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Healthy 1H2019 results, with all time high EBIT margins

CPH reported an encouraging set of numbers across segments with top line increasing by 1.3% YoY to CHF 267.5mn (2.1% YoY ex-currency), despite challenging economic conditions including the US and China trade war, and uncertainties related to Brexit. The overall growth reflected higher capacity utilisation and sales price increase with largely stable cost (fixed and variable) across divisions. Group EBIT improved significantly to CHF 32.0mn from CHF 27.8mn in 1H/18, posting highest ever EBIT margin of 12.0%, since CPH’s listing in 2011, compared to 10.5% in the same period last year. The net profit reported at CHF 27.2mn increased by 20.1% YoY (CHF 22.6mn in 1H/18) with corresponding margin improving by 160bps to 10.2%. Although, all divisions reported positive EBIT for the period, Paper division in particular led the increase in group EBIT, as favourable supply-demand situation allowed further price increase. The Paper division reported EBIT of CHF 19.0mn, significantly higher compared to CHF 14.8mn in 1H2018, and corresponding margin improved to 12.9% from 10.0% during the same period last year.

Segmental performance

**Paper:** The Paper Division reported a slight decline in sales, which dropped 0.8% YoY (-0.6% YoY ex-currency) to CHF 146.9mn. The primary reason for the decline at the top line is the continued structural erosion in the demand for such paper products. Various paper manufacturers have cut their production of magazine paper totalling to 750k tonnes, which should have a positive impact on the prices going forward. According to the company, supply-demand for newsprint and magazine paper was virtually similar at the beginning of the year, which allowed the company to increase some paper prices in early 2019. The divisional EBIT increased significantly by 28.0% YoY to CHF 19.0mn from CHF 14.8mn in 1H/18 and the corresponding margin improved to 12.9% (1H/18:10.0%). The improvement in EBIT margin reflects improved productivity and reduction in cost due to the successful integration of the paper recovery activities of Papierfabrik Utzenstorf, thanks to which more recycled paper can be sourced from Switzerland itself, directly reducing overall transportation costs of the division.

**Packaging:** Despite the weak growth in pharmaceuticals in the first half of the fiscal, the net sales at the Packaging Division increased by 2.8% YoY (5.9% YoY ex-currency) to a record high of CHF 80.8mn from CHF 78.7mn. Although, the overall packaging market was down during the first half of 2019 but the company’s strategic initiatives are starting to bear fruits, e.g., the Suzhou plant has obtained the product licences from the local Chinese regulators. In addition, the new finishing and logistics centre in Brazil is operational since last autumn. Divisional EBIT improved to CHF 10.1mn from CHF 9.6 and corresponding EBIT margin also improved slightly by 20bps to 12.4%. Despite the increased raw material cost, EBIT margin improved due to better product mix of high-value products.

**Chemistry:** The Chemistry Division reported an increase of 6.3% YoY (4.9% YoY ex-currency) in net sales to CHF 39.7mn in 1H/19. The increase in top line was driven by better utilization of manufacturing facilities along with higher demand for molecular sieves. In addition, the company completed its repositioning of the Chemistry Division and also expanded its marketing and distribution network in Brazil, Bahrain and Czech Republic. The segment reported 10.5% decrease in EBIT to CHF 3.1mn with the corresponding margin narrowed to 7.8% from 9.2% in 1H/18 due to higher other operating income during 1H/18.

Full-year guidance maintained

In spite of decent performance during the first half, management is skeptical about full year 2019 due to various macroeconomic uncertainties. The Group expects slowdown in global economic activities for the fiscal 2019 and reaffirms its guidance issued at the beginning of the year. The guidance provided assumes broadly stable currency rates during 2H/19. The group expects to report full-year net sales, EBIT margin and net profit results for 2019 at around prior-year levels.

