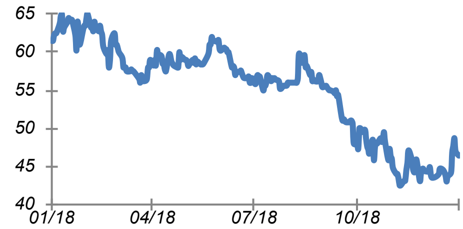
THERMADOR GROUPE

Industrials



Source : FactSet Research

Market	**Euronext - Comp. B**
ISIN / Mnemonic	FR0013333432 / THEP
Reuters / Bloomberg	THHG.PA / THEP.FP
Index	CAC Small
PEA-PME	Yes
Market Cap (€m)	**422.69**
Float (%)	66.0%
Nbre of shares (Mio)	9.110
Closing	31-Dec

	17	18e	19e
PER	**16.3**	**13.7**	**12.4**
PCF	14.3	12.1	10.9
EV/Sales	1.6	1.4	1.2
EV/EBIT	11.5	9.9	9.0
PB	2.3	2.1	1.9
Yield	3.4%	3.7%	3.7%
Free Cash Flow Yield	5.0%	4.0%	4.8%
ROACE	14.4%	14.6%	15.0%
Sales	**271.6**	**311.2**	**356.6**
Previous Sales	271.6	311.2	356.6
chge y/y-1	*17.4%*	*14.6%*	*14.6%*
EBITDA	41.4	48.9	53.8
Underlying EBIT	37.6	44.8	49.2
% Sales	*13.9%*	*14.4%*	*13.8%*
EBIT	37.6	44.8	49.2
% Sales	*13.9%*	*14.4%*	*13.8%*
Decl.Net inc Group Sh	26.2	30.9	34.0
% Sales	*9.7%*	*9.9%*	*9.5%*
EPS	**2.88**	**3.40**	**3.73**
Previous EPS	2.88	3.40	3.73
chge y/y-1	*25.7%*	*17.9%*	*9.9%*
Restated EPS	**2.88**	**3.40**	**3.73**
Net Asset per Share	20.8	22.5	24.5
Net Dividend	1.70	1.73	1.79
Gearing	1.2%	11.1%	8.2%
NFD	2.2	22.7	18.3

Calendar :
Résultats annuels le 21 February

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15 January 2019

Price: €46.40

Target Price: €60.00

STRONG BUY (1)

Opinion unchanged

1 : Strong Buy 2 : Buy 3 : Hold 4 : Reduce 5 : Sell

Price at 14/01/2019

Annual sales / Contact with management

Tougher environment and comparison basis

Thermador reported slightly more subdued organic growth in Q4 sales by comparison with previous quarters, with conditions in the construction market beginning to filter through to sales at PBtub in particular. The comparison basis was also tricky (growth of 13.7% in Q4 2017).

Marked decline at PBtub, Thermador International holds steady

Sales were short of our expectations at the end of the year, coming in at €69.8m in Q4 factoring in the effects of IFRS 15 (PZP est. of €74.1m). The key aspect in our eyes was the steeper than anticipated decline at PBtub (down 6.3% vs. a PZP est. of a 2.0% decrease) in a still-tough construction market that prompted prudent inventory rundowns at 2 or 3 key customers towards the end of the year . Thermador was also hit by a marked slowdown in sales at Jetly and Dipra (up 3.8% for the former and down 0.8% for the latter), whereas the solid October performance had led us to believe that the conditions were in place for Q4 to pick up from where Q3 had left off (PZP est. for growth of respectively 12.0% and 10.3%). In contrast, Thermador International sustained its momentum with growth of 8.7%, despite the demanding comparison basis (17.6% growth in Q4 2017).

With full-year sales of €311.2m factoring in IFRS 15 (negative impact of €4.0m), reported growth came to 16.1% and organic growth 3.4%. We are edging down our earnings forecasts for 2018. We are now looking for operating income of €44.8m (vs. €45.4m previously) and, following the Sanidom deal, we are expecting net financial debt to come to €22.7m.

