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Sponsored research
Misc. Bldg & Construct Prod
France

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

Opinion	**Buy**
Upside (%)	90.5
Price (€)	2.78
Target Price (€)	5.29
Bloomberg Code	SFPI FP
Market Cap (€M)	276
Enterprise Value (€M)	239

Momentum	UNFAVORABLE
Sustainability	3/10
Credit Risk	BBB→

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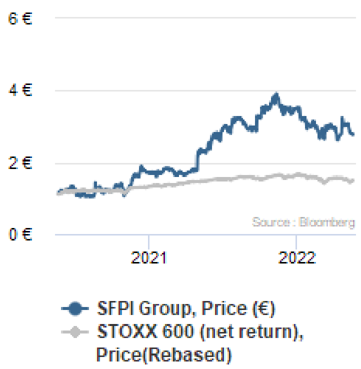


Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

SFPI Group

Safety solutions and safe operations at its heart

PROS

- SFPI combines exposure to capital goods and construction. Its growth hinges on the continuing need for security, energy savings, IoT, renovation and increasing regulation
- No capital increase despite the successive crises and a policy to at least maintain the dividend (only briefly dropped in COVID times) are two differentiating elements in the small cap universe
- Excellent track record in terms of acquisitions (more than 80 implemented): SFPI Group operates in niche, fragmented markets with bolt-on acquisitions to restart when prices adjust lower

CONS

- SFPI is a by-word for industrial caution. This has kept the lid on debt-financed growth, but proved a formidable plus in COVID times
- SFPI is France-centred (c.60% of sales), but the company is willing to accelerate in Europe as well as globally but on a longer horizon.
- Management efforts to aggregate environmental data at group level are likely to deliver only from 2022 leading to the current weak sustainability ratings

KEY DATA	12/20A	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	**5.82**	**7.99**	**7.65**	**7.44**	**7.48**
Dividend yield (%)	*4.45*	*2.98*	*2.88*	*3.06*	*3.24*
EV/EBITDA(R) (x)	2.90	3.89	3.74	3.40	2.89
Adjusted EPS (€)	**0.23**	**0.34**	**0.36**	**0.37**	**0.37**
Growth in EPS (%)	*44.5*	*45.1*	*7.87*	*2.89*	*-0.55*
Dividend (€)	0.06	0.08	0.08	0.09	0.09
Sales (€M)	499	569	600	622	634
EBIT margin (%)	*5.41*	*7.66*	*7.60*	*7.55*	*7.61*
Attributable net profit (€M)	19.8	32.5	32.4	32.4	32.2
ROE (after tax) (%)	**9.57**	**14.5**	**13.5**	**12.5**	**11.2**
Gearing (%)	*-16.0*	*-25.5*	*-29.4*	*-33.3*	*-34.0*

Detailed financials at the end of this report

Key Ratios

		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	x	7.99	7.65	7.44	7.48
EV/EBITDA	x	3.89	3.74	3.40	2.89
P/Book	x	1.06	1.03	0.96	0.83
Dividend yield	%	2.98	2.88	3.06	3.24
Free Cash Flow Yield	%	13.0	12.9	11.1	10.6
ROE (after tax)	%	14.5	13.5	12.5	11.2
ROCE	%	11.8	12.3	12.4	12.2
Net debt/EBITDA	x	-1.05	-1.27	-1.47	-1.68

Consolidated P&L

		12/21A	12/22E	12/23E	12/24E
Sales	€M	569	600	622	634
EBITDA	€M	62.1	63.9	66.3	66.4
Underlying operating profit	€M	43.9	44.9	46.3	46.4
Operating profit (EBIT)	€M	44.9	43.7	43.6	43.7
Net financial expenses	€M	-0.41	-0.20	-0.20	-0.20
Pre-tax profit before exceptional items	€M	44.5	43.5	43.4	43.5
Corporate tax	€M	-12.0	-11.1	-11.0	-11.3
Attributable net profit	€M	32.5	32.4	32.4	32.2
Adjusted attributable net profit	€M	32.2	33.4	34.4	34.2

Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
Total operating cash flows	€M	43.3	53.6	49.6	49.3
Capital expenditure	€M	-10.7	-20.4	-21.2	-21.9
Total investment flows	€M	-11.1	-30.4	-26.2	-26.9
Dividends (parent company)	€M	-5.68	-7.95	-7.95	-8.44
New shareholders' equity	€M	-10.0	0.00	0.00	0.00
Total financial flows	€M	-38.7	-2.53	-7.28	-7.75
Change in net debt position	€M	15.9	15.9	16.2	14.6
Free cash flow (pre div.)	€M	32.1	33.0	28.3	27.1

Balance Sheet

		12/21A	12/22E	12/23E	12/24E
Goodwill	€M	46.8	46.8	46.8	46.8
Total intangible	€M	51.0	51.0	51.0	51.0
Tangible fixed assets	€M	79.1	80.7	82.3	82.3
Right-of-use	€M	13.7	13.7	14.0	14.2
WCR	€M	129	127	132	137
Total assets (net of short term liabilities)	€M	320	321	329	335
Ordinary shareholders' equity (group share)	€M	233	249	268	307
Provisions for pensions	€M	62.1	65.2	66.1	47.1
Net debt / (cash)	€M	-65.2	-81.1	-97.2	-112
Total liabilities and shareholders' equity	€M	320	321	329	335

Per Share Data

		12/21A	12/22E	12/23E	12/24E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**0.34**	**0.36**	**0.37**	**0.37**
Net dividend per share	**€**	**0.08**	**0.08**	**0.09**	**0.09**
Free cash flow per share	€	0.34	0.36	0.31	0.29
Book value per share	€	2.52	2.70	2.90	3.33
Number of diluted shares (average)	**Mio**	**95.7**	**92.2**	**92.2**	**92.2**

Contents

Businesses & Trends

Focus on niches

SFPI Group is a capital goods company with fully-owned operating units specialised in building-related businesses, notably locking solutions for buildings (locks, windows and so on) be it residential or commercial, as well as industrial related businesses, notably air-processing and thermal equipment for Heating, Ventilation and Air Conditioning (HVAC) equipment.
The businesses are split between a Building universe and an Industrial one, with reporting organized around 4 main legal entities.

Good to know would include the following:
• The group was founded in 1985 by a group of entrepreneurs who still own and manage the company.
• It is striving to be more European (about 40% of sales) with international ambitions.
• Growth largely depends on bolt-on acquisitions, essentially stopped in 2020-2021.
• The building product exposure is primarily around the concepts of protection/safety with solid growth potential.
• The industrial businesses are naturally driven by an increased servicing content.
• Covid pressures have accelerated the shift to online
• ESG gains are at operating unit level with the center now sharing best practices

An excellent 2021 combined with a strong showing during Covid

SFPI extracted itself brilliantly from the mess created by two months of strict Covid lockdown in France. 2021 saw some surprisingly strong reporting with earnings up 83% to €32m, confirmed the underlying health of this small industrial conglomerate.

Very cautious financial management is visible through a €65m net cash position, a €12m gain on 2020 despite €10m of buybacks. The 2021 dividend was raised to €0.08 from €0.06.

2022 outlook

SFPI is confident for 2022 with a sales target of €600m, a 5% increase. While this may be within reach, the macro picture became considerably more blurred from March 2022 with input prices rocketing and a risk of a global contraction as energy prices became too high for comfort. France-based labour costs may remain under control in 2022 but the odds are that demands for more will be harder to accommodate if volumes do not progress much. SFPI is certainly able to adapt rapidly and smartly but the risks are that its operating conditions will worsen. Modelling over 2022 to 2024 allows for a first degree of caution (see Financials)

SFPI is mostly about locks & closures

SFPI is a rather complex legal entity as the operational units retain a high degree of autonomy but it can be seen as a two-pronged group: construction-related businesses accounting for 69% of the total and industry-related for the balance

Locks have mattered the most (56% of 2021 EBIT,35% of sales) since SFPI bought out the minorities in DOM back in 2018.

Locks are about recurring revenues (maintenance, renovation, upgrades tend to be made with the same brands), technology improvements (digitalisation, predictive maintenance) and mega-trends (safety concerns rise with revenues and asset building). SFPI/DOM happens to be a challenger in the locking solution industry and hence a price-taker but against companies that have a sense of a proper return on capital employed for their shareholders, meaning strong cash flow discipline. In the oligopolistic locking solutions market, SFPI can happily follow the leaders.

The addressable market of DOM Security is about €3bn (locking business), meaning that DOM Security has a market share in locking solutions of more than 5%. The significant competitors are Dormakaba and Assa-Abloy. The worldwide market has been estimated by Dormakaba at $40bn (locking and electronic access control). Only a few competitors manage more than €1bn in sales. Indeed, the top four locking solutions companies have a combined market share of below 30%.

Even windows are “Energy”

In other building-related markets such as windows and doors, SPFI is small but in a highly fragmented universe. The company is trying to foster innovation (just-in-time inventory management meaning lower costs than French producers of windows but also quicker in terms of distribution, meaning lower installation time for final end-users in order to differentiate with East-European window producers). The strategy is effectively to retain installers through the offering of higher-value-added services and hence to increase the company’s pricing power.

