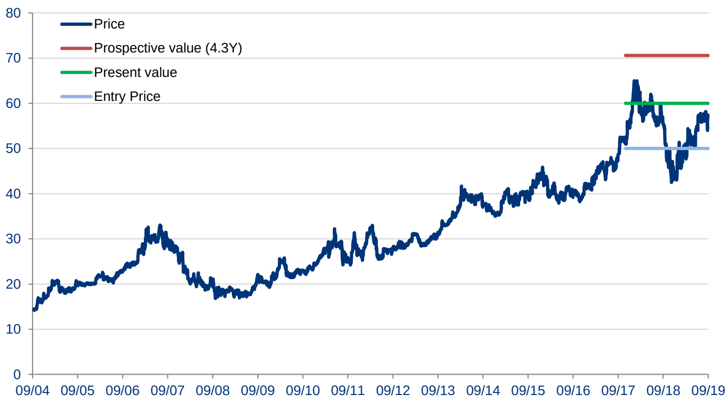
GARP

Thermador Groupe (THEP FP)

18 September 2019

Price (closing at 16/09/2019)	**EUR57.0**		
Prospective value (12/2023)	**EUR71.0 ► Implied IRR: 8.0%**		
Present value	**EUR60.0 ► Potential: 5.3%**		
Entry point	**EUR50.0 ► Required IRR: 12.0%**		
PEG ratio	**3.0**		
	2018A	2019E	2020E
P/E (x)	14.7	15.6	14.7
P/BV (x)	2.1	2.4	2.2
Yield (%)	3.1	3.7	4.0
EV/Sales (x)	1.4	1.5	1.4
EV/EBITDA (x)	9.0	10.3	9.8
EV/EBIT (x)	9.8	11.2	10.5

Market capitalisation	EUR519.0m
Enterprise Value	EUR549.0m
Debt (+) Net cash (-) (2018)	EUR24.0m
Leverage/Gearing (2018)	0.5x / 11.6%
Daily average volume	EUR163K
Number of shares basic/diluted	9m/9m
Beta/Volatility	0.7 / 30.4%



WHY DO WE CARE: PROFITABLE GROWTH, THERMADOR HAS SQUARED THE CIRCLE

A specialised distributor with logistic and commercial strengths

Thermador Groupe distributes accessories and fluid circuit equipment intended for industry, wholesalers, building professionals, DIY superstores but also merchant websites such as C-Discount and Amazon. Its logistical and commercial efficiency as well as its thorough knowledge of products and clients have enabled it to expand significantly.

Margin resilience throughout cycles

In 2018, the group recorded organic growth of 3.4% and of 5% in H1 2019. One of the group's main characteristics is its fortitude and strong resilience to downturns. Even though it is greatly subject to price fluctuations for copper, steel and nickel, the gross margin has been maintained at between 36% and 38% over the past 10 financial years. The quality of sourcing and business acumen to pass on price increases are so many factors behind this performance.

A group in the integration phase for recently acquired companies

Over the past two years, Thermador Groupe has carried out six acquisitions, three of which in distribution to DIY superstores, characterised by margin levels much below the group's average. However, it succeeded in maintaining a particularly high level of profitability. The solid balance sheet combined with operating efficiency enabled the group to generate an ROCE of 13%. Thermador Groupe should reduce its future rate of acquisitions and focus on creating synergies between subsidiaries, particularly Dipra and Rousseau (entry into the group's scope in 2018). We therefore estimate that this ROCE level will be maintained over the coming financial years.

Our prospective value by 2023 stands at EUR71.0 per share, i.e. a present value of EUR60. We expect organic growth in revenues of 6.5% per year between 2018 and 2023E.

VALUATION DETAILS: PRESENT VALUE OF EUR60 / PROSPECTIVE VALUE OF EUR71 (IRR OF 12%)

Normalised & prospective earnings. 2019-2023E annual average growth in revenues of 4.6%, in EBITDA of 4.7%, EBIT of 5.0% and EPS of 5.3%.

Relevant multiples. The multiples assumed are as follows: EV/EBITDA 9x, EV/EBIT 10x and P/E 16x.

Financial debt: The company's balance sheet is structurally sound, the NFD/EBITDA ratio comes to 0.6x.

CATALYSTS & RISKS: SUSTAINABLE DIVIDEND / CONSTANT PRICE INCREASES IN THE OFFERING

Catalysts. Entry on new market segments; return to normalised profitability levels.

Risks. New entrants; forex effect (procurement outside Europe, China); cyclical nature of some subsidiaries, etc.

Due diligence. Meeting with management; franchise analysis.

Sources. Thermador Groupe's registration document; Thermador Groupe's financial meetings.

Next events. 17 October 2019: Q3 revenues; 15 January 2020: Q4 revenues; 21 February 2020: annual results.

Crédit Mutuel Alliance Fédérale holds over 0,5% of Thermador Groupe.

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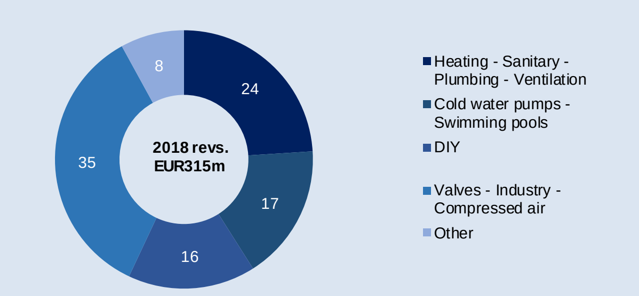
CONTENT

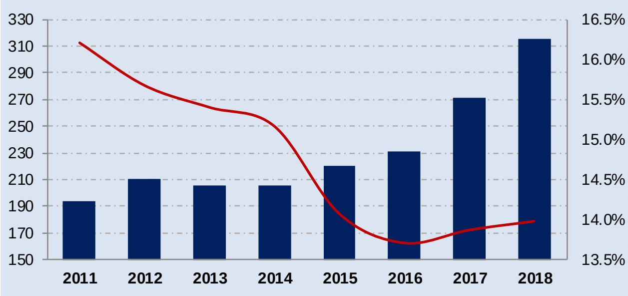
COMPANY PROFILE

2018 revenues by business (%)



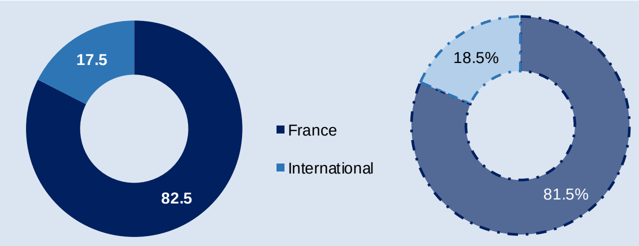
Source: CM-CIC Market Solutions

2011-2018: Revenues (EURm, lhs) and EBIT margin (%, rhs)



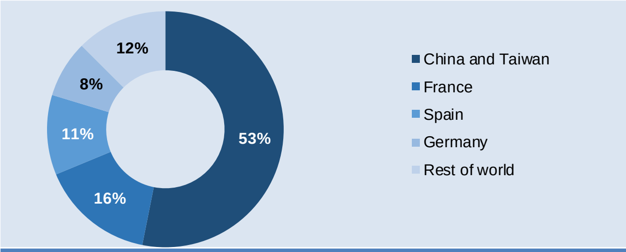
Source: CM-CIC Market Solutions

2018 revenues by customer type (%)



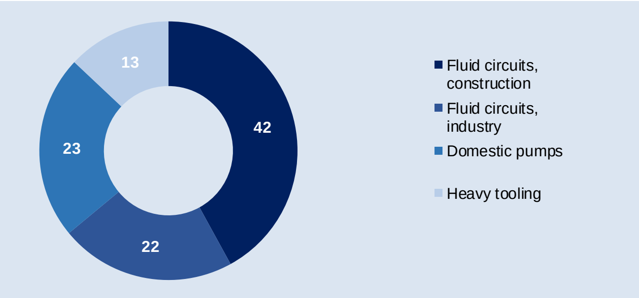
Source: CM-CIC Market Solutions

Thermador Groupe: Sourcing by country, 2018 (%)



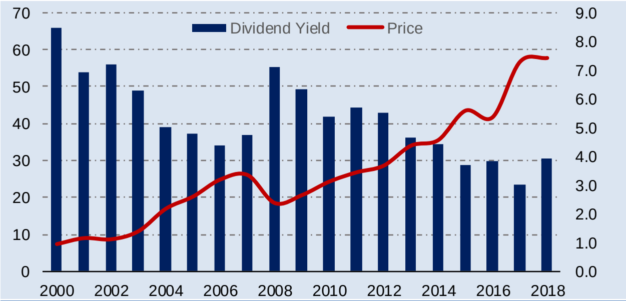
Source: CM-CIC Market Solutions

Thermador Groupe: Revenues by end-market, 2018 (%)



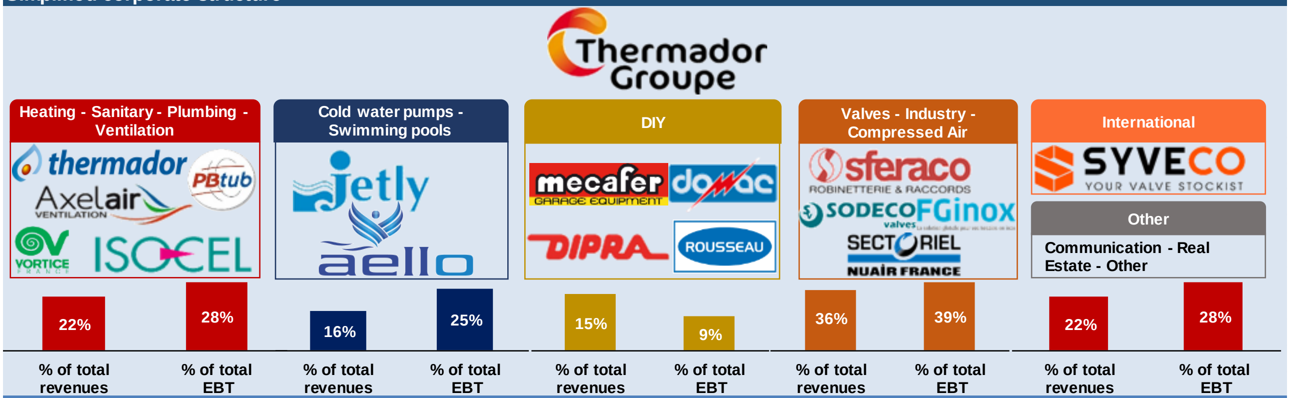
Source: CM-CIC Market Solutions

Average share price (EUR) and dividend yield (%, rhs), 2000-2018



Source: CM-CIC Market Solutions

Simplified corporate structure



Source: CM-CIC Market Solutions, Thermador

Management

Guillaume Robin	CEO
Patricia Mavigner	Deputy CEO
Hervé Le Guillerm	Deputy CEO

Source: CM-CIC Market Solutions

Board of Directors

Number of members	11
o/w independent members	5
o/w women	5

Source: CM-CIC Market Solutions

Shareholder structure

	% Capital	% Vot. rights
Board and employees	18.90	18.90
Individual shareholders	34.30	34.30
Institutional investors	46.80	46.80

Source: CM-CIC Market Solutions

Insider trading activity

Corporate Officer	Date	Buy / Sell	No. of shares	Transaction price	Amount (EUR)
J. Bonnefond	30/04/19	Buy	962	51.60	49,639
E. Mantione	02/05/19	Buy	925	51.60	47,730

Source: CM-CIC Market Solutions, AMF

Company profile

Thermador Groupe SA engages in the manufacture and distribution of plumbing equipment. Its products include valves, domestic pumps, plumbing fittings and central heating equipment for construction industry. The company was founded on October 2, 1986 and is headquartered in Saint-Quentin-Fallavier, France.

