

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

SFPI Group

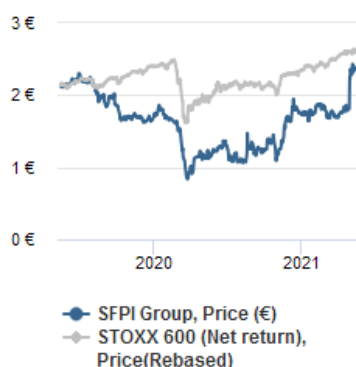
Safety-driven long-term ambitions

Opinion	Buy
Upside (%)	53.7
Price (€)	2.36
Target Price (€)	3.63
Bloomberg Code	SFPI FP
Market Cap (€M)	234
Enterprise Value (€M)	275
Momentum	STRONG
Sustainability	2/10
Credit Risk	BBB→

Research Analysts

Pierre-Yves Gauthier
+33 (0) 1 70 61 10 50

buildingmaterials@alphavalue.eu



PROS

- SFPI is more about capital goods than construction. Its growth hinges on the 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 (dropped in COVID times), two differentiating elements in the small cap universe
- Excellent track record in terms of acquisitions (more than 80 implemented): SFPI Group is operating in niche, fragmented markets and has been built up by successive bolt-on acquisitions

CONS

- SFPI is a by-word for industrial caution. This has kept the lid on debt-financed growth (but proves an ace 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.

KEY DATA	12/18A	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	15.9	12.9	17.3	14.2	10.3
Dividend yield (%)	1.83	0.00	3.71	2.54	2.97
EV/EBITDA(R) (x)	6.91	4.78	5.73	5.71	4.61
Adjusted EPS (€)	0.17	0.16	0.08	0.17	0.23
Growth in EPS (%)	-17.5	-6.55	-51.3	113	38.6
Dividend (€)	0.05	0.00	0.05	0.06	0.07
Sales (€M)	550	563	489	556	582
EBIT margin (%)	5.52	5.43	1.61	4.71	6.25
Attributable net profit (€M)	13.7	3.73	5.25	16.5	22.8
ROE (after tax) (%)	6.94	1.85	2.60	7.84	10.3
Gearing (%)	-19.1	-10.7	-9.80	-11.4	-12.7

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

Detailed financials at the end of this report

Key Ratios

		12/19A	12/20E	12/21E	12/22E
Adjusted P/E	x	12.9	17.3	14.2	10.3
EV/EBITDA	x	4.78	5.73	5.71	4.61
P/Book	x	1.03	0.66	1.09	1.02
Dividend yield	%	0.00	3.71	2.54	2.97
Free Cash Flow Yield	%	11.4	7.07	3.49	8.78
ROE (after tax)	%	1.85	2.60	7.84	10.3
ROCE	%	9.10	2.78	7.51	10.1
Net debt/EBITDA	x	-0.28	-0.84	-0.50	-0.59

Consolidated P&L

		12/19A	12/20E	12/21E	12/22E
Sales	€M	563	489	556	582
EBITDA	€M	52.7	30.0	48.1	57.8
Underlying operating profit	€M	30.6	8.00	25.1	34.8
Operating profit (EBIT)	€M	12.0	5.50	25.1	34.8
Net financial expenses	€M	-0.53	1.25	-0.20	-0.20
Pre-tax profit before exceptional items	€M	11.5	6.75	24.9	34.6
Corporate tax	€M	-7.76	-1.65	-8.58	-11.9
Attributable net profit	€M	3.73	5.25	16.5	22.8
Adjusted attributable net profit	€M	15.9	7.75	16.5	22.8

Cashflow Statement

		12/19A	12/20E	12/21E	12/22E
Total operating cash flows	€M	42.6	24.8	27.3	40.6
Capital expenditure	€M	-18.6	-16.6	-18.9	-19.8
Total investment flows	€M	-26.1	-16.6	-23.9	-24.8
Dividends (parent company)	€M	-4.86	0.00	-4.97	-5.96
New shareholders' equity	€M	0.00			
Total financial flows	€M	-19.2	1.89	-4.50	-30.8
Change in net debt position	€M	4.30	10.1	-1.12	10.3
Free cash flow (pre div.)	€M	23.5	9.47	8.19	20.6

Balance Sheet

		12/19A	12/20E	12/21E	12/22E
Goodwill	€M	49.4	49.4	49.4	49.4
Total intangible	€M	55.7	55.7	55.7	55.7
Tangible fixed assets	€M	80.1	73.1	74.5	74.5
Right-of-use	€M	18.0	18.0	18.0	18.0
WCR	€M	98.6	102	114	120
Total assets (net of short term liabilities)	€M	281	278	292	297
Ordinary shareholders' equity (group share)	€M	200	204	216	230
Provisions for pensions	€M	64.4	65.7	67.0	68.3
Net debt / (cash)	€M	-15.0	-25.1	-24.0	-34.3
Total liabilities and shareholders' equity	€M	281	278	292	297

Per Share Data

		12/19A	12/20E	12/21E	12/22E
Adjusted EPS (bfr goodwill amort. & dil.)	€	0.16	0.08	0.17	0.23
Net dividend per share	€	0.00	0.05	0.06	0.07
Free cash flow per share	€	0.24	0.10	0.08	0.21
Book value per share	€	2.01	2.06	2.17	2.31
Number of diluted shares (average)	Mio	99.3	99.3	99.3	99.3

Contents

Businesses & Trends.....	4
Money Making.....	8
Valuation.....	10
DCF.....	12
NAV/SOTP.....	13
Debt.....	14
Worth Knowing.....	15
Sustainability.....	16
Governance & Management.....	17
Environment.....	19
Social.....	20
Staff & Pension matters.....	21
Updates.....	22
Target Price & Opinion.....	23
Graphics.....	24
Financials.....	27
Methodology.....	35

Businesses & Trends

Many 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 division and an Industrial one: There are three essential points of note:

- The group was founded in 1985 by a group of entrepreneurs who still own the company and assume management.
- There are two branches specialised in safety for people, goods and the environment.
- The group has become more and more European (about 40% of sales) with international ambitions.

SFPI's qualitative targets:

- Growth largely thanks to bolt-on acquisitions.
- Striving for product quality to differentiate from competitors and retain a degree of pricing power always welcomed when facing increases in raw materials, which has clearly been the case in the recent past.
- Collaborate/partner with customers to come with products that bring win/win situations.

COVID-19 shock to be digested

At the time of writing, SFPI was extracting itself from the mess created by two months of strict lockdown in France. The impact on 2020 sales is expected to be a 23% drop in sales with a considerable margin for mistakes on both sides of the guesstimate. 2020 earnings are expected to be down to zero. The full sales and earnings recovery is expected in 2022.

The very cautious financial management as well as a curtailed 2019 dividend should see the small group through the crisis without significant balance sheet issues.

SFPI is mostly about locks

SFPI is a rather complex legal entity as operational units have retained a large degree of autonomy but one may look at a simple and promising angle which is the locks & Security side, organised under the DOM unit. Locks have gained in weight (two thirds of EBIT, a third 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 duty against return on capital employed for their shareholders, meaning a strong cash flow discipline. In the oligopolistic locking solutions market SFPI may 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%. Its significant competitors are Dormakaba and Assa-Abloy. The worldwide market is 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 below 30%.