**Paper:** The company expects additional pressure on paper prices as the demand for newspaper and magazine paper is expected to decline further during the second half of the year due to existing overcapacities in the market. Management expects net sales and EBIT margin to remain in-line with the previous year and is keen to keep up the efforts to enhance efficiency and reduce costs further.
Packaging: The current trade war between the US and China along with other economic challenges increases the uncertainty in the business environment and its impact on the pharma markets. The company expects to report a slight increase or similar level of net sales as well as EBIT margin for the full year as compared to the previous year.

Chemistry: Although the current business environment is challenging, management expects stable utilization of production facilities based on healthy order book. The company expects net sales and EBIT margin at similar levels compared to 2018.

Estimate change
The reported result is encouraging given the global business uncertainty. For the second half of the year, the company expects a slowdown compared to 1H/19. We have increased our estimates slightly based on the first half results. Although, we have kept our revenue estimates unchanged, considering improved cost structure at the Paper Division and high end product mix at the Chemistry and Packaging Division along with one time other operating income, we have raised our EBITDA estimates to CHF 83.5mn from CHF 81.5mn (earlier estimates). Consequently, the net earnings is expected to be around CHF 43.2mn compared to CHF 39.0mn estimated previously.

Refinancing to reduce financial burden
On 10th July 2019, the company repaid its CHF 120mn bond with 2.75% coupon. The repayment was done by new bond issue along with cash at hand. On 8th Oct 2018, the company issued at par corporate bonds worth CHF 100mn with a maturity of 5 years with an annual coupon rate of 2.0% to repay the aforementioned bond. Due to the repayment of the CHF 120mn bond, total debt decreased by CHF 20mn and total balance sheet by CHF 120mn. In addition, the equity ratio increased towards ~60% due to reduction in debt (total assets). Further, to increase credit flexibility, the company arranged a new additional line of credit with Swiss banks of CHF 40mn.

Valuation and conclusion
We value CPH using DCF and relative valuation techniques. Our intrinsic value of CHF 102.7 per share is marginally higher to our previous target price (CHF 100.6), implying an upside of 20.8% from current levels. For relative valuation, since the Group operates in three entirely different divisions, we compare each of CPH's divisions with different sets of relevant industry peers. We have employed three parameters – EV/EBITDA, P/S and P/E – to analyse the relative valuation of the Group. CPH currently trades at a P/S multiple of 0.9x (FY2019E), a significant 44% discount to the weighted average multiple of division's peers.

In the medium-term, we expect this discount to narrow and the stock to witness a re-rating, considering strong growth prospects in key markets, improved operating efficiencies from the new production facilities and expansion of its Packaging and Chemistry divisions. The Paper Division should benefit from the consolidation and production cut coupled with cost saving initiatives, advanced technology and continued operational improvements. Nevertheless, the business environment with decreasing demand for newsprint paper remains challenging. However, continuing effort to diversify the company itself from a paper manufacturer to a conglomerate should stabilize the revenue stream going forward.
Exhibit 1: CPH – Comparison with division peers