The windows & doors business is 75% driven by renovation i.e. energy savings which are fairly uncorrelated with the construction cycle. It is as predictable as the next set of subsidies/tax cuts to promote energy savings but the overall trend is positive. Since 2021 the sharp increase in fossil energy prices has been a positive shockwave for the whole European industry. It is likely to resonate for a while as the push for lower carbon consumption is an essential plank of broader European energy policy

With some 500k units leaving its factories each year, SFPI has a market share of less than 5% in terms of units sold. The competitors include, but are not limited to, Tryba, groupe Liebot, groupe Lorillard, FPEE, Oknoplast and Fenstar.

Industry too for c.30% of revenues

NEU-JKF designs and manufactures equipment and turnkey systems for air processing in an industrial environment aimed at ensuring environmental protection internally and externally. According to SFPI there are no competitors in industrial air-treatment and improvement with the same size and organisational structure. On its home market, namely France, the company competes with a number of regional players (revenues of between €1m and €4m). In the export market, the company faces players such as Donaldson, Camfil, Nederman, Coral.

The global air pollution control systems' market was estimated at around $12bn quite few years back. It can only have increased with concerns about pollution not to mention Covid avoidance. The European air processing market addressable by NEU-JKF is estimated at about €2bn, with NEU-JKF holding a 5%-6% market share in Europe.

Stronger emission standards and protection for workers in air-polluted plants as well as higher energy efficiency requirements are driving the growth of the HVAC market. A possible future regulatory tightening would clearly be a positive for the Industrial businesses.

The industrial Air Filtration market size alone is set to surpass $6.5bn by 2024, up from $4bn in 2017 according to a market researcher, which should benefit NEU-JKF to a great extent as the CAGR for Europe is expected to be 6.5%.

MMD, another unit of SFPI's industrial businesses, designs, develops, produces, installs and maintains heat exchangers and sterilisers, mainly for industry but also to a lesser extent for the agribusiness and pharmaceutical businesses.

Heat exchangers are designed and made to order according to the thermal requirement of each application. Barriquand, the ad hoc sub-unit, has built its reputation on the quality of its compact heat exchangers. The competitive environment is brisk and composed of international groups such as Alfa Laval, GEA, Hamon, Sondex, SWEP, SPX and French SMEs such as Ziemex, ACM KAPP, ASTRA, Delaunay and Vitherm.
Steriflow is one of the world leaders in industrial sterilisation and pasteurisation and has been dedicated to the design and manufacture of autoclaves for 35 years. The competitive environment is mainly composed of companies with sales between €5m and €15m. Some competitors belong to specialised groups in agribusiness capital goods, such as JBT Foodtech, Allpax and Hermasa.

Synergies across a seemingly motley group
Although SFPI may be regarded as a collection of discrete entities, there are common grounds. Moving to digital manufacturing is one, sharing clients is another obvious reality (think of thermal systems and air cleaning as essentially sharing similar clients), safety & security concerns are across the board, energy savings too.

SFPI's prime challenge is to multiply the bridges between the operational entities which are highly regarded by their BtoB clients without breaking those long-term relations. This is a common issue in industry as barriers across businesses break down and digitalisation offers opportunities to reshape a business.

The SFPI management is certainly moving in the right direction with group-wide plans to share best practices on Management, ESG and Financial reporting, as well as to enhance a deeper customer culture where needed. It may well be that the Covid electroshock has fostered an accelerated rethink of the group's organization.

Divisional Breakdown Of Revenues

	Sector	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
						€M	of % total	€M	of % total
Total sales		**569**	**600**	**622**	**634**	**31↑**	**100%**	**22↑**	**100%**
Building - MAC	Misc. Bldg & Construct Prod	193	205	213	222	12↑	39%	8↑	36%
Building - DOM Security	Misc. Bldg & Construct Prod	198	208	216	225	10↑	32%	8↑	36%
Industrial - MMD	Misc. Bldg & Construct Prod	59.8	62.2	64.1	62.2	2↑	8%	2↑	9%
Industrial - NEU-JKF	Misc. Bldg & Construct Prod	119	126	129	126	7↑	23%	3↑	14%
Other		-0.30	-0.30	-0.30	-0.30	0↑	0%	0↑	0%

Key Exposures

	Revenues	Costs	Equity
Dollar	2.0%	2.0%	2.0%
Emerging currencies	0.0%	0.0%	0.0%
Long-term global warming	40.0%	40.0%	40.0%

Sales By Geography

France	60.0%
Other	40.0%

We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Business model at group level: WCR management

The assets are essentially new as they are updated every year. In other words the company's industrial tools are in excellent condition. The fixed assets are somewhat dominated by goodwill, itself a by-product of a steady flow of acquisitions (80 before Covid put a stop to external growth). Still SFPI does not tie up much in plant. The essence of the business is really determined by the 45% of invested capital going to working capital.

Tying up resources in working capital reflects the need to maintain an in-depth relationship with and a high level of servicing to professionals in the building and security (locks) sectors. Building up a high level of confidence is a time-consuming process which explains why group management is careful about implementing any corporate simplification measure and why acquisitions are the default growth route as they come with all the untold subtleties of a commercial/distribution network.

Obviously protecting existing set-ups is a brake to "extract" synergies that would please a short-term investor but such synergies may end up rapidly burning out.

Management's own path is to buy good businesses that add to SFPI's sum of market shares, step-by-step and building-up. It works but may be dependent on the ability of the top management to create the informal glue between businesses and their managers. Owing to post-pandemic caution, acquisition decisions were postponed until 2022. In any case, industrial businesses have been too expensive in a lasting context of easy money for a cautious family-driven business.

Free cash flows have been rather modest of late as the group has suffered from a lack of organic growth in its various businesses. 2020 turned out to be an excellent crop against earlier expectations as WCR contracted. The good news is that this continued in 2021 contrarily to initial expectations that the recovery would tie up more working capital. Contained capex actually helped.

Additionally it must be stressed that R&D is fully expensed so the FCFs are genuine.

Beyond the 2020 reset

2021 confirmed the soundness of SFPI's operations in a context of rising supply chain issues and higher input prices. Interestingly, the management seems confident that it can ride out these issues which have worsened in 2022. The €600m sales target for the latter year (+5.5) attests to this. As others, SFPI has a strong order book and hopes to implement price increases to defend its gross margins.

Over the longer run and beyond the Covid lull, a lot depends on DOM Security's ability to boost its growth not only through steady acquisitions of smaller players but by going deeper digital. This is clear from the new product lines incorporating digital-based techniques (say open a lock with a smartphone's NFC) but just as well on the marketing front. Still the competition is not sleeping and has broader international wings.

Since 2019, the industry-facing businesses (Neu JFK, MMD) have been adjusting their asset bases, including writing off goodwill. These efforts helped weather the 2020 upheavals but it looks as if these industries need to be always adjusting as the end markets are changing fast (demand to green up industrial processes for instance). This is an opportunity provided operating subsidiaries retain their flexibility to chase new markets.

Divisional EBIT

	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					€M	of % total	€M	of % total
Total	**43.6**	**45.6**	**47.0**	**48.2**	**2↑**	**100%**	**1↑**	**100%**
Building - MAC	8.10	8.94	9.29	9.66	1↑	42%	0↑	25%
Building - DOM Security	23.4	24.6	24.9	24.8	1↑	60%	0↑	21%
Industrial - MMD	4.70	6.57	6.77	6.97	2↑	94%	0↑	14%
Industrial - NEU-JKF	7.50	6.53	7.11	7.99	-1↓	-49%	1↑	41%
Other/cancellations	-0.10	-1.00	-1.10	-1.20	-1↓	-45%	0↓	-7%

Divisional EBIT margin

	12/21A	12/22E	12/23E	12/24E
Total	**7.66%**	**7.60%**	**7.55%**	**7.61%**
Building - MAC	4.19%	4.36%	4.36%	4.36%
Building - DOM Security	11.8%	11.8%	11.5%	11.0%
Industrial - MMD	7.86%	10.6%	10.6%	11.2%
Industrial - NEU-JKF	6.33%	5.20%	5.50%	6.36%

Valuation

SOTP valuation

Our SOTP/NAV is EV/EBIT-based on a divisional basis. We have applied the Ebit multiples seen at Dormakaba and Assa Abloy to value the DOM business (locking solutions) with a hefty discount for the difference in size. Multiples fell sharply in 2022. Similarly, we have used the multiples seen at listed HVAC and heat exchanger competitors (GEA, Alfa Laval) to value the ad hoc SFPI business (NEU and MMB respectively) albeit applying a 33% discount for size. Going granular in these businesses is difficult. The windows side is more volatile growth wise (dependent on tax incentives) which weighs on the MAC multiples.

DCF valuation

Our DCF does not allow for expansion in the EBITDA margin from a record high 10.9% in 2021 to c.10.5% in 2024 and flattening thereafter. This assumes that SFPI can digest the cost price surges in 2022 and 2023. As a rule, it would be hard to expect EBITDA margins sustainably above 11% as SFPI operates in competitive markets.

WCR is again regarded as a cash consumer from 2021 (pre-emptive restocking) onwards as the business normalises/faces supply issues. The necessity to tie up resources in WCR is unlikely to change in these lines of business. On the capex front, we have assumed that the pace could be a bit more brisk than sales growth as it converges with depreciation.