Even windows are “Energy”

In other building-related markets such as windows and doors, SFPI 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 being indeed to retain installers through the offering of higher value-added services and hence to increase the pricing power of the company

The windows & doors business is 75% driven by renovation i.e. energy savings which are rather uncorrelated to 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.

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

Delta NEU and JKF design and manufacture equipment and turnkey systems for air processing in an industrial environment for its clients with the aim of ensuring environmental protection internally and externally. According to SFPI there are no competitors in the industrial air- treatment and improvement with the same size and organisational structure. On its home market, namely France, the company faces the competition of several regional players (revenues 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 \$10.8bn in 2017 . The European air processing market addressable by NEU-JKF is estimated at about €1,650m: three countries represent more than half of the addressable market, namely Germany (€490m), France (€210m) and the UK (€150m). This means that NEU-JKF has a market share close to 5.5%. According to another study, the global air-filtration market is estimated at \$2.3bn for EMEA.

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 regulation tightening would clearly be a positive fact 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 designs, develops, produces, installs and assures the support of capital goods, such as heat exchangers and sterilisers, mainly for the industrial sectors 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 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 Vithern.

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 the 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 operational entities 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 management of SFPI is certainly moving carefully in the right direction.

Divisional Breakdown Of Revenues

Sector	12/19A	12/20E	12/21E	12/22E	Change 20E/19		Change 21E/20E	
					€M	of % total	€M	of % total
Total sales	562	489	556	582	-73 ↓	100%	67 ↑	100%
Building - MAC	Misc. Bldg & Construct Prod	191	162	194	204	-29 ↓	32 ↑	48%
Building - DOM Security	Misc. Bldg & Construct Prod	198	175	201	209	-23 ↓	26 ↑	39%
Industrial - MMD	Misc. Bldg & Construct Prod	56.4	52.5	56.7	59.5	-4 ↓	4 ↑	6%
Industrial - NEU-JKF	Misc. Bldg & Construct Prod	117	99.5	105	110	-18 ↓	6 ↑	8%
Other		0.00	0.00	0.00	0.00	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	57.0%
Other	43.0%

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

Assets are new; renewed every year. In other words the company's industrial tool is in excellent condition. Fixed assets are rather dominated by goodwill, itself a by-product of a steady flow of acquisitions (80 in all). Still SFPI does not tie up much in plant. The essence of the business is really determined by the 40% of capital employed 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 be quick fires.

Management's own path is to buy good businesses that add to SFPI's sum of market shares, step-by-step and build-up. It works, but may be dependent on the ability of top management to create the informal glue between businesses and their managers.

Free cash flow margins have been rather modest of late as the group has suffered from a lack of organic growth addressed to its various businesses. We were expecting this to find a low point by 2019 but the 2020 COVID-related drop in business is bound to generate a nadir on that front.

It must be stressed, however, that the level of capex is high, so the industrial tool is up to scratch and that R&D is fully expensed. FCFs are thus genuine ones.

2020 reset

2020 was expected to see the benefits of earlier restructuring at MAC. Obviously, costs will be brought down out of the COVID necessity but so will revenues. The net is really hinging on whether governments will want to support small installers by throwing tax cuts at property owners investing in energy-saving windows.

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 digital. This is clear from new product lines incorporating digital-based techniques (say open a lock with a smartphone NFC) but just as well on the marketing front.

An extensive reset has also been in progress at Neu-JFK (the HVAC side of the industrial branch) after writing off c.€10m of goodwill and a fair degree of cost cutting. Still the French demand for its products was not brilliant and offset by brisk export markets. With less travelling, building up the order book may be a slow process. The other leg of the industrial business (heat exchangers by MMD) has been both investing in new plant and in acquisitions so that it should (post COVID pain) improve on its weak 2019 margins.

Divisional EBIT

	12/19A	12/20E	12/21E	12/22E	Change 20E/19		Change 21E/20E	
					€M	of % total	€M	of % total
Total	30.6	7.85	26.2	36.4	-23 ↓	100%	18 ↑	100%
Building - MAC	4.44	0.00	1.94	4.08	-4	20%	2	11%
Building - DOM Security	17.1	5.24	16.1	20.9	-12	52%	11	59%
Industrial - MMD	5.52	2.62	4.53	5.95	-3	13%	2	10%
Industrial - NEU-JKF	3.22	1.49	4.70	6.58	-2	8%	3	17%
Other/cancellations	0.30	-1.50	-1.05	-1.10	-2	8%	0	2%

Divisional EBIT margin

	12/19A	12/20E	12/21E	12/22E
Total	5.43%	1.61%	4.71%	6.25%
Building - MAC	2.33%	0.00%	1.00%	2.00%
Building - DOM Security	8.61%	3.00%	8.00%	10.0%
Industrial - MMD	9.79%	5.00%	8.00%	10.0%
Industrial - NEU-JKF	2.75%	1.50%	4.50%	6.00%

Valuation

SFPI is small, suffers from the curse of small caps and has a comparably legal complex set-up which makes it look like a small industrial conglomerate. To its credit, it is however quite transparent about how well operational units do.

A more positive way to present it is to highlight the game-changing buying out of minorities in its DOM business by 2018. Hence, SFPI could be regarded as a 'Locks & Security' driven business as mentioned in the Business & Trend section.

SOTP valuation

Our SOTP/NAV is EV/EBIT-based on a divisional basis. We have applied the multiples seen at dormakaba and Assa Abloy to value the DOM business. Similarly, we have used the multiples seen at listed HVAC and heat exchangers competitors (GEA, Alfa Laval) to value the ad hoc SFPI business (NEU and MMB respectively). Going granular in these businesses is difficult. The windows side is less attractive (dependent on tax incentives) which weighs on the MAC multiples.

DCF valuation

Our DCF is hardly chasing any expansion of the EBITDA margin from 9.4% in 2019 to c.9.6% in 2022 and flat thereafter. This assumes that the bulk of the COVID-induced blow in 2020 has been recovered by 2022. As a rule, it would be hard to expect EBITDA margins sustainably above 10% as SFPI operates in competitive markets.

WCR is regarded as a cash consumer from 2022 again as the business normalises. Tying up resources in WCR is unlikely to change in these lines of business. On the capex front, we have assumed that the pace would be a bit more briskly than sales growth as it converges to depreciation.

All in all, the perpetual FCF margin on sales remains in the vicinity of 3.5%, a number that we consider to be rather conservative and justified by the excellent track record of the company. This FCF margin means that the EBITDA conversion rate in FCF is in the vicinity of 40%, good enough to leave room for both dividends and a stream of small acquisitions

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 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		2.71	15%	35%
NAV/SOTP per share		3.41	44%	20%
EV/Ebitda	Peers	4.72	100%	20%
P/E	Peers	4.72	100%	10%
Dividend Yield	Peers	3.47	47%	10%
P/Book	Peers	4.72	100%	5%
Target Price		3.63	54%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	24.9	15.5	3.52	1.86
SFPI Group's ratios	12.1	5.52	1.06	2.73
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (€)	4.72	4.72	4.72	3.47
Assa Abloy	25.1	16.2	4.10	1.70
Alfa Laval	25.0	14.6	3.86	1.80
GEA Group	33.0	15.6	3.22	2.08
IMI	23.7	13.3	4.81	1.65
Travis Perkins	19.0	8.61	1.30	2.92
dormakaba	23.9	8.59	12.0	2.08
Nederman Holding	20.3	10.2	3.42	0.78

