



SFPI

Misc. Bldg & Construct Prod / France

H1 sees contracting margins

Earnings/sales releases - 10/10/2022

SFPI sales gains in H1 (+8%) were marred by declining gross margins and rising inventories, typical of post-Covid input cost pressures. This is transitory. The allowance for the Wo&Wo acquisition from Q4-2022 is a positive for forward-looking earnings. A potential recession is not allowed for in our forecasts.

Fact

SFPI published H1 net earnings down 31% on sales up 8% (see table) which was a slight disappointment.

Consolidated Financials

M€	H1 2021	% du CA	H1 2022	% of sales
Sales	283,3		305,9	
Gross margin	171,3	60,5%	179,7	58,8%
Payroll expenses	(95,0)	33,5%	(101,1)	33,1%
Other operating costs	(43,8)	15,5%	(47,7)	15,6%
Taxes	(2,6)		(2,9)	
Depreciation	(8,1)	3,0%	(9,9)	3,2%
Recurring operating income	21,8	7,7%	18,1	5,9%
Non-recurring cost and amortization	0,5		(2,1)	
Operating income	22,3	7,9%	16,0	5,2%
Financial Charges	(0,4)		0,1	
Corporate Income Tax	(6,4)		(4,8)	
Consolidated Net Income	15,8	5,6%	10,9	3,6%
Group share	15,7		11,0	

Its balance sheet is not affected with net cash at €53m, after allowing for a surge in working capital requirement (+€22m).

Post H1 and separately, SFPI has added a €60m revenue business by acquiring Wo&Wo, an Austrian expert in awnings and related equipment for solar protection.

Analysis

The overall H1 theme was rising input costs for all key 4 industrial entities, higher staffing costs to meet demand and higher capex.

The locking & access control unit, DOM, is recording strong growth and booming costs. Price increases (+4% price effect in H1) should develop into H2 and help the gross margin revert to the 70% target (68% in H1). Inventory depreciation also marred H1 operating income and should be a one off. The strategy is unchanged to fast forward all sorts of digital based access controls.

MAC which specialises in windows experienced superb price effects (+11%) on flattish volume gains. It needs more to offset input price rises. Efforts to rebuild gross margins after a 330bp decline to 52.6% include streamlining and standardising even more components so that there are fewer suppliers/better bargaining power. This will also help contain a surge in inventories.

Moving on to units supplying industrial equipment, NEU JFK managed to impose sharp price rises for air cleaning devices and saw a 160bp bump in its gross



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 122%
Target Price (6 months)	€ 4.64
Share Price	€ 2.10
Market Cap. €M	208
Price Momentum	NEGATIVE
Extremes 12Months	2.06 ▶ 3.79
Sustainability score	2.4 /10
Credit Risk	BBB →
Bloomberg	SFPI FP Equity
Reuters	SFPI.PA

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PERF	1w	1m	3m	12m
SFPI Group	-0.24%	-15.7%	-14.5%	-38.9%
Building Prod. & Materials	0.67%	-6.96%	-5.77%	-26.7%
STOXX 600	0.98%	-4.94%	-5.62%	-14.6%

Last updated: 10/10/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	7.99	6.95	5.63	5.55
Dividend yield (%)	2.98	3.82	4.06	4.30
EV/EBITDA(R) (x)	3.89	3.50	3.10	2.85
Adjusted EPS (€)	0.34	0.30	0.37	0.38
Growth in EPS (%)	45.1	-10.3	23.4	1.52
Dividend (€)	0.08	0.08	0.09	0.09
Sales (€M)	569	627	693	707
EBIT margin (%)	7.66	6.73	6.65	6.66
Attributable net profit (€M)	32.5	26.8	32.3	32.8
ROE (after tax) (%)	14.5	10.9	12.1	11.5
Gearing (%)	-25.5	-17.9	-11.4	-14.7

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

margins. Its success was contained by transportation/delivery issues that should disappear by H2. The efficient standalone air cleaning unit for offices should do well as Covid fears persist. NEU JFK is testing a web-based selling effort on this occasion.

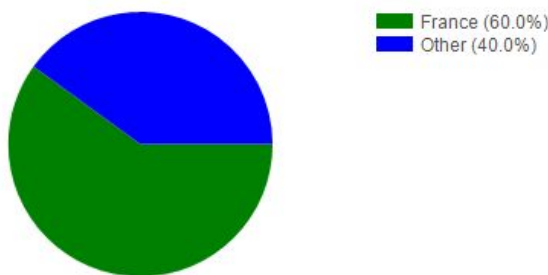
MMD faced delayed deliveries on client requests for its sterilisation equipment unit (Steriflow) while its heat exchangers are doing well. The combined businesses saw an 8% drop in revenues which should be offset in H2

For the group, the rise in inventories (volumes needed to pre-empt shortages + prices) was the main impediment to FCF generation but came as no surprise. The gross cash position remains very strong at €137m, leaving the group with ammunition to swoop on opportunities. This has already happened with the acquisition of Wo&Wo, presumably acquired for a bit less than €30m on an EV basis and using cash & fresh debt. Wo&Wo offers 6% Ebit margins which are not far from those of the group and in any case amply cover the funding costs of the acquisition.

