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Kepler Research

Bargain stock

Surprisingly, Clasquin is trading at multiples closer to road transport and logistics companies than to freight forwarders, implying a discount of 60% to peers. This attractive valuation offers a good entry point to benefit from the ongoing sharp rebound in sales and results.

Price EUR17.26	Target **EUR24.00**
Previous None	**Buy**

France Industrial transportation

Clasquin

INITIATION OF COVERAGE **4 January 2011**

Reuters ALCLA.PA
Bloomberg ALCLA FP
Index DJ Stoxx 600

In brief

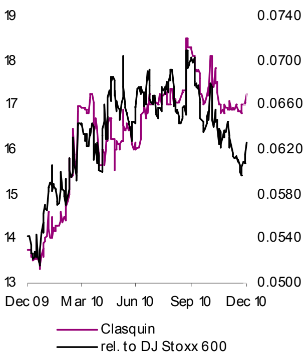
- > **Gross profit of 22.5% expected for 2010 after minus 8% in 2009**
- > **High leverage on margins: acceleration in results growth for 2011E**
- > **Huge discount to peers, rerating expected**
- > **Results rebound not priced in, implying significant upside**

Year end 31 Dec	Sales (EURm)	EBIT (EURm)	Net profit (EURm)	EPS (EUR)	P/E	P/BV	P/CF	EV/ sales	EV/ EBITDA	EV/ EBIT	Div. yield (%)
2008	150.9	5.9	3.9	1.73	8.2	2.0	4.7	0.2	3.6	5.3	3.0
2009	114.7	4.5	2.4	1.08	11.6	1.6	5.7	0.2	3.6	5.3	5.1
2010E	180.2	5.1	2.8	1.24	13.9	2.1	6.9	0.2	4.8	7.1	3.6
2011E	198.2	7.2	4.4	1.99	8.7	1.8	5.3	0.2	3.6	4.8	4.6
2012E	208.1	7.9	5.2	2.31	7.5	1.5	4.8	0.2	3.0	4.0	5.4

Source: Kepler Capital Markets

Stock data

Market cap (EURm)	38
Free float	36%
Shares outstanding (m)	2
Daily trade volume ('000)	5
YTD abs. performance	0%
52-week high (EUR)	18.5
52-week low (EUR)	13.3
Enterprise value (EURm)	35
Net debt (EURm)	-2



In detail

Rebound in sales already in 2010

With 9M GP growth of 24%, Clasquin looks able to sustain its activities' strong performance in 2010 (+22.5% GP expected). The company is benefiting from the rebound of its market but also from the success of its strategy: maintaining its commercial team despite the drop in activity seen in 2009.

Acceleration in results growth expected for 2011

Stronger activity implies productivity gains and the company could therefore improve its margins amid strong sales growth and renewed development. Non-operating charges (rationalisation in Italie) could slow the 2010 results rebound (+14% exp. in EBIT) but offer a favourable comparison basis for 2011: +41% expected in EBIT, providing positive news.

Both predator and prey

In parallel with strong organic growth, the company could seize external growth opportunities to accelerate its development. However, we also think Clasquin could also be seen as a good prey in a sector under consolidation, giving the stock some speculative appeal.

Fundamental and speculative appeal not priced in

In view of its relatively good resilience during the embattled markets of 2008-09 and its outperformance amid the market rebound, we judge the 60% discount versus peers as exaggerated. We therefore initiate coverage on the stock with a Buy rating and EUR24 target price (40% upside).

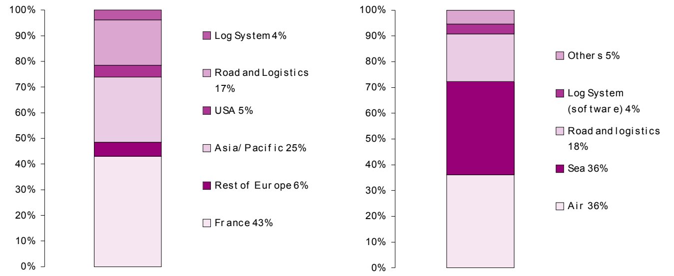
Key financials

Company profile

Clasquin is an air and sea freight forwarder with a focus on Asia/Europe and Asia/US flows. Thanks to external growth operation managed in 2008 Clasquin also operates road transport and logistics in France under the name Gueppe-Clasquin.

Top shareholders		Events calendar
Yves Revol	47.2%	17/02/2011
Zenlor	6.1%	22/03/2011
Staff	7.5%	09/05/2011
Others	3.3%	
Free float	35.9%	

Gross Profit split – Geographical and divisional



Income statement, 31 December (EURm)	2009	2010E	2011E	2012E
Sales	**114.7**	**180.2**	**198.2**	**208.1**
EBITDA adjusted	**6.6**	**7.5**	**9.5**	**10.3**
EBITA adjusted	**6.4**	**7.1**	**9.5**	**10.3**
EBIT adjusted	**4.5**	**5.1**	**7.2**	**7.9**
Net financial	-0.2	-0.6	-0.3	0.1
Non recurring items	na	na	na	na
Associates	0.0	0.0	0.0	0.0
PBT	**4.3**	**4.5**	**6.9**	**8.0**
Income tax	-1.5	-1.4	-2.1	-2.4
Tax rate (%)	35.7%	30.0%	30.0%	30.0%
Others	0.0	0.0	0.0	0.0
Minorities	-0.4	-0.4	-0.4	-0.4
Reported net earnings	**2.4**	**2.8**	**4.4**	**5.2**
Adjustments	0.0	0.0	0.0	0.0
Adj. net earnings (group)	**2.4**	**2.8**	**4.4**	**5.2**

Cash-flow statement (EURm)	2009	2010E	2011E	2012E
Net earnings	2.8	3.2	4.8	5.6
D&A	1.8	2.4	2.4	2.4
Change in TWC	2.2	-5.1	-1.1	-0.6
Other changes & non-cash	0.6	0.0	0.0	0.0
Operating cash flow	**7.0**	**0.5**	**6.1**	**7.4**
Capex	-1.0	-3.0	-2.5	-2.5
Free cash-flow	**6.1**	**-2.5**	**3.6**	**4.9**
Disposals	0.2	0.0	0.0	0.0
Financial investments	-0.1	0.0	0.0	0.0
Investing cash flow	-0.9	-3.0	-2.5	-2.5
Change in equity	0.5	0.0	0.0	0.0
Change in debt	-2.4	0.5	0.5	0.5
Dividends	-1.5	-1.4	-1.4	-1.8
Others	-0.1	0.0	0.0	0.0
Financing cash flow	-3.5	-0.9	-0.9	-1.3
Change in cash & equivalents	2.7	-3.4	2.7	3.6
Change in net debt	-4.9	3.9	-2.2	-3.1