DCF Valuation Per Share

WACC	%	7.79	Avg net debt (cash) at book value	€M	-24.5
PV of cashflow FY1-FY11	€M	138	Provisions	€M	80.1
FY11CF	€M	24.8	Unrecognised actuarial losses (gains)	€M	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€M	1.12
Sustainability "g"	%	1.55	Minorities interests (fair value)	€M	2.00
Terminal value	€M	397	Equity value	€M	269
PV terminal value	€M	188	Number of shares	Mio	99.3
<i>PV terminal value in % of total value</i>	%	57.6	Implied equity value per share	€	2.71
Total PV	€M	325	Sustainability impact on DCF	%	-5.14

Assessing The Cost Of Capital

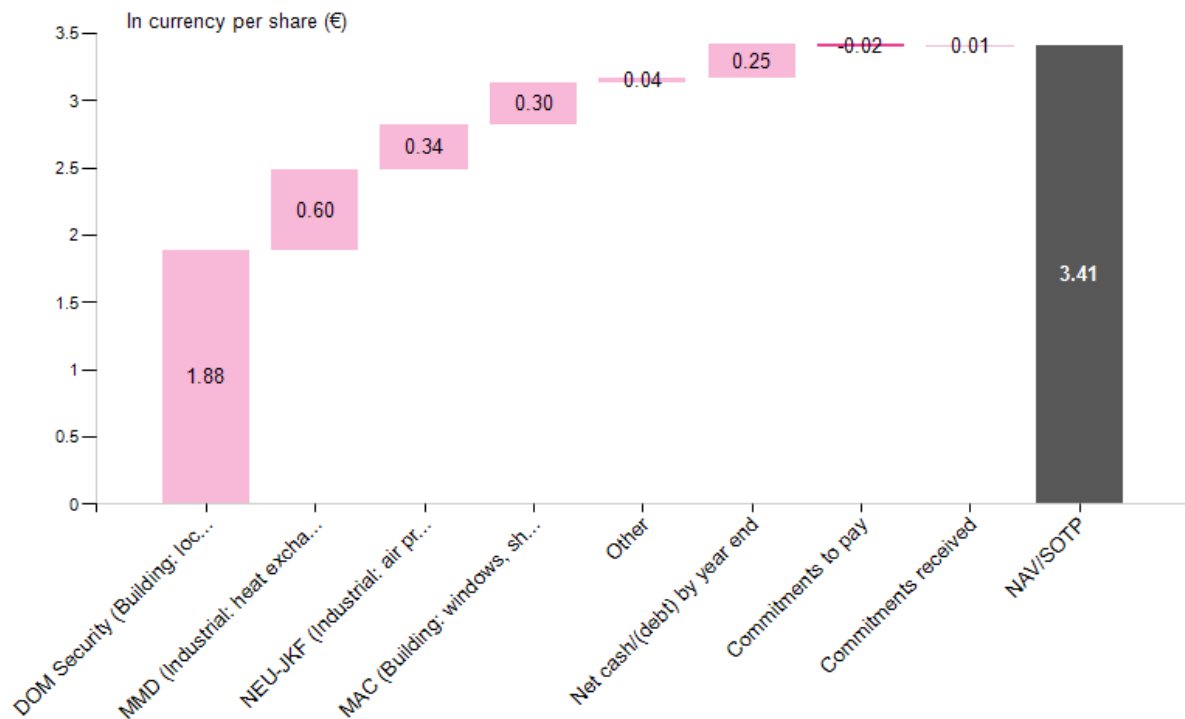
Synthetic default risk free rate	%	3.50	Company debt spread	bp	250
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	6.00
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	0.79
Average debt maturity	Year	5	Company gearing at market value	%	-10.7
Sector asset beta	x	0.86	Company market gearing	%	-12.0
Debt beta	x	0.50	Required return on geared equity	%	7.47
Market capitalisation	€M	234	Cost of debt	%	4.20
Net debt (cash) at book value	€M	-25.1	Cost of ungeared equity	%	7.79
Net debt (cash) at market value	€M	-25.1	WACC	%	7.79

DCF Calculation

		12/19A	12/20E	12/21E	12/22E	Growth	12/23E	12/30E
Sales	€M	563	489	556	582	2.50%	597	709
EBITDA	€M	52.7	30.0	48.1	57.8	2.50%	59.3	70.5
<i>EBITDA Margin</i>	%	9.35	6.14	8.65	9.93		9.93	9.93
Change in WCR	€M	-2.11	-3.52	-12.2	-5.30	2.50%	-5.44	-6.46
Total operating cash flows (pre tax)	€M	50.3	26.5	35.9	52.5		53.8	64.0
Corporate tax	€M	-7.76	-1.65	-8.58	-11.9	2.50%	-12.2	-14.6
Net tax shield	€M	-0.16	0.38	-0.06	-0.06	2.50%	-0.06	-0.07
Capital expenditure	€M	-18.6	-16.6	-18.9	-19.8	3.00%	-20.4	-25.1
<i>Capex/Sales</i>	%	-3.30	-3.40	-3.40	-3.40		-3.42	-3.53
Pre financing costs FCF (for DCF purposes)	€M	23.8	8.59	8.33	20.7		21.2	24.3
Various add backs (incl. R&D, etc.) for DCF purposes	€M							
Free cash flow adjusted	€M	23.8	8.59	8.33	20.7		21.2	24.3
Discounted free cash flows	€M	23.8	8.59	7.72	17.8		16.9	11.5
Invested capital	€	235	232	246	251		259	318

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	187	187	1.88	59.5%
MMD (Industrial: heat...	100%	EV/EBIT	12	60.0	60.0	0.60	19.1%
NEU-JKF (Industrial: ...	100%	EV/EBIT	12	33.4	33.4	0.34	10.6%
MAC (Building: windo...	100%	EV/EBIT	9	30.2	30.2	0.30	9.62%
Other					3.59	0.04	1.14%
Total gross assets					314	3.16	100%
Net cash/(debt) by year end					25.1	0.25	7.99%
Commitments to pay					-2.00	-0.02	-0.64%
Commitments received					1.12	0.01	0.36%
NAV/SOTP					338	3.41	108%
Number of shares net of treasury shares - year end (Mio)					99.3		
NAV/SOTP per share (€)						3.41	
Current discount to NAV/SOTP (%)						30.7	



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 is indeed the going experienced in COVID-marred 2020. As the group has avoided the cost of furloughed French staff and is bound to release working capital (assuming no disaster on the client side), its net cash position is expected to expand to nearly €30m by the close of 2020 and to contract thereafter. An expanded net cash position is also the positive outcome of dropping the 2019 dividend.

It is also worth mentioning the built-in safety of relying on the conglomerate-type structure: businesses are fairly segregated so that one weakness may not impact the group. It is also easier to take quick restructuring decisions and to discuss with unions about changing work practices. Lastly, the parent holding company was well funded at the close of 2019 with no net debt.