All in all, the FCF margin on sales may well remain above 4%, a number that we deem somewhat conservative and justified by the company's excellent track record, with the 2020 'experience' adding to confidence. This FCF margin means that the EBITDA conversion rate in FCF is substantially above 40%, good enough to leave room for both dividends and a stream of small acquisitions, i.e. growth

Peer valuation

A variety of peers aim at re-combining the various end-markets of SFPI from security and locks down to heat exchangers and plain vanilla building materials. We have not allowed for any discount for SFPI's small size as it caters for proximity markets.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		4.85	75%	35%
NAV/SOTP per share		6.55	136%	20%
EV/Ebitda	*Peers*	5.55	100%	20%
P/E	*Peers*	5.55	100%	10%
Dividend Yield	*Peers*	3.36	21%	10%
P/Book	*Peers*	5.55	100%	5%
Target Price		**5.29**	**90%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	17.4	12.4	2.89	2.44
SFPI Group's ratios	7.56	3.59	0.99	2.96
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (€)	**5.55**	**5.55**	**5.55**	**3.36**
Assa Abloy	19.3	13.0	3.14	2.07
Alfa Laval	18.7	11.8	3.10	2.64
GEA Group	17.0	10.3	2.94	2.82
IMI	15.3	9.90	3.54	2.18
Travis Perkins	9.61	4.91	1.01	3.83
dormakaba	16.8	6.73	7.07	2.99
dormakaba	19.4	8.02	5.45	2.86
Nederman Holding	18.1	8.90	2.95	2.05

DCF Valuation Per Share

WACC	%	8.14	Avg net debt (cash) at book value	€M	-89.2
PV of cashflow FY1-FY11	€M	200	Provisions	€M	78.2
FY11CF	€M	33.8	Unrecognised actuarial losses (gains)	€M	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€M	2.00
Sustainability "g"	%	1.60	Minorities interests (fair value)	€M	2.00
Terminal value	€M	517	Equity value	€M	447
PV terminal value	€M	236	Number of shares	Mio	92.2
PV terminal value in % of total value	*%*	*54.2*	**Implied equity value per share**	**€**	**4.85**
Total PV	€M	436	Sustainability impact on DCF	%	-3.33

Assessing The Cost Of Capital

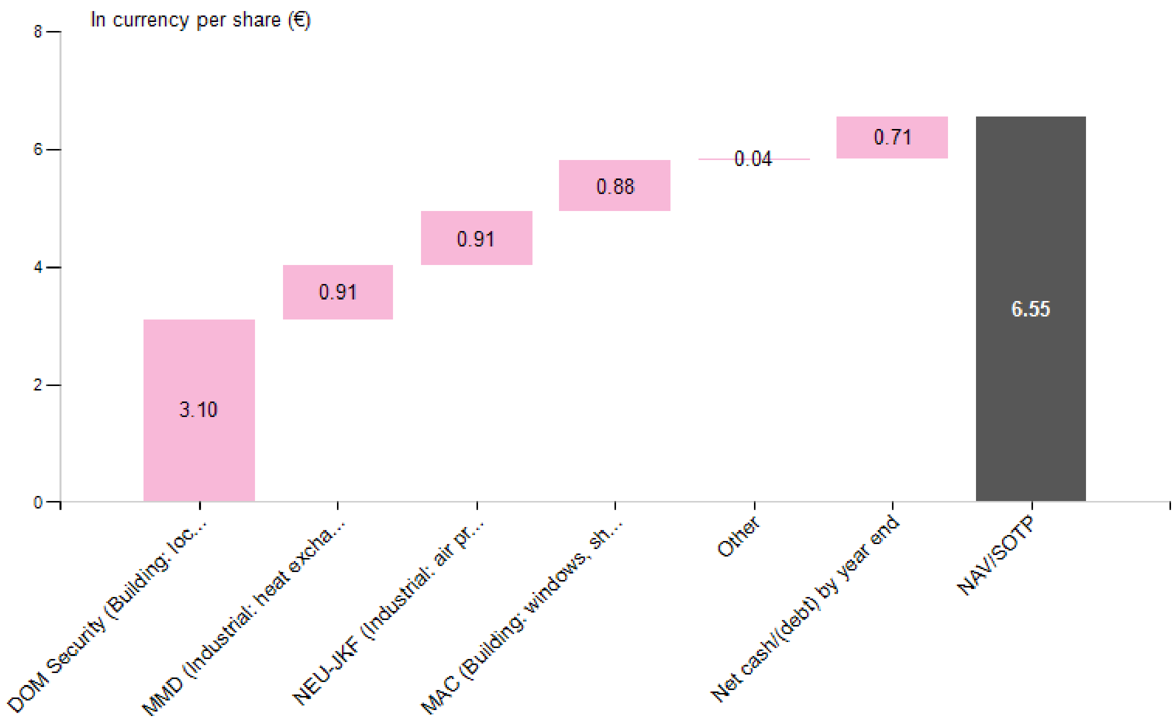
Synthetic default risk free rate	%	3.50	Company debt spread	bp	200
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	5.50
Tax advantage of debt finance (normalised)	%	30.0	**Company beta (leveraged)**	**x**	**0.72**
Average debt maturity	Year	5	Company gearing at market value	%	-31.7
Sector asset beta	x	0.93	Company market gearing	%	-46.4
Debt beta	x	0.40	**Required return on geared equity**	**%**	**7.11**
Market capitalisation	€M	256	Cost of debt	%	3.85
Net debt (cash) at book value	€M	-81.1	**Cost of ungeared equity**	**%**	**8.14**
Net debt (cash) at market value	€M	-81.1	WACC	%	8.14

DCF Calculation

		12/21A	12/22E	12/23E	12/24E	Growth	12/25E	12/32E
Sales	€M	569	600	622	634	**2.00%**	646	742
EBITDA	€M	62.1	63.9	66.3	66.4	**2.00%**	67.8	77.8
EBITDA Margin	*%*	*10.9*	*10.6*	*10.7*	*10.5*		*10.5*	*10.5*
Change in WCR	€M	-11.7	1.72	-4.68	-4.86	**2.00%**	-4.96	-5.69
Total operating cash flows (pre tax)	€M	55.2	64.6	60.6	60.6		62.8	72.2
Corporate tax	€M	-12.0	-11.1	-11.0	-11.3	**2.00%**	-11.6	-13.3
Net tax shield	**€M**	**-0.12**	**-0.06**	**-0.06**	**-0.06**	**2.00%**	**-0.06**	**-0.07**
Capital expenditure	€M	-10.7	-20.4	-21.2	-21.9	**2.00%**	-22.4	-25.7
Capex/Sales	*%*	*-1.88*	*-3.40*	*-3.40*	*-3.46*		*-3.46*	*-3.46*
Pre financing costs FCF (for DCF purposes)	€M	32.4	33.1	28.4	27.3		28.8	33.1
Various add backs (incl. R&D, etc.) for DCF purposes	€M							
Free cash flow adjusted	**€M**	**32.4**	**33.1**	**28.4**	**27.3**		**28.8**	**33.1**
Discounted free cash flows	**€M**	**32.4**	**33.1**	**26.3**	**23.3**		**22.8**	**15.1**
Invested capital	€	262	262	268	273		278	320

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
DOM Security (Buildi...	100%	EV/EBIT	11	286	286	3.10	53.1%
MMD (Industrial: heat...	100%	EV/EBIT	12	84.0	84.0	0.91	15.6%
NEU-JKF (Industrial: ...	100%	EV/EBIT	12	84.0	84.0	0.91	15.6%
MAC (Building: windo...	100%	EV/EBIT	9	81.0	81.0	0.88	15.0%
Other					3.59	0.04	0.67%
Total gross assets					**539**	**5.84**	**100%**
Net cash/(debt) by year end					65.2	0.71	12.1%
Commitments to pay							
Commitments received							
NAV/SOTP					604	6.55	112%
Number of shares net of treasury shares - year end (Mio)					**92.2**		
NAV/SOTP per share (€)					**6.55**		
Current discount to NAV/SOTP (%)					**57.6**		



Debt

The SFPI Group is net cash positive and intends to remain so. This is a reasonable stance as smaller businesses cannot expect much from their banks when the business gets rough.

Rough was effectively the going experienced in Covid-marred 2020 and the recovery process. Furloughed French staff, the working capital release and passing on the 2019 dividend helped nudge the net cash position up to €53m. Things improved further in 2021 in spite of the purchase of treasury shares to the tune of €10m. The net cash position is €65m or c.20% of the market cap.

It is also worth mentioning the built-in safety of relying on the conglomerate-type structure: the businesses are fairly segregated so that one weakness may not impact the group. It is also easier to make quick restructuring decisions and to discuss with unions about changing work practices if this involves only one legal entity. Lastly, the parent holding company was well funded at the close of 2021 with no net debt.

SFPI is small, suffers the various curses of being a listed small cap and has a comparatively legally complex set-up which makes it look like a small industrial conglomerate. To its credit however, it is very transparent about how well the operational units are doing.