Ratios	2009	2010E	2011E	2012E
Sales growth (%)	-24.0%	57.0%	10.0%	5.0%
EBITDA growth (%)	-24.4%	14.0%	26.9%	8.1%
EBIT growth (%)	-24.6%	13.8%	41.4%	10.2%
Net earnings growth (%)	-37.8%	15.4%	59.8%	16.2%
Gross margin (%)	29.9%	23.3%	23.7%	24.0%
EBITDA margin (%)	5.8%	4.2%	4.8%	5.0%
EBIT margin (%)	3.9%	2.8%	3.6%	3.8%
Net earnings margin (%)	2.1%	1.5%	2.2%	2.5%
Net debt/equity (%)	-29.6%	-8.4%	-16.3%	-25.2%
Net debt/EBITDA (%)	-85.1%	-23.0%	-41.4%	-68.4%
ROE (%)	14.4%	15.3%	21.9%	21.9%
ROCE (%)	27.2%	28.8%	34.1%	35.9%
Equity/total assets (%)	35.0%	25.1%	26.3%	28.2%
TWC/sales (%)	8.8%	10.6%	10.6%	10.6%
Operating CF/sales (%)	6.1%	0.3%	3.1%	3.6%
Capex/sales (%)	0.8%	1.7%	1.3%	1.2%
FCF/sales (%)	5.3%	-1.4%	1.8%	2.3%
Capex/D&A (%)	45.4%	123.2%	106.3%	104.5%
Dividend pay out (%)	58.5%	50.5%	40.0%	40.0%

Balance sheet , 31 December (EURm)	2009	2010E	2011E	2012E
Cash and equivalents	9.3	5.9	8.6	12.2
Account receivables	33.5	63.2	69.5	73.0
Other current assets	1.6	3.1	3.4	3.6
Current assets	**44.4**	**72.2**	**81.6**	**88.8**
Goodwill	4.4	4.4	4.4	4.4
Other intangible assets	1.3	1.3	1.3	1.3
Property, plant & equipment	3.5	4.0	4.2	4.3
Financial assets	0.6	0.6	0.6	0.6
Fixed assets	**9.7**	**10.3**	**10.4**	**10.6**
Short-term debt	2.3	2.5	2.8	3.0
Accounts payable	23.4	44.1	48.5	51.0
Other current liabilities	6.4	11.8	12.9	13.5
Current liabilities	**32.1**	**58.4**	**64.2**	**67.5**
Long-term debt	1.4	1.6	1.9	2.1
Pension provisions	0.3	0.0	0.0	0.0
Other long-term liabilities	1.4	1.7	1.7	1.7
Long-term liabilities	**3.1**	**3.3**	**3.6**	**3.8**
Shareholders' equity	17.4	18.8	21.8	25.2
Minority interest	1.6	2.0	2.4	2.8
Total shareholders' equity	**19.0**	**20.7**	**24.2**	**28.0**
Net debt	**-5.6**	**-1.7**	**-4.0**	**-7.1**
Trade working capital	**10.1**	**19.1**	**21.0**	**22.0**
Capital employed	**14.9**	**20.5**	**21.7**	**22.5**
Total assets	**54.1**	**82.5**	**92.0**	**99.4**

Per share (EUR)	2009	2010E	2011E	2012E
EPS adjusted	1.08	1.24	1.99	2.31
EPS reported	1.08	1.24	1.99	2.31
CFPS	2.17	2.51	3.23	3.58
BVPS	7.80	8.41	9.77	11.29
DPS	0.63	0.63	0.80	0.92
Year-end nb of shares(m)	2.2	2.2	2.2	2.2
Av. diluted nb of shares(m)	2.2	2.2	2.2	2.2

Valuation	2009	2010E	2011E	2012E
P/E	11.6	13.9	8.7	7.5
P/BV	1.6	2.1	1.8	1.5
P/CF	5.7	6.9	5.3	4.8
Dividend yield	5.1%	3.6%	4.6%	5.4%
FCF yield	21.9%	-6.8%	9.4%	12.7%
EV/sales	0.2	0.2	0.2	0.2
EV/EBITDA	3.6	4.8	3.6	3.0
EV/EBITA	3.7	5.1	3.6	3.0
EV/EBIT	5.3	7.1	4.8	4.0
EV/capital employed	1.4	2.1	1.6	1.4

Source: Kepler Capital Markets

Why the stock is a Buy

High exposure to Asian markets: good resilience in tough economic conditions

Air and sea freight enjoyed constant and strong volume growth in 2001-07: +12% on average for sea freight and +8% for air freight. Therefore, agents were caught unawares by the market downturn which began at end-2008 and continued into 2009 due to the economic crisis (-11% for sea freight and -12% for air freight). In this tough market the company proved its resilience: minus 16% in volume for air freight but +10% in sea freight for 2009. It benefited from its strong presence in Asian markets (80% of group sales based on Asian flows, o/w 24% of sales generated locally and the rest generated by European or American clients for flows in Asia), and even in its French activities, road transport and logistics (8% of FY 2009 sales), the +8% in sales for 2009 is a rather good performance.

Outperformance amid market upturn

Thanks to its exposure to Asia, and its strategy of maintaining its commercial team despite difficulties in 2009, Clasquin was ready to benefit from the market upturn. With gross profit growth of 24% at end-September, despite the slowdown expected for Q4 (higher comparison basis), the full-year performance should remain strong: +23% expected to EUR42m, significantly above levels before the financial crisis (gross profit at EUR37m in 2008). In a more favourable context, the company started to reinforce its commercial team (494 people at the end of June, +6% vs. end-2009) and opened new agencies (+2 planned for 2010: Mulhouse and Hanoi). In parallel with the ramp-up of its existing network, Clasquin will therefore benefit from additional sales linked with these new openings and their sales force, sustaining healthy growth in the coming years.

Quick rebound in margins

Facing a sharp slowdown in its sales growth, at the end of 2008 the company implemented a programme named RAP (Recession Adjustment Plan) to preserve its margins. Thanks to its timely response, and the high proportion of variable costs (70-75% of sales), its operating margin proved rather resilient in 2009, with an EBIT margin of 13.1% in terms of gross profit and 3.9% in terms of sales, above 2007 levels. Thanks to the gross profit rebound, the company could benefit from a better absorption of fixed costs (labour mainly), partly offset by the new developments, and in 2010 rationalisation charges linked to the Italian subsidiary (EUR1m). In its 2010 guidance, management announced EBIT close to the 2008 performance excluding the impact of the Italian subsidiary, ie, around EUR5m compared with EUR4.5m in 2009, which we judge realistic with a gross profit rebound. As restructuring charges should not be recurring, EBIT growth may accelerate in 2011: +41% after +14% in 2010.