Detailed financials at the end of this report

Funding - Liquidity

		12/19A	12/20E	12/21E	12/22E
EBITDA	€M	52.7	30.0	48.1	57.8
Funds from operations (FFO)	€M	44.2	30.5	40.3	46.7
Ordinary shareholders' equity	€M	200	204	216	230
Gross debt	€M	100	100	100	75.0
+ Gross Cash	€M	115	125	124	109
= Net debt / (cash)	€M	-15.0	-25.1	-24.0	-34.3
Gearing (at book value)	%	-10.7	-9.80	-11.4	-12.7
Adj. Net debt/EBITDA(R)	x	-0.28	-0.84	-0.50	-0.59
Adjusted Gross Debt/EBITDA(R)	x	3.40	6.01	3.78	2.74
Adj. gross debt/(Adj. gross debt+Equity)	%	47.3	46.9	45.8	40.8
Ebit cover	x	58.1	-3.65	-33.0	-44.6
FFO/Gross Debt	%	24.7	16.9	22.1	29.5
FFO/Net debt	%	-295	-122	-168	-136
FCF/Adj. gross debt (%)	%	13.1	5.25	4.50	13.0
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	6.16	5.99	5.88	8.66
"Cash" FCF/ST debt	x	1.04	0.46	0.41	1.44

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.
- Long-term reference shareholder: the Morel family owns 50.9% of the capital and 60.7% of the voting rights.

Overall, the owner and 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 De´veloppement, CIC Investissement Est, Banque Populaire de De´veloppement as well as IDI. Note that no capital increase ever took place.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Henri MOREL	50.9%	60.7%	0.00%
Jean-Bertrand PROT	11.3%	13.5%	0.00%
CM-CIC Investissement	7.25%	7.80%	0.00%
Treasury shares (SFPI)	3.15%	0.00%	0.00%
BNP Paribas Developpement	1.99%	2.15%	0.00%
Apparent free float			25.4%

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	X	5%
Environment		
CO ² Emission	2/10	25%
Water withdrawal	4/10	10%
Social		
Wage dispersion trend	0/10	5%
Job satisfaction	0/10	5%
Internal communication	10/10	5%
<hr/>		
Sustainability score	2.0/10	100%

Governance & Management

Governance reflects a family-controlled set-up:

1. The CEO is the chairman.
2. Only two out of seven board members are independent.
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.

Note that there are continuing efforts to prevent accidents at work and that the group recently set up a Group Committee for social issues.

Governance score

Company (Sector)



4.9 (5.5)

Independent board

















No

Parameters	Company	Sector	Score	Weight
Number of board members	8	11	8/10	5.0%
Board feminization	42	36	8/10	5.0%
Board domestic Density	100	75	0/10	10.0%
Average age of board's members	62	59	4/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	25	34	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		508 (2019)	0.00 (2019)
Damien CHAUVEINC	M  Deputy CEO	1970	2016		225 (2019)	0.00 (2019)
Nicolas LOYAU	M  CFO	1960	2003		(2019)	(2019)

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	(2019)	7,871 (2019)
ARC MANAGEMENT SAS				Member			2019	(2019)	79,029 (2019)
Hervé HOUDART	M			Member	2021	1951	2015	7.50 (2019)	0.09 (2019)
Helene LAPLANTE	F			Member	2021	1962	2018	(2019)	0.00 (2019)
Valentine LAUDE	F			Member	2021	1978	2015	7.50 (2019)	0.04 (2019)
Marie-Cécile MATAR	F			Member	2021	1959	2018	7.50 (2019)	0.00 (2019)
Jean-Bertrand PROT	M			Member	2021	1945	2015	(2019)	19,366 (2019)
Thierry WENDLING	M			Member	2018		2015	7.50 (2019)	12,314 (2019)

Environment

Environmental Score

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











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

Company (Sector)

3.30 (4.20)

Environmental metrics

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO ₂ Emissions (in tons)	Water Withdrawal (in m ³)	Waste (total, (in tons)
SFPI Group		3/10	n/a	n/a	n/a	n/a
Saint-Gobain		5/10	151,106,400	10,700,000	48,900,000	n/a
Imerys		4/10	29,373,862	2,494,000	40,524,000	203,516
Vicat		4/10	n/a	14,583,000	n/a	n/a
Tarkett		7/10	4,134,960	198,488	n/a	94,200
Heidelbergcement		4/10	372,888,000	73,380,000	66,800,000	n/a
Buzzi		4/10	110,600,000	21,633,719	10,671,852	151,130
CRH		3/10	200,880,000	36,500,000	108,700,000	2,377,000
Holcim		4/10	725,000,000	116,000,000	144,000,000	2,390,000
Sika		9/10	2,890,000	224,228	3,609,000	112,000

Social

Company (Sector)

6.6 (6.2)

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	20%
Average wage trend	6/10	35%
Share of added value taken up by staff cost	10/10	25%
Share of added value taken up by taxes	4/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	6.6/10	100%

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	4/10	25%
Human resources development	7/10	35%
Pay	10/10	20%
Job satisfaction	0/10	10%
Internal communication	10/10	10%
Qualitative score	6.5/10	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	6.5/10	100.0%

Staff & Pension matters

At the end of 2019, SFPI Group employed about 3,900 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. They have increased with lower discount rates but the group does not expect further actuarial impacts. The pension risks as a proportion of equity stand at 25% which is quite high for a small cap French operation.

Detailed financials at the end of this report

Summary Of Pension Risks

		12/19A	12/20E	12/21E	12/22E
Pension ratio	%	24.4	24.3	23.7	22.9
Ordinary shareholders' equity	€M	200	204	216	230
Total benefits provisions	€M	64.5	65.7	67.0	68.3
<i>of which funded pensions</i>	€M	0.00	0.00	0.00	0.00
<i>of which unfunded pensions</i>	€M	62.9	64.1	65.4	66.6
<i>of which benefits / health care</i>	€M	1.57	1.60	1.63	1.67
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00

Geographic Breakdown Of Pension Liabilities

		12/19A	12/20E	12/21E	12/22E
US exposure	%				
UK exposure	%				
Euro exposure	%	100	100	100	100
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Recent updates

26/09/2020

Upgrade to FY 2020 after robust H1 navigation

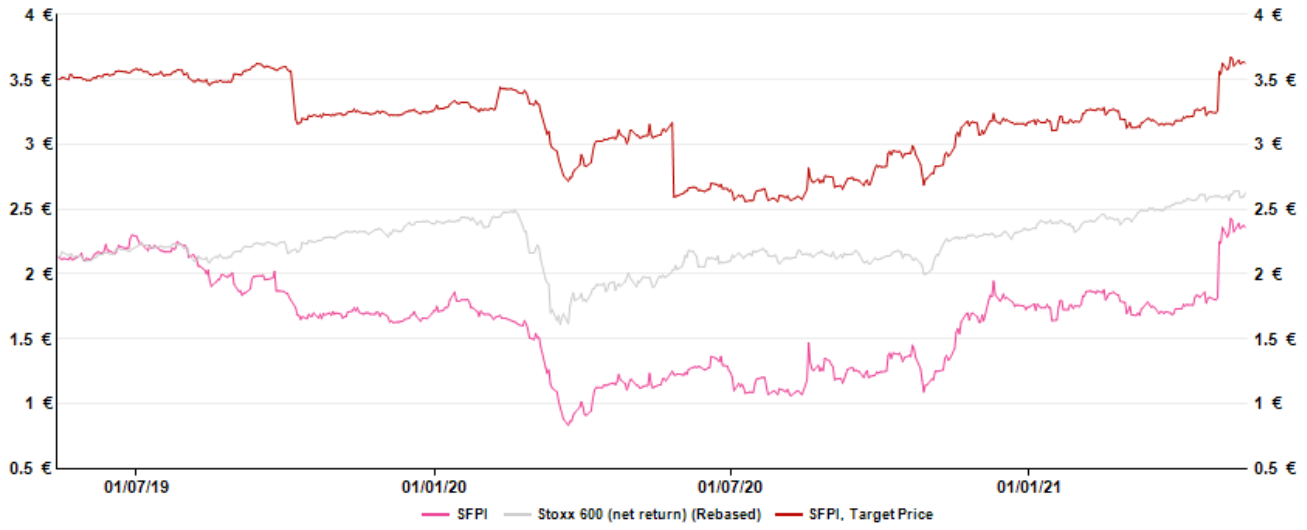
Change in EPS	2020 : € 0.08 vs 0.00	+2,379%
	2021 : € 0.17 vs 0.16	+1.83%