Detailed financials at the end of this report

Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	€M	62.1	63.9	66.3	66.4
Funds from operations (FFO)	€M	54.5	52.6	55.1	54.9
Ordinary shareholders' equity	**€M**	**233**	**249**	**268**	**307**
Gross debt	€M	90.2	95.0	95.0	95.0
+ Gross Cash	€M	155	176	192	207
= Net debt / (cash)	**€M**	**-65.2**	**-81.1**	**-97.2**	**-112**
Gearing (at book value)	%	-25.5	-29.4	-33.3	-34.0
Equity/Total asset (%)	%	72.6	77.4	81.4	91.8
Adj. Net debt/EBITDA(R)	*x*	*-1.05*	*-1.27*	*-1.47*	*-1.68*
Adjusted Gross Debt/EBITDA(R)	*x*	*2.65*	*2.71*	*2.66*	*2.36*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*41.4*	*41.1*	*39.7*	*33.8*
Ebit cover	*x*	*106*	*-60.0*	*-60.3*	*-58.9*
FFO/Gross Debt	*%*	*33.1*	*30.4*	*31.3*	*34.9*
FFO/Net debt	*%*	*-83.5*	*-64.9*	*-56.6*	*-49.1*
FCF/Adj. gross debt (%)	*%*	*19.5*	*19.0*	*16.1*	*17.3*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*7.91*	*8.36*	*8.82*	*9.36*
"Cash" FCF/ST debt	*x*	*1.35*	*1.36*	*1.17*	*1.12*

Worth Knowing

Henri Morel was one of the entrepreneurs who founded the company in 1985 and he still runs the company. Nicolas Loyau has been CFO since 2003. Both mandates are long term. Mr Chauveinc was appointed in 2018 as co-CEO.

The Morel family owns 50.9% of the capital and 60.7% of the voting rights.

Overall, the owner-founder and current CEO appears keen to retain control. This precludes faster growth by means of a big acquisition paid for in new shares. In addition, the company cannot be taken over by another player.

In 1993, Spring Management, owned and operated by Jean Bertrand Prot, invested in SFPI Group. Jean Bertrand Prot is today a shareholder and board member as well as special advisor to the group.

From 2007 to 2008, the SFPI Group welcomed new investors, namely BNP Développement, CIC Investissement Est, Banque Populaire de Developpement as well as IDI. Note that no capital increase ever took place

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Arc Management	46.3%	56.0%	0.00%
Jean-Bertrand PROT	11.3%	13.7%	0.00%
CM-CIC Investissement	7.30%	8.81%	0.00%
Treasury shares (SFPI)	6.62%	0.00%	0.00%
Henri MOREL	4.61%	5.58%	0.00%
BNP Paribas Developpement	1.97%	2.39%	0.00%
Apparent free float			**21.9%**

Sustainability

In 2022, SFPI launched a group-wide effort to share best practices in ESG matters. Like any corporate of its size, more structured information is an incremental process that is bound to be a steep learning curve. The efforts launched in 2018 to identify risks as per ISO 26000 were complemented in 2021 by the adoption of procedures relating to the European Taxonomy. AlphaValue does not expect SFPI to fail on the adoption of sustainability measures where needed as the family-dominated governance is largely driven by long-term efforts to do well as opposed to quick earnings delivery with higher risks

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	**3/10**	25%
Board geographic diversity	**0/10**	20%
Chairman vs. Executive split	✗	5%
Environment		
CO^2 Emission	**2/10**	25%
Water withdrawal	**3/10**	10%
Social		
Wage dispersion trend	**7/10**	5%
Job satisfaction	**10/10**	5%
Internal communication	**10/10**	5%
Sustainability score	**2.8/10**	100%

Governance & Management

The governance reflects a family-controlled set-up:
1. The CEO is the chairman and majority owner.
2. Only two out of seven board members are independent as per AlphaValue rules.
3. One share does not equal one vote due to double-voting rights.
The governance front could be improved by having three or more independent directors.
SFPI is striving to meet the recommendations of the governance code provided by Middlenext, its listing venue. This is suited to the company's size.
Fully aligned governance with quality growth principles implies that the firm is well capitalized and can finance its long term objectives without any compromise.

Governance score

Company (Sector)	Independent board
4.9 (6.2)	No

Parameters	Company	Sector	Score	Weight
Number of board members	8	9	8/10	5.0%
Board feminization (%)	42	29	8/10	5.0%
Board domestic density (%)	100	76	0/10	10.0%
Average age of board's members	63	59	4/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	25	35	3/10	20.0%
One share, one vote			✗	10.0%
Chairman vs. Executive split			✗	0.0%
Chairman not ex executive			✗	5.0%
Full disclosure on mgt pay			✓	5.0%
Disclosure of performance anchor for bonus trigger			✓	5.0%
Compensation committee reporting to board of directors			✓	5.0%
Straightforward, clean by-laws			✓	15.0%
Governance score			**4.9/10**	**100.0%**

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Henri MOREL	M	CEO	1957	1985		536 (2021)	0.00 (2021)
Damien CHAUVEINC	M	Deputy CEO	1970	2016		305 (2021)	(2021)
Nicolas LOYAU	M	CFO	1960	2003		(2021)	(2021)

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Henri MOREL	M	✗	President/Chairman of th...	2021	1957	2015		(2021)	11,900 (2021)
ARC MANAGEMENT SAS		✗	Member			2019		0.00 (2021)	119,400 (2021)
Franck CHEUVREUX	M	✗	Member	2024		2015		(2021)	20,000 (2021)
Hervé HOUDART	M	✓	Member	2021	1951	2015		10.0 (2021)	0.00 (2021)
Helene LAPLANTE	F	✗	Member	2021	1962	2018		7.50 (2021)	0.00 (2021)
Valentine LAUDE	F	✗	Member	2021	1978	2015		10.0 (2021)	0.00 (2021)
Marie-Cécile MATAR	F	✓	Member	2021	1959	2018		10.0 (2021)	0.00 (2021)
Jean-Bertrand PROT	M	✗	Member	2021	1945	2015		(2021)	31,500 (2021)

Environment

Data wise SFPI only discloses its energy consumption which fell in 2021 on a per sales basis. It also did on a capital employed basis. Carbon emissions and water usage are missing which handicaps the scoring of the small group on that front.

Environmental Score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
Energy	9/10	4/10	25%
CO² Emission	2/10	4/10	30%
Waste	4/10	5/10	15%
Water withdrawal	3/10	4/10	30%

Company (Sector)

4.35 (4.29)

Environmental metrics

	Company			Sector
	2019	2020	2021	2021
Energy (GJ) per €m in capital employed	744	712	646	7,306

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
SFPI Group		4/10	169,000			
dormakaba		8/10	909,266	74,770	841,474	36,685
Saint-Gobain		4/10	147,672,000	10,400,000	45,400,000	1,309,000
Holcim		3/10	579,000,000	116,000,000	140,000,000	2,390,000
CRH		3/10	197,280,000	35,000,000	109,900,000	2,033,000
Geberit		8/10	2,603,200	217,009	953,284	73,969
Sika		9/10	4,163,000	315,576	3,606,168	151,560
Imerys		3/10	29,373,862	2,494,000	40,524,000	203,516
Heidelbergcement		3/10	351,384,000	64,240,000	60,200,000	
Buzzi		4/10	110,203,000	21,321,714	8,596,852	135,954
Forbo		5/10	1,175,399	52		
Vicat		3/10		16,557,000	16,659,000	
Belimo		10/10	38,520	1,320	11,984	1,048

Social

Although small and organized around discreet units, SFPI bears the hallmarks of sensible management of industrial units. The efforts are aimed at coordinating some HR effort at group level without impeding flexibility at the operational levels.

Social score

Company (Sector)

7.5 (7.0)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	6/10	15%
Average wage trend	7/10	30%
Share of added value taken up by staff cost	9/10	20%
Share of added value taken up by taxes	4/10	15%
Wage dispersion trend	7/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	**6.8/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	7/10	35%
Pay	10/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
Qualitative score	**9.0/10**	**100%**

AlphaValue analysts tick boxes on essential components of the social/HR corporate life.
Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes ✔ / No ✘	Weight
Accidents at work		**25%**
Set targets for work safety on all group sites?	✔	10.0%
Are accidents at work declining?	✔	15.0%
Human resources development		**35%**
Are competences required to meet medium term targets identified?	✔	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✘	3.5%
Is there a training strategy tuned to the company objectives?	✔	3.5%
Are employees trained for tomorrow's objectives?	✔	3.5%
Can all employees have access to training?	✔	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✘	3.5%
Have key competences stayed?	✔	3.5%
Are managers given managerial objectives?	✔	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✔	3.5%
Is mobility encouraged between operating units of the group?	✘	3.5%
Pay		**20%**
Is there a compensation committee?	✔	6.0%
Is employees' performance combining group AND individual performance?	✔	14.0%
Job satisfaction		**10%**
Is there a measure of job satisfaction?	✔	3.3%
Can anyone participate ?	✔	3.4%
Are there action plans to prop up employees' morale?	✔	3.3%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✔	10.0%
Qualitative score	**9.0/10**	**100.0%**

Staff & Pension matters

At the end of 2021, SFPI Group employed 3,842 staff, with about 60% in France, mainly in the DOM business (c. 40% of the total). Pension risks (largely retirement top-offs) are actually quite large as is frequently the case with industrial legacy businesses. A big chunk is derived from the German side of Dom (safety solutions). Pension deficits stabilized in 2021 as the actuarial impacts of falling rates were contained. The pension risks as a proportion of equity stand at 21% which is quite high for a small cap French operation.