High ROCE and high FCF yield

By definition, freight forwarding is asset-light. Despite low margins (EBIT at 3.6% of sales 2011E, but EBIT/GP expected at 15.3%), ROCE is very high (23% expected for 2011, goodwill included), and FCF generation attractive (FCF/EV yield expected at 10%). With a net cash position of EUR2m at the end of 2010, Clasquin can therefore finance not only its internal development, but also external growth operations (up to EUR50m in additional sales). Despite its willingness to seize external growth opportunities, the company has not finalised any deals in the sector since its listing in 2006 (EUR15.5 per share). Therefore, we have not integrated any scope effect into our estimates or valuation approach. Based on transaction multiples evoked by the company (5-6x EBITDA), it would be valued at EUR23-27 per share, significantly above current share prices.

Attractive valuation: Buy rating with EUR24 target price

Surprisingly, Clasquin is trading at multiples closer to French transport and logistics companies like Norbert Dentressangle or Stef-Tfe (higher capex need, ie, lower FCF generation, lower sales growth, higher fixed costs, etc.) than to the other market players (Panalpina or Kuehne & Nagel). Although we think the relatively small size and lower liquidity of Clasquin justifies a discount, we see the current discount of 60% as excessive, given: 1) the historical discount (35-40%); 2) the outlook in terms of results growth (NP growth expected at 23% a year for 2009-13). We therefore see the current price as a good opportunity to Buy the share. Our target price of EUR24 is based on DCF and peer approaches, and implies an EV/EBITDA multiple of 5.2x, EV/EBIT of 6.9x and PE of 12.1x for 2011, compared with 11x, 14x and 20.5x respectively for our peers.

Valuation: EUR24 per share

In the business of freight forwarding, sales are not a good indicator of activity. They are highly influenced by oil prices and freight rates, which are highly volatile (increase or decrease passed on to clients). Therefore, gross profit is a better measure of activity and the profitability of the market players.

DCF approach: EUR22.8

Our DCF method is based on the following assumptions:

- A cost of debt of 5%.
- A market risk premium of 4.5%.
- A risk-free rate of 3%.
- A Beta of 2.
- A discount rate of 12%.
- Sales and gross profit growth of 2% at cruising speed (as of 2016), and an EBIT margin capped at 16% of gross profit or 3.8% of sales as of 2013.
- WCR maintained at 6% of sales.
- Perpetual cash flow growth of 2%.
- No further external growth operations.

Table 1: DCF: summary of our forecasts

EURm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Sales	198	208	218	225	231	235	240	245	250	255	260
Growth	10.0%	5.0%	5.0%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Gross profit	47	50	52	54	55	56	58	59	60	61	62
Growth	12.0%	6.0%	5.0%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITDA	9.5	10.3	10.9	11.2	11.5	11.7	12.0	12.2	12.4	12.7	12.9
% of sales	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
% of GP	20.3%	20.7%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Amortization	2.4	2.4	2.5	2.6	2.7	2.7	2.8	2.8	2.9	2.9	3.0
% of sales	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
% of GP	5.0%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
EBIT	7.2	7.9	8.4	8.6	8.8	9.0	9.2	9.4	9.6	9.8	10.0
Growth	41.4%	10.2%	5.8%	2.9%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% of sales	3.6%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
% of GP	15.3%	15.9%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Tax	-2.2	-2.4	-2.5	-2.6	-2.7	-2.7	-2.8	-2.8	-2.9	-2.9	-3.0
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Change in WCR	-1.1	-0.6	-0.6	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
WCR	11.9	12.5	13.1	13.5	13.8	14.1	14.4	14.7	15.0	15.3	15.6
% of Sales	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Investments	-2.5	-2.5	-2.5	-2.6	-2.5	-2.6	-2.6	-2.7	-2.7	-2.8	-2.9
Free cash flows	3.8	4.8	5.3	5.6	6.0	6.2	6.3	6.4	6.5	6.7	6.8
Growth	Ns	Ns	Ns	7%	6%	3%	2%	2%	2%	2%	2%
% of sales	1.9%	2.3%	2.4%	2.5%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
% of GP	8.1%	9.7%	10.0%	10.5%	10.8%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
% of EBIT	52.9%	61.2%	62.7%	65.4%	67.5%	68.2%	68.2%	68.2%	68.2%	68.2%	68.2%
Discounted FCF	3.4	3.9	3.7	3.6	3.4	3.1	2.8	2.6	2.4	2.1	2.0
Sum of FCF	31.0										
Terminal value	21.9										
Infinite growth	2.0%										
WACC	12.0%										
Beta	2.0										
Risk premium	4.5%										
Risk free rate	3.0%										
Enterprise value	**52.9**										
Net debt	-1.7										
Minorities	3.8										
Equity value	**50.9**										
Implied fair value (EUR)	**22.8**										

Source: Kepler Capital Markets

We obtain a value per share of EUR22.8.

Table 2: Sensitivity

	EBIT margin as of 2018				
% of sales	2.8%	3.3%	3.7%	4.2%	4.7%
% of GP	12.0%	14.0%	16.0%	18.0%	20.0%
Infinite growth 1.5%	17.6	20.0	22.3	24.7	27.1
2.0%	18.0	20.4	**22.8**	25.2	27.7
2.5%	18.4	20.8	23.3	25.8	28.3

	WACC				
	10.0%	**11.0%**	**12.0%**	**13.0%**	**14.0%**
Infinite growth 1.0%	28.2	24.9	22.3	20.2	18.4
1.5%	29.0	25.6	**22.8**	20.6	18.7
2.0%	30.0	26.3	23.3	21.0	19.0

Source: Kepler Capital Markets

Peers: EUR25.1

Constitution of our sample

The company has many competitors listed in Europe, Panalpina and Khuene & Nagel (the most established players in the market), DHL (subsidiary of Deutsche Post), SDV (subsidiary of Bolloré) and DSV among others. Many freight forwarders are also listed in the US (Uti Worldwide, Expeditors, Eagle), with multiples slightly higher than those of their European counterparts. However, as US companies do not have the same target clients (domestic clients for Clasquin) or the same regional presence, we think it more relevant to focus our comparison sample on European companies. Moreover, due to the different nature of air and sea freight compared with logistics and road transport (asset light, more volatile, less concentrated network) we have only considered those which have a majority of their activity in air and sea freight, ie, Panalpina and Khuene & Nagel.