The H1 20 delivery was a good surprise with a contained loss at €4.4m on sales down 21%, also a positive surprise for an industrial group mostly located in France where the lockdown has been a pretty harsh one. We allowed for a modest degree of recovery in H2 with FY sales down 13%. While operating margins are being slashed (higher costs, missing volumes here, saturated tools there) turning a profit may not be out of reach. This explains the 2020 earnings rebound from zero to some €7.5m adjusted from goodwill impairments.

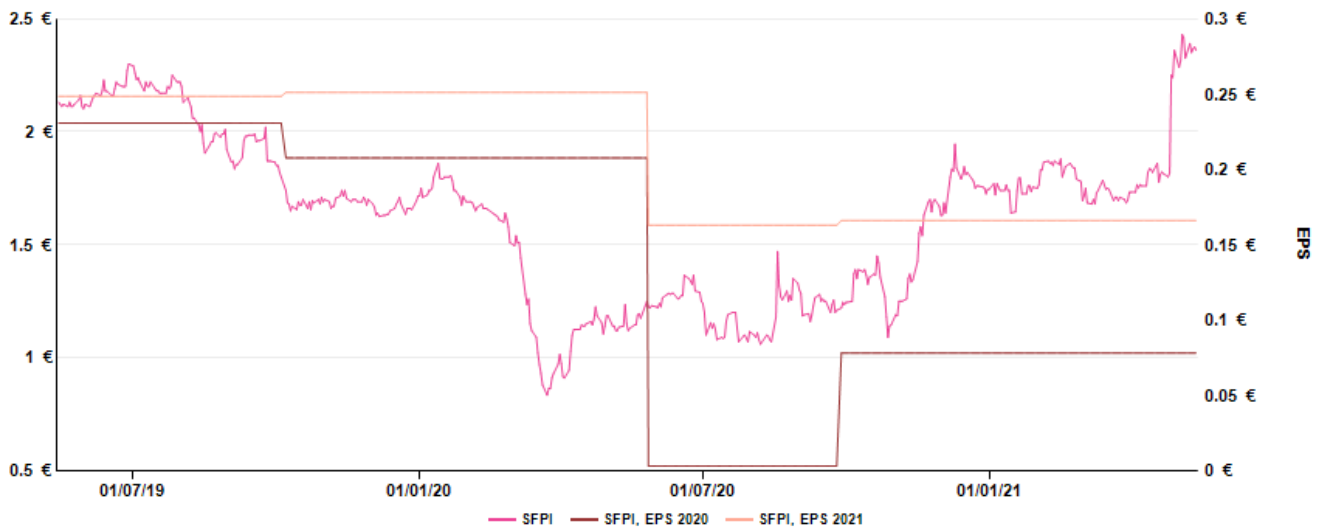
Change in DCF	€ 2.96 vs 2.65	+11.6%
----------------------	----------------	--------

The DCF mechanically benefits from a reset of the 2020 expectations to positive earnings territories. The 2021 and 2022 have been only marginally raised as they already allowed for a recovery.

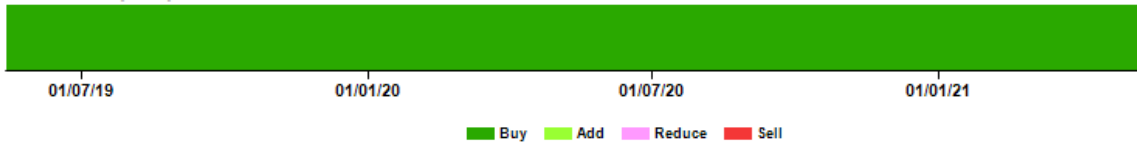
Stock Price and Target Price



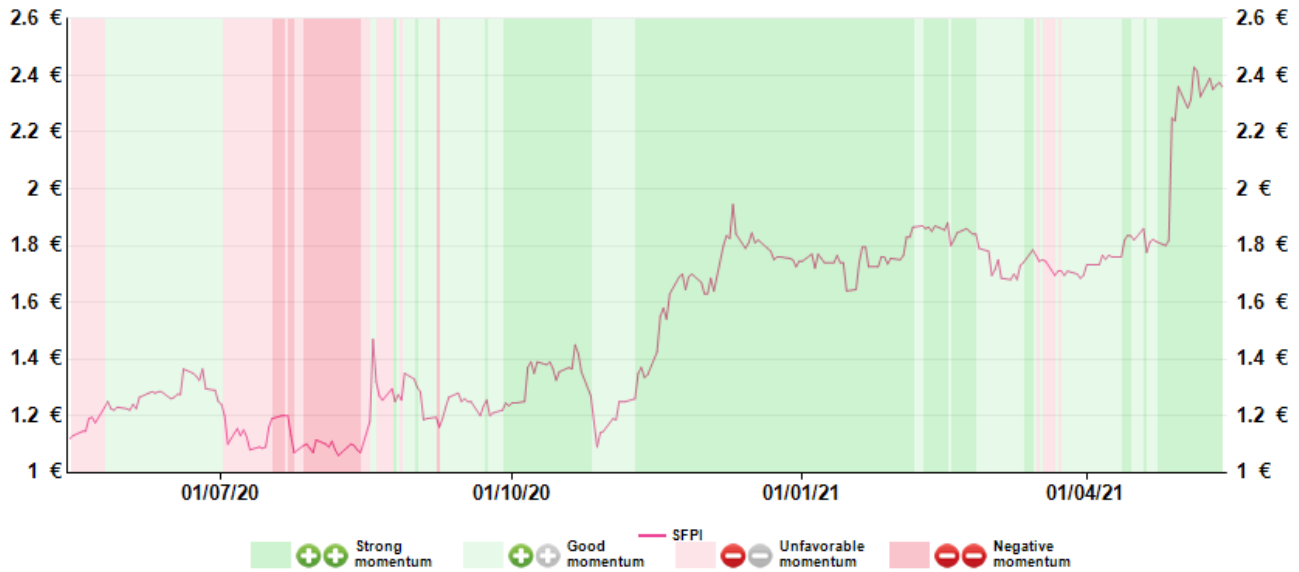
Earnings Per Share & Opinion



SFPI Group : 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.