Source: CM-CIC Market Solutions

INVESTMENT CASE

Thermador Groupe has carried out a string of acquisitions since 2015 that has enabled it to expand strongly. While revenues grew 50% between 2015 and2018, the integration costs resulting from these changes in scope have eroded the group's EBIT margin (-120bp over the period) despite the stable trading margin. While we expect a 40bp contraction in the EBIT margin in 2019 due to the dilutive effect of the Rousseau acquisition, Thermador's sound business model and its operating efficiency should, in our view, enable it to generate organic revenue growth of 5% p.a. between 2019E and 2023E and return to the 2017 EBIT margin level of 14%. We project a 2023E prospective value of EUR71 p.s., i.e., a present value of EUR60.

Strategic development vectors
➡ *Logistical and commercial efficiency*

> A 'zero out-of-stock' client service

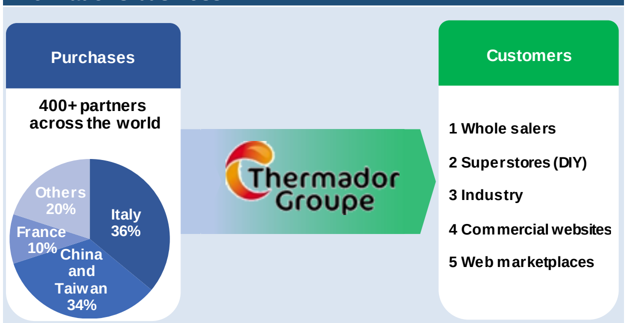
Thermador Groupe is a distributor of fluid circuit equipment and accessories to the construction and industry sectors. The group has several thousand SKUs for heating, sanitary, plumbing, ventilation and pool equipment products.

The group is organised as a conglomerate and grants considerable independence for the head of subsidiaries.

Thermador Groupe gives its managers considerable autonomy. The CEOs of each of these subsidiaries are members of the executive board. This organisation makes it difficult to compare the Thermador Groupe directly, since the competitive environment is specific to each subsidiary.

Thermador Groupe acts as a distribution and purchasing hub. It has forged partnerships with more than 400 plants across the world for which it ensures the distribution of their products via e-commerce platforms (Amazon, C-Discount for the mass market), large-scale DIY outlets, industry, or wholesalers. It is thus an essential link between a large number of manufacturers, located mainly in Italy (36% of sourcing) and China (34%), and wholesalers, large stores, and e-commerce platforms.

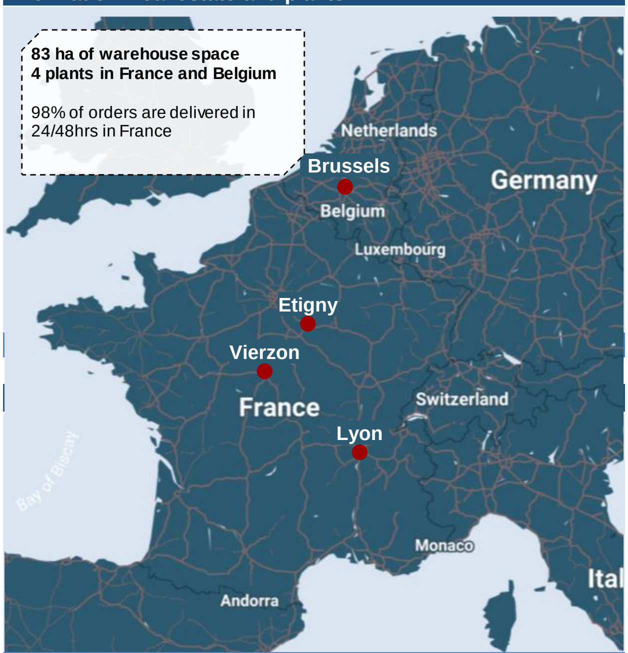
Thermador's business



Source: CM-CIC Market Solutions

The group's strength is its ability to deliver anywhere in France in less than 48 hours and across Europe in two to six days. This feat is made possible by strategic territorial coverage and just-in-time inventory management. The group's warehouses (total surface area of 8.3ha) are located close to major road axes. Each subsidiary has its own warehouse and ensures rapid delivery of the goods. This means impeccable inventory management and responds to clients' expectations perfectly. The group has an efficient system so it can optimise its manpower: just 125 employees work in the group's warehouses and deal with more than 486,000 orders per year, i.e., close to 2,000 orders a day.

Thermador: Real estate and plants



Source: CM-CIC Market Solutions ; Thermador

Guaranteeing such a service requires hefty logistics investment. Extensions and renovation represented a total of EUR46m over the period 2008 to 2018. These measures doubled storage area in the space of ten years and support the group's strong growth.

Thermador: Lands and buildings (sq. m)

	2007	2018
Surface area, land	135 000	296 166
Surface area, buildings	51 000	121 452
Total	**186 000**	**417 618**

Source: CM-CIC Market Solutions

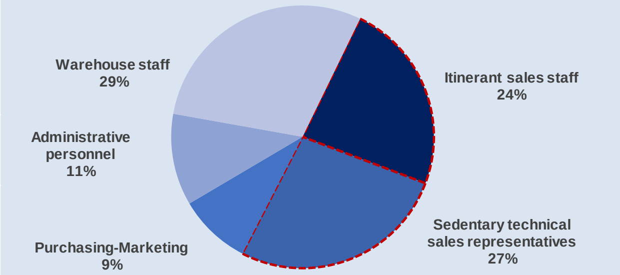
This modernisation is ongoing and 2019 will in addition refurbishment of Syveco and Isocel buildings and the reconstruction of Dipra buildings.

> Commercial strategy of close client proximity

Thermador Groupe has an efficient trading tool, in addition to state-of-the-art logistics and a fast-reacting organisation. More than 50% of staff excluding management are salespeople. The sedentary technical sales teams were bolstered by 14% in 2018.

Thermador stands out by its deep knowledge of products and markets. In addition to being financially incentivised, the sales reps share the culture of the Thermador Groupe, which has a particularly low turnover for its teams of 9.8%.

Number of employees by function	2017	2018
General mgt, sales, administrative and purchasing	53	51
Itinerant sales staff	93	100
Sedentary technical sales representatives	100	114
Purchasing-Marketing	30	38
Administrative personnel	49	48
Warehouse staff	114	125
Total	**439**	**476**



Source: CM-CIC Market Solutions

Operational efficiency is anchored in Thermador Groupe's strategy and investment to improve inventory management and hire extra sales staff highlights the robust development intentions of the group, which is already preparing for tomorrow's growth. The group aims to conquer new markets in Europe.

The key to its business model lies in: 1) its sourcing; 2) its ability to be a go-between for quality suppliers and increasingly demanding clients; 3) rapid order handling thanks to cutting-edge logistics and longstanding partnerships with transport companies. 4) commercial strength combined with an in-depth knowledge of products and clients' expectations. This business model can be exported easily and duplicated ad infinitum.

External growth

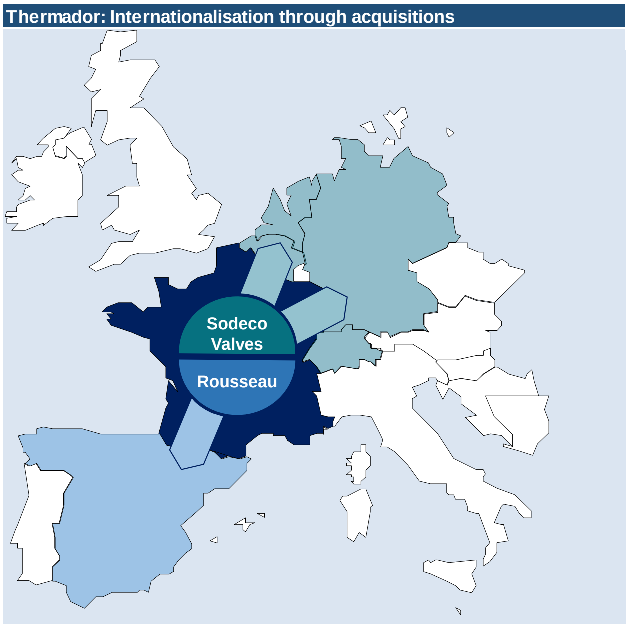
➡ *Expertise at the service of internationalisation*

Several acquisitions were carried out in France and Europe in 2017 for an investment topping EUR40m:

- **February 2017**: Domac, which sells generators, air compressors and welding units to French DIY outlets and hypermarkets.
- **September 2017**: Sodeco Valves, an industrial valves group that is heavily anchored in the Netherlands, Belgium, Switzerland and Germany, and enabled the group to consolidate its position in these countries and broaden its territorial coverage. FG Inox, which helped round out Thermador's offer, as it sells a wide range of connectors, flanges, valves and accessories in stainless steel to wholesalers and industrial customers.
- **December 2017**: Groupe Valfit, which sells a targeted range of connectors, meters and valves to specialised wholesalers, offering the perfect complement to Sferaco's product range.

  Axelair acquired the going concern of Vortice France from its main industrial partner Vortice, based in Italy. This unit specialises in air ventilation and treatment.
- **December 2018:** Thermador Groupe finalised the acquisition of Sanidom, which is based in the Paris region and in Getafe in Spain, for EUR22m. This company, which owns the Rousseau brand, sells kitchen and bathroom taps to large-scale retail stores in France and Spain and generated 2017 revenues of EUR35m. This acquisition enabled Thermador Groupe to create a plumbing fixtures division with subsidiary Dipra and gain a foothold on the Spanish market. The potential synergies are high and to be materialised through the creation of a single entity combining Dipra and Rousseau within three years. A tight rein on costs is a major challenge in a very competitive large-scale retail sector, with ever-increasing pressure on prices. Hence the need to streamline overlap between the two entities.

Thermador: Internationalisation through acquisitions



Source: CM-CIC Market Solutions ; Thermador

The 16% revenue growth in 2018 was largely fuelled by the group's most recent acquisitions. Excluding the scope effect, revenues rose just 3.4%.

Thermador Groupe has acquired real know-how in external growth deals which are now an integral component of its growth strategy.

The autonomy granted to SMEs that enter Thermador's portfolio is also a strength that makes the group an attractive acquirer. Their integration does not result in a loss of identity, and the CEOs of subsidiaries are all members of the executive board and participate fully in the group's strategic thinking.

Thermador Groupe plans to carry out EUR40m worth of acquisitions in the professionals channel in 2019 and 2020. These deals are not part of a strategy of broadening the scope, but carried out opportunities emerge that make sense for the group. Talks are underway over one of these transactions. This involves the acquisition of Eurobinox, which generates revenues of EUR15m with an EBIT margin of 5.8%. Thermador has a period of exclusivity in negotiations that runs until 15 October 2019. For the sake of caution we do not include this deal in our estimates. It would imply consolidated revenue growth of 4.6%.