Table 3: Peer sample

	Country	Sales 2010 (EURm)	GP 2010 (EURm)	EBIT/sales 2010 (%)	EBIT/GP 2010 (%)	Price (on 28/12/10)	MC (EURm)
Panalpina	Switzerland	5,689	1,172	2.7	11.5	98.3	2,457
Kuehne & Nagel	Switzerland	15,367	5,148	4.0	11.3	105.9	12,704
Clasquin	**France**	**180**	**42.0**	**2.8**	**12.1**	**17.0**	**38**

Sources: Thomson Reuters, Kepler Capital Markets

Description of peers

Panalpina is a pure player in the freight forwarding sector. Upon its listing, the company unveiled its strategy to diversify its business into other activities (logistics, road transport). However, five years after the public offering, the company has still not realised any significant external growth operations. With a rather aggressive external growth policy, Khuene & Nagel is now more diversified (Chart 1).

Chart 1: Kuehne & Nagel 2009 sales by region and by business

Source: Kuehne & Nagel

Chart 2: Panalpina 2009 sales by region and by business

Source: Panalpina

Chart 3: Clasquin 2009 sales by region and business

Source: Clasquin

Due to borderline methods in the sector (suspicion of price fixing and corruption), the authorities launched an investigation in 2009. Kuehne & Nagel booked EUR25m in provisions and Panalpina booked EUR45m to cover the payment of fines. In view of the recent announcement (a fine of more than EUR60m proposed by the American justice concerning Panalpina) these provisions could be too low. However, Clasquin is not being investigated, and will thus not be affected by the courts' decisions.

Huge discount applied to Clasquin

Surprisingly, Clasquin is trading at multiples closer to French transport and logistics companies like Norbert Dentressangle or Stef-Tfe (higher capex need, ie, lower FCF generation, lower sales growth, higher fixed costs, etc.) than to the other players in the market (Table 4).

Although we think the relatively small size and lower liquidity of Clasquin justify a discount, we see the current discount of 60% as excessive compared with the historical discount (35-40%) and the outlook in terms of results growth. For Clasquin, we expect EPS growth of 36% a year on average over 2010-12, and consensus expects +29% and +18% respectively for Panalpina and Khuene & Nagel. We therefore estimate that the discount could be reduced to the historical average with a discount of 35% integrated into our scenario.

Table 4: Clasquin multiples vs. peers multiples, and theoretical valuation

	P/E			EV/sales			EV/EBITDA			EV/EBIT		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Norbert Dentressangle	11.1	8.2	6.9	0.36	0.33	0.29	4.6	4.3	3.7	9.6	8.3	6.9
Stef-Tfe	10.6	9.5	8.8	0.49	0.48	0.45	6.4	6.0	5.4	11.7	11.1	10.0
Average Road Transport and Logistics	10.9	8.9	7.8	0.43	0.41	0.37	5.5	5.1	4.5	10.6	9.7	8.5
Panalpina	26.1	19.3	16.1	0.35	0.32	0.29	12.3	9.6	7.9	14.6	11.8	9.3
Kuehne & Nagel	25.2	21.7	19.3	0.76	0.64	0.56	15.2	12.4	10.8	20.0	16.1	13.9
Average freight forwarding	**25.7**	**20.5**	**17.7**	**0.55**	**0.48**	**0.42**	**13.7**	**11.0**	**9.4**	**17.3**	**14.0**	**11.6**
Clasquin	13.7	8.6	7.4	0.21	0.17	0.15	5.0	3.6	3.0	7.4	4.7	3.9
Current discount vs. freight forwarders	-47%	-58%	-58%	-62%	-64%	-65%	-63%	-68%	-68%	-57%	-66%	-66%
Multiples after a discount of only 35%, come back to historical level	16.7	13.3	11.5	0.36	0.31	0.27	8.9	7.2	6.1	11.2	9.1	7.5
Theoretical valuation (EUR per share)	**18.0**	**16.6**	**22.9**	**29.1**	**29.5**	**28.8**	**30.2**	**32.4**	**31.3**	**25.7**	**31.1**	**30.0**

Sources: Thomson Reuters, Kepler Capital Markets

Based on the PE and EV/EBIT multiples for 2011 and 2012, the most relevant in that segment, we obtain a theoretical valuation of EUR25.1 per share through a peer method.

Synthesis: EUR24 as target price

Table 5: Summary of our valuation approach

Method	Per share EUR	Upside	PE 2011	PE 2012	EV/sales 2011	EV/sales 2012	EV/EBITDA 2011	EV/EBITDA 2012	EV/EBIT 2011	EV/EBIT 2012
Peers	25.1	45.4%	12.6	10.9	0.26	0.23	5.4	4.7	7.2	6.2
DCF	22.8	32.2%	11.5	9.9	0.24	0.21	4.9	4.2	6.5	5.5
Target price	**24.0**	**39.0%**	**12.1**	**10.4**	**0.25**	**0.22**	**5.2**	**4.5**	**6.9**	**5.9**

Source: Kepler Capital Markets

Based on our valuation method, we obtain a theoretical valuation of EUR24 per share, implying 40% upside

Company background

Freight forwarding: how it works

Asset-light business implies high ROCE despite low margins

A pure player in freight forwarding does not act as a carrier, only as an organiser that dispatches and consolidates shipments via asset-based carriers and books space for the shipments. Carrier types include ships, airplanes, trucks and railroads. The added value consists in the ability to manage international freight, ie, prepare and process the documentation and perform related activities linked to shipments (specific rules depending on the origin and destination of goods). By definition, freight forwarding is thus asset light. Despite low margins (EBIT at 3-5% of sales for the best players), ROCE is therefore very high (at least 20%).