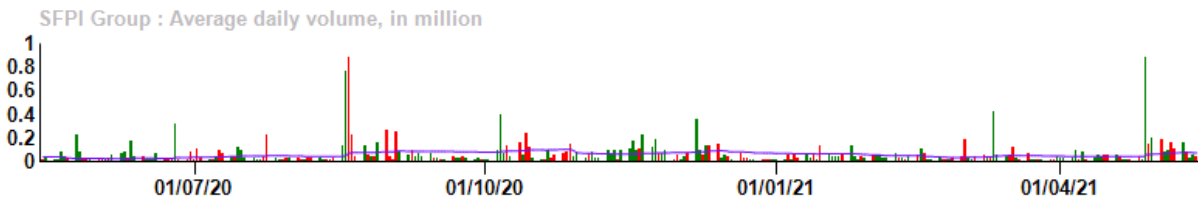
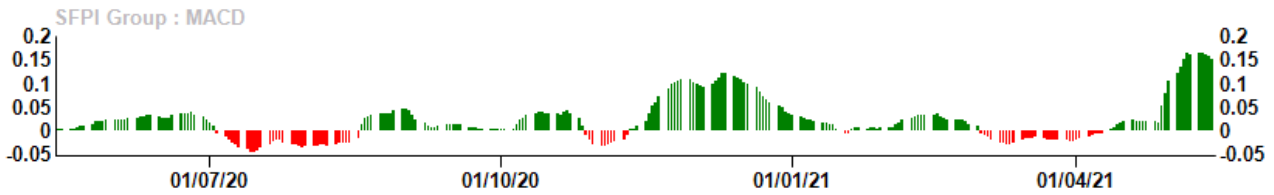
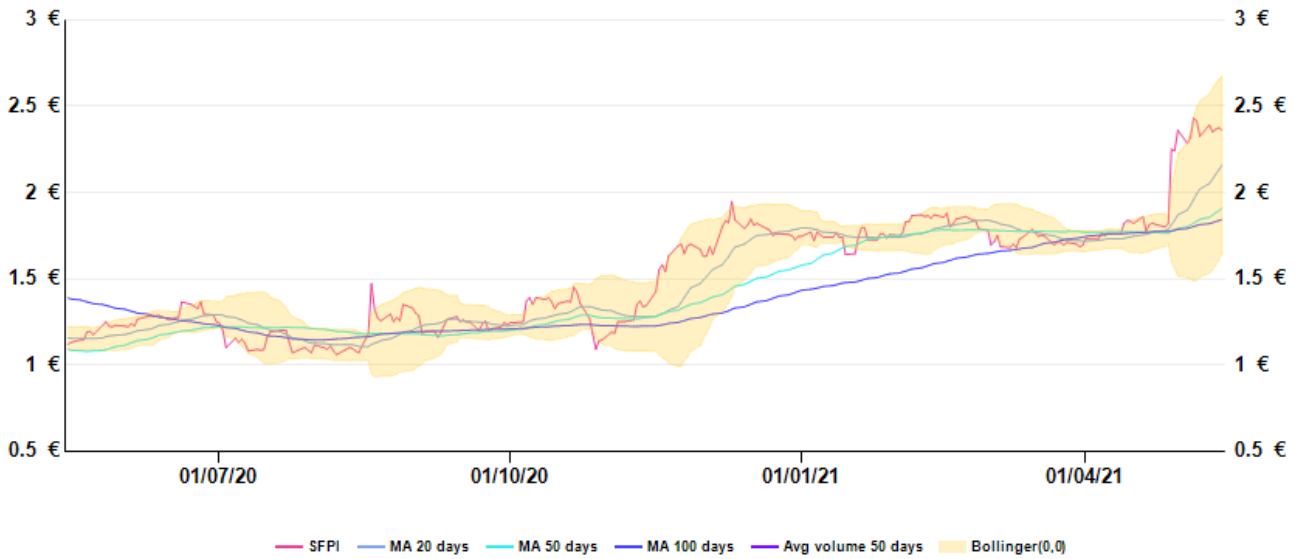
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

  : 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

		12/19A	12/20E	12/21E	12/22E
Adjusted P/E	x	12.9	17.3	14.2	10.3
Reported P/E	x	55.1	25.5	14.2	10.3
EV/EBITDA(R)	x	4.78	5.73	5.71	4.61
P/Book	x	1.03	0.66	1.09	1.02
Dividend yield	%	0.00	3.71	2.54	2.97
Free cash flow yield	%	11.4	7.07	3.49	8.78
Average stock price	€	2.07	1.35	2.36	2.36

Consolidated P&L

		12/19A	12/20E	12/21E	12/22E
Sales	€M	563	489	556	582
Sales growth	%	2.40	-13.2	13.9	4.64
Sales per employee	€ th	144	124	140	146
Organic change in sales	%				
Purchases and external costs (incl. IT)	€M	-234	-204	-231	-242
Staff costs	€M	-186	-175	-188	-190
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M				
EBITDA	€M	52.7	30.0	48.1	57.8
EBITDA(R)	€M	52.7	30.0	48.1	57.8
EBITDA(R) margin	%	9.35	6.14	8.65	9.93
EBITDA(R) per employee	€ th	13.5	7.62	12.1	14.5
Depreciation	€M	-22.1	-22.0	-23.0	-23.0
Depreciations/Sales	%	3.93	4.50	4.13	3.95
Amortisation	€M				
Underlying operating profit	€M	30.6	8.00	25.1	34.8
Underlying operating margin	%	5.43	1.64	4.51	5.98
Other income/expense (cash)	€M	-6.34	0.00	0.00	0.00
Other inc./ exp. (non cash; incl. assets revaluation)	€M				
Earnings from joint venture(s)	€M				
Impairment charges/goodwill amortisation	€M	-12.2	-2.50	0.00	
Operating profit (EBIT)	€M	12.0	5.50	25.1	34.8
Interest expenses	€M	-2.18	-1.75	-1.50	-1.50
of which effectively paid cash interest expenses	€M	-0.53			
Financial income	€M	1.65	3.00	1.30	1.30
Other financial income (expense)	€M				
Net financial expenses	€M	-0.53	1.25	-0.20	-0.20
of which related to pensions	€M		-0.94	-0.96	-0.98
Pre-tax profit before exceptional items	€M	11.5	6.75	24.9	34.6
Exceptional items and other (before taxes)	€M				
of which cash (cost) from exceptionals	€M				
Current tax	€M	-7.76	-1.65	-8.58	-11.9
Impact of tax loss carry forward	€M				
Deferred tax	€M				
Corporate tax	€M	-7.76	-1.65	-8.58	-11.9
Tax rate	%	32.8	17.8	34.4	34.5
Net margin	%	0.66	1.04	2.94	3.90
Equity associates	€M	0.05	0.20	0.20	0.20
Actual dividends received from equity holdings	€M				
Minority interests	€M	-0.05	-0.05	-0.05	-0.05
Actual dividends paid out to minorities	€M	-0.30	-0.30	-0.30	-0.30
Income from discontinued operations	€M				
Attributable net profit	€M	3.73	5.25	16.5	22.8

Impairment charges/goodwill amortisation	€M	12.2	2.50	0.00	0.00
Other adjustments	€M				
Adjusted attributable net profit	€M	15.9	7.75	16.5	22.8
Interest expense savings	€M				
Fully diluted adjusted attr. net profit	€M	15.9	7.75	16.5	22.8
NOPAT	€M	21.4	6.46	18.4	25.3

