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CPH Chemie + Papier Holding AG

Switzerland | Industrial Goods & Services

FY2015 earnings update

1 March 2016

Company Data

Price:	CHF 31.50
Market Cap:	CHF 182mn
Free Float:	43%
No. of shares:	6.0mn
Avg. traded volume (1 year):	213
Bloomberg:	CPHN SW
Reuters:	CPHN-EB
ISIN:	CH0001624717

Source: SIX Swiss Exchange and Bloomberg

Share Price Development

Source: Bloomberg

Key Financial Data

	2014	2015	2016E	2017E
Sales	492.5	420.0	441.4	465.4
EBITDA %	10.3	2.9	7.7	11.1
EBIT %	3.3	-5.2	0.2	3.0
Net Margin %	2.1	-7.9	-0.9	1.8
Basic EPS	1.75	-5.52	-0.70	1.42
Diluted EPS	1.75	-5.52	-0.70	1.42
DPS	0.65	0.60	-	0.6
Equity Ratio %	64.2	64.5	63.8	64.1
Capex	19.4	22.0	44.3	20.8
P/E	22.9	NM	NM	27.10
EV/EBITDA	6.2	25.8	7.7	5.5

Next Events

AGM	23 March 2016
1H16 results	July 2016

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Currency hits 2015 results, recovery seen in 2016

CPH Chemie + Paper Holding AG (CPH/the group) is an international company operating across the three segments Paper, Packaging and Chemistry, with a presence in various countries. The Paper division has been the largest contributor to revenues for CPH with close to 60% of the total revenues generated. Europe is the biggest contributing region for its products. CPH is one of the only two newsprint producing companies in the Swiss market and the only magazine paper producer in the country.

2015: Volumes increase, but strong currency depresses earnings

CPH Group's revenues came under pressure primarily from external factors, falling 14.7% y/y to CHF 420mn in 2015. The Swiss National Bank's decision to remove the CHF/Euro exchange rate peg at the start of 2015, resulting in the Euro falling from over CHF 1.20 to 1.09 by December 2015, had an adverse impact on all divisions of CPH. The depreciation of the Euro resulted in lower sales to the tune of CHF 50.4mn during the year. In addition, lower product prices, especially for paper, put further pressure on revenues. On a positive note, the company was able to improve sales volumes across all divisions, even in the current sluggish global economic scenario. At the operating level, the company posted a loss of CHF 21.8mn for 2015, compared to a profit of CHF 6mn in 2014. As a result, the company reported a net loss of CHF 33.1mn in 2015 compared to a net profit of CHF 10.5mn in 2014. The Paper division, which accounts for around 60% of CPH's revenues, was the hardest hit since it exports almost 77% of its production to the Eurozone. Revenues from the paper segment fell 21.2% y/y to CHF 247.8mn, resulting in an operating loss of CHF 28mn. The packaging segment reported a 6.8% y/y decline in revenues to CHF 109.7mn, while the operating profit stood at CHF 5.9mn, up 15.9% y/y. Revenues from the Chemistry segment improved 3.8% y/y to CHF 62.5mn, with an EBIT of CHF -1.8 mn.

Strategically important 2016: Entry into China market

2016 will be a strategically important year for CPH, as the company begins manufacturing operations in the rapidly growing Chinese market and completes the acquisition of China-based ALSIO. This marks the company's entry into low a production cost region and will significantly increase its presence in the fast growing Asian market. These developments are expected to lower the company's overall production costs and result in improved margins. It would also lower the impact of currency fluctuations as it reduces the exposure to the CHF.

Performance likely to improve

CPH's largest division, Paper, is expected to post an improved performance in 2016 as paper prices are rising moderately after the sharp fall witnessed over the last few years and sales volumes remain stable. Efficiency improvements from the new PM7 machine and an increased proportion of higher margin products are expected to improve the division's profitability. The packaging division should benefit from the start of manufacturing operations at the new China plant. Increased focus on higher value products and the fast growing Asian region would support the division's profitability. The chemistry division should get a boost from the acquisition of China-based ALSIO, a manufacturer of molecular sieves. The acquisition, expected to be completed by mid-2016, would help CPH increase its footprint in the Asian market. The lifting of sanctions on Iran opens a new potential market for the company, in face of the slowdown in the US shale gas industry. These developments should help the company achieve its target of reducing the contribution from the paper division, as well as reduce costs incurred in Swiss franc. The recovery in paper prices, along with stable sales volumes across all divisions and the China acquisition is expected to result in revenue growth of ~5% y/y in 2016.

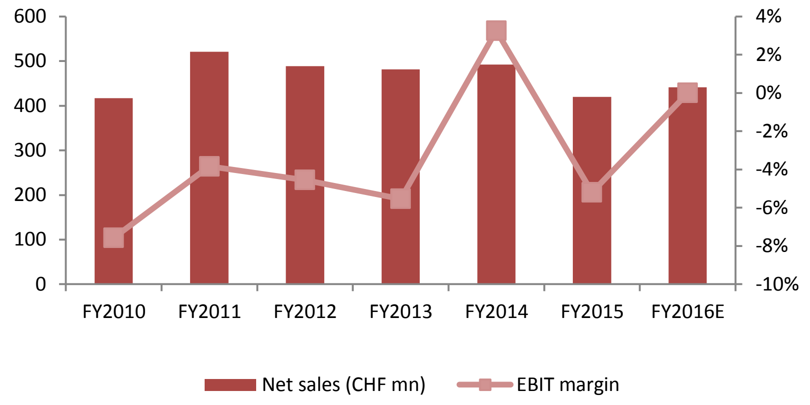
Valuation

At current price levels, CPH shares trade at a discount of 44% to its peers on P/S basis. Similarly, CPH is trading at a discount of 32% to its 3-year historical average P/S. With the currency stabilizing in Switzerland and given the company's expansion measures in low cost production centres coupled with the demand dynamics shifting from developed economies to emerging economies, we expect the company to improve its earnings in the near to medium-term. Also, with paper prices inching up towards the end of the year in Europe, CPH should be able to reverse its losses sooner. Also, the positives from the Packaging and Chemistry divisions would help CPH in the long-run by reducing the dependency on its Paper division.