■ Impact

After allowing for the H1 slow start earnings wise and keeping a positive eye on H2 2022, our eps are marginally trimmed for 2022. The 2023 eps benefits from the full impact of Wo&Wo full. The valuations remain very attractive presumably as, like its peers, the stock is discounting a substantial slowdown as a result of the energy crisis in Europe. For now, such worries are not being reflected in orderbooks.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€M 569	627	693
Change in sales	% 14.0	10.3	10.4
Change in staff costs	% 10.0	11.3	12.7
EBITDA	€M 62.1	59.9	66.0
EBITDA(R) margin	% 10.9	9.55	9.53
Depreciation	€M -18.1	-20.0	-20.0
Underlying operating profit	€M 43.9	39.9	46.0
Operating profit (EBIT)	€M 44.9	36.7	43.3
Net financial expense	€M -0.41	-0.20	-0.20
of which related to pensions	€M	-0.95	-0.97
Exceptional items & other	€M		
Corporate tax	€M -12.0	-9.70	-10.8
Equity associates	€M 0.20	0.20	0.20
Minority interests	€M -0.22	-0.22	-0.22
Adjusted attributable net profit	€M 32.2	27.8	34.3
NOPAT	€M 30.9	28.8	33.1

Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€M 62.1	59.9	66.0
Change in WCR	€M -11.7	-28.1	-10.7
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -11.6	-9.70	-10.8
Exceptional items	€M		
Other operating cash flows	€M 4.50	-1.00	-1.00
Total operating cash flows	€M 43.3	21.1	43.5
Capital expenditure	€M -10.7	-21.3	-23.6
Total investment flows	€M -11.1	-51.3	-28.6
Net interest expense	€M -0.41	-0.20	-0.20
Dividends (parent company)	€M -5.68	-7.95	-7.95
Dividends to minorities interests	€M -0.10	-0.10	-0.10
New shareholders' equity	€M -10.0	0.00	0.00
Total financial flows	€M -38.7	27.5	-7.28
Change in cash position	€M -6.51	-2.81	7.71
Free cash flow (pre div.)	€M 32.1	-0.48	19.8

Per Share Data

	Mio	92.2	92.2	92.2
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Mio	95.7	92.2	92.2
Benchmark EPS	€	0.34	0.30	0.37
Restated NAV per share	€			
Net dividend per share	€	0.08	0.08	0.09

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.40	35%	● dormakaba
NAV/SOTP per share	€ 6.55	20%	● Alfa Laval
EV/Ebitda	€ 4.19	20%	● IMI
P/E	€ 4.19	10%	● Travis Perkins
Dividend Yield	€ 3.26	10%	
P/Book	€ 4.19	5%	
TARGET PRICE	€ 4.64	100%	

NAV/SOTP Calculation

Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€M 46.8	46.8	46.8
Total intangible	€M 51.0	51.0	51.0
Tangible fixed assets	€M 79.1	80.7	82.3
Financial fixed assets	€M 2.90	2.96	3.02
WCR	€M 129	157	168
Other assets	€M 39.3	40.1	40.9
Total assets (net of short term liab.)	€M 320	381	395
Ordinary shareholders' equity	€M 233	259	275
Quasi Equity & Preferred	€M		
Minority interests	€M 1.35	1.63	1.63
Provisions for pensions	€M 62.1	45.2	46.1
Other provisions for risks and liabilities	€M 12.2	13.0	15.0
Total provisions for risks and liabilities	€M 74.3	58.2	61.1
Tax liabilities	€M 8.81	15.0	15.3
Other liabilities	€M 68.6	75.0	76.5
Net debt (cash)	€M -65.2	-27.6	-35.3
Total liab. and shareholders' equity	€M 320	381	395

Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€M 262	291	304

Profits & Risks Ratios

	%	14.5	10.9	12.1
ROE (after tax)				
ROCE	%	11.8	9.88	10.9
Gearing (at book value)	%	-25.5	-17.9	-11.4
Adj. Net debt/EBITDA(R)	x	-1.05	-0.46	-0.54
Interest cover (x)	x	106	-53.4	-59.9

Valuation Ratios

	x	7.99	6.95	5.63
Reference P/E (benchmark)				
Free cash flow yield	%	13.0	-0.25	10.2
P/Book	x	1.06	0.75	0.70
Dividend yield	%	2.98	3.82	4.06

EV Calculation

	€M	248	193	193
Market cap				
+ Provisions	€M	74.3	58.2	61.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-78.9	-41.3	-49.3
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	2.90	2.00	2.00
+ Minority interests (fair value)	€M	1.35	2.00	2.00
= EV	€M	241	210	205
EV/EBITDA(R)	x	3.89	3.50	3.10
EV/Sales	x	0.42	0.33	0.30

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 10/10/2022.