Chart 2: Clasquin EBIT margin

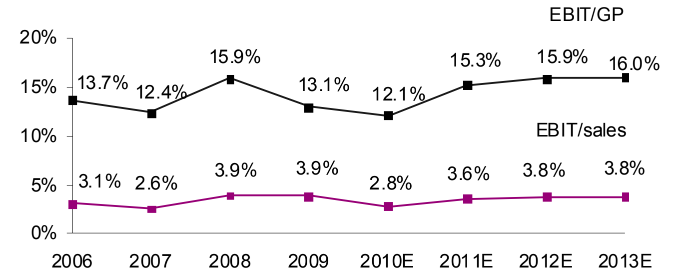
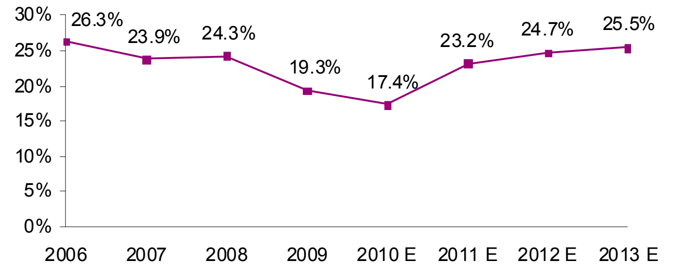


Chart 3: Clasquin ROCE (goodwill included)

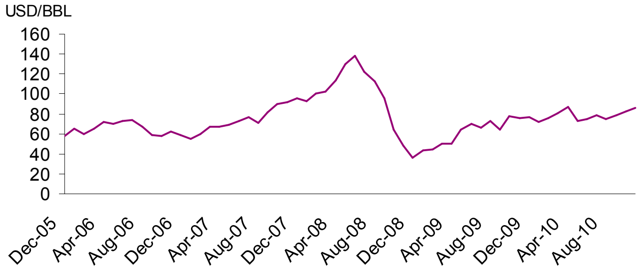


Sources: Clasquin, Kepler Capital Markets

High volatility in sales, gross profit a better indicator of business

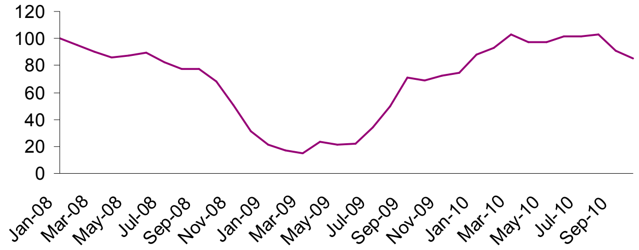
One of the characteristics of the business is high sales volatility for agents. They are exposed to changes in oil prices and of freight rates. These changes are passed on to clients, affecting the company's sales performance but with no major impact on results (prices and rates are passed on with a slight delay).

Chart 4: Oil price changes



Source: Datastream

Chart 5: Sea freight rate Asia/Europe (Basis 100 on January 2008)



Source: Clasquin

Table 6: YOY changes for key indexes

	Average 2007 vs. 2006	Average 2008 vs. 2007	Average 2009 vs. 2008	Average 2010 vs. 2009
Oil prices	13%	31%	-37%	28%
Sea freight	Nc	Nc	-47%	+135%

Sources: Clasquin, Datastream

Therefore, the best indicators of a company's activity are volumes and gross profit fluctuations. In the market, the best indicator is TEU for sea freight (twenty-foot equivalent unit, ie, number of standard containers) and tonnes for air freight.

Chart 6: Clasquin's sales growth in parallel with gross profit growth

* 2008 restated for the integration of Gueppe Developpement
** Anticipation of flat oil price and freight rates
Sources: Clasquin, Kepler Capital Markets

Bipolarisation of the market

After a wave of consolidation in the market over the last ten years, there are now few mid-sized companies in the freight-forwarding segment. Historical freight forwarders decided to enlarge their offer through horizontal and vertical integration (logistics and/or road transport companies). Bolloré's SDV subsidiary (the biggest player in France with EUR4bn sales in 2009, o/w 55% in freight forwarding) and Kuehne & Nagel (60% of its sales in freight forwarding) has acquired a collection of companies over 10-15 years.

A lot of players were also acquired by classic transport companies that decided to penetrate new markets and diversify their business into less capital-intensive activities. Deutsche Bahn acquired Bax Global in 2005, Geodis TNT FF division in 2007 and Rhode & Liesenfeld in 2008, and more recently Norbert Dentressangle announced the acquisition of Schneider's FF division and TDG was acquired in 2010. Even Panalpina showed its willingness to diversify its business upon its IPO in 2005.

Therefore, freight forwarding is now operated by very big companies that have consolidated a large part of the market, and that have benefited from significant volume effects. The air freight segment is much more concentrated than the sea segment, mainly due to its relatively smaller size.

Table 7: Main players in European market

	Air freight			Sea freight		
	Rank	Volume (tonnes)	Market share	Rank	Volume (TEU)	Market share
DHL	1	3,734,000	12.0%	1	2,615,000	2.0%
DB Schenker	2	1,032,000	3.3%	3	1,424,000	1.1%
Kuehne Nagel	3	800,000	2.6%	2	2,546,000	1.9%
Panalpina	4	731,000	2.3%	4	1,278,000	1.0%
SDV	5	420,000	1.3%	>10	580,000	0.4%
Ceva	6	Nc	-	>10	Nc	-
DSV	7	175,000	0.6%	>10	625,000	0.5%
Clasquin	**Ns**	**30,956**	**Ns**	**Ns**	**55,618**	**Ns**

Source: Companies

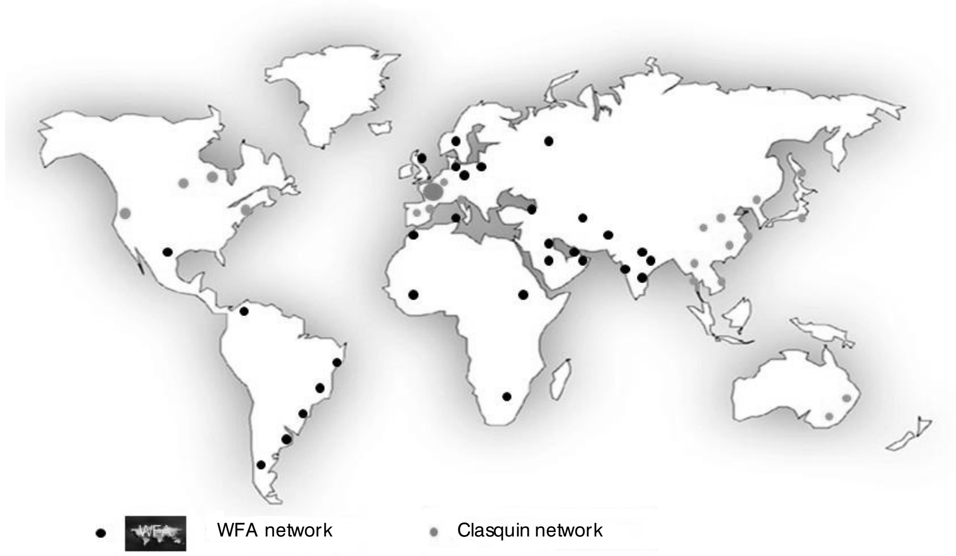
Besides these big operators, there are still small companies like Clasquin which have managed to successfully transport flow overseas thanks to their greater flexibility and efficiency and ability to customise their services.