The external growth creates integration costs. Thermador Groupe's EBIT margin has suffered accordingly and is now at historical lows. Aware of the need to digest these acquisitions, the company will enter a phase of streamlining and harnessing synergies among the subsidiaries.

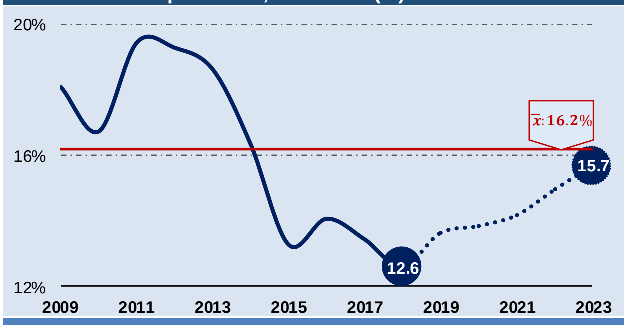
Efficiently managed
➡ *ROCE: 13% and ROE: 15%*

> Return on capital employed

Thermador Groupe stands out due to its high ROCE. Despite the series of acquisitions which has depressed the operating margin, ROCE has stood at more than 12% over the past ten years. It hit a low in 2018 (12.6%), but should return to levels close to 16% by 2023E, as the pace of acquisitions is set to slow, and we expect a more normalised margin of 14%.

The constancy of ROCE highlights the group's operating efficiency and its ability to create value from the economic asset, while inventories have increased sharply and now represent 38% of revenues vs. 29% in 2009.

Thermador Groupe: ROCE, 2009-2018 (%)



Source: CM-CIC Market Solutions

> Return on equity

Thermador Groupe has posted an average ROE of 15% over the past ten years. The group, which carries very little debt with gross gearing of 0.2x, also posts a high ROE. By way of illustration, Rexel – a specialist in the distribution of electrical equipment to professionals – has posted an average ROE of 6% over the past ten years. We expect this ratio to hold up well, but we do not expect it to return to 2011 levels, a historic high in terms of net margin (11%) that the Thermador Groupe will not reach in the medium term.

> Inventory management policy

Thermador Groupe gives its subsidiaries considerable autonomy. Each CEO – who is also a shareholder – decides on the strategic direction of their entity in light of targets set together with the other members of the executive committee. However, this substantial leeway for the operating units may lead to overheating in very dynamic periods. As mentioned above, Thermador Groupe owes its strong reputation with professionals to its ability to deliver all the products needed, even for niche markets. This presuppose keeping products with a very low turn (DOI more than one year) in stock.

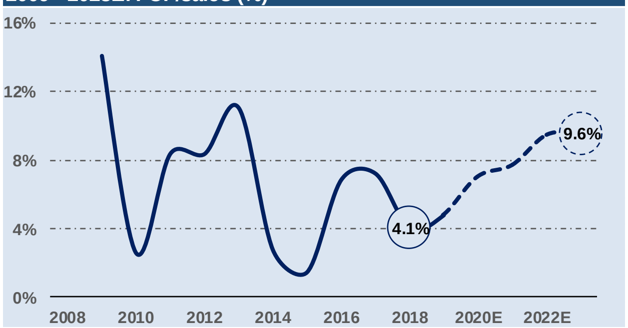
Inventory turn currently stands at 107 days of inventory (DOI), vs. 97 in 2017 and 94 in 2012. In 2018, the group acquired a new building with more than 7,000 sq. m of surface area and dedicated to temporary storage, which should enable the group to come back to 100 DOI by 2023E. Inventories would represent 31% of revenues, i.e., the level in 2012.

However, it is very important to keep in mind that inventory is a considerable asset for Thermador Groupe and an undeniable competitive advantage. Some of Thermador Groupe's suppliers are also competitors and deal directly with professionals. However, these suppliers are limited by the depth of their inventory, which represents an average of 20 days of revenues. Their limited storage capacity therefore leads them to focus only on low turn products, while Thermador Groupe is able to deliver professionals on very narrow market segments. Overly-low inventory would therefore remove an entry barrier, even though the group has the financial strength to support the current business model.

Cash flow generation and debt
➡ *Net financial debt/EBITDA: 0.6x; FCF/Sales: 4.1%*

Thermador Groupe has a very strong balance sheet. The external growth deals are all self-financed, although the acquisition of Rousseau – paid in cash – led to debt being raised on the market via CIC Lyonnaise de Banque. These loans have a five-year maturity.

2009 - 2023E: FCF/sales (%)



Source: CM-CIC Market Solutions

This situation enables the group to face the coming years with serenity. With Thermador Groupe optimising its WCR and implementing a slightly higher capex policy than in the past five years, cash flow generation could gradually restore a FCF/Sales ratio of 9%, vs. the current 4%.

> Dividend policy

Thermador Groupe has never lowered its dividend, and the payout ratio could return to above 60% on the back of a less aggressive acquisition strategy.

Thermador: Dividend Policy

	2013	2014	2015	2016	2017	2018
EPS	2.34	2.30	2.17	2.33	2.88	3.20
Dividend	1.58	1.58	1.60	1.60	1.70	1.75
Payout	67%	69%	74%	69%	59%	55%
Price	61.4	75.4	79.2	80.9	94.1	76.6
Div. Yield	2.6%	2.1%	2.0%	2.0%	1.8%	2.3%

Source: CM-CIC Market Solutions

Expanding at ~5% p.a.
➡ *Gradual return to an EBIT margin of 14%*

We project organic revenue growth of 5.4% in 2019E (+5.0% in H1 2018) and 15.4% as reported, followed by growth of 5.3% p.a. over the period 2020 to 2023E.

We expect the 2019E EBIT margin to contract 40bp to 13.6%, impacted by dilutive external growth deals (notably the acquisition of Rousseau) and difficulties at PBtub, Sodeco Valves and Mecafer Domac. Reorganisation measures and robust performances at Thermador, Aello and Syveco (International) should gradually lift the EBIT margin back to 14% by 2023E.

Prospective value, entry point
➨ *Present value of EUR60*

We estimate Thermador Groupe's prospective value in 2023 at EUR71 per share, i.e., a present value of EUR60 (based on a required IRR of 12%, i.e., a cost of equity of 8.5% plus an additional risk premium of 300bp).

Risk profile
➨ *Limited to currencies and the quality of sourcing*

There are two main risks:

- Sourcing: 64% of purchases are in euros (2018 data: Italy 36%, France 10%, Spain 10%, Germany 7%, and Rest of world 5%), and the remaining 34% are denominated in USD (China and Taiwan). Fluctuations in the EUR/USD exchange rate and currency hedging set up when possible are major risk factors. Passing through prices increases helps minimise the impact.
- Fluctuation of metals prices worldwide (copper, steel, nickel) is another risk factor. Negotiations with suppliers thus factor in these two risks.

GARP

FRANCHISE ANALYSIS

Thermador Groupe is active in four markets: fluid circuits in construction (38% of 2018 revenues), domestic pumps (21% of 2018 revenues), heavy tooling (12% of 2018 revenues) and fluid circuits in industry (29% of 2018 revenues). Trends differ materially in these different markets. While sales to large DIY retailers has been hit by pressure on margins (3% EBIT margin over the past few years), the business of selling equipment to pool professionals has been buoyant, allowing Aello, the subsidiary acquired in 2016, to surpass its profitability threshold in 2018. After a phase of acquisitions from 2015 to 2018, 2019-2023 should represent the phase of integration and unlocking of synergies between subsidiaries of the same division.

Heating – Sanitary – Plumbing – Ventilation Division
➡ *24% of 2018 revenues and 22% of 2018 EBT*

This division is made up of four companies: Axelair, Thermador, PBtub and Isocel. The segment had a margin of 13% in 2018, albeit with disparities between the four companies.

It is important to stress that this division's end-markets include housing, which experienced a slowdown in Q2-2019, but also and more importantly the renovation and tertiary sector, where momentum should remain brisk in 2019-2020 in our view, with a slowdown likely in 2022.

> Thermador subsidiary

Thermador is the company's historical subsidiary and accounted for 13% of revenues and 15.6% of 2018 EBT. The division produces accessories and connectors for heating and plumbing. The products, which are available on e-commerce platforms such as Amazon, have a good reputation and the Thermador name is a sign of quality with end-users.

Thermador's activity has been largely stable for 10 years, with revenues of ~EUR35-40m. It recorded 2018 revenues of EUR40.8m, up 4.6% in relation to the previous year. With an EBIT margin of 17%, Thermador is one of the company's most profitable divisions.

Thermador: Main products sold

Source: CM-CIC Market Solutions, Thermador

The energy transition is one of the government's priorities. Within the framework of CITE 2020, the one euro boiler operation was put in place to help households replace their oil-burning boilers. Today this is 12% of the population, meaning that one million households use this type of heating system. This conversion premium is EUR4,000 for lower-income households and 2,500 for the others. In 2020, the CITE will be replaced, giving way to a bonus for lower-income households. This measure simplifies access to the subsidy and ensures a better breakdown within households. While 50% of the amounts paid as part of the CITE are believed to have gone to 20% of the most well-off households, the 2020 premium will only go to the most modest households. The measure will be extended to middle-income households in 2021.

Heat pumps are the fourth most used source of green energy in France (8.4% of green energy) behind wood (41%), hydro-electric (20%) and biofuels (9%). France is the third European market for this type of energy after Italy and Spain. In 2017, the market grew 9%.

Thermador took advantage of the strong momentum on this segment in H1 and saw its sales climb by 7.5%. Q3 should decelerate slightly as, having been victims of their success, the suppliers of heat pumps are struggling to meet demand. They should, however, manage to address this situation in Q4. We project top-line growth of 7% in 2018 and an operating margin of 16.9%, which corresponds to a cycle peak.

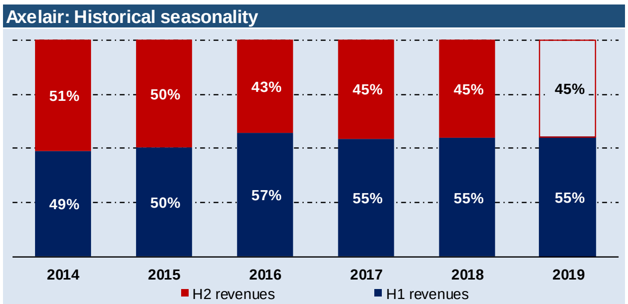
We expect construction sector growth of 1.1% p.a. in 2021-2022 and more modest revenue growth (5% on average p.a. over the period), as well as a return to a more modest normative margin, i.e. 15.5%.

> Axelair - Vortice

The subsidiary Axelair, created in 2013, specialises in distribution of ventilation equipment and accessories, air conditioning and heating. Between 2014 and 2017 the company's revenues rose four-fold, but it failed to reach its profitability threshold. The acquisition of Vortice's France business in 2017 enabled the company to double in size in 2018, with revenues rising from EUR2.4m to EUR4.2m. When it was founded, management believed that the breakeven point would be reached in the fifth year. Five years later, it recorded revenues of EUR4.3m and a slight EBT loss (-EUR246k), hurt by the restructuring of its subsidiary following the acquisition of Vortice.

The company is not subject to the same degree of seasonality as other group business lines (e.g. sales of pool accessories). In 2017 and 2018, H1 represented 55% of FY revenues.