FY2015 – Strong CHF impacted performance, Packaging and Chemistry key positives

For FY2015, the group's revenues fell by 14.7% y/y to CHF 420mn (FY2014: CHF 492.5mn). The Swiss National Bank's decision to withdraw the minimum CHF/Euro exchange rate in early 2015 weighed heavily on the group's revenues and earnings. However, this was expected as the company's revenues came in just 0.5% below our estimates. The Group generated higher sales volumes across all divisions, but was unable to translate the same into net sales on account of the adverse currency scenario. The adverse currency movement had an overall negative impact of CHF50.4mn on revenues for the year.

Exhibit 1: CPH Net sales vs EBIT margin

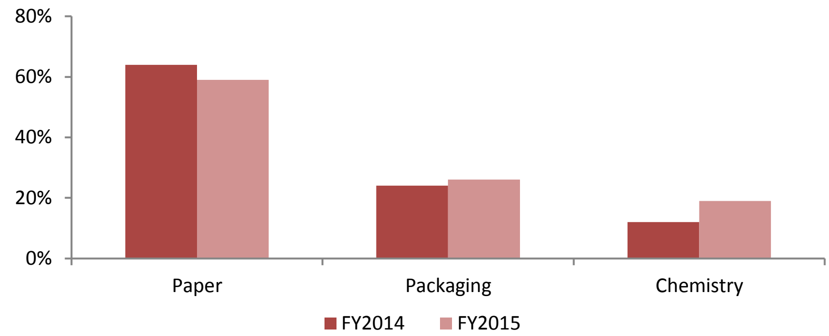


Source: Company data, Research Dynamics

The group's gross margin declined sharply from CHF 179.6mn in FY2014 to CHF 135.2mn in FY2015, a drop of almost 25% y/y. On the other hand, EBITDA declined to CHF 12.2mn. The group reported a negative EBIT of CHF 21.8mn. Management attributed lower earnings to the two factors of a strong domestic currency and lower paper prices. CPH Group reported a net loss of CHF 33.1mn in FY2015, down from a profit of CHF 10.5mn in FY2014.

All three divisions of the CPH Group saw similar trends when it came to the growth in sales volumes along with gaining market share. The Paper division contributed 59% (CHF 247.5mn) to group net sales in FY2015, however, it was below the FY2014 contribution of 64% (CHF 314.4mn). Packaging revenues dipped to CHF 109.7mn in FY2015 from CHF 117.8mn in FY2014, a decline of 6.8%. The Chemistry division was the exception in clocking a revenue growth of 3.8% from CHF 60.2mn in FY 2014 to CHF 62.5mn in FY2015.

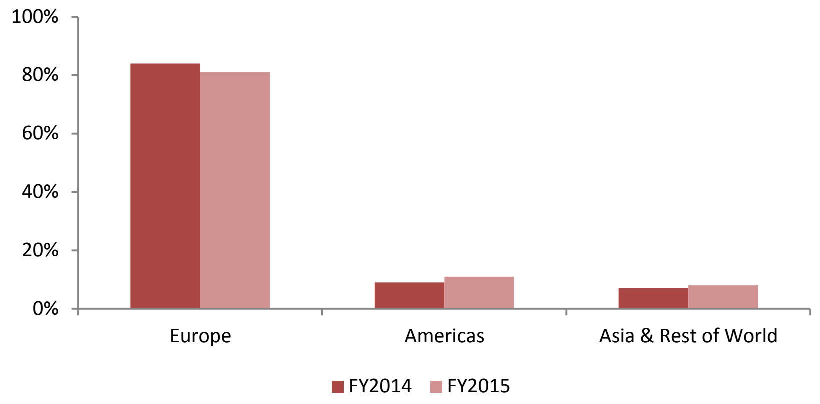
Exhibit 2: CPH Net sales by division



Source: Company data, Research Dynamics

On regional levels, CPH Group reported a drop in net sales from both Switzerland and the Eurozone from 14% and 63% in 2014 to 13% and 60% in 2015 respectively. However, the Group reported encouraging growth in contribution from the Rest of Europe, Americas, and Rest of the World regions, each gaining a percentage point over their last year's contributions which are encouraging signs for the group as a whole. Revenues in the Eurozone declined due to the strong Swiss currency and lower paper prices.