Original positioning in the segment

Small player, big clients

Thanks to the creation of international partnerships, small players can offer a worldwide network to their clients. For example, Clasquin is a member of the WFA: World Freight Alliance. The company provides its services in 16 countries, and has benefited from the network of the other members, enlarging its presence to around 130 countries.

Chart 7: WFA and Clasquin network



Source: Clasquin

Thanks to its worldwide network, despite its relatively small size, Clasquin's clients are not small companies but big groups that operate in various sectors. Clasquin is not really exposed to one sector or a single client in particular (first client represents less than 4% of gross profit and the top 30 less than 25%).

Table 8: Clasquin clients by sector

Sector	Clients	Sector	Clients
Fashion & luxury goods	Chaumet, Paul & Jo, Van Cleef & Arpels, Zilly, Chantelle, Le Tanneur, Simone Pérèle	Wines & Spirits	Asahi, Pernod Ricard, Distillerie Peureux, Ginestet, Nisshoku, ASC Fine Wines
Consumer goods	SEB, Salomon, Royal Canin, Julbo, Cycleurope, HF Company, Maped, Guillemot, Vilac, Quicksilver, Parrot, Bandai	Pharmacy & Cosmetics	Nina Ricci parfums, Sisley, Shiseido, Sanofi Pasteur, Sanofi Aventis, Sothys, Diagnostica Stago, Aguettant, Cirad, MDS Pharma
Retail & mail order	Takashimaya, Mango, King Jouets, La Redoute, Camaïeu, Promod, Brice, Cache cache, Bricorama, Vial, Gamm Vert, Jules, Kiabi	Capital goods	Haulotte, Michelin, Mitsubishi, ABB, Danfoss, Gerflor, MagnettiMarelli, Turbomeca, Bachy Soletanche, Technip
		Food	Fauchon, Paul, Petrossian

Source: Clasquin

One initial skill: Asian flows, diversification into road transport and logistics

In 1983, when it was acquired by Yves Revol (a manager of the company), Clasquin was focused on trades between France and Asia by air. In addition to the strong growth of flows to and from Asia, the company benefited from its diversification into sea freight (1991) and from a quick extension of its network into other European countries and the US (1994-2000).

The 2000-05 period was dedicated to the consolidation of its network and the creation of IT systems (in-house software) and management tools. Clasquin was therefore scaled in line with the expected acceleration in growth. Upon its listing in 2006 (EUR4m raised in cash), the group unveiled its acquisitions strategy with plans to accelerate its development in freight forwarding (Europe, US, etc.). However, so far the company has failed to seize any external growth opportunities in its sector (difficulties finding attractive prey at an affordable price) and its development into sea and air freight has therefore only been through organic growth. At the end of June 2010, Clasquin directly operated 39 offices, of which 17 in Europe; 18 in Asia-Pacific, and four in the US.

Table 9: Network development

	1983	1990	1995	2000	2005	2006	2007	2008	2009	1S10
Offices	1 (Lyon)	12	18	30	33	36	36	40	38	39
Countries	1	Nc	Nc	Nc	14	14	14	16	16	16

Source: Clasquin

While the group has not fulfilled its external growth target in its historical business, it did acquire a company specialised in road transport and logistics in 2008, Gueppe Developpement (70% of the capital for EUR5m; 5x EBIT in line with sector multiples). The diversification of a small freight forwarding company into this business was quite new.

In view of the performance posted by Gueppe-Clasquin since its acquisition both in terms of sales (+8% in 2009 and +17% at the end of September 2010) and results (EBIT margin sustained at 16% in 2009, among the best players in the market), we think this was a good deal with few risks (management remained at the helm of the subsidiary). Moreover, even though this acquisition did not generate immediate synergies, it provides the company with skills in road transport and logistics which could become a new means of development.

Chart 8: Gross profit by division in 2005 (pre IPO)

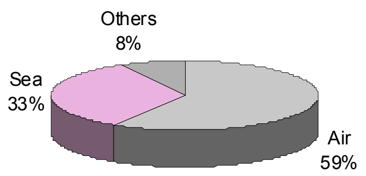
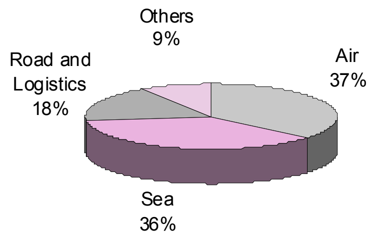


Chart 9: Gross profit by division in 2009



Source: Clasquin

'Others' in the breakdown by division includes various services offered by the company (warehousing, billing, etc.), and the software activity operated by Log System. The company has developed its own software to manage its flows and sells its solutions to clients. While this subsidiary carries little weight in sales and results, it allows the company to partly finance its software development.

France and Europe account for large chunk of group business

As international developments have been driven only by organic growth, their weight in the group's business is therefore still relatively low (excluding Asia-Pacific, the historical skill of the group). France's weight has even been reinforced by the acquisition of Gueppe and now accounts for 65% of the group's activity.

Chart 10: Sales by region in 2005 (pre IPO)

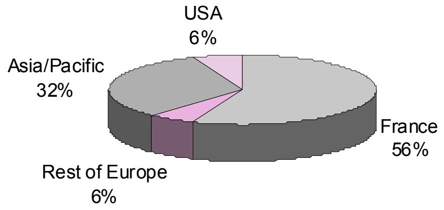
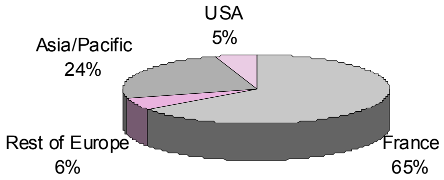


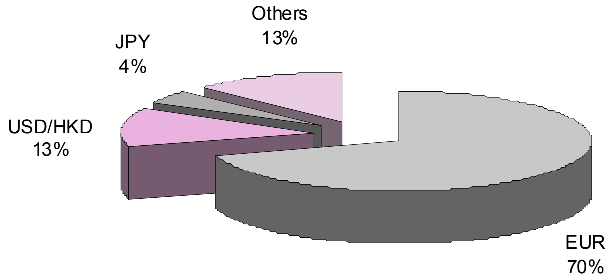
Chart 11: Sales by region in 2009



Source: Clasquin

Due to the weight of Europe in its activity, the company is not significantly exposed to forex changes (+1.6% on FY 2009 sales and +1.2% on GP). Moreover, as it is naturally hedged towards forex changes (revenues and costs in foreign countries well balanced), the impact is limited to a conversion effect (low impact on margins).