<table>
<thead>
<tr>
<th>Company</th>
<th>EV/EBITDA</th>
<th>P/S</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPH Chemie &amp; Paper</td>
<td>5.5x</td>
<td>7.0x</td>
<td>7.2x</td>
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<td>Paper peers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holmen</td>
<td>NA</td>
<td>11.2x</td>
<td>10.8x</td>
</tr>
<tr>
<td>Stora Enso</td>
<td>8.0x</td>
<td>7.4x</td>
<td>7.3x</td>
</tr>
<tr>
<td>Ascot</td>
<td>7.3x</td>
<td>5.7x</td>
<td>4.9x</td>
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<tr>
<td>Metsa Board</td>
<td>7.5x</td>
<td>6.2x</td>
<td>6.2x</td>
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<tr>
<td>Korka Scogindustri</td>
<td>8.4x</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td>James Cropper</td>
<td>16.4x</td>
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<td>NA</td>
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<td>CDP Holdings</td>
<td>9.2x</td>
<td>827.4x</td>
<td>779.1x</td>
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<td>Chemistry peers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honeywell Int.</td>
<td>12.8x</td>
<td>14.0x</td>
<td>13.9x</td>
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<tr>
<td>Glanbia</td>
<td>10.5x</td>
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<td>NA</td>
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<td>RWE Int.</td>
<td>6.5x</td>
<td>5.1x</td>
<td>4.9x</td>
</tr>
<tr>
<td>WR Grace &amp; Co.</td>
<td>16.1x</td>
<td>11.0x</td>
<td>10.7x</td>
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<tr>
<td>Packaging peers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maerdorwickx</td>
<td>6.0x</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>MacDonell Group</td>
<td>10.7x</td>
<td>0.1x</td>
<td>0.1x</td>
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<tr>
<td>Gerresheimer</td>
<td>9.8x</td>
<td>9.4x</td>
<td>10.2x</td>
</tr>
<tr>
<td>Nest Pharmaceutical Services</td>
<td>21.8x</td>
<td>23.1x</td>
<td>20.8x</td>
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<tr>
<td>Conveditiva Industrial</td>
<td>5.9x</td>
<td>3.3x</td>
<td>3.0x</td>
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<tr>
<td>PSB Industries</td>
<td>5.5x</td>
<td>3.5x</td>
<td>3.2x</td>
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<tr>
<td>Astrapak Ltd</td>
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<td>NA</td>
<td>NA</td>
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<tr>
<td>Biare Ltd</td>
<td>16.3x</td>
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<td>NA</td>
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<tr>
<td>Median</td>
<td>9.5x</td>
<td>6.9x</td>
<td>6.9x</td>
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<tr>
<td>Low</td>
<td>5.5x</td>
<td>0.1x</td>
<td>0.1x</td>
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<tr>
<td>Premium (disc) to peers</td>
<td>1%</td>
<td>12%</td>
<td>4%</td>
</tr>
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</table>

Source: Thomson Eikon (as on 19 July 2019)

Exhibit 2: CPH – Comparison with weighted average of division peers

<table>
<thead>
<tr>
<th>Company</th>
<th>EV/EBITDA</th>
<th>P/S</th>
<th>P/E</th>
</tr>
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<tbody>
<tr>
<td>Weighted peer multiples</td>
<td>10.7x</td>
<td>8.6x</td>
<td>8.1x</td>
</tr>
<tr>
<td>CPH</td>
<td>9.5x</td>
<td>7.8x</td>
<td>7.2x</td>
</tr>
<tr>
<td>Premium (disc) to peers</td>
<td>(11%)</td>
<td>(10%)</td>
<td>(17%)</td>
</tr>
</tbody>
</table>