Exhibit 3: CPH net sales by region



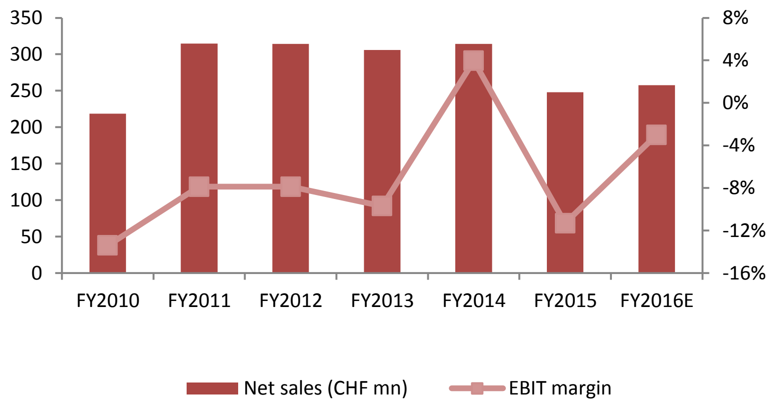
Source: Company data, Research Dynamics

Segmental performance

- **Paper: Market share improves as volumes rise**

  Revenues from the paper segment fell 21.2% y/y to CHF 247.8mn in 2015. The top line declined despite a marginal 0.7% increase in sales volumes due to falling paper prices and the strong Swiss franc. The company was able to improve its market share in Europe in an environment of oversupply and falling demand. Market share in newsprint paper increased to 5.3% in 2015 from 4.8% earlier in Europe, while market share in the higher margin magazine paper improved slightly to 6.7% (from 6.6%). Eurozone exports accounted for 77% of the total sales, while domestic sales only contributed 17%. EBITDA for the segment stood at CHF -3.8mn in 2015, from CHF 37.0mn, while EBIT declined to CHF -28.0mn from CHF 12.5mn in 2014. The loss resulted despite the company taking several steps to reduce its fixed as well as variable costs.

Exhibit 4: Paper sales and EBIT margin

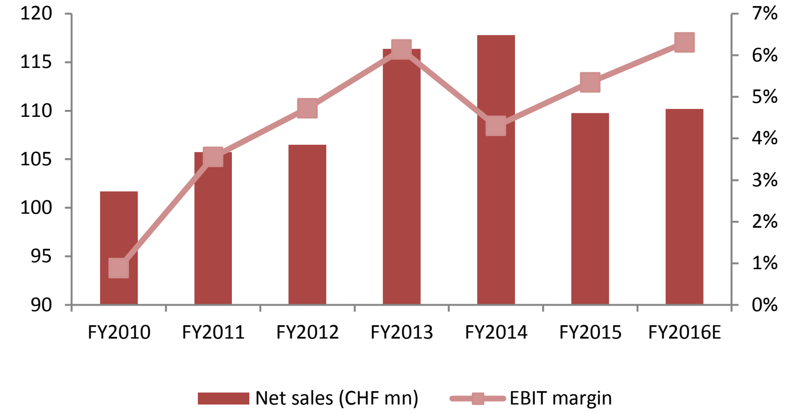


Source: Company data, Research Dynamics

- **Packaging: Margins expand on higher-value products**

  Revenues from the Packaging business stood at CHF109.7mn, down 6.8% y/y, primarily due to the appreciation of the Swiss franc. The company was able to increase its sales volumes by 1.8% y/y in 2015, resulting in a higher market share in a sluggish European market. Domestic sales were only 5% of the revenues. Eurozone region accounted for 45% of the segment's sales while exports to the rest of Europe contributed 16%. Being one of the largest producers for PVC films for blister pack applications, the company accounted for 23% of the European market. Despite lower revenues, segment EBIT improved 15.9% y/y to CHF 5.9mn for the year. The division's EBIT margins improved from 4.3% in 2014 to 5.3% in 2015 as the company focused on higher-value products.

Exhibit 5: Packaging net sales and EBIT margin

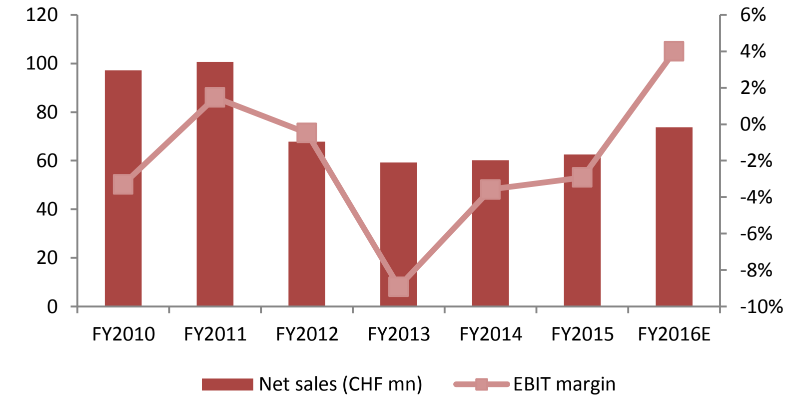


Source: Company data, Research Dynamics

- **Chemistry: Revenues increase on strong demand**

  The Chemistry division was the only segment to report an increase in revenues, up 3.8% y/y to CHF 62.5mn in 2015. Revenues grew on the back of a sharp jump in sales volumes, which negated the impact of the appreciation of the Swiss Franc. An encouraging demand scenario has led the company to develop a pilot production facility in the US. The segment's EBIT improved slightly to CHF -1.8mn, from CHF -2.2mn.

Exhibit 6: Chemistry net sales and EBIT margin



Source: Company data, Research Dynamics

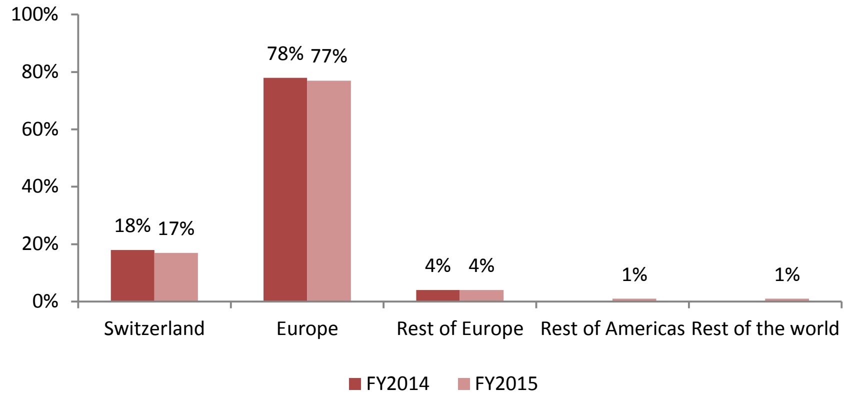
Business strategy update

CPH has been under pressure from the sharp appreciation of the Swiss Franc and sluggish demand scenarios for its paper and packaging divisions, which accounted for ~85% of the group's total revenues. The company's strategy is to reduce its dependence on the paper segment, and reduce the division's contribution to sales further to 50%. In addition, to lower the impact of currency volatility, the company targets to incur only 33% of the cost in Swiss francs from the current 50%. Moreover, it also plans to reduce its exposure to the European region and aims for a 33% share of sales from outside the region.