Cashflow Statement

		12/19A	12/20E	12/21E	12/22E
EBITDA	€M	52.7	30.0	48.1	57.8
Change in WCR	€M	-2.11	-3.52	-12.2	-5.30
<i>of which (increases)/decr. in receivables</i>	€M	5.09	2.42	-3.52	-3.89
<i>of which (increases)/decr. in inventories</i>	€M	-1.58	6.93	-10.2	-3.89
<i>of which increases/(decr.) in payables</i>	€M	-9.14	-6.44	6.50	2.47
<i>of which increases/(decr.) in other curr. liab.</i>	€M	3.52	-6.42	-5.00	0.00
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	-8.97	-1.65	-8.58	-11.9
Exceptional items	€M				
Other operating cash flows	€M	1.00			
Total operating cash flows	€M	42.6	24.8	27.3	40.6
Capital expenditure	€M	-18.6	-16.6	-18.9	-19.8
<i>Capex as a % of depreciation & amort.</i>	%	84.1	75.5	82.2	86.1
Net investments in shares	€M	-7.26	0.00	-5.00	-5.00
Other investment flows	€M	-0.25			
Total investment flows	€M	-26.1	-16.6	-23.9	-24.8
Net interest expense	€M	-0.53	1.25	-0.20	-0.20
<i>of which cash interest expense</i>	€M	-0.53	2.19	0.76	0.78
Dividends (parent company)	€M	-4.86	0.00	-4.97	-5.96
Dividends to minorities interests	€M	-0.30	-0.30	-0.30	-0.30
New shareholders' equity	€M	0.00			
<i>of which (acquisition) release of treasury shares</i>	€M	0.00			
(Increase)/decrease in net debt position	€M	-13.5	0.00	0.00	-25.4
Other financial flows	€M				
Total financial flows	€M	-19.2	1.89	-4.50	-30.8
Change in scope of consolidation, exchange rates & other	€M	-6.51	0.00	0.00	0.00
Change in cash position	€M	-9.22	10.1	-1.12	-15.1
Change in net debt position	€M	4.30	10.1	-1.12	10.3
Free cash flow (pre div.)	€M	23.5	9.47	8.19	20.6
Operating cash flow (clean)	€M	42.6	24.8	27.3	40.6
Reinvestment rate (capex/tangible fixed assets)	%	4.71	4.22	4.71	4.93

Balance Sheet

		12/19A	12/20E	12/21E	12/22E
Goodwill	€M	49.4	49.4	49.4	49.4
Other intangible assets	€M	6.30	6.30	6.30	6.30
Total intangible	€M	55.7	55.7	55.7	55.7
Tangible fixed assets	€M	80.1	73.1	74.5	74.5
Right-of-use	€M	18.0	18.0	18.0	18.0
Financial fixed assets (part of group strategy)	€M	1.10	1.12	1.14	1.14
Other financial assets (investment purpose mainly)	€M	5.37	5.37	5.48	5.48
WCR	€M	98.6	102	114	120
<i>of which trade & receivables (+)</i>	€M	82.7	80.3	83.8	87.7
<i>of which inventories (+)</i>	€M	80.5	73.6	83.8	87.7
<i>of which payables (+)</i>	€M	53.3	46.8	53.3	55.8
<i>of which other current liabilities (+)</i>	€M	11.4	5.00		
Other current assets	€M	22.0	22.4	22.9	22.9
<i>of which tax assets (+)</i>	€M	20.3			
Total assets (net of short term liabilities)	€M	281	278	292	297
Ordinary shareholders' equity (group share)	€M	200	204	216	230
Minority interests	€M	1.75	2.00	2.00	2.04
Provisions for pensions	€M	64.4	65.7	67.0	68.3
Other provisions for risks and liabilities	€M	14.1	14.4	14.7	15.0
Deferred tax liabilities	€M	8.31	8.47	8.64	8.64
Other liabilities	€M	7.73	7.89	8.05	8.05
Net debt / (cash)	€M	-15.0	-25.1	-24.0	-34.3
Total liabilities and shareholders' equity	€M	281	278	292	297
Average net debt / (cash)	€M	-21.3	-20.0	-24.5	-29.1

EV Calculations

		12/19A	12/20E	12/21E	12/22E
EV/EBITDA(R)	x	4.78	5.73	5.71	4.61
EV/EBIT (underlying profit)	x	8.24	21.5	10.9	7.65
EV/Sales	x	0.45	0.35	0.49	0.46
EV/Invested capital	x	1.07	0.74	1.12	1.06
Market cap	€M	206	134	234	234
+ Provisions (including pensions)	€M	78.5	80.1	81.7	83.3
+ 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	-15.0	-25.1	-24.0	-34.3
+ Right-of-use (from 2019)/Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M	1.10	1.12	1.14	1.00
+ Minority interests (fair value)	€M	1.75	2.00	2.00	2.00
= Enterprise Value	€M	252	172	275	266

Per Share Data

		12/19A	12/20E	12/21E	12/22E
Adjusted EPS (bfr goodwill amort. & dil.)	€	0.16	0.08	0.17	0.23
Growth in EPS	%	-6.55	-51.3	113	38.6
Reported EPS	€	0.04	0.05	0.17	0.23
Net dividend per share	€	0.00	0.05	0.06	0.07
Free cash flow per share	€	0.24	0.10	0.08	0.21
Operating cash flow per share	€	0.43	0.25	0.27	0.41
Book value per share	€	2.01	2.06	2.17	2.31

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				
Number of shares net of treasury stock (year end)	Mio	99.3	99.3	99.3	99.3
Number of common shares (average)	Mio	99.3	99.3	99.3	99.3
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	99.3	99.3	99.3	99.3
Goodwill per share (diluted)	€	0.12	0.03	0.00	0.00
EPS after goodwill amortisation (diluted)	€	0.04	0.05	0.17	0.23
EPS before goodwill amortisation (non-diluted)	€	0.04	0.05	0.17	0.23
Actual payment	€				
	%	0.00	94.6	36.2	30.4
Capital payout ratio (div +share buy back/net income)	%	0.00	64.1	36.2	

Funding - Liquidity

		12/19A	12/20E	12/21E	12/22E
EBITDA	€M	52.7	30.0	48.1	57.8
Funds from operations (FFO)	€M	44.2	30.5	40.3	46.7
Ordinary shareholders' equity	€M	200	204	216	230
Gross debt	€M	100	100	100	75.0
o/w Less than 1 year - Gross debt	€M	22.5	22.5	22.5	15.0
o/w 1 to 5 year - Gross debt	€M	69.3	69.3	69.3	50.0
o/w Beyond 5 years - Gross debt	€M	8.54	8.54	8.54	10.0
+ Gross Cash	€M	115	125	124	109
= Net debt / (cash)	€M	-15.0	-25.1	-24.0	-34.3
Bank borrowings	€M	95.9	95.9	95.9	75.0
Other financing	€M	4.49	4.49	4.49	0.00
Gearing (at book value)	%	-10.7	-9.80	-11.4	-12.7
Adj. Net debt/EBITDA(R)	x	-0.28	-0.84	-0.50	-0.59
Adjusted Gross Debt/EBITDA(R)	x	3.40	6.01	3.78	2.74
Adj. gross debt/(Adj. gross debt+Equity)	%	47.3	46.9	45.8	40.8
Ebit cover	x	58.1	-3.65	-33.0	-44.6
FFO/Gross Debt	%	24.7	16.9	22.1	29.5
FFO/Net debt	%	-295	-122	-168	-136
FCF/Adj. gross debt (%)	%	13.1	5.25	4.50	13.0
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	6.16	5.99	5.88	8.66
"Cash" FCF/ST debt	x	1.04	0.46	0.41	1.44