Axelair: Historical seasonality



Source: CM-CIC Market Solutions

H1 2019 confirmed the good results of 2018. Axelair and Vortice, helped by CITE 2020 and substantial commercial efforts, registered revenue growth of 46%. The profitability threshold has practically been reached with an EBT loss of EUR4k. We believe that the company should continue benefitting from CITE throughout the year, when it should register strong growth. We expect growth to come in at levels similar to H1 y-o-y, i.e. 2019E revenues of EUR6.2m, and we also believe the profitability threshold will be reached.

The renovation of houses and apartments should spur sales of high-performance mechanical ventilation systems. Axelair proposes a broad range of such systems for individual homes and multi-dwelling housing units.

Axelair and Vortice are expected to benefit from the impetus provided by these renovation incentives. We expect to see top-line growth of 20% in 2020 and 15% in 2021 after the increase in the premium to middle-income households and 10% growth in 2022 and 2023. This vigorous growth will allow the company to continue moving towards profitability and to reach an EBIT margin of 4% by 2020 and 9% by 2023E.

> PBtub

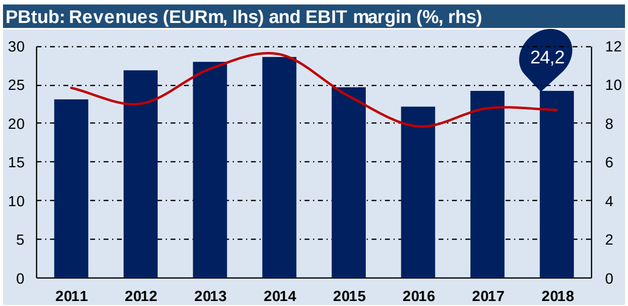
PBtub was founded in 1989 and is specialised in the distribution of synthetic tubes, underfloor heating and domestic water systems.

PBtub: Main products sold

Source: CM-CIC Market Solutions, Thermador Groupe, PBtub

PBtub is struggling to get off the ground and recorded a decline in revenues for four out of the last five financial years. In 2018, despite a H1 which recorded growth of 3.2%, the company posted a fall in revenues of EUR0.1m to EUR24.2m, penalised by a new homes segment in sharp decline, particularly private houses. After posting a 33% decrease y-o-y in Q2, private house builders in various sectors recorded a rebound. Boosted by historically low rates and a structural demand for housing that remains buoyant, housing starts went up by 4.4%.

PBtub: Revenues (EURm, lhs) and EBIT margin (%, rhs)



Source: CM-CIC Market Solutions

We expect revenues to stabilise in 2019E and then increase slightly (+2% per year) from 2020E to 2023E. We estimate a margin stabilisation over this period.

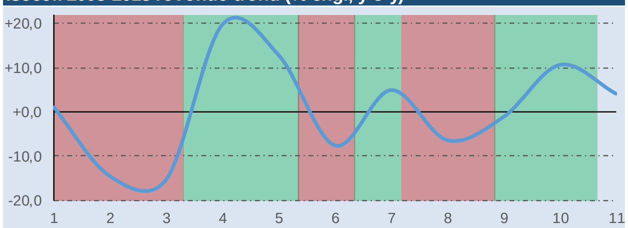
> Isocel

Isocel was founded in 1992 and specifically targets boiler manufacturers selling them parts such as expansion vessels, valves and steam traps.

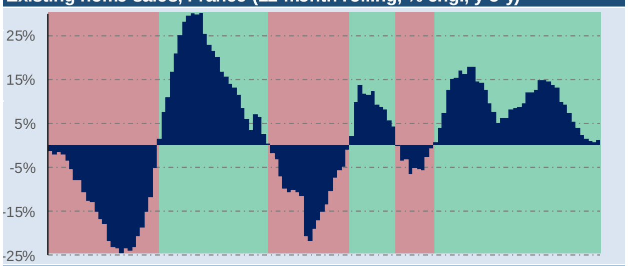
Isocel's revenues are highly cyclical and experienced a sharp fall of 15% per year in 2009 and 2010, in a crisis context on the property market.

In 2018, the strong performance of the boiler market enabled Isocel to improve its activity but also its EBIT margin. Revenues went up by 4% and the EBIT margin by 110bp. This margin level of 12.3% was a historical high and was in line with the strong momentum seen on the property market (new + existing homes) in 2018, which had hit a record in terms of transaction volumes.

Isocel: 2008-2018 revenue trend (% chg., y-o-y)



Existing home sales, France (12-month rolling, % chg., y-o-y)



Source: CM-CIC Market Solutions

French building federation FFB revised its growth scenario in September 2019 and is expecting a slight upturn in the property market in 2019 (+1.3%) vs a decrease (-0.5%).

We expect growth of 3% per year between 2019E and 2023E. The half-year results pointed to lacklustre growth in activity for Isocel (+2%). The sector's slight upturn should benefit the subsidiary. In H1, the momentum was confirmed and Isocel recorded an improvement of 73bp in its EBIT margin, nearing the levels of Thermador Groupe. According to our 2019E-2023E estimates, the EBIT margin should stay at these current levels, i.e. 13.5%.

Valves – Industry – Air compressors

➡ *35% of 2018 revenues and 38% of 2018 EBT*

> Sferaco – Groupe Valfit

Sferaco was created in 1978 and is specialised in valves. The group's largest subsidiary (EUR53m of 2018 revenues) is also one of the most buoyant as it saw its activity grow by 10% in 2017 and 13% in 2018. Sferaco is also one of the most profitable divisions as its EBIT margin has fluctuated between 16% and 20% in the past ten years, well above the consolidated EBIT margin of 14%.

On 1 July 2018, Sferaco acquired 100% of Groupe Valfit. This company recorded revenues of EUR5.8m in 2017, down by 1.8% y-o-y. If we consider stability in activity in 2018, and a contribution to revenues by Sferaco of EUR2.9m (EUR5.8m x 6/12), this means that Sferaco recorded organic growth of 6.5%. Historically, Groupe Valfit generated an EBIT margin of 7-9%. Its integration partly explains the dilution of the EBIT margin by 260bp in FY2018. This erosion was also due to an unfavourable euro-dollar effect which weighed on its commercial margin.

It is important to understand that Sferaco – Groupe Valfit supplies ranges of valves for both the building and industrial sectors. Today, the division's development is more focused on the industry market than the building market, which helps to reduce the division's exposure to the cyclical nature of construction activities.

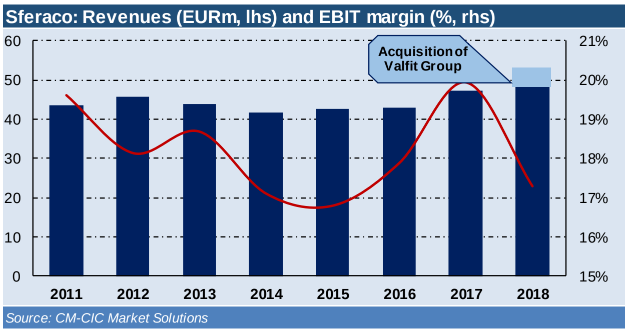
According to the Fédération Française des Négociants Appareils Sanitaires (FNAS), the French plumbing market has enjoyed good momentum with growth in activity of 4.6% since the start of the year.

In H1 2019, the Sferaco – Groupe Valfit division recorded modest growth of 1.8%. The integration phase of Groupe Valfit is ongoing and we are expecting the slowdown to continue between 2019E and 2023E which will result in sluggish growth of 2% per year.

We are expecting revenue growth of 3% in 2019 and an ongoing downturn between 2020E and 2023E which will result in sluggish growth of 2% per year.

We estimate that the EBIT margin, which is close to its low point, will be maintained at 17% in 2019E. By 2023E, we are expecting an improvement in the margin of 80bp.

Sferaco: Revenues (EURm, lhs) and EBIT margin (%, rhs)



Source: CM-CIC Market Solutions

> Sodeco Valves

Sodeco Valves and FGinox integrated Thermador Groupe's scope in 2017.

Sodeco Valves has recorded 2018 revenues of EUR21m, a decline, and an EBIT margin of 10%. After a disappointing start to the year, the subsidiary returned to growth in Q2. H1 recorded a slight increase in revenues of 0.7% at constant scope.

The problem for Sodeco Valves is whether it can successfully change the scope, between the integration in Thermador Groupe and the disposal of Sodeco Sedin's goodwill, the French subsidiary of Sodeco Valves. This involves the rolling out of a new IT system which should be effective in January 2020 and the appointment of a new director in early 2019. The return to revenue growth is encouraging although it is far below the group average. The integration of Sodeco had a dilutive effect on Thermador Groupe's margins, as it recorded an EBIT margin of 10%, 50bp below the level for the Valve – Industry – Compressed Air division. We believe that the change in management and the new IT system should continue to pay off in 2020E.

We are expecting a decline in activity of 6% in 2019E and a return to growth in 2020E with an increase in activity of 1.7% on average between 2020E and 2023E.

Thermador Groupe has real expertise in the integration of its targets. The improvement in purchasing conditions from suppliers and their alinement with those negotiated for Thermador Groupe should enable Sodeco Valves to gradually boost its commercial margin. We are expecting an increase in the EBIT margin of 330bp by 2023E, i.e. 13.5%, still below the level of the division.

> FG Inox

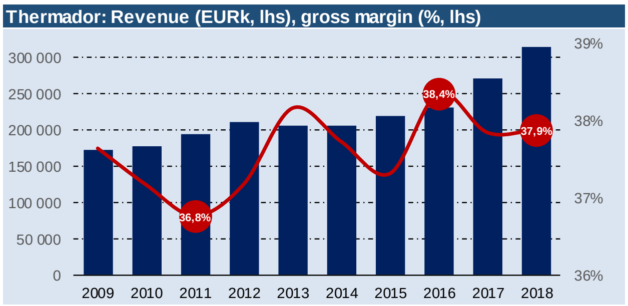
FG Inox, specialised in the sale of stainless steel connectors and valves, recorded H1 2019 revenue growth of 4.2% to EUR8.4m, and an EBIT margin of 13%, despite a nickel margin that has soared (+71% in one year). Note that nickel accounts for about 8% of the manufacturing process of stainless steel.

Nickel price (EUR/mt)

Source: CM-CIC Market Solutions

Historically, Thermador has always managed to preserve its commercial margin, on the one hand thanks to a long-term relationship of trust with suppliers and on the other hand thanks to its commercial efficiency which enables it to pass on price increases to the selling price. The chart below highlights the resilience of the gross margin which has fluctuated between 36.8% and 38.4% over the past ten years.

Thermador: Revenue (EURk, lhs), gross margin (%, lhs)



Source: CM-CIC Market Solutions

We are expecting average revenue growth of 8% per year from 2019E to 2023E and a substantial improvement in the EBIT margin which should reach 15% in 2023 according to our estimates.

Cold water pumps – Swimming pools

➧ *17% of 2018 revenues and 21% of 2018 EBT*

> Aello - Jetly

Aello is specialised in the equipment and accessories for construction and maintenance of swimming pools. It was founded in 2015 and has benefitted from the buoyant swimming pool market. Between 2016 and 2018, the subsidiary quadrupled its revenues and hit breakeven in FY2018.

In 2017, the swimming pool market exceeded its all-time high of 2007 mainly thanks to the many housing starts for individual homes.