Source: Thomson Eikon (as on 19 July 2019)
## Detailed Financial Statements

### Income Statement

<table>
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<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19E</th>
<th>FY20E</th>
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<tr>
<td>Chemistry sales</td>
<td>60</td>
<td>63</td>
<td>69</td>
<td>75</td>
<td>79</td>
<td>83</td>
<td>88</td>
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<tr>
<td>Paper sales</td>
<td>314</td>
<td>248</td>
<td>246</td>
<td>264</td>
<td>301</td>
<td>295</td>
<td>292</td>
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<tr>
<td>Packaging sales</td>
<td>118</td>
<td>110</td>
<td>119</td>
<td>130</td>
<td>153</td>
<td>162</td>
<td>175</td>
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<tr>
<td><strong>Net Sales</strong></td>
<td><strong>492</strong></td>
<td><strong>420</strong></td>
<td><strong>435</strong></td>
<td><strong>470</strong></td>
<td><strong>534</strong></td>
<td><strong>541</strong></td>
<td><strong>555</strong></td>
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<tr>
<td>Cost of Sales</td>
<td>(313)</td>
<td>(285)</td>
<td>(267)</td>
<td>(309)</td>
<td>(311)</td>
<td>(318)</td>
<td>(331)</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td><strong>180</strong></td>
<td><strong>135</strong></td>
<td><strong>168</strong></td>
<td><strong>161</strong></td>
<td><strong>222</strong></td>
<td><strong>222</strong></td>
<td><strong>224</strong></td>
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<tr>
<td>Personnel cost</td>
<td>(88)</td>
<td>(86)</td>
<td>(89)</td>
<td>(94)</td>
<td>(92)</td>
<td>(94)</td>
<td>(100)</td>
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<tr>
<td>Outsourced maint/reps</td>
<td>(18)</td>
<td>(16)</td>
<td>(18)</td>
<td>(17)</td>
<td>(19)</td>
<td>(17)</td>
<td>(17)</td>
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<tr>
<td>Other operating exp</td>
<td>(23)</td>
<td>(21)</td>
<td>(25)</td>
<td>(26)</td>
<td>(28)</td>
<td>(28)</td>
<td>(29)</td>
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<tr>
<td><strong>Total operating costs</strong></td>
<td><strong>(129)</strong></td>
<td><strong>(123)</strong></td>
<td><strong>(131)</strong></td>
<td><strong>(127)</strong></td>
<td><strong>(139)</strong></td>
<td><strong>(139)</strong></td>
<td><strong>(145)</strong></td>
</tr>
<tr>
<td>EBITDA</td>
<td>51</td>
<td>12</td>
<td>37</td>
<td>34</td>
<td>83</td>
<td>83</td>
<td>79</td>
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<tr>
<td>Depreciation</td>
<td>(34)</td>
<td>(34)</td>
<td>(31)</td>
<td>(30)</td>
<td>(30)</td>
<td>(31)</td>
<td>(30)</td>
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<tr>
<td>Amortization</td>
<td>(1)</td>
<td>(0)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
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<tr>
<td>Operating profit (EBIT) before impairment</td>
<td>16</td>
<td>22</td>
<td>6</td>
<td>3</td>
<td>52</td>
<td>51</td>
<td>47</td>
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<td>Impairment</td>
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<td>0</td>
<td>0</td>
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<td>(22)</td>
<td>6</td>
<td>3</td>
<td>52</td>
<td>51</td>
<td>47</td>
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<tr>
<td>Finance costs</td>
<td>(7)</td>
<td>(13)</td>
<td>(6)</td>
<td>(8)</td>
<td>(7)</td>
<td>(5)</td>
<td>(2)</td>
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<td>Finance income</td>
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<tr>
<td><strong>Total financial income (expenses)</strong></td>
<td>(6)</td>
<td>(12)</td>
<td>(5)</td>
<td>(7)</td>
<td>(6)</td>
<td>(5)</td>
<td>(2)</td>
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<tr>
<td>Profit before taxes (before exceptional items)</td>
<td>10</td>
<td>(34)</td>
<td>1</td>
<td>(4)</td>
<td>46</td>
<td>46</td>
<td>45</td>
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<td>Non-operating items</td>
<td>1</td>
<td>2</td>
<td>(4)</td>
<td>23</td>
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<td>Income taxes</td>
<td>(1)</td>
<td>(1)</td>
<td>(4)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
<td>(5)</td>
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<td><strong>Profit attributable to the parent</strong></td>
<td>11</td>
<td>(33)</td>
<td>(8)</td>
<td>16</td>
<td>42</td>
<td>43</td>
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<td>Basic EPS</td>
<td>1.8</td>
<td>(5.5)</td>
<td>(1.3)</td>
<td>2.7</td>
<td>7.1</td>
<td>7.2</td>
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<td>Diluted EPS</td>
<td>1.8</td>
<td>(5.5)</td>
<td>(1.3)</td>
<td>2.7</td>
<td>7.1</td>
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<td>DPS</td>
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<td>1.8</td>
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Source: Research Dynamics, Company data