Paper

The fierce competition in the paper industry has led to an oversupply situation, resulting in a depressed price scenario. Perlen Paper is targeting to become a cost leader in the industry to contest against the rising competition. The company has recently installed the PM7 machine, which has resulted in significant efficiency gains by reducing variable costs. The company has also introduced new products such as PerlenValue in 2015 and further new products are to be introduced in 2016. In addition, the company has reduced CO_2 emissions by around 40,000 tonnes in 2015 by procuring steam from the Renergia waste incinerator, allowing them to lower their carbon footprint.

Exhibit 7: Paper sales by region

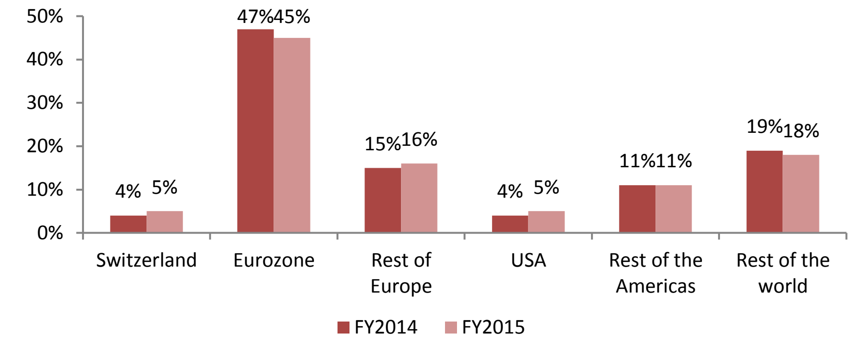


Source: Company data, Research Dynamics

Packaging

The division commands a significant market share of 23% of the PVC films for blister pack applications in the European region. The company is focusing primarily on high-barrier films, which command better margins. In response, the company has also expanded PVdC coating facilities at the Perlen site. The revenue contribution from new products (introduced over the last five years) increased to 15% in 2015. The company is also targeting the Asian region, where demand for medicines is growing at double-digit rates on the back of an increasing population and improving medical care. Asia accounted for below 20% of divisional sales in 2015, but this contribution is expected to increase once the new production facility in Wujiang, China, becomes operational in 2016. In addition, CPH has also implemented a cost savings program, which led to an improvement of ~CHF 2mn at the EBIT level. This, "Smart Move Forward" is expected to result in further savings in 2016.

Exhibit 8: Packaging sales by region

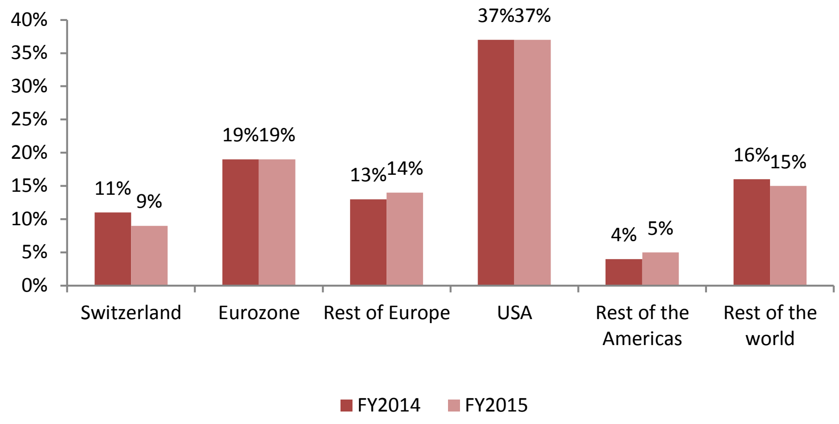


Source: Company data, Research Dynamics

Chemistry

The division continues to develop and manufacture high-margin sophisticated products. As the US shale gas market has slowed down on the back of the sharp fall in crude oil prices, the company is looking at Iran as a potential market for molecular sieves after the recent lifting of sanctions. Iran's petrochemical industry has lagged the global industry for the past few years due to the sanctions imposed on the OPEC member. CPH also announced the acquisition of China-based ALSIO last year (yet to be finalized), a producer of molecular sieves. The acquisition aims at strengthening the company's presence in the fast growing Asian market and lead to higher margins.

Exhibit 9: Chemistry sales by region



Source: Company data, Research Dynamics

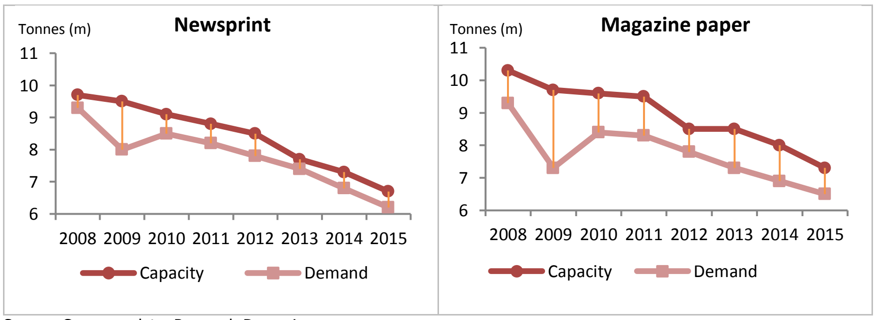
Outlook and our estimates

We expect 2016 will be a stronger year for the group compared to 2015. We believe most of the appreciation of the Swiss Franc is already behind us, and FX is thus unlikely to significantly impact earnings in 2016. However, we have incorporated a moderate appreciation of the Swiss franc in our estimates for 2016 and 2017. Strategically it is an important year for CPH as it marks its entry into the emerging markets. The China-based packaging unit, expected to become operational this year, and the acquisition of ALSIO will significantly increase the company's presence in Asia and provide direct access to the emerging markets.