ROE Analysis (Dupont's Breakdown)

		12/19A	12/20E	12/21E	12/22E
Tax burden (Net income/pretax pre excp income)	x	0.32	0.78	0.66	0.66
EBIT margin (EBIT/sales)	%	2.13	1.13	4.51	5.98
Assets rotation (Sales/Avg assets)	%	206	175	195	197
Financial leverage (Avg assets /Avg equity)	x	1.35	1.38	1.36	1.32
ROE	%	1.85	2.60	7.84	10.3
ROA	%	5.13	2.38	10.3	13.9

Shareholder's Equity Review (Group Share)

		12/19A	12/20E	12/21E	12/22E
Y-1 shareholders' equity	€M	205	200	204	216
+ Net profit of year	€M	3.73	5.25	16.5	22.8
- Dividends (parent cy)	€M	-4.86	0.00	-4.97	-5.96
+ Additions to equity	€M	0.00	0.00	0.00	0.00
<i>o/w reduction (addition) to treasury shares</i>	€M	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M	-3.00	-1.14	-0.26	-2.96
= Year end shareholders' equity	€M	200	204	216	230

Staffing Analytics

		12/19A	12/20E	12/21E	12/22E
Sales per staff	€th	144	124	140	146
Staff costs per employee	€th	-47.8	-44.4	-47.4	-47.9
<i>Change in staff costs</i>	<i>%</i>	<i>1.90</i>	<i>-6.14</i>	<i>7.93</i>	<i>0.99</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>0.89</i>	<i>-7.07</i>	<i>6.86</i>	<i>0.99</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>77.9</i>	<i>85.3</i>	<i>79.7</i>	<i>76.7</i>

Average workforce	unit	3,897	3,936	3,975	3,975
Europe	unit	3,897	3,819	3,857	3,895
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	-186	-175	-188	-190
Wages and salaries	€M	-186	-172	-186	-188
<i>of which social security contributions</i>	€M				
Equity linked payments	€M				
Pension related costs	€M		-2.29	-2.29	-2.29

Divisional Breakdown Of Revenues

		12/19A	12/20E	12/21E	12/22E
Total sales	€M	562	489	556	582
Building - MAC	€M	191	162	194	204
Building - DOM Security	€M	198	175	201	209
Industrial - MMD	€M	56.4	52.5	56.7	59.5
Industrial - NEU-JKF	€M	117	99.5	105	110
Other	€M	0.00	0.00	0.00	0.00

Divisional Breakdown Of Earnings

		12/19A	12/20E	12/21E	12/22E
EBIT Analysis					
Building - MAC	€M	4.44	0.00	1.94	4.08
Building - DOM Security	€M	17.1	5.24	16.1	20.9
Industrial - MMD	€M	5.52	2.62	4.53	5.95
Industrial - NEU-JKF	€M	3.22	1.49	4.70	6.58
Other/cancellations	€M	0.30	-1.50	-1.05	-1.10
Total	€M	30.6	7.85	26.2	36.4
EBIT margin	%	5.43	1.61	4.71	6.25

Revenue Breakdown By Country

		12/19A	12/20E	12/21E	12/22E
France	%	58.8	57.0		
Other	%	41.2	43.0		

ROCE

		12/19A	12/20E	12/21E	12/22E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	9.10	2.78	7.51	10.1
CFROIC	%	9.97	4.08	3.33	8.20
Goodwill	€M	49.4	49.4	49.4	49.4
Accumulated goodwill amortisation	€M	59.5	59.5	59.5	59.5
All intangible assets	€M	6.30	6.30	6.30	6.30
Accumulated intangible amortisation	€M	62.7	62.7	62.7	62.7
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	80.1	73.1	74.5	74.5
Accumulated depreciation	€M	314	320	327	327
WCR	€M	98.6	102	114	120
Other assets	€M	1.10	1.12	1.14	1.14
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	€M	235	232	246	251
Capital employed before depreciation	€M	672	675	695	700

Divisional Breakdown Of Capital Employed

		12/19A	12/20E	12/21E	12/22E
Building - MAC	€M	61.6	60.7	64.3	65.7
Building - DOM Security	€M	126	124	132	134
Industrial - MMD	€M	24.6	24.3	25.7	26.3
Industrial - NEU-JKF	€M	43.4	42.8	45.3	46.3
Other	€M	-20.4	-20.1	-21.3	-21.7
Total capital employed	€M	235	232	246	251

Pension Risks

Summary Of Pension Risks

		12/19A	12/20E	12/21E	12/22E
Pension ratio	%	24.4	24.3	23.7	22.9
Ordinary shareholders' equity	€M	200	204	216	230
Total benefits provisions	€M	64.5	65.7	67.0	68.3
<i>of which funded pensions</i>	€M	0.00	0.00	0.00	0.00
<i>of which unfunded pensions</i>	€M	62.9	64.1	65.4	66.6
<i>of which benefits / health care</i>	€M	1.57	1.60	1.63	1.67
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
<i>Company discount rate</i>	%	1.50	1.50	1.50	1.50
Normalised recomputed discount rate	%		1.50		
<i>Company future salary increase</i>	%	2.00	2.00	2.00	2.00
Normalised recomputed future salary increase	%		2.00		
<i>Company expected rate of return on plan assets</i>	%	2.00	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

		12/19A	12/20E	12/21E	12/22E
US exposure	%				
UK exposure	%				
Euro exposure	%	100	100	100	100
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Balance Sheet Implications

		12/19A	12/20E	12/21E	12/22E
Funded status surplus / (deficit)	€M	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	€M	-62.9	-64.1	-65.4	-66.6
Total surplus / (deficit)	€M	-62.9	-64.1	-65.4	-66.6
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	62.9	64.1	65.4	66.6
Other benefits (health care) provision	€M	1.57	1.60	1.63	1.67
Total benefit provisions	€M	64.5	65.7	67.0	68.3

P&L Implications

		12/19A	12/20E	12/21E	12/22E
Funded obligations periodic costs	€M	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	€M	-3.12	-3.23	-3.25	-3.27
Total periodic costs	€M	-3.12	-3.23	-3.25	-3.27
<i>of which incl. in labour costs</i>	€M	-2.29	-2.29	-2.29	-2.29
<i>of which incl. in interest expenses</i>	€M	-0.84	-0.94	-0.96	-0.98

Funded Obligations		12/19A	12/20E	12/21E	12/22E
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
<i>of which impact of change in discount rate</i>	€M		0.00		
<i>of which impact of change in salary increase</i>	€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		12/19A	12/20E	12/21E	12/22E
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		12/19A	12/20E	12/21E	12/22E
Balance beginning of period	€M	54.9	62.9	64.1	65.4
Current service cost	€M	2.29	2.29	2.29	2.29
Interest expense	€M	0.84	0.94	0.96	0.98
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	7.03	0.00	0.00	0.00
<i>of which Impact of change in discount rate</i>	€M		0.00		
<i>of which Impact of change in salary increase</i>	€M		0.00		
Changes to scope of consolidation	€M	0.00	0.00	0.00	0.00
Currency translation effects	€M				
Pension payments	€M	-2.16	-2.00	-2.00	-2.00
Other	€M				
Year end obligation	€M	62.9	64.1	65.4	66.6

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' intrinsic 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%