Sanidom: a fresh challenge for 2019

Management has yet to issue guidance for 2019 but has indicated that 1/ Aello and Axelair/Vortice are expected to continue to deliver firm growth and 2/ it will be keeping a close eye on Mecafer, which, after being removed from the M.Bricolage catalogue (6.8% like-for-like drop in Mecafer's 2018 sales to €30.7m), could be at the mercy of the "One Kingfisher" policy at the Castorama DIY stores (standardisation of Kingfisher's procurement policy). Factoring in Sanidom, we are looking for 2019 sales of €356.5m, pointing to growth of 14.6% on a reported basis and 3.2% in organic growth and hinging on the following key assumptions: 1/ flat growth at Sanidom (PZP sales est. of €35.5m vs. €35.3m in 2017), 2/ continued sales growth at Thermador international (PZP est. of 7.0%), Aello (est. 20%) and Axelair/Vortice (est. 30%), and 3/ flat business volumes at PBtub and Mecafer/Domac. The integration of Sanidom will have a dilutive effect on margins. We expect operating margin to fall by 60bp to an estimated 13.8% vs. a PZP est. of 14.4% for 2018.

A tricky end to the year but the underlying trends at many subsidiaries are still firm (13.9% growth at Thermador International, 9.6% sector growth, etc.). Still a Strong Buy (1) with a target price trimmed from €62 to €60.

The investment recommendation in this document was issued on 16/01/2019 - 08:55 (GMT+1) and published for the first time on 15/01/2019 - 14:28 (GMT+1).

Compulsory disclosures

Stock recommendations

Our stock recommendations reflect the total return expected on the share over a 6-12 month investment horizon. They are based on target prices defined by the analyst and incorporate exogenous factors related to the market environment, which are subject to wide variations. Portzamparc's analysts use a fundamental multi-criteria approach when valuing a share (mainly, but not limited to, discounting of cash flows, comparable multiples, transaction multiples, sum of the parts and revalued net assets).

STRONG BUY (1): Expected return in excess of +15%

BUY (2): Expected return of between +5% and +15%

HOLD (3): Expected return of between -5% and +5%

REDUCE (4): Expected return of between -5% and -15%

SELL (5): Expected return of less than -15% or poor visibility on the fundamentals of the company.

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Unless otherwise specified, all prices are previous day's closing prices.

Ratings applied to the issuer in the past 12 months

The following table shows the changes of rating and target price made by the financial analysis department of Portzamparc over a 12-month period.

Date	Analyst	Target Price	Closing Price	Old Recommendation	New Recommendation
09/04/2018 8:30	Arnaud Despre	€68.5	€56.25	BUY (2)	STRONG BUY (1)

Potential conflicts of interest for PORTZAMPARC

Company	*Potential conflicts of interest*
Thermador Groupe	**6,7**

1. Portzamparc holds or controls 5% or more of the issuer's share capital;
2. The issuer, or its main shareholders, hold or control, directly or indirectly, 5% or more of Portzamparc's share capital;
3. Portzamparc has been lead manager or co-lead manager in a public offering of financial instruments of the issuer in the past 12 months;
4. Portzamparc is market maker for the financial instruments of the issuer;
5. Portzamparc has entered into a liquidity agreement with the issuer;
6. Portzamparc and the issuer have signed an analysis service agreement whereby Portzamparc has undertaken to produce and disseminate investment research on the issuer;
7. Portzamparc has received payment from the issuer in consideration for the provision of investment services or financial advisory services in the last 12 months;
8. The author of this document or any person who has assisted in its preparation (or a member of their household), and any person who, while not involved in the preparation of the report, has had, or can be reasonably assumed to have had, access to material elements of this document prior to its dissemination, holds a net or short position representing more than 0.5% of the issuer's share capital;
9. The rating published in this document has been disclosed to the issuer prior to publication and dissemination and subsequently amended prior to its dissemination.

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