Paper: Prices stabilize as excess capacity reduces

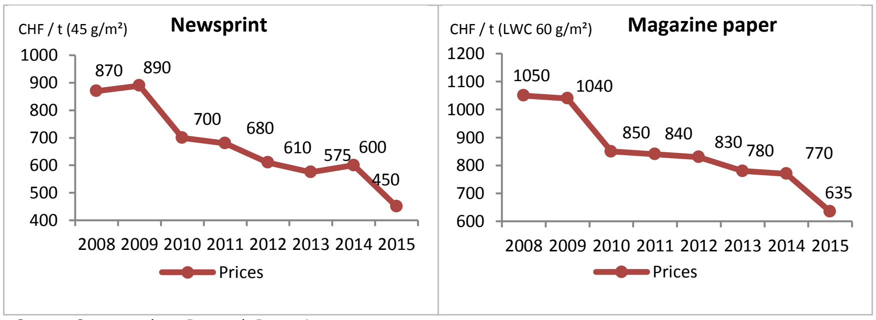
The paper industry has witnessed a significant decline in pricing due to excess capacity and consistently falling demand. The industry is going through a transformation as reads move towards the electronic medium. The demand for newsprint in Western Europe declined 8.1% y/y in 2015 following a drop of 6.3% y/y in 2014. However, the decline in demand for magazine paper was less severe, 4.4% y/y in 2015 compared to 3.2% y/y fall in 2014. Going forward, paper demand is expected to decline by 5% annually over the next few years. Nevertheless, paper prices have begun to stabilize (in Euro terms) post the sharp fall witnessed over the past few years, as production capacity reduces. European press paper capacity has reduced by a total of 4.3mn tonnes between 2011 and 2015 to 14mn tonnes. With an improved pricing scenario and improved sales volumes, we expect the segment's revenue will grow by ~4% y/y in 2016, limited by the appreciation of the Swiss franc against the Euro. The segment's margin is also expected to improve supported by higher utilization of the PM4 and PM7 machine, and higher paper prices, in addition to the various cost saving measures undertaken by management.

Exhibit 10: Paper: Demand and supply scenario



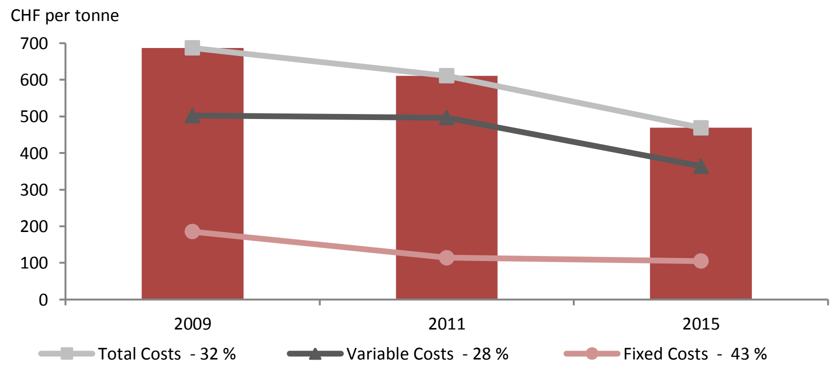
Source: Company data, Research Dynamics

Exhibit 11: Paper price movement shave stabilized in 2016



Source: Company data, Research Dynamics

Exhibit 12: Paper: Improving efficiency and falling cost of production



Source: Company data, Research Dynamics

Packaging: Looking for new growth avenues

CPH's Packaging division caters primarily to the pharmaceuticals' industry. The European pharmaceuticals' industry has been mostly stable in 2015. The demand for PVC films, the company's primary product, grew 4% globally in 2015, mainly driven by Asia (+10% y/y). The demand is being led by generic medicines in emerging markets. Demand for medicines and medications will remain strong on the back of rising lifestyle-based disorders and increased life expectancy. The packaging division is expected to report a jump in revenues after the new Chinese plant begins operations in 2016. This will also lower the cost of production for the division, leading to improved margins. In addition, the company has also planned a capital expenditure of CHF 10mn in 2016 for the division. The beginning of operations in China should also lower the currency impact for CPH and increase the presence in the fast growing Asian region. The segment's revenues are expected to rise marginally in 2016, after falling by 6.8% y/y in 2015.

Chemistry: Acquisition to boost topline growth

CPH Group's Chemistry division produces silica-based molecular sieves used in industrial and chemical industries and the production of fuels. The division also produces chromatography gels used to separate pharmaceutical agents. The demand for the company's products is under pressure from the sharp fall in crude oil prices, which has impacted the US shale gas industry negatively. The falling prices of oil and gas has led to sharp cuts in capital expenditure plans of most oil and gas producers across the globe and falling production from non-OPEC producers. However, with the lifting of sanctions from Iran, the country provides a big potential market for the company's products. Iraq's hydrocarbon industry has not developed in line with the global producers due to the sanctions imposed on the country. With the sanctions' lifting, the country plans to develop its resources and increase its production significantly. The Chemistry division aims to expand its business to high-growth regions. With a view to augmenting the same, the company announced the acquisition of ALSIO, a Chinese based manufacturer of molecular sieves with net sales of CHF 16mn. The acquisition will give CPH access to a high-growth Asian market. The division also intends to develop its high-value applications along with its chromatography gels. We expect the division to post a revenue growth of 17.8% y/y to CHF 73.7mn, on the back of the new acquisition, expected to be completed in mid-2016.