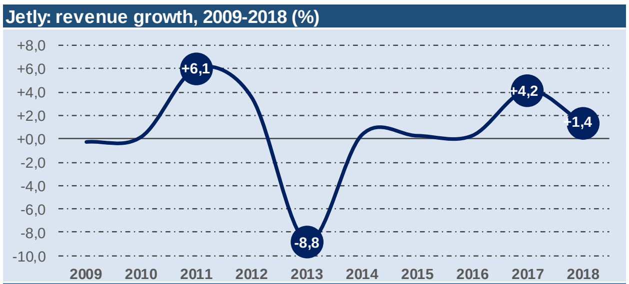
While this trend has contributed to Aello's rapid growth, the subsidiary has also benefitted from a considerable depth of the maintenance market: France has the highest number of swimming pools in Europe with around 2.5 million. At a global level, only the US has more swimming pools than France.

Aello is able to supply all the parts necessary for the construction and maintenance of a pool. This broad range means it can position itself as a privileged partner of swimming pool professionals. Aello owes its rapid growth to the commercial efficiency of its teams which have in-depth market knowledge and benefit from sector recognition.

Revenues grew 29.6% in H1 2019, boosted in particular by exceptional weather conditions. We believe that momentum should remain strong in H2 and expect revenue growth of 24% over the full year. Despite the seasonal nature of the activity, note that swimming pool construction projects are carried out over several months and that Aello offers products required for maintenance. The subsidiary generates 65% of its revenues in H1. The next few years should also post a significant increase as the individual housing market is picking up (+4.4% in Q3 2019) and Aello is gaining strength. We estimate that the group will record average revenue growth of 13% per year from 2020E to 2023E. The increase in sales volumes should enable the group to benefit from leverage on personal expenses. We are expecting a sharp improvement in the EBIT margin to 10% by 2023E.

Particularly dependent on weather conditions, Jetly recorded growth of 1.4% in FY2018. This subsidiary, which sells pumps and lifting stations, has seen erratic growth in its activity as illustrated in the chart below.

Jetly: revenue growth, 2009-2018 (%)



Source: CM-CIC Market Solutions

Nevertheless, the subsidiary is proving to be extremely resilient with an EBIT margin that fluctuates between 18 and 20%. We now estimate that Jetly will be able to generate revenue growth in the region of 3.5% per year from 2019E to 2023E, i.e. a mid-cycle level, and we are expecting the EBIT margin to stabilise at 19%.

International division: Syveco

➡ 8% of 2018 revenues and 8% of 2018 EBT

Formerly Thermador International, Syveco recorded a sharp improvement in EBIT in 2018, mainly thanks to an overhaul of its teams. As of 2017, the arrival of new employees helped to instil new momentum after the disappointing performance of eastern European markets. In 2018, revenues rose 14% and the EBIT margin hit a historical high at 13.7% (+280bp).

Syveco could draw on the new acquisitions - Sodeco Valves and Rousseau – to find new growth drivers internationally. In addition, the promising expansion in North Africa and Sub-Saharan Africa could be a further significant growth driver. Even though the division currently only generated 7.7% of 2018 global revenues and 8.3% of pre-tax profit, we expect increased international exposure which should account for over 9% of revenues and 12% of pre-tax profit by 2023.

The change in name was part of an approach geared towards better visibility internationally. In addition, Syveco should benefit from a complete redesign of its website and also offer direct sales of profits.

DIY division

➡ 16% of 2018 revenues and 8% of 2018 EBT

The DIY division is the least profitable business for the group historically, with an average EBIT margin of 3% over the past five years.

The company supplies large-scale retail outlets through two divisions:

- Mecafer and Domac (air compressors and equipment mainly).
- Dipra-Rousseau (sanitary plumbing fixtures and domestic pumps).

Some time ago, general management looked at whether to keep this activity due to growing pricing pressure from the large-scale retail sector. Unfortunately market conditions are just as tough today with permanent delisting of SKUs offset by the arrival of new products. However, Thermador Groupe is well aware that the discipline imposed by this division gives it a major competitive edge. For example, large-scale DIY outlets were the first to require order-taking and billing by EDI (electronic data transfer) which avoids inputting data. Compared to peers, Thermador has a headstart in this segment on this technology, which is being more widely used (28% of orders at group level now).

In H1 2019, Dipra-Rousseau reported growth of 151% but a decrease of -5.7% in organic terms. The EBIT margin fell by 59bp, penalised by the accretive effect of the Rousseau acquisition and lower revenues in organic terms. Mecafer Domac followed the same momentum and saw its sales fall by 4% over the half-year, with a slump in the EBIT margin.

The reorganisation of Dipra and Rousseau into a single entity should help to generate significant synergies. We estimate that the EBIT margin could near 8% by 2023E, vs 3% in 2018, without however exceeding this. Pressure exerted on prices by DIY superstores is not set to fall.

Other divisions

➡ *0.1% of 2018 revenues and 3% of 2018 EBT*

The other divisions mainly entail communication activities (primarily dealing with the website which is undergoing many changes) and management of the property portfolio. They are not set to change.

Thermador Groupe: Segment information - Heating, Sanitary, Plumbing, Ventilation

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues	69.7	70.8	70.0	67.0	64.2	71.2	75.1	80.8	85.8	90.4	94.5	98.5
% Change	*+10.5*	*+1.6*	*-1.2*	*-4.3*	*-4.1*	*+10.8*	*+5.4*	*+7.6*	*+6.2*	*+5.4*	*+4.5*	*+4.3*
% of total revenues	*33.1*	*34.4*	*34.0*	*30.4*	*27.8*	*26.2*	*23.8*	*22.4*	*22.6*	*22.8*	*22.8*	*22.8*
EBIT	8.7	9.4	8.9	7.8	7.1	8.8	9.4	10.7	11.4	12.0	12.7	12.9
EBIT margin (%)	*12.5*	*13.2*	*12.7*	*11.7*	*11.1*	*12.4*	*12.6*	*13.2*	*13.2*	*13.3*	*13.4*	*13.1*
% of total EBIT	*24.3*	*27.2*	*26.3*	*22.8*	*20.3*	*21.3*	*19.6*	*20.1*	*20.4*	*20.7*	*20.8*	*20.3*

Source: CM-CIC Market Solutions, Thermador Groupe

Thermador Groupe: Segment information - Industrial Valves, Compressed Air

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues	56.6	55.6	54.3	57.3	59.6	76.0	110.1	111.8	114.9	118.3	121.8	125.4
% Change	*+4.7*	*-1.7*	*-2.3*	*+5.4*	*+4.0*	*+27.5*	*+44.9*	*+1.6*	*+2.8*	*+2.9*	*+3.0*	*+3.0*
% of total revenues	*26.9*	*27.0*	*26.4*	*26.0*	*25.8*	*28.0*	*34.9*	*31.1*	*30.3*	*29.8*	*29.4*	*29.1*
EBIT	9.8	9.9	8.9	9.2	9.6	12.8	16.5	17.5	18.0	18.7	19.4	20.1
EBIT margin (%)		*17.9*	*16.4*	*16.0*	*16.1*	*16.9*	*15.0*	*15.6*	*15.7*	*15.8*	*16.0*	*16.0*
% of total EBIT	*27.5*	*28.9*	*26.2*	*26.9*	*27.3*	*30.9*	*34.2*	*32.9*	*32.4*	*32.1*	*31.9*	*31.6*

Source: CM-CIC Market Solutions, Thermador Groupe

Thermador Groupe: Segment information - Cold water pumps, Swimming pools

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues	48.4	44.2	44.3	44.5	46.3	51.5	54.1	57.7	61.2	64.3	67.2	69.9
% Change	*+3.5*	*-8.8*	*+0.4*	*+0.3*	*+4.1*	*+11.3*	*+5.0*	*+6.8*	*+6.1*	*+5.0*	*+4.5*	*+4.0*
% of total revenues	*23.0*	*21.5*	*21.6*	*20.2*	*20.0*	*19.0*	*17.1*	*16.0*	*16.2*	*16.2*	*16.2*	*16.2*
EBIT	9.4	8.1	8.3	8.6	7.9	8.8	9.1	10.0	10.4	11.0	11.6	12.4
EBIT margin (%)	*19.4*	*18.3*	*18.7*	*19.4*	*17.0*	*17.0*	*16.8*	*17.3*	*17.0*	*17.0*	*17.3*	*17.7*
% of total EBIT	*26.4*	*23.5*	*24.4*	*25.2*	*22.4*	*21.2*	*18.8*	*18.8*	*18.8*	*18.9*	*19.1*	*19.4*

Source: CM-CIC Market Solutions, Thermador Groupe

Thermador Groupe: Segment information - DIY

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues	23.3	21.0	19.9	31.6	41.8	51.2	51.4	83.3	87.4	91.1	94.4	97.9
% Change	*+14.3*	*-9.7*	*-5.5*	*+59.3*	*+32.1*	*+22.6*	*+0.4*	*+62.1*	*+4.9*	*+4.3*	*+3.6*	*+3.6*
% of total revenues	*11.0*	*10.2*	*9.7*	*14.4*	*18.0*	*18.9*	*16.3*	*23.1*	*23.1*	*23.0*	*22.8*	*22.7*
EBIT	1.1	0.3	0.2	1.0	2.5	2.4	3.5	5.8	6.2	6.4	6.7	7.2
EBIT margin (%)	*4.7*	*1.4*	*1.2*	*3.2*	*5.9*	*4.6*	*6.8*	*6.9*	*7.1*	*7.0*	*7.1*	*7.4*
% of total EBIT	*3.3*	*0.9*	*0.8*	*3.3*	*7.8*	*6.2*	*7.9*	*11.8*	*12.0*	*11.8*	*11.8*	*12.1*

Source: CM-CIC Market Solutions, Thermador Groupe

Thermador Groupe: Segment information - Syveco

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues	12.2	13.6	16.7	19.5	19.1	21.4	24.3	26.0	29.2	32.4	35.8	39.5
% Change	*+29.3*	*+12.1*	*+22.5*	*+17.0*	*-2.0*	*+11.6*	*+13.9*	*+7.0*	*+12.0*	*+11.0*	*+10.5*	*+10.5*
% of total revenues	*5.8*	*6.6*	*8.1*	*8.9*	*8.3*	*7.9*	*7.7*	*7.2*	*7.7*	*8.2*	*8.6*	*9.2*
EBIT	0.6	0.9	1.8	2.3	1.8	2.3	3.3	3.6	4.0	4.5	4.9	5.5
EBIT margin (%)	*5.2*	*7.0*	*10.9*	*11.7*	*9.3*	*10.9*	*13.7*	*13.8*	*13.8*	*13.8*	*13.8*	*13.8*
% of total EBIT	*1.8*	*2.8*	*5.3*	*6.7*	*5.1*	*5.6*	*6.9*	*6.8*	*7.2*	*7.7*	*8.1*	*8.6*

Source: CM-CIC Market Solutions, Thermador Groupe

Thermador Groupe: Segment information - Opaline Thely Tagest

(EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Opaline Thely Tagest	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
EBIT	1.4	1.5	1.5	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Source: CM-CIC Market Solutions, Thermador Groupe

NORMALISED VALUATION MULTIPLES

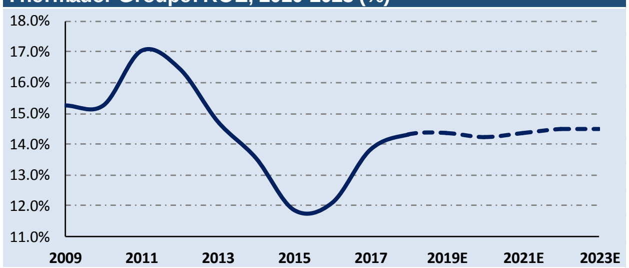
Thermador Groupe's valuation multiples have gradually evolved over the past 20 years. The sound business model, which has made it easy for the group to weather real estate crises, the constant expansion of business scopes in France and abroad and a very healthy balance sheet reinforce visibility. In the end, we applied the following multiples which correspond to Thermador Groupe's characteristics: EV/EBITDA of 9x, EV/EBIT of 10x and a P/E of 16x.