Detailed financials at the end of this report

Summary Of Pension Risks

		12/21A	12/22E	12/23E	12/24E
Pension ratio	%	**21.4**	**20.8**	**19.8**	**13.3**
Ordinary shareholders' equity	€M	233	249	268	307
Total benefits provisions	**€M**	**63.2**	**65.2**	**66.1**	**47.1**
of which funded pensions	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
of which unfunded pensions	*€M*	*63.2*	*65.2*	*66.1*	*47.1*
of which benefits / health care	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00

Geographic Breakdown Of Pension Liabilities

		12/21A	12/22E	12/23E	12/24E
US exposure	%				
UK exposure	%				
Euro exposure	%	100	100	100	100
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Recent updates

17/05/2022

As strong as its locks

Change in EPS	2022 : € 0.36 vs 0.33	+10.8%
	2023 : € 0.37 vs 0.37	+1.86%

EPS mechanically benefit from the excellent 2021 execution. Looking into 2022 and 2023, the order book and tight management should help digest fast-rising costs as long as the top line remains in positive territory.

Change in Target Price	€ 5.30 vs 5.00	+5.99%

The target price benefits from extremely solid 2021 execution that has provided a higher base looking forward. We have injected a degree of caution on the outlook from H2-2022 even though the activity target (€600m sales) within reach.

Change in NAV	€ 6.55 vs 5.04	+30.1%

The NAV benefits from repeated strong realisations that combine with higher market multiples on similar businesses

27/04/2022

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

Earnings/sales releases

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 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.

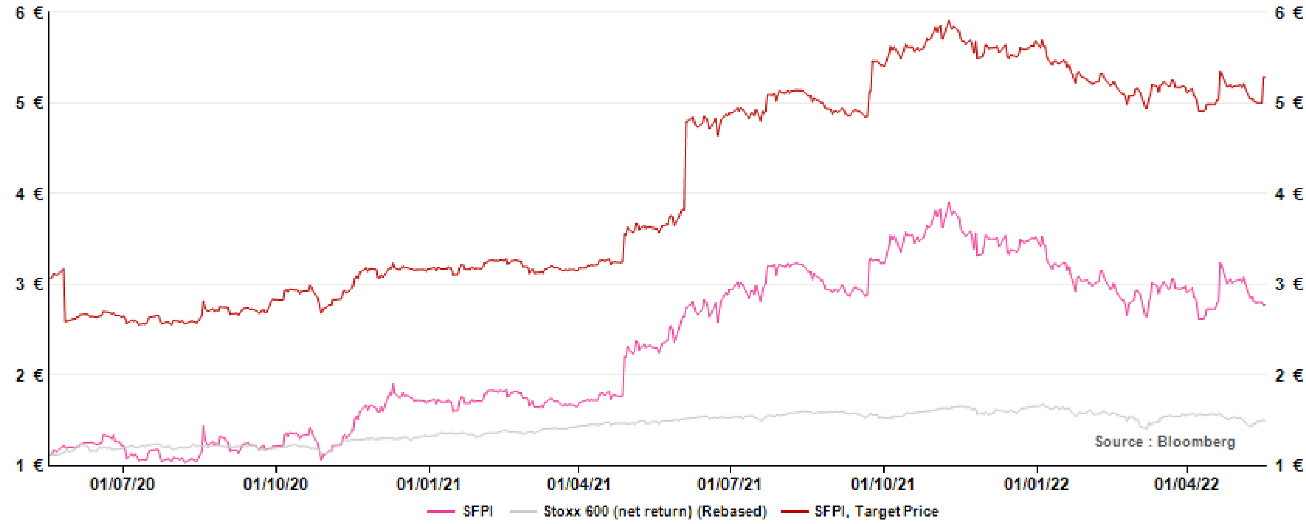
Group figures (remember that SFPI should be looked at as a small industrial conglomerate) show that overall costs have been very well controlled starting with labour costs. This, added to very strong pricing, does help explain the

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%.

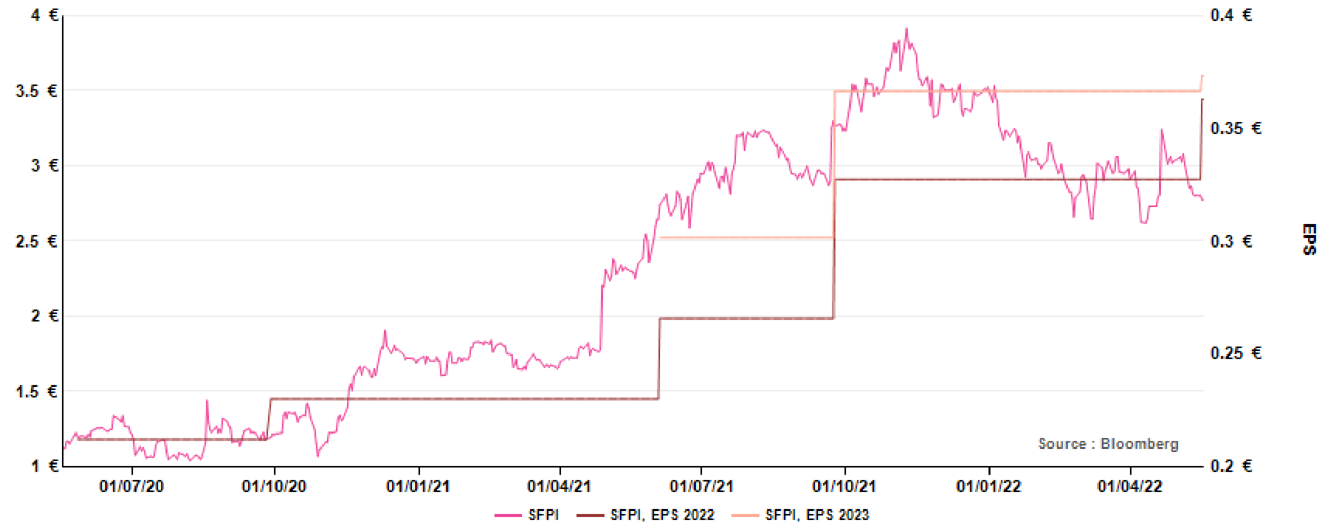
Best practices deployed
The next phase i.e. setting the conglomerate on its way to optimizing its HR, information systems, best ESG practices, online know-how etc with efficiency targets in sight has been launched in 2022. It aims to create leverage where available at limited cost as opposed to changing 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.

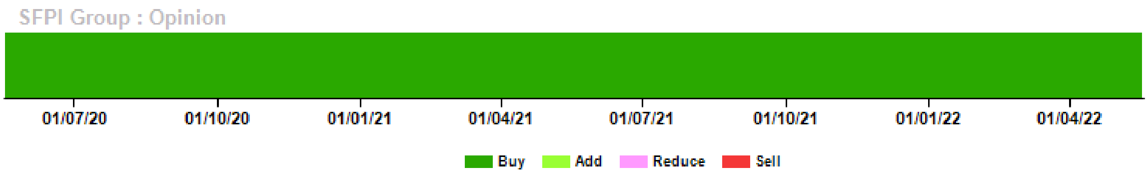
Impact
The valuation mechanically benefits from the strong net cash position. Looking into 2022, the issuer, a cautious firm if any, is offering €600m by way of a 2022 sales target. Clearly H1 is bound to be strong owing to the fact that 2021 closed with pretty full orderbooks. We are not so sure that 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.

Stock Price and Target Price

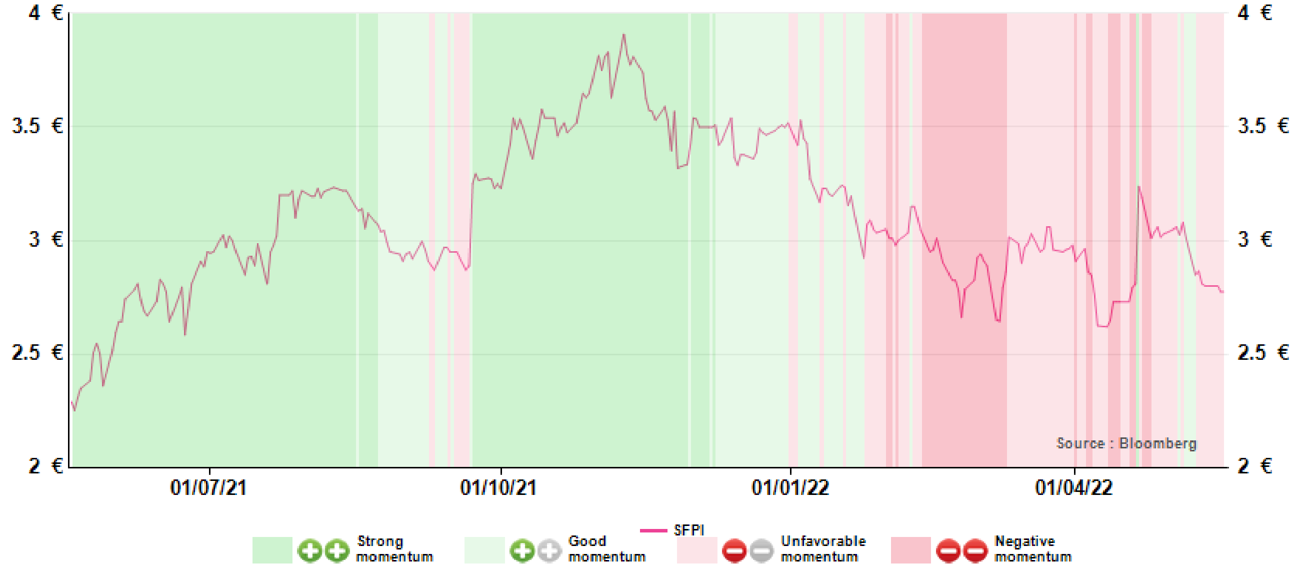


Earnings Per Share & Opinion





Momentum



Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.
The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.
For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