Dividend distribution: a risky proposition: CPH Group announced a dividend proposal of CHF 0.60 per share for FY2015 (down from CHF 0.65 in FY2014), despite reporting a net loss of CHF 5.52 per share. Though the company has a significant cash position, we believe distributing dividends, while reporting losses is not a positive step in the long-term interest of the shareholders.

Valuation and conclusion: CPH Group business as a whole is extremely cyclical. This is why we use the discounted cash flow (DCF) methodology to arrive at the intrinsic value of the stock. We have used an weighted average cost of capital (WACC) of 8.1% based on a cost of equity of 12.4% and pre-tax cost of debt of 2.8%. The beta that we used in our calculations is slightly higher due to a couple of reasons, namely the small size of the company and the currently prevailing macroeconomic headwinds such as the abolishment of the CHF/EUR exchange rate resulting in the sharp spike in the value of the Swiss currency and the low-price regime of the European paper industry. We have forecast cash flows until 2023 and thereafter taken a growth rate of 1%. Based on these factors, we arrive at an intrinsic value of CHF 37 per share, giving it an upside potential of 18% on current prices.

Sensitivity of value per share (CHF)

		Sensitivity table				
		WACC				
		6.1%	7.1%	8.1%	9.1%	10.1%
Terminal growth rate	0.25%	49	40	33	28	24
	0.50%	51	41	34	29	25
	0.75%	53	43	36	30	25
	1.00%	55	45	37	31	26
	1.25%	58	46	38	32	27
	1.50%	61	48	39	33	28
	1.75%	64	50	41	34	28

Source: Company data, Research Dynamics

Since the group operates in three entirely different divisions with no synergies between them, we have prepared a different set of industry peers for each of CPH's divisions.
We have employed three parameters – EV/EBITDA, P/S and P/E – to analyse the relative valuation of the group. Initially, we have calculated the peer average of CPH's individual divisions, and then taken a weighted average of these based on the sales contribution of the respective division. Given its diversified business model, this consolidated peer average is most comparable to CPH's valuation multiples.

CPH currently trades at a P/S multiple of 0.4x (FY2016E), a significant 44% discount over the weighted average of division peers. CPH is trading at a discount of 32% to its 3-year average historical P/S multiple.

Exhibit 13: CPH – Comparison with division peers

Company	EV/EBITDA			P/S			P/E		
	3 year average	CY2016E	CY2017E	3 year average	CY2016E	CY2017E	3 year average	CY2016E	CY2017E
CPH Chemie & Paper	9.5x	7.7x	5.5x	0.6x	0.4x	0.4x	34.4x	NA	27.1x
Paper peers:									
Holmen	7.8x	8.5x	8.4x	1.0x	1.3x	1.3x	15.2x	14.5x	14.1x
Stora Enso	6.3x	6.7x	6.4x	0.4x	0.6x	0.6x	11.6x	10.7x	10.0x
Altri	7.9x	5.7x	5.9x	0.7x	1.1x	1.1x	10.4x	6.6x	7.0x
Metsa Board	5.8x	6.8x	6.1x	0.4x	1.0x	1.0x	15.2x	13.9x	11.1x
UPM-Kymmene	6.1x	6.0x	6.1x	0.5x	0.8x	0.8x	11.3x	11.8x	12.0x
Norkse Scogindustrier	NA	10.9x	11.1x	NA	0.0x	0.0x	NA	-0.7x	-0.7x
James Cropper	2.6x	NA	NA	0.3x	0.0x	0.0x	9.1x	16.0x	13.0x
OJI Holdings	NA	NA	NA	NA	0.3x	0.3x	11.6x	11.8x	10.6x
Chemistry peers:									
Honeywell Int.	8.4x	9.7x	9.0x	1.4x	1.9x	1.9x	14.2x	15.4x	14.0x
Clariant	6.6x	7.9x	7.4x	0.6x	0.9x	0.9x	11.1x	14.6x	13.0x
Arkema	5.4x	5.4x	5.0x	0.7x	0.5x	0.5x	9.8x	11.7x	9.6x
WR Grace & Co.	7.8x	13.3x	12.3x	1.7x	2.9x	2.8x	15.9x	21.6x	18.7x
Packaging peers:									
Meadvestwaco	6.0x	NA	NA	0.7x	NA	NA	13.7x	NA	NA
MacFarlane Group	5.8x	0.1x	0.1x	0.2x	0.0x	0.0x	7.7x	11.6x	10.6x
Gerresheimer	7.0x	9.6x	9.0x	1.0x	1.4x	1.3x	14.2x	16.7x	15.4x
West Pharmaceutical Services	9.9x	13.9x	12.1x	1.7x	3.0x	2.8x	20.1x	28.5x	23.9x
Convertidora Industrial	8.4x	7.2x	6.8x	0.4x	0.4x	0.3x	NA	NA	NA
PSB Industries	4.6x	5.1x	5.0x	0.4x	0.5x	0.5x	8.1x	9.1x	8.6x
Astrapak Ltd	4.5x	NA	NA	0.3x	NA	NA	9.4x	10.0x	7.1x
Bilcare Ltd	3.3x	NA	NA	0.2x	NA	NA	2.7x	NA	NA
Median	6.2x	7.2x	6.8x	0.6x	0.8x	0.8x	11.4x	11.8x	11.1x
High	9.9x	13.9x	12.3x	1.7x	3.0x	2.8x	20.1x	28.5x	23.9x
Low	2.6x	0.1x	0.1x	0.2x	0.0x	0.0x	2.7x	-0.7x	-0.7x
Premium (disc) to peers	54%	7%	(19%)	10%	(49%)	(52%)	200%	NM	144%