### Balance Sheet

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<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19E</th>
<th>FY20E</th>
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<tr>
<td><strong>Assets</strong></td>
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<tr>
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<td>PPE</td>
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<td>Intangible assets</td>
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<td>Long-term financial receivables</td>
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<td>Other non-current assets</td>
<td>22.7</td>
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<td>Total non-current assets</td>
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<td><strong>Current assets</strong></td>
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<td>Inventories</td>
<td>63.4</td>
<td>54.5</td>
<td>68.9</td>
<td>59.2</td>
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<td>Trade accounts receivable</td>
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<td>Prepaid expenses and accrued income</td>
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<td>80.2</td>
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<td>88.9</td>
<td>113.9</td>
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<td><strong>Total assets</strong></td>
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<td>624.0</td>
<td>672.4</td>
<td>697.6</td>
<td>800.5</td>
<td>707.1</td>
<td>736.1</td>
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<td><strong>Shareholders' Equity and Liabilities</strong></td>
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<td>Share capital</td>
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<td>Capital reserves</td>
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<td>Profit reserves</td>
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<td>351.2</td>
<td>346.4</td>
<td>336.2</td>
<td>367.7</td>
<td>400.7</td>
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<tr>
<td>Net result for the year</td>
<td>10.5</td>
<td>(33.1)</td>
<td>(7.9)</td>
<td>16.0</td>
<td>42.3</td>
<td>43.2</td>
<td>40.5</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term financial liabilities</td>
<td>128.0</td>
<td>126.5</td>
<td>145.6</td>
<td>143.5</td>
<td>120.5</td>
<td>101.9</td>
<td>99.3</td>
</tr>
<tr>
<td>Pension scheme liabilities</td>
<td>0.6</td>
<td>1.0</td>
<td>1.1</td>
<td>0.6</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>2.4</td>
<td>2.3</td>
<td>0.1</td>
<td>0.0</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>20.8</td>
<td>20.0</td>
<td>52.5</td>
<td>51.8</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>53.8</td>
<td>46.7</td>
<td>53.1</td>
<td>69.5</td>
<td>69.7</td>
<td>70.0</td>
<td>71.6</td>
</tr>
<tr>
<td>Other payables</td>
<td>3.9</td>
<td>2.6</td>
<td>8.3</td>
<td>3.3</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Accrued liabilities and deferred income</td>
<td>9.1</td>
<td>13.6</td>
<td>16.5</td>
<td>17.2</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td>22.6</td>
<td>6.8</td>
<td>7.0</td>
<td>9.8</td>
<td>125.8</td>
<td>18.4</td>
<td>17.9</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td>5.1</td>
<td>4.5</td>
<td>7.6</td>
<td>5.6</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>246.4</td>
<td>221.2</td>
<td>291.6</td>
<td>301.3</td>
<td>393.3</td>
<td>267.6</td>
<td>256.2</td>
</tr>
<tr>
<td><strong>Total equity and liab.</strong></td>
<td>688.4</td>
<td>624.0</td>
<td>672.4</td>
<td>697.6</td>
<td>800.5</td>
<td>707.1</td>
<td>736.1</td>
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Source: Research Dynamics, Company data
Cash Flow Statement