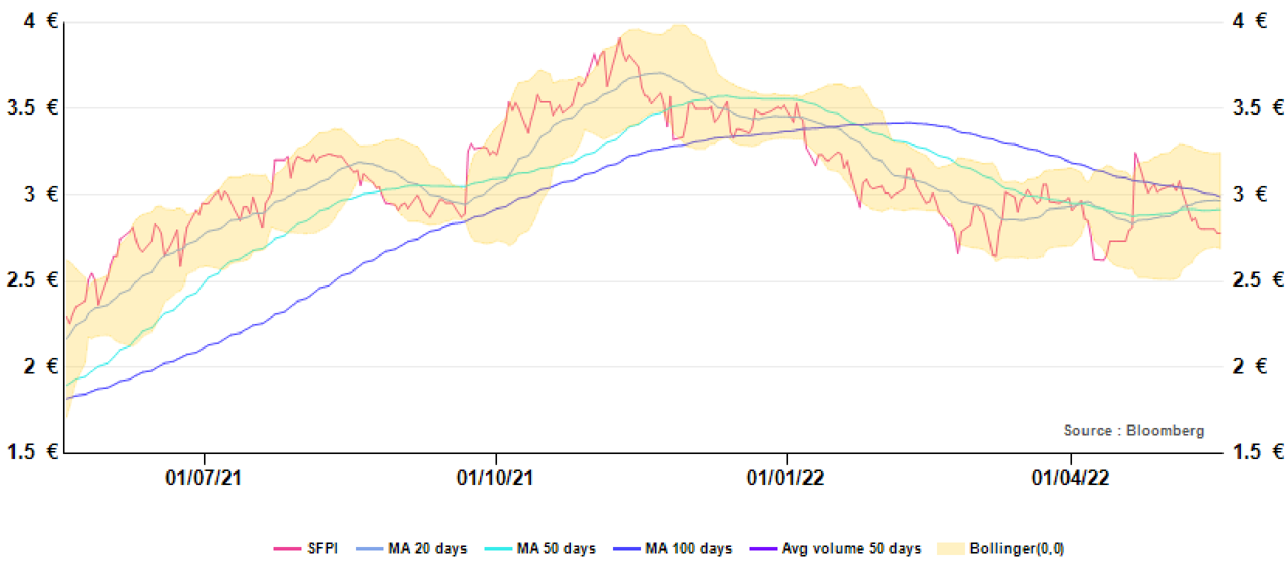
: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

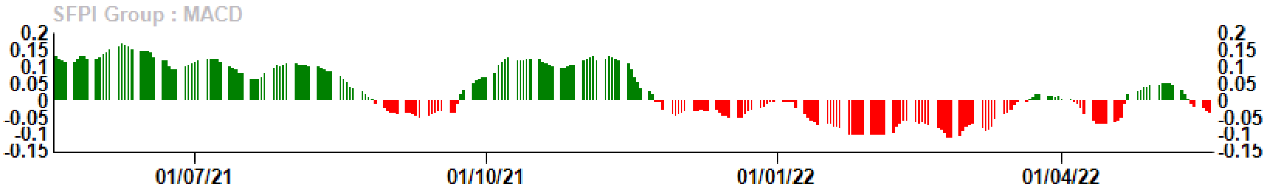
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

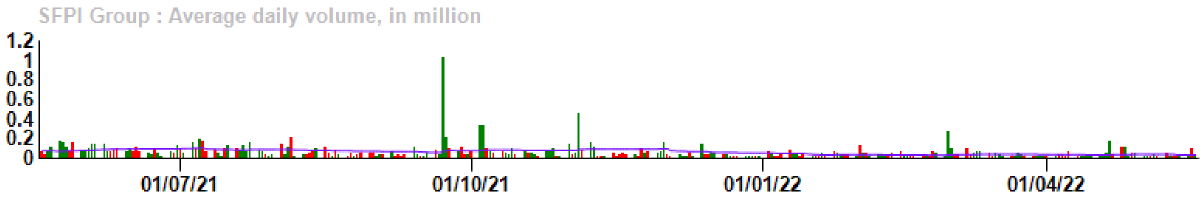
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

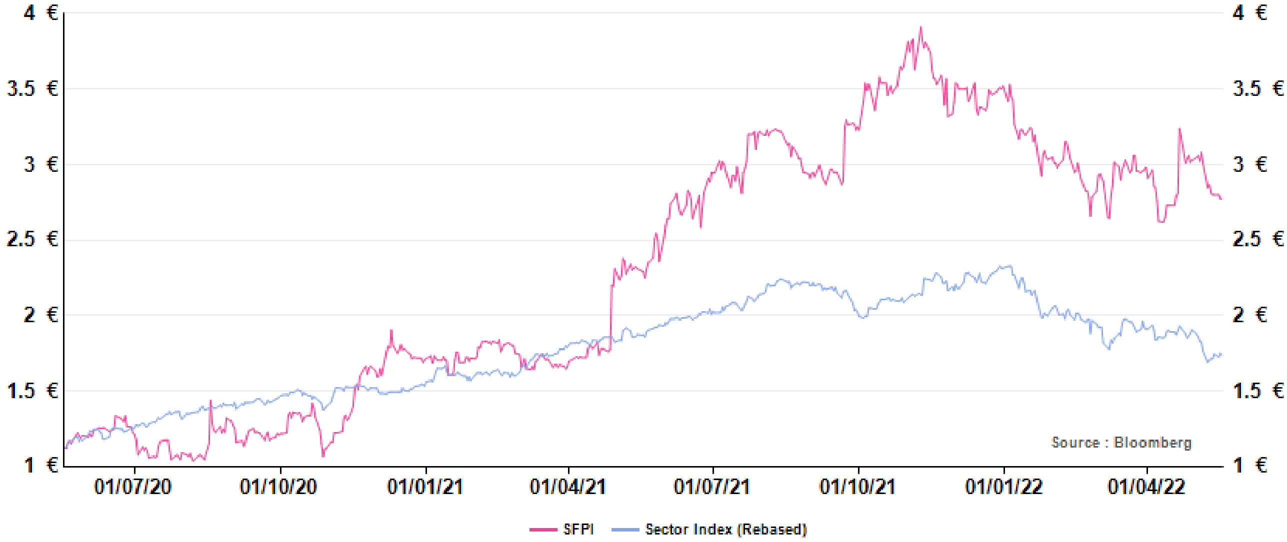
Moving Average MACD & Volume







Sector Building Prod. & Materials



Detailed Financials

Valuation Key Data		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	**x**	**7.99**	**7.65**	**7.44**	**7.48**
Reported P/E	x	7.62	7.89	7.90	7.94
EV/EBITDA(R)	**x**	**3.89**	**3.74**	**3.40**	**2.89**
EV/EBIT	x	5.50	5.33	4.87	4.13
EV/Sales	x	0.42	0.40	0.36	0.30
P/Book	**x**	**1.06**	**1.03**	**0.96**	**0.83**
Dividend yield	**%**	**2.98**	**2.88**	**3.06**	**3.24**
Free cash flow yield	*%*	*13.0*	*12.9*	*11.1*	*10.6*
Average stock price	€	2.69	2.78	2.78	2.78

Consolidated P&L

		12/21A	12/22E	12/23E	12/24E
Sales	€M	569	600	622	634
Sales growth	%	*14.0*	*5.45*	*3.69*	*1.85*
Sales per employee	€th	*153*	*155*	*159*	*160*
Purchases and external costs (incl. IT)	€M	-236	-246	-255	-263
Staff costs	€M	-185	-198	-206	-214
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M				
EBITDA	€M	62.1	63.9	66.3	66.4
EBITDA(R)	€M	62.1	63.9	66.3	66.4
EBITDA(R) margin	%	*10.9*	*10.6*	*10.7*	*10.5*
EBITDA(R) per employee	€th	*16.7*	*16.5*	*16.9*	*16.8*
Depreciation	€M	-18.1	-19.0	-20.0	-20.0
Depreciations/Sales	%	*3.19*	*3.17*	*3.21*	*3.16*
Amortisation	€M				
Underlying operating profit	€M	43.9	44.9	46.3	46.4
Underlying operating margin	%	*7.72*	*7.48*	*7.45*	*7.33*
Other income/expense (cash)	€M	0.70	-0.20	-0.70	-0.70
Impairment charges/goodwill amortisation	€M	0.28	-1.00	-2.00	-2.00
Operating profit (EBIT)	€M	44.9	43.7	43.6	43.7
Interest expenses	€M	-0.85	-1.50	-1.50	-1.50
of which effectively paid cash interest expenses	€M	*-0.49*			
Financial income	€M	0.43	1.30	1.30	1.30
Other financial income (expense)	€M				
Net financial expenses	€M	-0.41	-0.20	-0.20	-0.20
of which related to pensions	€M		*-0.95*	*-0.97*	*-0.99*
Pre-tax profit before exceptional items	€M	44.5	43.5	43.4	43.5
Exceptional items and other (before taxes)	€M				
Current tax	€M	-12.0	-11.1	-11.0	-11.3
Deferred tax	€M				
Corporate tax	€M	-12.0	-11.1	-11.0	-11.3
Tax rate	%	*27.1*	*24.8*	*24.3*	*24.9*
Net margin	%	*5.71*	*5.41*	*5.21*	*5.08*
Equity associates	€M	0.20	0.20	0.20	0.20
Actual dividends received from equity holdings	€M				
Minority interests	€M	-0.22	-0.22	-0.22	-0.22
Actual dividends paid out to minorities	€M	*-0.10*	*-0.10*	*-0.10*	*-0.10*
Income from discontinued operations	€M				
Attributable net profit	€M	32.5	32.4	32.4	32.2
Impairment charges/goodwill amortisation	€M	-0.28	1.00	2.00	2.00
Other adjustments	€M				
Adjusted attributable net profit	€M	32.2	33.4	34.4	34.2
Fully diluted adjusted attr. net profit	€M	32.2	33.4	34.4	34.2
NOPAT	€M	30.9	32.3	33.3	33.4

Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
EBITDA	€M	62.1	63.9	66.3	66.4
Change in WCR	€M	-11.7	1.72	-4.68	-4.86
of which (increases)/decr. in receivables	*€M*	*8.10*	*-4.95*	*-3.53*	*-3.66*
of which (increases)/decr. in inventories	*€M*	*-29.0*	*4.44*	*-3.64*	*-3.77*
of which increases/(decr.) in payables	*€M*	*9.20*	*2.22*	*2.49*	*2.58*
of which increases/(decr.) in other curr. liab.	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	-11.6	-11.1	-11.0	-11.3
Exceptional items	€M				
Other operating cash flows	€M	4.50	-1.00	-1.00	-1.00
Total operating cash flows	€M	43.3	53.6	49.6	49.3
Capital expenditure	€M	-10.7	-20.4	-21.2	-21.9
Capex as a % of depreciation & amort.	*%*	*59.0*	*107*	*106*	*110*
Net investments in shares	€M	-0.40	-10.0	-5.00	-5.00
Other investment flows	€M				
Total investment flows	€M	-11.1	-30.4	-26.2	-26.9
Net interest expense	€M	-0.41	-0.20	-0.20	-0.20
of which cash interest expense	*€M*	*-0.49*	*0.75*	*0.77*	*0.79*
Dividends (parent company)	€M	-5.68	-7.95	-7.95	-8.44
Dividends to minorities interests	€M	-0.10	-0.10	-0.10	-0.10
New shareholders' equity	€M	-10.0	0.00	0.00	0.00
of which (acquisition) release of treasury shares	*€M*				
(Increase)/decrease in net debt position	€M	-22.4	4.77	0.00	0.00
Other financial flows	€M				
Total financial flows	€M	-38.7	-2.53	-7.28	-7.75
Change in scope of consolidation, exchange rates & other	€M	0.00	0.00		
Change in cash position	€M	-6.51	20.6	16.2	14.6
Change in net debt position	€M	15.9	15.9	16.2	14.6
Free cash flow (pre div.)	€M	32.1	33.0	28.3	27.1
Operating cash flow (clean)	€M	43.3	53.6	49.6	49.3
Reinvestment rate (capex/tangible fixed assets)	*%*	*2.64*	*5.01*	*5.17*	*5.36*

Balance Sheet

		12/21A	12/22E	12/23E	12/24E
Goodwill	€M	46.8	46.8	46.8	46.8
Other intangible assets	€M	4.20	4.20	4.20	4.20
Total intangible	€M	51.0	51.0	51.0	51.0
Tangible fixed assets	€M	79.1	80.7	82.3	82.3
Right-of-use	€M	13.7	13.7	14.0	14.2
Financial fixed assets (part of group strategy)	€M	2.90	2.96	3.02	3.08
Other financial assets (investment purpose mainly)	€M	5.60	5.92	5.92	5.92
WCR	€M	129	127	132	137
of which trade & receivables (+)	*€M*	*90.8*	*95.8*	*99.3*	*103*
of which inventories (+)	*€M*	*103*	*98.6*	*102*	*106*
of which payables (+)	*€M*	*65.2*	*67.4*	*69.9*	*72.5*
of which other current liabilities (+)	*€M*				
Other current assets	€M	39.3	40.1	40.9	41.7
of which tax assets (+)	*€M*	*19.1*			
Total assets (net of short term liabilities)	€M	320	321	329	335
Ordinary shareholders' equity (group share)	€M	233	249	268	307
Minority interests	€M	1.35	1.63	1.63	1.63
Provisions for pensions	€M	62.1	65.2	66.1	47.1
Other provisions for risks and liabilities	€M	12.2	13.0	15.0	15.0
Deferred tax liabilities	€M	8.81	8.99	9.17	9.17
Other liabilities	€M	68.6	65.0	66.3	66.3
Net debt / (cash)	€M	-65.2	-81.1	-97.2	-112
Total liabilities and shareholders' equity	€M	320	321	329	335
Average net debt / (cash)	€M	-59.3	-73.1	-89.2	-105

EV Calculations

		12/21A	12/22E	12/23E	12/24E
EV/EBITDA(R)	**x**	**3.89**	**3.74**	**3.40**	**2.89**
EV/EBIT	**x**	**5.50**	**5.33**	**4.87**	**4.13**
EV/Sales	**x**	**0.42**	**0.40**	**0.36**	**0.30**
EV/Invested capital	x	0.92	0.91	0.84	0.70
Market cap	€M	248	256	256	256
+ Provisions (including pensions)	€M	74.3	78.2	81.1	62.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€M	-78.9	-94.7	-111	-126
+ Right-of-use (from 2019)/Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M	2.90	2.00	2.00	2.00
+ Minority interests (fair value)	€M	1.35	2.00	2.00	2.00
= Enterprise Value	**€M**	**241**	**239**	**226**	**192**

Per Share Data

Per Share Data		12/21A	12/22E	12/23E	12/24E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**0.34**	**0.36**	**0.37**	**0.37**
Growth in EPS	*%*	*45.1*	*7.87*	*2.89*	*-0.55*
Reported EPS	€	0.35	0.35	0.35	0.35
Net dividend per share	**€**	**0.08**	**0.08**	**0.09**	**0.09**
Free cash flow per share	€	0.34	0.36	0.31	0.29
Operating cash flow per share	€	0.45	0.58	0.54	0.53
Book value per share	€	2.52	2.70	2.90	3.33
Number of ordinary shares	**Mio**	**99.3**	**99.3**	**99.3**	**99.3**
Number of equivalent ordinary shares (year end)	Mio	99.3	99.3	99.3	99.3
Number of shares market cap.	Mio	99.3	99.3	99.3	99.3
Treasury stock (year end)	Mio	7.15	7.15	7.15	7.15
Number of shares net of treasury stock (year end)	Mio	92.2	92.2	92.2	92.2
Number of common shares (average)	**Mio**	**95.7**	**92.2**	**92.2**	**92.2**
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Mio**	**95.7**	**92.2**	**92.2**	**92.2**
Goodwill per share (diluted)	€	0.00	0.01	0.02	0.02
EPS after goodwill amortisation (diluted)	€	0.34	0.35	0.35	0.35
EPS before goodwill amortisation (non-diluted)	€	0.34	0.35	0.35	0.35
Payout ratio	**%**	**22.7**	**22.7**	**24.2**	**25.8**
Capital payout ratio (div +share buy back/net income)	**%**	**24.7**	**23.8**	**24.5**	

Funding - Liquidity

Funding - Liquidity		12/21A	12/22E	12/23E	12/24E
EBITDA	€M	62.1	63.9	66.3	66.4
Funds from operations (FFO)	€M	54.5	52.6	55.1	54.9
Ordinary shareholders' equity	**€M**	**233**	**249**	**268**	**307**
Gross debt	€M	90.2	95.0	95.0	95.0
o/w Less than 1 year - Gross debt	€M	23.7 [1]	25.0 [1]	25.0 [1]	25.0 [1]
o/w 1 to 5 year - Gross debt	€M	63.9 [1]	65.0 [1]	65.0 [1]	65.0 [1]
o/w Beyond 5 years - Gross debt	€M	2.65	5.00	5.00	5.00
+ Gross Cash	€M	155	176	192	207
= Net debt / (cash)	**€M**	**-65.2**	**-81.1**	**-97.2**	**-112**
Bank borrowings	€M	80.0	80.0	80.0	80.0
Financial leases liabilities	€M	10.1	10.0	10.0	10.0
Other financing	€M	0.10	5.00	5.00	5.00
Gearing (at book value)	%	-25.5	-29.4	-33.3	-34.0
Equity/Total asset (%)	%	72.6	77.4	81.4	91.8
Adj. Net debt/EBITDA(R)	*x*	*-1.05*	*-1.27*	*-1.47*	*-1.68*
Adjusted Gross Debt/EBITDA(R)	*x*	*2.65*	*2.71*	*2.66*	*2.36*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*41.4*	*41.1*	*39.7*	*33.8*
Ebit cover	*x*	*106*	*-60.0*	*-60.3*	*-58.9*
FFO/Gross Debt	*%*	*33.1*	*30.4*	*31.3*	*34.9*
FFO/Net debt	*%*	*-83.5*	*-64.9*	*-56.6*	*-49.1*
FCF/Adj. gross debt (%)	*%*	*19.5*	*19.0*	*16.1*	*17.3*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*7.91*	*8.36*	*8.82*	*9.36*
"Cash" FCF/ST debt	*x*	*1.35*	*1.36*	*1.17*	*1.12*