Historical multiples
➡ *Constant progression*

We present Thermador Groupe’s multiples over the past four years in the chart below.

We think that in its current configuration, Thermador Groupe has to integrate all the acquired companies. We expect ROIE to stabilise at 14.5%, which corresponds to a mid-cycle level. Given the current balance sheet, and the fact that the total assets line has increased twofold since 2012, we think it is unlikely that the ROE will come back to its record high of 17% in the medium term.

Thermador Groupe: ROE, 2010-2023 (%)



Source: CM-CIC Market Solutions

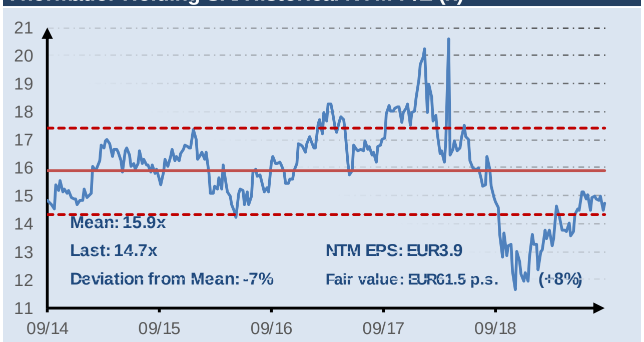
The changes in the consolidation scope have transformed Thermador Groupe, whose revenues has increased threefold in 16 years. The step-up in development in several segments and progressive international expansion offers more visibility and has resulted in a gradual rerating of valuation multiples.

In the current configuration, we thus apply trailing five-year mid-cycle multiples: EV/EBITDA of 9x, EV/EBIT of 10x and P/E of 16x.

Peer comparison

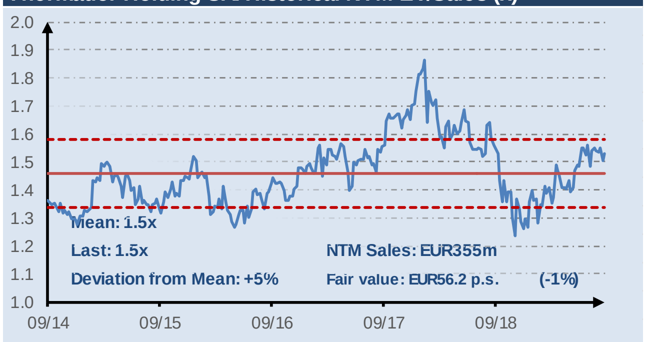
Thermador Groupe's business model makes it difficult to find a comparable listed peer. Saint-Gobain and Rexel are downstream the value chain and are customers more than competitors. Dutch group Aalberts Industry and US group Watts Industry are certainly competitors of Thermador Groupe, insofar as they distribute fluid circuit accessories to the same end customers, but the comparison is difficult as these two groups also integrate the parts manufacturing operation.

Thermador Holding SA: Historical NTM P/E (x)



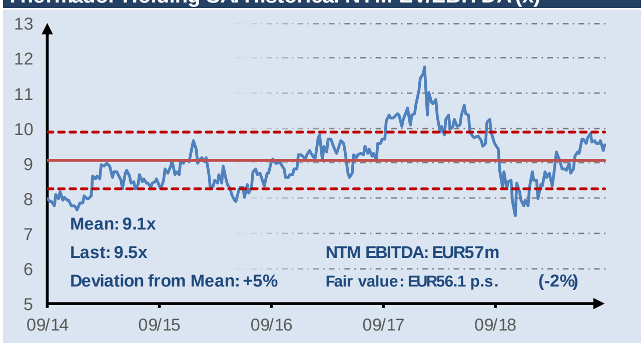
Sources: Thermador Holding SA, CM-CIC Market Solutions, FactSet

Thermador Holding SA: Historical NTM EV/Sales (x)



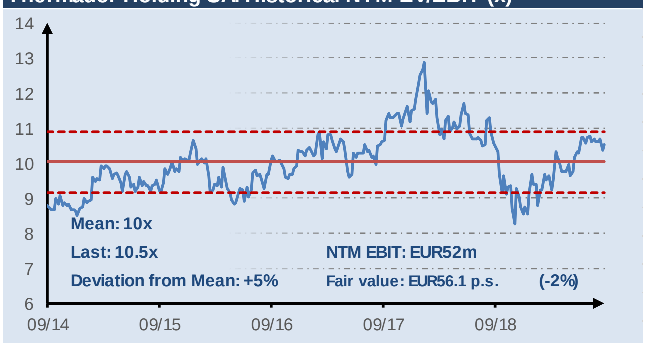
Sources: Thermador Holding SA, CM-CIC Market Solutions, FactSet

Thermador Holding SA: Historical NTM EV/EBITDA (x)



Sources: Thermador Holding SA, CM-CIC Market Solutions, FactSet

Thermador Holding SA: Historical NTM EV/EBIT (x)



Sources: Thermador Holding SA, CM-CIC Market Solutions, FactSet

GARP

PRESENT VALUE / PROSPECTIVE VALUATION

We estimate Thermador Groupe's prospective value in 2023E at EUR67.8 per share, i.e., a present value of EUR60. We forecast annual growth of 6.5% in 2018 to 2023E revenues and the EBIT margin returning to levels of close to 14% after a decrease in 2019, related to the integration of new acquisitions into Thermador Groupe's scope.

Valuation assumptions
➡ *Present value: EUR60 p.s. – Prospective value: EUR71*

We apply the following assumptions

- A 2018-2023E revenue CAGR of 6.5%, with EPS up 6.5%. Over the same period, EPS should go up by 7.0% per year. These projections are built on an EBIT margin gradually returning to 13.8% in 2023E.
- Normalised multiples in 2023 that correspond to average five-year multiples i.e., EV/EBITDA of 9x, EV/EBIT of 10x and P/E of 16x.

The prospective valuation of EUR71 shows an implicit 2023E P/E of 15.1x and the present value of EUR60 presupposes a P/E 2019E of 14.7x.

Thermador Holding SA: Prospective valuation details

(EURm)	CM-CIC Market Solutions estimates						Comments	
	2018	2019E	2020E	2021E	2022E	2023E		
Revenues	315	360	379	397	414	432	2018-2023 CAGR: 6.5%	2019-2023 CAGR: 4.6%
EBITDA - Adjusted	47	53	56	58	61	64	2018-2023 CAGR: 6.3%	2019-2023 CAGR: 4.7%
EBITA - Adjusted	44	49	52	54	57	60	2018-2023 CAGR: 6.2%	2019-2023 CAGR: 5.0%
EBIT margin (%)	*14.0*	*13.6*	*13.6*	*13.6*	*13.8*	*13.8*		
EPS - Adjusted (EUR)	3.20	3.65	3.87	4.06	4.28	4.48	2018-2023 CAGR: 7.0%	2019-2023 CAGR: 5.3%
DPS (EUR)	1.75	1.70	1.75	2.12	2.28	2.44		2019-2023 CAGR: 9.4%
Net fin. debt (+) / cash (-)	24	26	20	11	-4	-21		
Shareholders' equity	203	190	203	217	232	246	6.79	
Other items (EURm)	-5	-4	-5	-3	-3	-3	Provisions (-), Minority int. (-), Associates (+), etc.	
Capital Employed	232	195	232	248	257	263		
Nber of shares - Basic (m)	9	9	9	9	9	9		
No. of shares - Diluted (m)	9.6	12.9	9.6	9.1	9.1	9.1		
➡ EV/EBITDA (x):	9	9	9	9	9	9		
Enterprise value	446	504	527	551	579	604		
Equity value	418	474	503	537	580	622		
Equity value p.s. (EUR)	45.9	52.1	55.2	58.9	63.7	68.3		
➡ EV/EBIT (x)	10	10	10	10	10	10		
Enterprise value	462	514	540	567	598	625		
Equity value	434	485	516	552	598	643		
Equity value p.s. (EUR)	47.6	53.2	56.6	60.6	65.7	70.6		
➡ P/E (x)	16	16	16	16	16	16		
Equity value	475	542	575	603	636	666		
Equity value p.s. (EUR)	52.2	59.5	63.1	66.2	69.8	73.1		
Equity val. p.s. (EUR) - Average	**-**	**54.9**	**58.3**	**61.9**	**66.4**	**70.6**		
Present value (EUR)	**-**	**55**	**54**	**53**	**54**	**55**	**Discount rate: Cost of Equity of 8.5%**	

Source: CM-CIC Market Solutions

Thermador Holding SA: Expected Return vs. Required Return (%) / Present Value & Entry Price (EUR)

Assumptions / Annual basis		Comments				
• Expected Return (IRR at current price, %)	8.3	Prospective value EUR70.6p.s.		Current market value: EUR57.2 p.s.		Consensus Target Price: EUR53.6 p.s.
➡ Capital gain/loss (%)	5.4	Investment horizon: 4 years				
↳ EPS growth (CAGR 2016-2020, %)	3.7	2023E EPS of EUR4.5	vs.	2019E EPS of EUR3.9	➡	EPS growth 2019-2023: +15.8%
↳ Valuation multiple expansion/contraction (%	1.7	Implicit 2023E P/E: 15.8x	vs.	2019E P/E: 14.8x	➡	PEG (P/E to 3-year EPS CAGR) of 4.0
➡ Dividend yield (%)	2.9	Average over the period				
• Required Return (%)	11.5	Cost of equity + investor specific risk premium (i.e. additional safety margin)				
➡ Cost of Equity (%)	8.5	CAPM-derived				
↳ Equities asset class risk premium (%)	8.5	CM-CIC Market Solutions long-term assumption re. the Equities asset class return (o/w 6% capital gain + 2.5% div. yield)				
- Risk-free rate (%)	3.5	CM-CIC Market Solutions long-term assumption				
- Equities market risk premium (%)	5.0	CM-CIC Market Solutions long-term assumption				
↳ Company specific risk premium/discount (%	0.0	Adjusted Beta relative to STOXX 600: 0.63		Annualized volatility index: 25.2%		
➡ Investor specific risk premium (%)	3.0	CM-CIC Market Solutions assumption				
Present value/fair value (EUR)	**60.0**	Based on a dscnt rate of 8.5% (CoE). Present val. of 2023 prospec. val. (EUR55.3) + present val. of div. stream (EUR4.7)				
Entry price (EUR)	**49.9**	Based on a discnt rate of 11.5% ; Required return (including div.) = CoE (8.5%) + Investor specific risk premium (3%)				