Source: Bloomberg (as on 29 February 2016)

Exhibit 14: CPH – Comparison with weighted average of division peers

	EV/EBITDA			P/S			P/E		
	3 year average	CY2016E	CY2017E	3 year average	CY2016E	CY2017E	3 year average	CY2016E	CY2017E
Weighted peer multiples	6.2x	7.2x	6.7x	0.6x	0.8x	0.8x	11.2x	12.2x	11.2x
CPH	9.5x	7.7x	5.5x	0.6x	0.4x	0.4x	34.4x	NA	27.1x
Premium (disc) to peers	52%	8%	(18%)	14%	(44%)	(46%)	208%	NM	142%

Source: Bloomberg (as on 29 February 2016)

DETAILED FINANCIAL STATEMENTS

Income statement

CHF mn (except per share)	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Chemistry sales	101	68	59	60	63	74	84
Paper sales	315	314	306	314	248	258	266
Packaging sales	106	106	116	118	110	110	115
Net Sales	**521**	**489**	**481**	**492**	**420**	**441**	**465**
Cost of Sales	(338)	(325)	(323)	(313)	(285)	(283)	(291)
Gross profit	**182**	**163**	**158**	**180**	**135**	**158**	**175**
Personnel cost	(93)	(85)	(86)	(88)	(86)	(89)	(86)
Outsourced maintenance/repairs	(20)	(19)	(19)	(18)	(16)	(14)	(15)
Other operating expense	(23)	(21)	(22)	(23)	(21)	(21)	(22)
Total operating costs	**(136)**	**(125)**	**(127)**	**(129)**	**(123)**	**(124)**	**(123)**
EBITDA	**47**	**38**	**31**	**51**	**12**	**34**	**51**
Depreciation on tangible fixed assets	(65)	(59)	(57)	(34)	(34)	(32)	(34)
Depreciation on intangible assets	(2)	(2)	(1)	(1)	(0)	(1)	(3)
Operating profit (EBIT) before impairment	**(20)**	**(22)**	**(27)**	**16**	**(22)**	**1**	**14**
Impairment	0	0	(251)	0	0	0	0
Operating profit (EBIT)	**(20)**	**(22)**	**(278)**	**16**	**(22)**	**1**	**14**
Finance costs	(13)	(7)	(5)	(7)	(13)	(5)	(5)
Finance income	1	1	1	2	1	1	0
Total financial income (expenses)	**(12)**	**(6)**	**(4)**	**(6)**	**(12)**	**(5)**	**(5)**
Profit before taxes (before exceptional items)	**(32)**	**(28)**	**(281)**	**10**	**(34)**	**(4)**	**9**
Non-operating items	12	38	2	1	2	0	0
Income taxes	2	(2)	8	(1)	(1)	(0)	(0)
Profit attributable to the parent	**(18)**	**8**	**(271)**	**11**	**(33)**	**(4)**	**9**
Basic EPS	**(3.0)**	**1.3**	**(45.2)**	**1.8**	**(5.5)**	**(0.7)**	**1.4**
Diluted EPS	**(3.0)**	**1.3**	**(45.2)**	**1.8**	**(5.5)**	**(0.7)**	**1.4**
DPS	**0.7**	**0.7**	**0.7**	**0.7**	**0.6**	**0.0**	**0.6**

Source: Company data, Research Dynamics

Balance sheet

CHF mn	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Assets							
Non-current assets							
PPE	769.2	719.7	433.7	419.1	404.3	418.4	405.8
Intangible assets	2.9	1.5	1.2	1.3	2.4	6.4	7.5
Long-term financial assets	0.0	10.0	10.0	10.0	10.0	10.0	10.0
Long-term financial receivables	2.5	0.0	0.0	2.8	0.0	0.0	0.0
Other non-current assets	23.9	21.2	22.4	22.7	20.2	20.2	20.2
Total Non Current Assets	798.5	752.4	467.3	456.0	436.9	455.0	443.6
Current assets							
Inventories	57.3	58.8	56.9	63.4	54.5	53.3	55.6
Trade accounts receivable	75.6	74.0	70.8	79.5	66.4	66.5	70.1
Other receivables	13.2	10.7	7.3	7.7	8.0	8.0	8.0
Prepaid expenses and accrued income	3.9	3.0	5.3	6.6	4.9	4.9	4.9
Short-term financial receivables	0.9	0.2	0.0	0.1	0.0	0.0	0.0
Liquid funds and Securities	42.6	73.3	74.2	75.1	53.2	33.1	47.8
Total assets	**992.1**	**972.4**	**681.8**	**688.4**	**624.0**	**620.8**	**630.0**
Shareholders' Equity and Liabilities							
Share capital	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Capital reserves	24.0	20.1	16.2	12.3	8.4	4.8	4.8
Profit reserves	670.3	651.6	659.5	389.2	397.4	364.3	360.1
Net result for the year	(18.0)	8.1	(271.5)	10.5	(33.1)	(4.2)	7.0
Non-current liabilities							
Long-term financial liabilities	169.3	144.0	117.9	128.0	126.5	128.0	114.0
Pension scheme liabilities	0.6	0.5	0.7	0.6	1.0	1.0	1.0
Other long-term liabilities	0.0	0.0	2.5	2.4	2.3	2.3	2.3
Long-term provisions	32.0	31.3	21.3	20.8	20.0	20.0	20.0
Current liabilities							
Trade accounts payable	40.0	52.9	59.4	53.8	46.7	50.2	52.3
Other payables	6.9	2.6	4.4	3.9	2.6	2.6	2.6
Accrued liabilities and deferred income	12.7	15.8	11.0	9.1	13.6	13.6	13.6
Short-term financial liabilities	11.3	9.8	23.0	22.6	6.8	6.6	20.6
Short-term provisions	12.9	5.7	7.2	5.1	1.5	1.5	1.5
Total liabilities	**285.8**	**262.6**	**247.5**	**246.4**	**221.2**	**225.9**	**228.1**
Total equity and liab.	**992.1**	**972.4**	**681.8**	**688.4**	**624.0**	**620.8**	**630.0**