Chart 12: 2009 gross profit by currency



Source: Clasquin

In light of its experience in Asia (major growth driver of worldwide volumes traded), and its success in France (big clients), we estimate that it could double its performance in North America and other European countries (western, central and eastern Europe). The group's development abroad could be accelerated by external growth operations (Germany and US targeted).

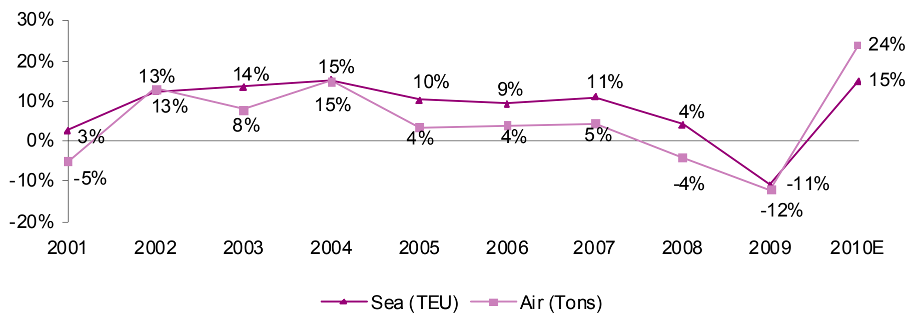
Catalysts and news flow

Ongoing rebound of activity

Market rebound started in 2010

Between 2001 and 2007, air and sea freight enjoyed constant and strong volume growth: +12% on average for sea freight and +8% for air freight. Therefore, agents were unprepared for the market downturn at the end of 2008 and which continued into 2009 (-11% for sea freight and -12% for air freight), on the back of the economic crisis. Consequently, in 2010 the market benefited from a favourable comparison basis, and the resumption of worldwide traffic, implying a sharp upturn in volumes: +24% for air freight and +15% in sea freight.

Chart 13: Market performance



Source: Kuehne & Nagel

Clasquin: standing strong in tough market, faster rebound in 2010

In this rather erratic market, the company proved its resilience during the market decline: minus 16% in volumes for air freight and +10% in sea freight for 2009, and its ability to rebound fast: +14% in volume air freight in H1 2010, and +48% in sea freight (Chart 14 and 15). The company benefited from its exposure to Asian markets (80% of group sales based on Asian flows) and from its strategy of maintaining its commercial team in 2009. So when the market upturn began, it was ready to take advantage.

Chart 14: Volume growth for Clasquin in Air

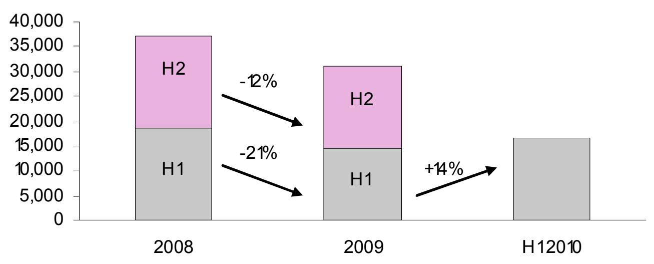
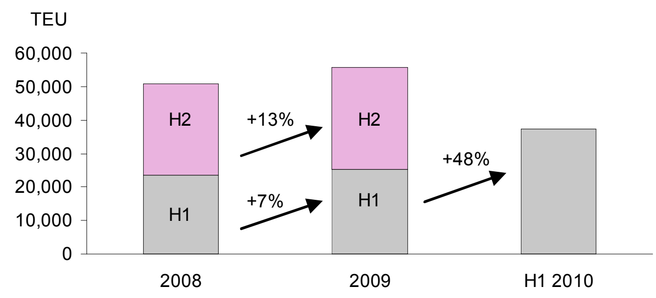


Chart 15: Volume growth for Clasquin in Sea

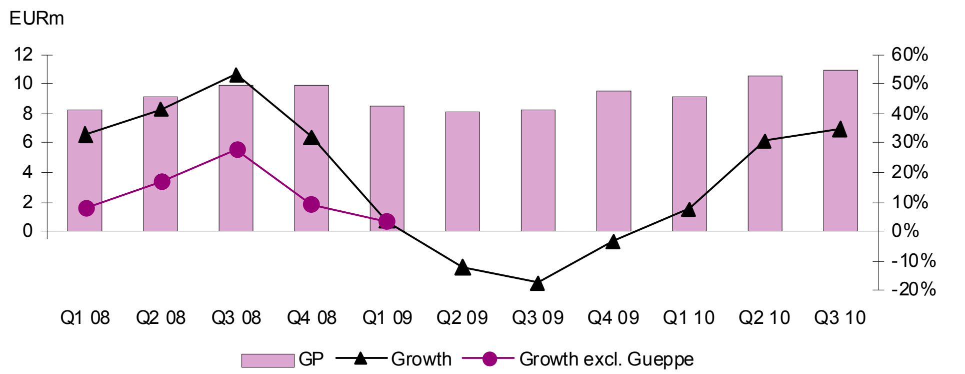


Source: Clasquin

In parallel with the good performance in its historical activities, the company benefited from the integration of Gueppe Developpement as of 2008, which had also outperformed its market: +8% in sales in 2009 and +17% in 9M 2010.

A low in terms of activity was reached during the summer of 2009, since when the company's performance has consistently improved, reaching gross profit growth of 35% in Q3 2010.

Chart 16: Quarterly gross profit performance



Source: Clasquin

Considering a higher comparison basis, gross profit growth is likely to slow down as of Q4 (to +18% expected). Thanks to the developments planned, we estimate that the company could maintain its dynamic growth in the coming years.