Source: CM-CIC Market Solutions

GARP

Appendix 1: Key Operating Metrics & Performance Indicators

Thermador Groupe: Profit & Loss account

(EURm)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
Revenues	211	206	206	220	231	272	315	360	379	397	414	432
Change (%)	*8.5*	*-2.3*	*0.0*	*7.1*	*5.1*	*17.4*	*16.1*	*14.2*	*5.2*	*4.7*	*4.3*	*4.2*
EBITDA - Adjusted	36	35	35	33	35	41	47	53	56	58	61	64
Change (%)	-	*-3.3*	*-0.7*	*-2.9*	*4.6*	*18.1*	*13.5*	*12.9*	*4.7*	*4.6*	*5.0*	*4.3*
Margin (%)	*17.1*	*16.9*	*16.8*	*15.2*	*15.1*	*15.2*	*14.9*	*14.7*	*14.7*	*14.6*	*14.7*	*14.7*
Exceptional items	0	0	-1	1	0	0	1	0	0	0	0	0
EBITDA - Reported	36	34	34	34	35	41	48	53	56	58	61	64
Change (%)	-	*-3.5*	*-1.3*	*0.8*	*2.9*	*17.7*	*16.0*	*10.3*	*4.7*	*4.6*	*5.0*	*4.3*
Margin (%)	*16.9*	*16.7*	*16.5*	*15.5*	*15.2*	*15.3*	*15.3*	*14.7*	*14.7*	*14.6*	*14.7*	*14.7*
Depreciation & amortisation	-3	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-4
EBITA - Reported	33	32	31	31	32	38	44	49	52	54	57	60
Change(%)	*4.9*	*-4.0*	*-1.6*	*-0.6*	*2.3*	*18.7*	*17.0*	*11.2*	*5.1*	*4.9*	*5.4*	*4.6*
Margin (%)	*15.7*	*15.4*	*15.2*	*14.1*	*13.7*	*13.9*	*14.0*	*13.6*	*13.6*	*13.6*	*13.8*	*13.8*
EBITA - Adjusted	33	32	32	30	32	38	43	49	52	54	57	60
Change (%)	*6.5*	*-3.8*	*-0.8*	*-4.6*	*4.2*	*19.2*	*14.2*	*14.2*	*5.1*	*4.9*	*5.4*	*4.6*
Margin (%)	*15.8*	*15.6*	*15.4*	*13.7*	*13.6*	*13.8*	*13.6*	*13.6*	*13.6*	*13.6*	*13.8*	*13.8*
Depre. & amort. of intangible Assets	0	0	0	0	0	0	0	0	0	0	0	0
EBIT - Reported	33	32	31	31	32	38	44	49	52	54	57	60
Change(%)	*4.9*	*-4.0*	*-1.6*	*-0.6*	*2.3*	*18.7*	*17.0*	*11.2*	*5.1*	*4.9*	*5.4*	*4.6*
Margin (%)	*15.7*	*15.4*	*15.2*	*14.1*	*13.7*	*13.9*	*14.0*	*13.6*	*13.6*	*13.6*	*13.8*	*13.8*
EBIT - Adjusted	33	32	32	30	32	38	43	49	52	54	57	60
Change(%)	*6.5*	*-3.8*	*-0.8*	*-4.6*	*4.2*	*19.2*	*14.2*	*14.2*	*5.1*	*4.9*	*5.4*	*4.6*
Margin (%)	*15.8*	*15.6*	*15.4*	*13.7*	*13.6*	*13.8*	*13.6*	*13.6*	*13.6*	*13.6*	*13.8*	*13.8*
Net Financial Interest	0	0	0	0	0	0	0	-1	0	0	0	0
o/w Interests received	0	0	0	0	0	0	0	0	0	0	0	0
o/w Interests paid	0	0	0	0	0	0	0	0	0	0	0	0
PBT	33	32	31	31	32	38	44	48	51	54	57	59
Change (%)	*5.0*	*-4.2*	*-1.5*	*-0.8*	*2.2*	*19.0*	*16.3*	*9.7*	*6.0*	*5.0*	*5.5*	*4.6*
Margin (%)	*15.7*	*15.4*	*15.2*	*14.1*	*13.7*	*13.9*	*13.9*	*13.4*	*13.5*	*13.5*	*13.7*	*13.7*
Associates	0	0	0	0	0	0	0	0	0	0	0	0
Other Non Recurrent Items	0	0	0	0	0	0	0	0	0	0	0	0
Corporate taxes	-12	-12	-11	-12	-11	-12	-15	-15	-16	-17	-18	-18
Corporate tax rate (%)	*35.9*	*37.1*	*36.5*	*37.9*	*33.9*	*30.5*	*33.6*	*31.0*	*31.0*	*31.0*	*31.0*	*31.0*
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0
Net Proft - Consolidated - Reported	21	20	20	19	21	26	29	33	35	37	39	41
Change (%)	-	*-5.9*	*-0.6*	*-2.9*	*8.8*	*25.1*	*11.1*	*14.1*	*6.0*	*5.0*	*5.5*	*4.6*
Margin (%)	*10.1*	*9.7*	*9.7*	*8.8*	*9.1*	*9.7*	*9.2*	*9.2*	*9.3*	*9.3*	*9.4*	*9.5*
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit - Group share - Reported	21	20	20	19	21	26	29	33	35	37	39	41
Change (%)	*3.1*	*-5.9*	*-0.6*	*-2.9*	*8.8*	*25.0*	*11.1*	*14.1*	*6.0*	*5.0*	*5.5*	*4.6*
Margin (%)	*10.1*	*9.7*	*9.7*	*8.8*	*9.1*	*9.7*	*9.3*	*9.2*	*9.3*	*9.3*	*9.4*	*9.5*
Net Profit - Group share - Adjusted	21	20	20	19	21	26	29	33	35	37	39	41
Change (%)	*3.1*	*-5.9*	*-0.6*	*-2.9*	*8.8*	*25.0*	*11.1*	*14.1*	*6.0*	*5.0*	*5.5*	*4.6*
Margin (%)	*10.1*	*9.7*	*9.7*	*8.8*	*9.1*	*9.7*	*9.3*	*9.2*	*9.3*	*9.3*	*9.4*	*9.5*
EPS - Reported	2.49	2.34	1.60	1.53	1.65	2.04	3.04	3.65	3.87	4.06	4.29	4.49
Change (%)	*3.1*	*-5.9*	*-31.6*	*-4.7*	*7.8*	*24.0*	*48.7*	*20.4*	*6.0*	*5.0*	*5.5*	*4.6*
EPS - Adjusted	2.49	2.34	1.60	1.53	1.65	2.04	3.04	3.65	3.87	4.06	4.29	4.49
Change(%)	*3.1*	*-5.9*	*-31.6*	*-4.7*	*7.8*	*24.0*	*48.7*	*20.4*	*6.0*	*5.0*	*5.5*	*4.6*
Book Value per share	15.1	15.9	11.8	12.8	13.6	14.7	21.2	23.8	25.4	27.1	28.8	30.6
Change (%)	*6.8*	*5.1*	*-25.6*	*8.9*	*5.7*	*8.6*	*43.5*	*12.7*	*6.6*	*6.4*	*6.3*	*6.2*
Dividend per share	1.58	1.58	1.58	1.60	1.60	1.70	1.75	2.12	2.28	2.44	2.57	2.69
Variation (%)	*3.3*	*0.0*	*0.0*	*1.6*	*0.0*	*6.3*	*2.9*	*21.0*	*7.8*	*6.7*	*5.5*	*4.6*
Dividend pay-out ratio(%)	*63.2*	*67.2*	*98.3*	*104.8*	*97.2*	*83.3*	*57.7*	*58.0*	*59.0*	*60.0*	*60.0*	*60.0*
Number of shares - Basic	8.5	8.5	8.6	8.9	9.0	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Number of shares - Diluted	8.5	8.5	12.4	12.6	12.7	12.9	9.6	9.1	9.1	9.1	9.1	9.1

Source: Thermador Groupe, ESN - CM-CIC Market Solutions.

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Thermador Groupe: Cash flow statement												
(EURm)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
EBITDA - Reported	36	34	34	34	35	41	48	53	56	58	61	64
Net Financial Interest	0	0	0	0	0	0	0	-1	0	0	0	0
Corporate taxes	-12	-12	-11	-12	-11	-12	-15	-15	-16	-17	-18	-18
Other	1	0	0	0	-2	-2	-1	0	0	0	0	0
Cash flow from operations	24	23	23	23	23	28	33	37	39	41	43	45
Change in Working Capital	-5	4	-9	-4	-2	-6	-14	-16	-8	-6	1	2
Operating cash flow (A)	19	27	14	19	20	22	18	22	31	35	44	47
CAPEX - Net	-1	-4	-9	-5	-4	-2	-5	-4	-5	-5	-5	-5
Financial investments	-1	0	1	-11	0	-40	-19	0	0	0	0	0
Investing cash flow (B)	-2	-4	-8	-15	-5	-42	-24	-4	-5	-5	-5	-5
Free Cash Flow	18	23	6	3	16	-20	-6	17	27	31	39	41
Dividends	-13	-13	-9	-11	-10	-10	-15	-19	-21	-22	-23	-25
Increase in equity	0	0	0	0	0	0	0	0	0	0	0	0
Share Buy Backs	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Financing cash flow (C)	-13	-13	-9	-11	-10	-10	-15	-19	-21	-22	-23	-25
Change in net debt (cash)(A+B+C)	-5	-9	3	8	-6	30	21	2	-6	-8	-16	-17

Source: Thermador Groupe, ESN - CM-CIC Market Solutions.

Thermador Groupe: Cash flow statement ratios												
(%)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
CAPEX / Revenues (%)	0.5	1.9	4.4	2.1	1.8	0.9	1.7	1.2	1.2	1.2	1.2	1.2
Investment / Depreciation & amort. (%)	36.8	140.9	325.2	142.6	118.3	64.8	134.4	110.5	115.0	119.6	124.3	129.3
Working capital / Revenues (%)	29.6	28.6	32.4	32.6	32.7	34.4	37.6	37.2	37.5	37.2	35.4	33.6
Current assets / Revenues (%)	59.5	65.1	65.5	63.7	65.5	71.3	68.6	62.8	64.0	65.3	66.7	68.1
Current liabilities / Revenues (%)	19.0	20.9	18.9	21.4	20.9	28.7	27.1	22.7	22.3	21.9	21.6	21.3
Current assets / Current liabilities (x)	3.1	3.1	3.5	3.0	3.1	2.5	2.5	2.8	2.9	3.0	3.1	3.2
Inventories / Revenues (%)	31.4	31.6	34.0	35.0	34.9	37.9	38.9	35.0	35.0	34.5	32.5	30.5
Accounts receivable / Revenues (%)	17.1	17.7	17.3	18.7	18.1	21.9	21.7	21.7	21.7	21.7	21.7	21.7
Other current assets / Revenues (%)	0.1	0.1	0.1	0.3	0.6	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Accounts payable / Revenues (%)	10.6	12.7	10.7	12.8	13.0	16.4	14.0	14.0	14.0	14.0	14.0	14.0
Other current liabilities / Revenues (%)	8.5	8.2	8.2	8.7	7.9	9.4	9.4	5.4	5.2	5.0	4.8	4.6
Dividend pay-out (%)	63.2	67.2	98.3	104.8	97.2	83.3	57.7	58.0	59.0	60.0	60.0	60.0

Source: Thermador Groupe, ESN - CM-CIC Market Solutions, FactSet (price data).