1. Incl. leases

ROE Analysis (Dupont's Breakdown)

ROE Analysis (Dupont's Breakdown)		12/21A	12/22E	12/23E	12/24E
Tax burden (Net income/pretax pre excp income)	x	0.73	0.75	0.75	0.74
EBIT margin (EBIT/sales)	%	7.89	7.28	7.01	6.90
Assets rotation (Sales/Avg assets)	%	181	187	191	191
Financial leverage (Avg assets /Avg equity)	x	1.41	1.33	1.26	1.15
ROE	**%**	**14.5**	**13.5**	**12.5**	**11.2**
ROA	%	17.3	16.9	16.5	16.2

Shareholder's Equity Review (Group Share)

Shareholder's Equity Review (Group Share)		12/21A	12/22E	12/23E	12/24E
Y-1 shareholders' equity	€M	216	233	249	268
+ Net profit of year	€M	32.5	32.4	32.4	32.2
- Dividends (parent cy)	€M	-5.68	-7.95	-7.95	-8.44
+ Additions to equity	€M	-10.0	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M	0.00	-8.71	-5.26	15.9
= Year end shareholders' equity	**€M**	**233**	**249**	**268**	**307**

Staffing Analytics

		12/21A	12/22E	12/23E	12/24E
Sales per staff	€th	153	155	159	160
Staff costs per employee	€th	-49.8	-51.0	-52.6	-54.3
Change in staff costs	*%*	*10.0*	*6.62*	*4.18*	*4.19*
Change in unit cost of staff	*%*	*15.5*	*2.57*	*2.98*	*3.29*
Staff costs/(EBITDA+Staff costs)	*%*	*74.9*	*75.6*	*75.6*	*76.3*
Average workforce	**unit**	**3,723**	**3,870**	**3,915**	**3,949**
Europe	unit	3,842	3,900	3,966	4,034
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	**€M**	**-185**	**-198**	**-206**	**-214**
Wages and salaries	€M	-185	-195	-203	-212
Pension related costs	€M		-2.90	-2.90	-2.90

Divisional Breakdown Of Revenues

		12/21A	12/22E	12/23E	12/24E
Total sales	**€M**	**569**	**600**	**622**	**634**
Building - MAC	€M	193	205	213	222
Building - DOM Security	€M	198	208	216	225
Industrial - MMD	€M	59.8	62.2	64.1	62.2
Industrial - NEU-JKF	€M	119	126	129	126
Other	€M	-0.30	-0.30	-0.30	-0.30

Divisional Breakdown Of Earnings

		12/21A	12/22E	12/23E	12/24E
EBIT Analysis					
Building - MAC	€M	8.10	8.94	9.29	9.66
Building - DOM Security	€M	23.4	24.6	24.9	24.8
Industrial - MMD	€M	4.70	6.57	6.77	6.97
Industrial - NEU-JKF	€M	7.50	6.53	7.11	7.99
Other/cancellations	€M	-0.10	-1.00	-1.10	-1.20
Total	**€M**	**43.6**	**45.6**	**47.0**	**48.2**
EBIT margin	%	7.66	7.60	7.55	7.61

Revenue Breakdown By Country

		12/21A	12/22E	12/23E	12/24E
France	%	61.0	60.0		
Other	%	39.0	40.0		

ROCE

ROCE		12/21A	12/22E	12/23E	12/24E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*11.8*	*12.3*	*12.4*	*12.2*
CFROIC	*%*	*12.3*	*12.6*	*10.6*	*9.94*
Goodwill	€M	46.8	46.8	46.8	46.8
Accumulated goodwill amortisation	*€M*	*62.0*	*62.0*	*62.0*	*62.0*
All intangible assets	€M	4.20	4.20	4.20	4.20
Accumulated intangible amortisation	*€M*	*63.0*	*63.0*	*63.0*	*63.0*
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	€M	0.00	0.00	0.00	0.00
Other fixed assets	€M	79.1	80.7	82.3	82.3
Accumulated depreciation	*€M*	*327*	*327*	*327*	*327*
WCR	€M	129	127	132	137
Other assets	€M	2.90	2.96	3.02	3.08
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€M**	**262**	**262**	**268**	**273**
Capital employed before depreciation	€M	714	713	720	725

Divisional Breakdown Of Capital Employed

Divisional Breakdown Of Capital Employed		12/21A	12/22E	12/23E	12/24E
Building - MAC	€M	68.5	68.5	70.1	71.4
Building - DOM Security	€M	140	140	144	146
Industrial - MMD	€M	27.4	27.4	28.0	28.5
Industrial - NEU-JKF	€M	48.3	48.3	49.4	50.3
Other	€M	-22.6	-22.6	-23.2	-23.6
Total capital employed	**€M**	**262**	**262**	**268**	**273**

Pension Risks

Summary Of Pension Risks

		12/21A	12/22E	12/23E	12/24E
Pension ratio	**%**	**21.4**	**20.8**	**19.8**	**13.3**
Ordinary shareholders' equity	€M	233	249	268	307
Total benefits provisions	**€M**	**63.2**	**65.2**	**66.1**	**47.1**
of which funded pensions	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
of which unfunded pensions	*€M*	*63.2*	*65.2*	*66.1*	*47.1*
of which benefits / health care	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
Company discount rate	*%*	*1.50*	*1.50*	*1.50*	
Normalised recomputed discount rate	%		1.50		
Company future salary increase	*%*	*2.00*	*2.00*	*2.00*	
Normalised recomputed future salary increase	%		2.00		
Company expected rate of return on plan assets	*%*	*2.00*	*2.00*	*2.00*	
Normalised recomputed expd rate of return on plan assets	%		1.50		
Funded : Impact of actuarial assumptions	**€M**		**0.00**		
Unfunded : Impact of actuarial assumptions	**€M**		**0.00**		

Geographic Breakdown Of Pension Liabilities

		12/21A	12/22E	12/23E	12/24E
US exposure	%				
UK exposure	%				
Euro exposure	%	100	100	100	100
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Balance Sheet Implications

		12/21A	12/22E	12/23E	12/24E
Funded status surplus / (deficit)	€M	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	€M	-63.2	-64.5	-65.9	-67.3
Total surplus / (deficit)	€M	-63.2	-64.5	-65.9	-67.3
Total unrecognised actuarial (gains)/losses	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Provision (B/S) on funded pension	€M	0.00	0.00	0.00	0.00
Provision (B/S) on unfunded pension	€M	63.2	65.2	66.1	47.1
Other benefits (health care) provision	€M	0.00	0.00	0.00	0.00
Total benefit provisions	**€M**	**63.2**	**65.2**	**66.1**	**47.1**

P&L Implications

		12/21A	12/22E	12/23E	12/24E
Funded obligations periodic costs	€M	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	€M	-3.30	-3.85	-3.87	-3.89
Total periodic costs	**€M**	**-3.30**	**-3.85**	**-3.87**	**-3.89**
of which incl. in labour costs	*€M*	*-2.90*	*-2.90*	*-2.90*	*-2.90*
of which incl. in interest expenses	*€M*	*-0.40*	*-0.95*	*-0.97*	*-0.99*

Funded Obligations

		12/21A	12/22E	12/23E	12/24E
Balance beginning of period	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Current service cost	€M		0.00	0.00	0.00
Interest expense	€M		0.00	0.00	0.00
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M		0.00	0.00	0.00
of which impact of change in discount rate	*€M*		*0.00*		
of which impact of change in salary increase	*€M*		*0.00*		
Changes to scope of consolidation	**€M**				
Currency translation effects	€M				
Pension payments	€M				
Other	€M				
Year end obligation	**€M**	**0.00**	**0.00**	**0.00**	**0.00**

Plan Assets

		12/21A	12/22E	12/23E	12/24E
Value at beginning	**€M**		**0.00**	**0.00**	**0.00**
Company expected return on plan assets	€M		0.00	0.00	0.00
Actuarial gain /(loss)	€M		0.00	0.00	0.00
Employer's contribution	€M	0.00	0.00	0.00	0.00
Employees' contributions	€M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€M				
Currency translation effects	€M				
Pension payments	€M	0.00	0.00	0.00	0.00
Other	€M				
Value end of period	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Actual and normalised future return on plan assets	€M	0.00	0.00	0.00	0.00

Unfunded Obligations

		12/21A	12/22E	12/23E	12/24E
Balance beginning of period	**€M**	**65.0**	**63.2**	**64.5**	**65.9**
Current service cost	€M	2.90	2.90	2.90	2.90
Interest expense	€M	0.40	0.95	0.97	0.99
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	-2.80	0.00	0.00	0.00
of which Impact of change in discount rate	*€M*		*0.00*		
of which Impact of change in salary increase	*€M*		*0.00*		
Changes to scope of consolidation	€M	0.00	0.00	0.00	0.00
Currency translation effects	€M				
Pension payments	€M	-2.30	-2.50	-2.50	-2.50
Other	€M				
Year end obligation	**€M**	**63.2**	**64.5**	**65.9**	**67.3**

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a "**value**" approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' instrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%