b>	<b>4.45</b>	<b>1.97</b>	<b>2.12</b>

## EV Calculation

	12/20A	12/21E	12/22E	
Market cap	€M 134	327	327	
+ Provisions	€M 76.3	77.0	82.9	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M -67.9	-92.7	-111	
+ Leases debt equivalent	€M 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€M 2.40	2.45	2.00	
+ Minority interests (fair value)	€M 1.60	2.00	2.00	
= EV	€M 142	311	299	
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>2.90</b>	<b>5.07</b>	<b>4.57</b>
EV/Sales	x	0.28	0.56	0.52

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 24/09/2021.