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Thermador Groupe: Balance sheet												
(EURm)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
Assets												
Tangible assets	38	39	45	47	47	49	55	55	56	57	58	59
Intangible assets	8	8	8	25	25	51	57	57	57	57	57	57
Right-of-use assets (Lease Assets)	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets & other	0	0	0	0	0	0	0	0	0	0	0	0
Fixed assets - Total	**46**	**47**	**53**	**72**	**72**	**101**	**112**	**112**	**113**	**114**	**115**	**116**
Inventories	66	65	70	77	81	103	123	126	133	137	135	132
Accounts receivables	36	36	36	41	42	60	68	78	82	86	90	93
Other current assets	0	0	0	1	1	1	1	0	0	0	0	0
Cash & cash equivalents	23	32	29	21	27	30	24	22	28	36	52	69
Current assets - Total	**125**	**134**	**135**	**140**	**152**	**194**	**216**	**226**	**243**	**259**	**276**	**294**
Assets - Total	**171**	**181**	**188**	**212**	**224**	**295**	**328**	**338**	**356**	**373**	**391**	**410**
Equity & liabilities												
Shareholders' equity	129	135	146	162	173	190	203	217	232	246	262	278
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Equity - Total	**129**	**136**	**146**	**162**	**173**	**190**	**203**	**217**	**232**	**247**	**262**	**279**
Long-term financial debt	0	0	0	0	0	25	36	36	36	36	36	36
Provisions	2	2	2	3	2	3	3	3	3	3	3	3
Lease Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Other long	0	0	0	0	0	0	0	0	0	0	0	0
Long-term liabilities - Total	**2**	**2**	**2**	**3**	**2**	**27**	**39**	**39**	**39**	**39**	**39**	**39**
Short-term financial debt	0	0	0	0	0	8	12	12	12	12	12	12
Accounts payables	22	26	22	28	30	44	44	50	53	56	58	60
Other current liabilities	18	17	17	19	18	26	29	20	20	20	20	20
Current liabilities - Total	**40**	**43**	**39**	**47**	**48**	**78**	**85**	**82**	**84**	**87**	**89**	**92**
Equity & liabilities - Total	**171**	**181**	**188**	**212**	**224**	**295**	**328**	**338**	**356**	**373**	**391**	**410**
Capital Employed	108	106	120	144	148	194	230	246	255	261	261	260
Working Capital	62	59	67	72	76	93	118	134	142	148	146	145
Net Debt	-23	-32	-29	-21	-27	2	24	26	20	11	-4	-21
Net Debt change	-	-9	3	8	-6	30	21	2	-6	-8	-16	-17

Source: Thermador Groupe, ESN - CM-CIC Market Solutions.

Thermador Groupe: Balance sheet ratios												
(EURm)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
Net debt / Total Equity (%)	-	-	-	-	-	1.2	11.6	11.8	8.5	4.6	-	-
Net debt / EBITDA adj. (x)	-	-	-	-	-	0.1	0.5	0.5	0.4	0.2	-	-
Net debt / (EBITDA adj.-CAPEX) (x)	-	-	-	-	-	0.1	0.6	0.5	0.4	0.2	-	-
EBITDA adj. / Financial expense (x)	high	high	high	high	high	-	-	-	high	high	high	high
Long Term debt / Total debt (%)	-	-	-	-	-	75.8	75.6	75.6	75.6	75.6	75.6	75.6
ROE (%, Adjusted NP/ Sharehldrs' Eq.)	16.5	14.8	13.6	11.9	12.1	13.9	14.3	15.3	15.2	15.0	14.9	14.7
ROE (%, Reported NP/ Sharehldrs' Eq.)	16.5	14.8	13.6	11.9	12.1	13.9	14.3	15.3	15.2	15.0	14.9	14.7
ROCE pre-tax (%, Adjusted EBITA/CE)	30.0	29.6	25.9	20.8	21.1	19.2	18.4	19.7	20.0	20.5	21.6	22.6
ROCE post-tax (%, Adjusted EBITA/CE)	19.8	19.5	17.1	13.7	13.9	12.7	12.1	13.6	13.8	14.1	14.9	15.6
ROCE pre-tax (%, Reported EBIT/CE)	29.8	29.3	25.5	21.3	21.2	19.2	18.9	19.7	20.0	20.5	21.6	22.6
ROCE post-tax (%, Reported EBIT/CE)	19.7	19.3	16.8	14.0	14.0	12.7	12.5	13.6	13.8	14.1	14.9	15.6

Source: Thermador Groupe, ESN - CM-CIC Market Solutions.

Thermador Groupe: Enterprise Value and Market Capitalisation												
(EURm)	2012A 31/12/12	2013A 31/12/13	2014A 31/12/14	2015A 31/12/15	2016A 31/12/16	2017A 31/12/17	2018A 31/12/18	2019E 31/12/19	2020E 31/12/20	2021E 31/12/21	2022E 31/12/22	2023E 31/12/23
Price (EUR)	28.25	30.68	37.70	39.61	40.50	47.07	55.77	57.00	57.00	57.00	57.00	57.00
Number of shares - Basic	9	9	9	9	9	9	9	9	9	9	9	9
Number of shares - Diluted	9	9	12	13	13	13	10	9	9	9	9	9
Total Market Cap	241	262	326	352	364	429	508	519	519	519	519	519
Net Debt	-23	-32	-29	-21	-27	2	24	26	20	11	-4	-21
Other items	2	2	2	3	2	3	3	4	4	5	5	5
Enterprise Value	220	232	299	333	339	434	535	549	543	535	519	503

Source: Thermador Groupe, ESN - CM-CIC Market Solutions, FactSet (price data).

GARP

INVESTMENT OPPORTUNITIES METHODOLOGY

We define below the criteria used in the five investment angles in our Investment Opportunities research approach. Different methodologies may be applied to the same company over the course of time in order to reflect changes in status. Irrespective of the methodology used, the style is only shown if the stock fulfils the required criteria (minimum safety margin, PEG, IRR, earnings growth).

Value

- Companies targeted:
  - Stocks trading below their normalised multiples (historical, peers, M&A)
  - Companies operating below their normalised earnings capacity
- Balance sheet clean-up (hybrids, provisions, off-balance sheet items, seasonal effects, etc.)
- Intrinsic value: normalised multiples x normalised earnings (return to normal, mid-cycle)
- Entry price = intrinsic value after applying a margin of safety (25% on average)

Turnaround

- Companies targeted:
  - Stocks facing a major reorganisation
  - Valuation of the recovery plan after closures, disposals, etc.
- Balance sheet clean-up (hybrids, provisions, off-balance sheet items, seasonal effects, etc.)
- Intrinsic value: normalised multiples x normalised earnings after execution of a restructuring plan
- Entry price = intrinsic value after applying a margin of safety (30% on average)

Special Situation

- Companies targeted: stocks in a sector undergoing concentration (M&A) and that could be the object of a bid
- Balance sheet clean-up (hybrids, provisions, off-balance sheet items, seasonal effects, etc.)
- Estimated net present value of the merger-related synergies
- Determination of two bounds:
  - Intrinsic value ("standalone"): Normalised multiples x normalised earnings (return to normal, mid-cycle)
  - Speculative value ("combined"): intrinsic value + present value of synergies

GARP

- Companies targeted:
  - Stocks with a more attractive Growth-Value dimension than the European equity market
  - Stocks with a PEG ratio (PE/5-year EPS CAGR) of < 1.8 (14x/8% for the equity market)
  - EPS CAGR > 8% (i.e. average LT equity market growth); mainly organic growth
  - P/E < 14x (i.e. average long-term equity market valuation)
- Prospective value: normalised multiples (sector, historical) applied to five-year projections
- Present value: prospective value discounted at the appropriate Cost of Equity
- Entry price: prospective value discounted at a required IRR (Cost of Equity increased by an additional risk premium of 500bp)

Growth

- Companies targeted: stocks with strong forward earnings growth; capacity to double EPS in five years (i.e. 15% p.a. on average)
- Prospective value: normalised multiples (sector, historical) applied to five-year projections
- Present value: prospective value discounted at the appropriate Cost of Equity
- Entry price: prospective value discounted at a required IRR reflecting the Cost of Equity increased by an additional risk premium specific to the investor (300bp on average)

Particular cases

<u>Biotechnology companies</u>

- The present value is calculated based on the probability of success depending on the advancement of the products.
- The prospective value corresponds to a probability of success of 100%.
- The entry price is calculated based on a required IRR that is generally above 15%.

<u>Holding companies</u>

- The Intrinsic Value corresponds to the company's Restated Net Asset Value.
- The value of the assets is calculated on the basis of normalised multiples, including when these assets are listed.
- The discount used is observed empirically using the company's long-term historical data.

<u>Real estate companies</u>

- The Intrinsic Value corresponds to the company's Restated Net Asset Value.
- The capitalisation rate applied to rents corresponds to the market level, consistent with the

GARP

Has the analyst (or analysts) who prepared this report ever been employed by the issuer as manager or member of the board of directors?	**No**
Was this report submitted to the issuer prior to its publication?	**Yes**
If so, were the analysts' conclusions modified?	**No**

The full list of potential conflicts of interest is available here.

Recommendation history

Date	Recommendation	Target price	Price at change
18/09/2019	Accumulate	60.00	57.40
15/01/2019	Neutral	46.80	45.60
28/09/2018	Sell	46.80	54.40

Source: CM-CIC Market Solutions, Factset (market data – closing prices)

The above table shows the history of CM-CIC Market Solutions' changes in recommendation and target price during the twelve months prior to the publication of this report; the current analyst may or may not have covered this stock over the entire period.

Current analyst: Ebrahim Homani (since 18/09/2019)

Recommendation breakdown stocks covered or distributed by CM-CIC Market Solutions and by ESN

	Stocks covered by CM-CIC Market Solutions		Coverage with investment services		Stocks covered by ESN	
Buy	46.2%	67	71.4%	5	43.5%	160
Accumulate	24.1%	35	14.3%	1	25.0%	92
Neutral	20.7%	30	14.3%	1	23.9%	88
Reduce	6.2%	9	0.0%	0	5.2%	19
Sell	2.1%	3	0.0%	0	1.1%	4

Source: CM-CIC Market Solutions, ESN

**The above table sets out the breakdown of recommendations for all stocks covered and distributed by CM-CIC Market Solutions and ESN at of the production date of this report. The figures in the central columns "Coverage with investment services" provide the breakdown for stocks for which CM-CIC Market Solutions has supplied other investment services as per the definition given in the article 6 paragraph 3 of the delegated regulation (EU) No. 2016/958. In the right-hand columns, we give the breakdown of recommendations for stocks covered by ESN*

The valuation and resulting investment recommendation are based on an analysis of publically-available information at a given date, which is that indicated on the document consulted. Changes in the economic, competitive, regulatory and other environments and at the company analysed may lead to a change in this valuation and recommendation.

In accordance with the regulation, a list of all stock recommendations published in the last 12 months by CM-CIC Market Solutions' equity research teams and by independent analysts whose research is distributed by CM-CIC Market Solutions is available here.

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