<table>
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<tr>
<th>CHF mn</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19E</th>
<th>FY20E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>10.5</td>
<td>(33.1)</td>
<td>(7.7)</td>
<td>16.2</td>
<td>42.3</td>
<td>43.2</td>
<td>40.5</td>
</tr>
<tr>
<td><strong>Non-cash adjustments:</strong></td>
<td>30.3</td>
<td>35.3</td>
<td>33.9</td>
<td>(1.5)</td>
<td>26.3</td>
<td>32.2</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Change in current assets and liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/ decrease in inventories</td>
<td>(5.5)</td>
<td>8.4</td>
<td>(13.1)</td>
<td>13.6</td>
<td>(8.6)</td>
<td>(2.6)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Decrease in trade accounts receivable</td>
<td>(11.2)</td>
<td>8.1</td>
<td>(0.5)</td>
<td>(7.7)</td>
<td>5.0</td>
<td>(3.9)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Increase/ (decrease) in trade accounts payable</td>
<td>(5.8)</td>
<td>(6.8)</td>
<td>1.6</td>
<td>15.8</td>
<td>(1.1)</td>
<td>0.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Other changes in working capital</td>
<td>1.5</td>
<td>11.5</td>
<td>7.7</td>
<td>(4.2)</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>19.8</td>
<td>23.3</td>
<td>21.9</td>
<td>32.2</td>
<td>64.3</td>
<td>69.1</td>
<td>71.5</td>
</tr>
<tr>
<td>Investments in tangible fixed assets</td>
<td>(19.2)</td>
<td>(21.9)</td>
<td>(20.7)</td>
<td>(32.3)</td>
<td>(22.3)</td>
<td>(29.9)</td>
<td>(31.9)</td>
</tr>
<tr>
<td>Disposals of tangible fixed assets</td>
<td>0.4</td>
<td>1.6</td>
<td>20.5</td>
<td>15.4</td>
<td>6.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in intangible assets</td>
<td>(0.6)</td>
<td>(1.6)</td>
<td>(1.2)</td>
<td>(2.4)</td>
<td>(2.2)</td>
<td>(2.9)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Investments in business activities</td>
<td>-</td>
<td>-</td>
<td>(18.5)</td>
<td>-</td>
<td>(27.9)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flow generated (used) in investment act.</strong></td>
<td>(19.4)</td>
<td>(22.0)</td>
<td>(19.9)</td>
<td>(19.3)</td>
<td>(46.0)</td>
<td>(32.8)</td>
<td>(33.4)</td>
</tr>
<tr>
<td>Increase/ (Decrease) in short-term financial liabilities and receivables</td>
<td>(0.4)</td>
<td>(15.3)</td>
<td>0.1</td>
<td>1.0</td>
<td>(4.3)</td>
<td>(7.1)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Increase/ (Decrease) in long-term financial liabilities</td>
<td>9.8</td>
<td>(1.1)</td>
<td>19.0</td>
<td>(0.6)</td>
<td>(3.0)</td>
<td>(18.6)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Increase in other long-term liabilities</td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>0.2</td>
<td>2.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minority interests and changes resulting from minorities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends to shareholders</td>
<td>(3.9)</td>
<td>(3.9)</td>
<td>(3.6)</td>
<td>(3.9)</td>
<td>(3.9)</td>
<td>(10.8)</td>
<td>(10.1)</td>
</tr>
<tr>
<td><strong>Cash flow generated (used) in financing act.</strong></td>
<td>5.3</td>
<td>(20.4)</td>
<td>15.2</td>
<td>(3.3)</td>
<td>(9.1)</td>
<td>(36.5)</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Exchange (losses)/gains</td>
<td>0.2</td>
<td>2.3</td>
<td>0.1</td>
<td>0.2</td>
<td>(0.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net change in cash</strong></td>
<td>6.0</td>
<td>(16.7)</td>
<td>17.2</td>
<td>9.8</td>
<td>8.9</td>
<td>(0.1)</td>
<td>25.0</td>
</tr>
<tr>
<td>Opening cash balance</td>
<td>63.9</td>
<td>69.9</td>
<td>53.1</td>
<td>70.3</td>
<td>80.1</td>
<td>89.0</td>
<td>88.9</td>
</tr>
<tr>
<td>Closing cash balance</td>
<td>69.9</td>
<td>53.1</td>
<td>70.3</td>
<td>80.1</td>
<td>89.0</td>
<td>88.9</td>
<td>113.9</td>
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</table>

