



SFPI

Misc. Bldg & Construct Prod / France

Great 2021, solid start to 2022, €600m revenue target

Earnings/sales releases - 27/04/2022

SFPI delivered a surprisingly strong FY2021 net at €32m (+83%) through a combination of strong demand and a lean cost base. A solid order book and a very strong balance sheet bring confidence into 2022 with a €600m sales target

Fact

SFPI delivered very convincing FY 2021 results after an already brilliant set of numbers in H2 2020 that had saved that fiscal year. The key financials speak for themselves (see table) with a jump in the gross margin, surprisingly strong recurring income and an 83% rise in net attributable to €32.2m. To cap these earnings the 2021 dividend has been raised €0.08 (from 0.06 in 2020 and €0.065 expected) and bought back c. €10m i.e. more than the actual pay out. Cash extraction at cautious SFPI speaks of confidence in earnings substance.

The net cash position is pretty comfortable at €76m or 25% of the market cap.

M€	2019	% of sales	2020	% of sales	2021	% of sales
Sales	562,5		498,8		569,0	
Gross Margin	330,4	58,7%	295,5	59,2%	338,5	59,5%
Payroll expenses	(186,1)	33,1%	(168,4)	33,8%	(185,3)	32,6%
Other operating costs	(86,1)	15,3%	(73,0)	14,6%	(86,9)	15,3%
Taxes	(5,5)		(5,3)		(4,2)	
Depreciation	(22,1)	3,9%	(20,2)	4,0%	(18,5)	3,2%
Recurring Operating Income	30,6	5,4%	28,6	5,7%	43,6	7,7%
Non-recurring cost and amortization	(18,6)		(1,6)		1,0	
Operating Income	12,0	2,1%	27,0	5,4%	44,6	7,8%
Financial Charges	(0,5)		1,1		(0,4)	
Corporate income tax	(7,7)		(10,5)		(12,0)	
Consolidated Net Income	3,8	0,7%	17,7	3,5%	32,4	5,7%
Group Share	3,8		17,6		32,2	

Analysis

The 2021 delivery is definitively a good surprise even if SFPI is not alone in having benefitted from the recovery context associated with cheap money and easier pricing.

Its 4 cylinders (2 in building related businesses and 2 in capital goods) have been revving up happily in that context. We go through the 4 prime businesses as many discreet units.

DOM, focused on locks and protection, best described as a small dormakaba, nearly recovered its 2019 revenues thanks to an H2-2022 acceleration. The business has a full order book which is yet another confirmation that households and corporates have been ready to spend on new projects and upgrades of safety. DOM is making progress on chasing clients in Central Europe and in related safety fields such IT Systems and IT Infrastructure protection

MAC is about windows, blinds and doors. Unsurprisingly French households continued to update their nests as they only slowly returned to work and/or left bigger cities. About a quarter of revenues is now derived from online sales which



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Buy Upside: 70.8%

Target Price (6 months) € 5.19

Share Price € 3.04

Market Cap. €M 302

Price Momentum **UNFAVORABLE**

Extremes 12Months 1.76 ▶ 3.91

Sustainability score 2.0 /10

Credit Risk BBB →

Bloomberg SFPI FP Equity

Reuters SFPI.PA


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PERF	1w	1m	3m	12m
SFPI Group	8.96%	2.70%	-1.62%	72.5%
Building Prod. & Materials	2.15%	1.37%	-7.31%	-4.49%
STOXX 600	-3.33%	-2.75%	-5.61%	0.20%

Last updated: 24/09/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	5.82	9.24	9.29	8.30
Dividend yield (%)	4.45	2.42	2.30	2.47
EV/EBITDA(R) (x)	2.90	4.08	4.18	3.54
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](#)

may have contributed to a surge in its gross margin (up 100bp to 55.6%). Since this business is about saturating production units, the increased demand helped generate a spectacular uptick in operating earnings from a sad €3.2m in 2021 to €8.1m.

NEU-JFK, one of the 2 capital goods providers, experienced a big surge in demand for its air cleaning technologies but was sadly constrained by supply chain shortages and input cost rises. That left it nevertheless with a 75% increase in earnings and a very full order book.

Lastly MMD, big on HVAC products, experienced strong sales but its earnings have been hit by the provisioning of client claims. That should be a one off.

Group figures (remember that SFPI should be looked at as a small industrial conglomerate) show that overall costs have been very well controlled starting with labour costs. This, added to very strong pricing, does help explain the 200bp margin gain at the operating level. Obviously such a remarkable outcome is unlikely to be repeated. At the margin, a limited capex effort participated in the strong FCF generation while the tax bill reflected the drop in the French tax rate to 26.5%.

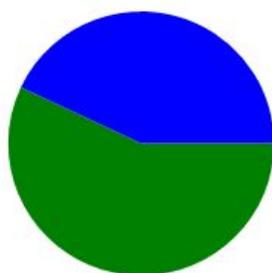
Best practices deployed

The next phase i.e. setting the conglomerate on its way to optimizing its HR, information systems, best ESG practices, online know-how etc with efficiency targets in sight has been launched in 2022. It aims to create leverage where available at limited cost as opposed to changing the profile of the group. Individual companies will retain their entrepreneurial freedom and a requirement to balance their books in the normal course of their business without the parent company support.

■ Impact

The valuation mechanically benefits from the strong net cash position. Looking into 2022, the issuer, a cautious firm if any, is offering €600m by way of a 2022 sales target. Clearly H1 is bound to be strong owing to the fact that 2021 closed with pretty full orderbooks. We are not so sure that H2 will be a satisfactory ride though as higher input costs may well come with declining demand just as the energy induced-slowdown bites. 2021 earnings certainly set the bar very high so we don't expect much of a gain at the bottom line. This is still an 11% uptick on 2022 expectations prior to the 2021 release. Dividends will not be at risk.

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
EBITDA(R) margin	% 9.76	11.0	11.3
Depreciation	€M -20.2	-20.0	-21.5
Underlying operating profit	€M 28.6	41.4	43.9
Operating profit (EBIT)	€M 27.0	38.7	41.2
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
Adjusted attributable net profit	€M 23.0	28.9	32.5
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
Free cash flow (pre div.)	€M 46.6	26.5	29.0

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
Benchmark EPS	€	0.23	0.29	0.33
Restated NAV per share	€			
Net dividend per share	€	0.06	0.07	0.07

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.95	35%	● GEA Group
NAV/SOTP per share	€ 5.04	20%	● Alfa Laval
EV/Ebitda	€ 6.08	20%	● IMI
P/E	€ 6.08	10%	● Travis Perkins
Dividend Yield	€ 3.24	10%	
P/Book	€ 6.08	5%	
TARGET PRICE	€ 5.19	100%	

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
Ordinary shareholders' equity	€M 214	242	260
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
Net debt (cash)	€M -53.3	-74.7	-93.1
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
ROE (after tax)	%	9.57	11.8	12.1
ROCE	%	8.29	12.0	12.4
Gearing (at book value)	%	-16.0	-26.4	-32.2
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
Reference P/E (benchmark)	x	5.82	9.24	9.29
Free cash flow yield	%	34.8	9.92	9.60
P/Book	x	0.63	1.10	1.16
Dividend yield	%	4.45	2.42	2.30

EV Calculation

	12/20A	12/21E	12/22E	
Market cap	€M 134	267	302	
+ 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	251	274	
EV/EBITDA(R)	x	2.90	4.08	4.18
EV/Sales	x	0.28	0.45	0.47

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