Source: Company data, Research Dynamics

Cash flow statement

CHF mn	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Net profit for the period	(18.0)	8.1	(271.5)	10.5	(33.1)	(4.2)	7.0
Non-cash adjustments:	47.9	20.8	298.8	30.3	35.3	33.1	35.6
Change in current assets and liabilities:							
(Increase)/ decrease in inventories	(2.7)	(1.7)	(2.6)	(5.5)	8.4	1.2	(2.3)
Decrease in trade accounts receivable	(20.2)	1.3	3.4	(11.2)	8.1	(0.1)	(3.6)
Increase/ (decrease) in trade accounts payable	(52.0)	13.0	6.4	(5.8)	(6.8)	3.5	2.2
Other changes in working capital	27.5	0.8	(3.0)	1.5	6.5	-	-
Cash flows from operating activities	**(17.5)**	**42.3**	**31.4**	**19.8**	**23.3**	**33.6**	**38.9**
Investments in tangible fixed assets	(24.4)	(10.9)	(18.2)	(19.2)	(21.9)	(46.4)	(20.9)
Disposals of tangible fixed assets	39.9	30.1	0.9	0.4	1.6	-	-
Investments in intangible assets	(1.4)	(0.3)	(0.5)	(0.6)	(1.6)	(4.8)	(3.2)
Sale of subsidiary/ Divestiture of interests	33.1	-	-	-	-	-	-
Repayment of long-term financial receivables	0.1	2.5	0.0	-	-	-	-
Cash flow generated (used) in investment activities	**47.4**	**21.4**	**(17.8)**	**(19.4)**	**(22.0)**	**(51.2)**	**(24.0)**
Increase/ (Decrease) in short-term financial liabilities and receivables	3.7	(1.5)	(2.0)	(0.4)	(15.3)	(0.3)	14.0
Increase/ (Decrease) in long-term financial liabilities	(56.2)	(25.1)	(10.8)	9.8	(1.1)	1.5	(14.0)
Increase in other long-term liabilities	(0.0)	0.0	2.5	(0.2)	(0.1)	-	-
Minority interests and changes resulting from minorities	-	-	-	-	-	-	-
Dividends to shareholders	-	(3.9)	(3.9)	(3.9)	(3.9)	(3.6)	-
Cash flow generated (used) in financing	**(52.6)**	**(30.6)**	**(14.2)**	**5.3**	**(20.4)**	**(2.4)**	**(0.0)**
Exchange (losses)/gains	(0.1)	0.1	(0.2)	0.2	2.3	-	-
Net change in cash	**(22.8)**	**33.2**	**(0.7)**	**6.0**	**(16.7)**	**(20.1)**	**14.7**
Opening cash balance	54.3	31.5	64.7	63.9	69.9	53.1	38.8
Closing cash balance	**31.5**	**64.7**	**63.9**	**69.9**	**53.1**	**33.1**	**47.8**

Source: Company data, Research Dynamics

Key ratios

	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Growth Ratios							
Sales Growth	25%	(6%)	(2%)	2%	(15%)	5%	5%
Chemistry division	3%	(33%)	(13%)	2%	4%	18%	14%
Paper division	44%	(0%)	(3%)	3%	(21%)	4%	3%
Packaging division	4%	1%	9%	1%	(7%)	0%	5%
Operating Profit Growth	NM	NM	NM	NM	NM	NM	1357%
Net Income Growth	NM	NM	NM	NM	NM	NM	NM
Profitability Ratios (%)							
Operating margin (before impairment) (%)	(4%)	(5%)	(6%)	3%	(5%)	0%	3%
Chemistry division	1%	(0%)	(9%)	(4%)	(3%)	4%	5%
Paper division	(8%)	(8%)	(10%)	4%	(11%)	(3%)	1%
Packaging division	4%	5%	6%	4%	5%	6%	7%
EBITDA Margin %	9%	8%	6%	10%	3%	8%	10%
Net Margin (%)	(3%)	2%	(56%)	2%	(8%)	(1%)	2%
Return Ratios							
Profit Margin	(3%)	2%	(56%)	2%	(8%)	(1%)	2%
Asset Turnover	0.5x	0.5x	0.6x	0.7x	0.6x	0.7x	0.7x
Financial Leverage	1.5x	1.4x	1.4x	1.6x	1.6x	1.6x	1.6x
Dupont ROE (%)	(3%)	1%	(47%)	2%	(8%)	(1%)	2%
ROCE (%)	(2%)	(3%)	(5%)	3%	(4%)	0%	2%
ROA (%)	(2%)	1%	(33%)	2%	(5%)	(1%)	1%
Leverage Ratios							
Debt - Equity Ratio	0.3x	0.2x	0.3x	0.3x	0.3x	0.3x	0.3x
Net Debt - Equity Ratio	0.2x	0.1x	0.2x	0.2x	0.2x	0.2x	0.2x
Interest Coverage	(2.0x)	(3.2x)	(6.0x)	5.2x	(5.5x)	0.1x	2.1x
Liquidity Ratios							
Current Ratio	2.3x	2.5x	2.0x	2.5x	2.6x	2.3x	2.1x
Quick Ratio	1.6x	1.9x	1.5x	1.8x	1.9x	1.6x	1.5x
Valuation Ratios							
EV/EBITDA	9.4x	12.3x	13.7x	6.2x	25.8x	7.7x	8.8x
P/E	NM	48.4x	NM	22.9x	NM	NM	52.9x

Source: Company data, Research Dynamics

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