Source: Research Dynamics, Company data

**Key Ratios**

<table>
<thead>
<tr>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19E</th>
<th>FY20E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales Growth</strong></td>
<td>2%</td>
<td>(15%)</td>
<td>4%</td>
<td>8%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Chemistry division</strong></td>
<td>2%</td>
<td>4%</td>
<td>11%</td>
<td>9%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Paper division</strong></td>
<td>3%</td>
<td>(21%)</td>
<td>(1%)</td>
<td>7%</td>
<td>14%</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>Packaging division</strong></td>
<td>1%</td>
<td>(7%)</td>
<td>9%</td>
<td>9%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Operating Profit Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income Growth</strong></td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>(51%)</td>
<td>NM</td>
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<tr>
<td><strong>Profitability Ratios (%)</strong></td>
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</tr>
<tr>
<td>Operating margin (before impairment) (%)</td>
<td>3%</td>
<td>(5%)</td>
<td>1%</td>
<td>1%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Chemistry division</td>
<td>(4%)</td>
<td>(3%)</td>
<td>2%</td>
<td>5%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Paper division</td>
<td>4%</td>
<td>(11%)</td>
<td>(2%)</td>
<td>(5%)</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Packaging division</td>
<td>4%</td>
<td>5%</td>
<td>8%</td>
<td>7%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>EBITDA Margin %</td>
<td>10%</td>
<td>3%</td>
<td>8%</td>
<td>7%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Net Margin (%)</td>
<td>2%</td>
<td>(8%)</td>
<td>(2%)</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
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<tr>
<td>Return Ratios</td>
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<tr>
<td>Profit Margin</td>
<td>2%</td>
<td>(8%)</td>
<td>(2%)</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
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<td>Asset Turnover</td>
<td>0.7x</td>
<td>0.6x</td>
<td>0.7x</td>
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<td>0.7x</td>
<td>0.8x</td>
</tr>
<tr>
<td>Financial Leverage</td>
<td>1.6x</td>
<td>1.6x</td>
<td>1.7x</td>
<td>1.8x</td>
<td>1.9x</td>
<td>1.8x</td>
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<tr>
<td>DuPont ROE (%)</td>
<td>2%</td>
<td>(8%)</td>
<td>(2%)</td>
<td>4%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>ROCE (%)</td>
<td>3%</td>
<td>(4%)</td>
<td>1%</td>
<td>1%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>2%</td>
<td>(5%)</td>
<td>(1%)</td>
<td>2%</td>
<td>6%</td>
<td>6%</td>
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<td>Leverage Ratios</td>
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<tr>
<td>Debt - Equity Ratio</td>
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<td>0.3x</td>
<td>0.4x</td>
<td>0.4x</td>
<td>0.6x</td>
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<tr>
<td>Net Debt - Equity Ratio</td>
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<td>0.2x</td>
<td>0.4x</td>
<td>0.1x</td>
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<td>Interest Coverage</td>
<td>5.2x</td>
<td>(2.5x)</td>
<td>1.4x</td>
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<td>Liquidity Ratios</td>
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<tr>
<td>Current Ratio</td>
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<td>2.6x</td>
<td>2.4x</td>
<td>2.3x</td>
<td>1.6x</td>
<td>2.3x</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>1.8x</td>
<td>1.9x</td>
<td>1.7x</td>
<td>1.7x</td>
<td>1.3x</td>
<td>1.6x</td>
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<td>Valuation Ratios</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>6.2x</td>
<td>25.8x</td>
<td>17.8x</td>
<td>19.5x</td>
<td>7.9x</td>
<td>7.9x</td>
</tr>
<tr>
<td>P/E</td>
<td>22.9x</td>
<td>NM</td>
<td>NM</td>
<td>31.0x</td>
<td>11.7x</td>
<td>11.5x</td>
</tr>
<tr>
<td>P/BV</td>
<td>0.5x</td>
<td>0.6x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>1.2x</td>
<td>1.1x</td>
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</tbody>
</table>

Source: Research Dynamics, Bloomberg, Company data
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