



# SFPI

Misc. Bldg &amp; Construct Prod / France

## Dedicated to safety for people, goods and the environment

07/05/2019

### Change in EPS

2019 : € 0.21 vs 0.23	-6.28%
2020 : € 0.23 vs 0.26	-9.82%

As a result of the negative surprise in FY18, we have reduced our EPS forecasts for FY19 onwards since we now take a more cautious view on the recovery: +25bp increase in the EBIT margin per year vs previously a +50bp increase in the EBIT margin per year. Automatically, this has a stronger impact on FY20 (-50bp impact on EBIT margin) than on FY19 (25bp impact on the EBIT margin). This change alone explains most of the change in our EPS.

### Change in NAV

€ 4.06 vs 4.42	-8.22%
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We have lowered the reference multiples as we have reviewed our assumptions on the improvement in the EBIT margin from 50bp per year to 25bp. Note that we have not changed the multiples for each division with the exception of DOM security, which has seen its multiple decrease from 11x to 10x.

### Change in DCF

€ 4.12 vs 4.55	-9.48%
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The lower expected EBIT than previously forecasted explains most of the decrease in our DCF. We have left the 2022-29 growth forecasts as well as the capex forecasts unchanged, which are the two most important parameters in a DCF valuation.



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AlphaValue is contracted by SFPI Group to provide equity research on SFPI Group, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

### Buy Upside : 58.5%

Target Price (6 months)	€ 3.54
Share Price	€ 2.23
Market Cap. €M	221
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	2.06 ▶ 3.44
Bloomberg	SFPI FP Equity
Reuters	SFPI.PA

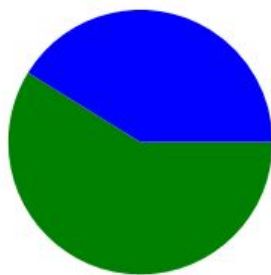

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PERF	1w	1m	3m	12m
SFPI Group	-3.88%	-5.51%	-5.91%	-32.6%
Building Prod. & Materials	-0.59%	3.10%	12.2%	-4.73%
SXXR Index	-0.94%	0.24%	7.18%	2.92%

Last updated: 07/05/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	17.7	10.4	9.67	8.97
Dividend yield (%)	1.65	2.69	3.14	3.59
EV/EBITDA(R) (x)	6.68	4.25	3.75	3.28
Adjusted EPS (€)	0.17	0.21	0.23	0.25
Growth in EPS (%)	-17.5	24.7	7.83	7.74
Dividend (€)	0.05	0.06	0.07	0.08
Sales (€M)	550	572	587	603
EBIT margin (%)	5.52	5.86	6.13	6.41
Attributable net profit (€M)	13.7	21.2	22.9	24.7
ROE (after tax) (%)	6.94	9.93	9.91	9.96
Gearing (%)	-19.1	-15.0	-19.3	-23.5

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## Sales by Geography



■ France (58.8%)  
■ Other (41.2%)

## Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	550	572	587
Change in sales	%	8.98	3.99	2.70
Change in staff costs	%	8.16	-0.39	5.50
EBITDA	€M	45.5	49.2	52.1
<b>EBITDA(R) margin</b>	<b>%</b>	<b>8.27</b>	<b>8.60</b>	<b>8.88</b>
Depreciation	€M	-15.1	-15.7	-16.1
Underlying operating profit	€M	30.4	33.5	36.0
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>26.6</b>	<b>33.5</b>	<b>36.0</b>
Net financial expense	€M	-0.54	-1.99	-2.12
of which related to pensions	€M		-0.82	-0.88
Exceptional items & other	€M			
Corporate tax	€M	-9.75	-10.4	-11.2
Equity associates	€M	0.02	0.15	0.20
Minority interests	€M	-2.64	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>16.1</b>	<b>21.2</b>	<b>22.9</b>
NOPAT	€M	21.3	24.2	26.0

## Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	45.5	49.2	52.1
Change in WCR	€M	-2.72	-3.43	-2.13
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-9.38	-10.4	-11.2
Exceptional items	€M	-1.41		
Other operating cash flows	€M	-0.84		
Total operating cash flows	€M	31.1	35.4	38.8
Capital expenditure	€M	-16.1	-17.2	-17.6
Total investment flows	€M	-25.3	-17.2	-17.6
Net interest expense	€M	-0.54	-1.99	-2.12
Dividends (parent company)	€M	-5.27	-4.97	-5.96
Dividends to minorities interests	€M	-1.33	-0.30	-0.30
New shareholders' equity	€M	-18.0		
Total financial flows	€M	2.83	-6.44	-7.49
Change in cash position	€M	8.61	11.8	13.7
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>14.5</b>	<b>16.2</b>	<b>19.1</b>

## Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	99.3	99.3	99.3
Number of diluted shares (average)	Mio	93.6	99.3	99.3
<b>Benchmark EPS</b>	<b>€</b>	<b>0.17</b>	<b>0.21</b>	<b>0.23</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.05</b>	<b>0.06</b>	<b>0.07</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.12	35%	■ Saint-Gobain
NAV/SOTP per share	€ 4.06	20%	■ Legrand
EV/Ebitda	€ 3.69	20%	■ Gea Group
P/E	€ 2.31	10%	■ Alfa Laval
Dividend Yield	€ 1.63	10%	■ Rexel
P/Book	€ 3.01	5%	■ Travis Perkins
TARGET PRICE	€ 3.54	100%	■ IMI

### NAV/SOTP Calculation

## Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	53.6	53.6	53.6
Total intangible	€M	60.4	60.4	60.4
Tangible fixed assets	€M	83.4	85.1	86.8
Financial fixed assets	€M	41.3	42.1	42.9
WCR	€M	106	109	111
Other assets	€M	16.8	16.8	16.8
Total assets (net of short term liab.)	€M	320	326	330
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>205</b>	<b>223</b>	<b>239</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	1.87	0.00	0.00
Provisions for pensions	€M	59.7	58.9	59.7
Other provisions for risks and liabilities	€M	9.71	9.90	10.1
Total provisions for risks and liabilities	€M	69.4	68.8	69.8
Tax liabilities	€M	7.64	7.79	7.95
Other liabilities	€M	63.9	65.2	66.5
<b>Net debt (cash)</b>	<b>€M</b>	<b>-27.5</b>	<b>-39.3</b>	<b>-53.0</b>
Total liab. and shareholders' equity	€M	320	326	330

## Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	291	297	301

## Profits & Risks Ratios

		12/18A	12/19E	12/20E
<b>ROE (after tax)</b>	<b>%</b>	<b>6.94</b>	<b>9.93</b>	<b>9.91</b>
ROCE	%	7.32	8.15	8.64
<b>Gearing (at book value)</b>	<b>%</b>	<b>-19.1</b>	<b>-15.0</b>	<b>-19.3</b>
Adj. Net debt/EBITDA(R)	x	-0.61	-0.80	-1.02
Interest cover (x)	x	56.8	28.6	29.2

## Valuation Ratios

		12/18A	12/19E	12/20E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>17.7</b>	<b>10.4</b>	<b>9.67</b>
Free cash flow yield	%	4.80	7.32	8.62
P/Book	x	1.47	0.99	0.93
<b>Dividend yield</b>	<b>%</b>	<b>1.65</b>	<b>2.69</b>	<b>3.14</b>

## EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	302	221	221
+ Provisions	€M	69.4	68.8	69.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-27.5	-39.3	-53.0
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	41.3	42.1	42.9
+ Minority interests (fair value)	€M	1.87	0.00	0.00
= EV	€M	304	209	195
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>6.68</b>	<b>4.25</b>	<b>3.75</b>
EV/Sales	x	0.55	0.37	0.33

Analyst : Felix Brunotte, Changes to Forecasts : 07/05/2019.