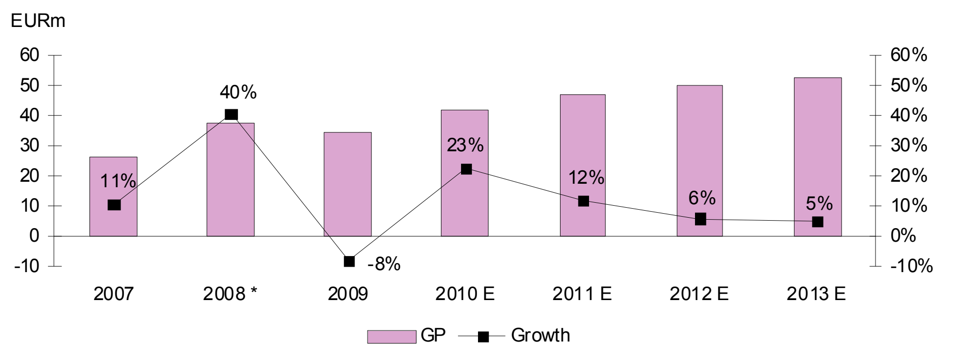
Development resumed in 2010, likely to fuel sales growth in coming years

In a more favourable context, the company had started to reinforce its commercial team at the start of 2010 (494 people at end-June, +6% vs. end-2009), and had open new agencies (+2 planned for full year: Mulhouse and Hanoi). In parallel with the ramp-up of its existing network, Clasquin could thus benefit from additional sales linked with this new openings and sales force.

As Q4 is the busiest period of the year, gross profit in this quarter could be at least as high as Q3 performance (EUR11m) with EUR11.3m integrated into our scenario (+18% vs. Q4 2009). Despite the slowdown in gross profit growth expected for Q4, full-year performance could show strong growth at +23% to EUR42m, significantly above pre-crisis levels, ie 2008 gross profit (Chart 17).

We estimate that in 2011 Clasquin could also benefit from the catch-up effect of the market, which is likely to pursue its rebound after the sharp drop in 2009. Therefore, we also expect strong gross profit growth in 2011 of +12%. On a more long-term view, we have integrated a cautious scenario: +6% in gross profit for 2012 and +5% for 2013, considering a performance in line with the low range of historical sector growth.

Chart 17: Gross profit forecasts



* +20% excluding Gueppe integration
Source: Clasquin, Kepler Capital Markets

In our scenario, the gross profit per employee ratio could gradually rebound to come to the 2008 historical high in 2012-2013 (Table 10), which is rather conservative.

Table 10: Gross profit per employee

	2006	2007	2008	2009	H1 10	H2 10E	2010E	2011E	2012E	2013E
Average staff	339	360	427	470	481	510	496	546	573	593
Growth		6%	18%	10%	3%	9%	6%	10%	5%	4%
Gross profit per employee (EUR)	**70,496**	**73,611**	**87,222**	**73,003**	**40,999**	**43,678**	**84,677**	**86,154**	**87,070**	**88,319**
Growth		**4%**	**18%**	**-16%**	**16%**	**16%**	**16%**	**2%**	**1%**	**1%**

Sources: Clasquin, Kepler Capital Markets

Gradual margin rebound, recovery of FCF generation

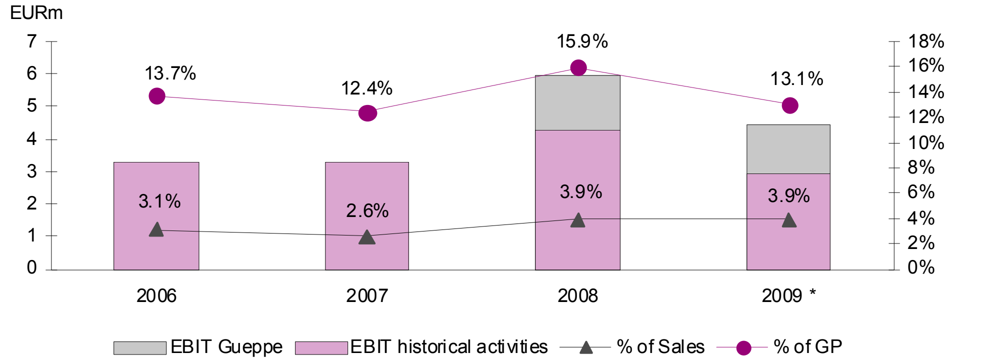
Successful cost-saving programme in 2009

Facing a sharp slowdown in sales growth, at the end of 2008 the company implemented a programme named RAP (Recession Adjustment Plan) to preserve its margins: 1) a freeze on development and hiring; 2) higher selectivity in contracts and clients (preventing defaults); 3) two office closures; 4) a cost-cutting programme (external services and operating charges).

The company thus reduced its operating charges by EUR1.4m in 2009 without downsizing its staff (need to keep team in place to prepare for the market rebound). Thanks to its fast reactions, and the high proportion of variable costs (70-75% of sales), the operating margin was rather resilient in 2009, with an EBIT margin of 13.1% in terms of gross profit and 3.9% in terms of sales, above 2007 levels.

The company booked provisions of EUR0.6m in 2009 to prevent the impact of irregularities in its Italian subsidiary. Restated for these non-operating charges, EBIT would be EUR5.1m in 2009 (4.4% of sales or 14.8% of gross profit).

Chart 18: EBIT by division

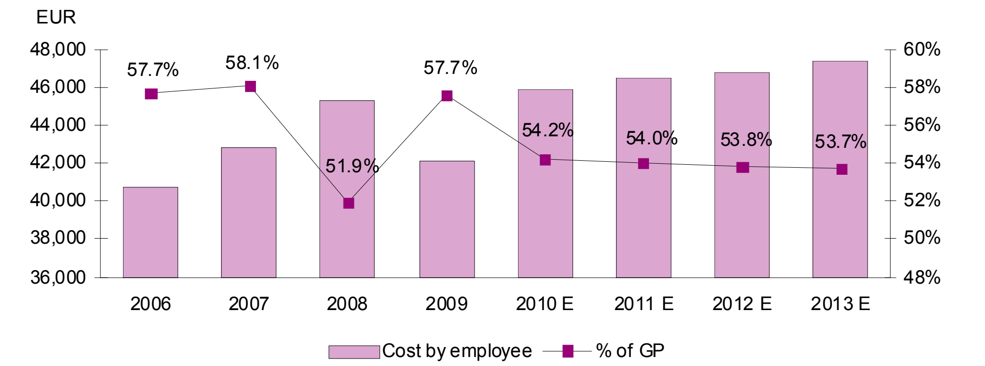


* Including EUR10.6m in provisions due to the Italian subsidiary
Source: Clasquin

Restarting development could slow margin growth

Thanks to the improvement in gross profit generated by employee, the proportion of labour charges could decline as of 2010 to reach 54.2% of gross profit in our scenario, compared with 57.7% in 2009. Due to the announcement of agency openings, we do not expect a significant improvement of this ratio in the years ahead (Chart 19).

Chart 19: Labour cost forecasts



Source: Kepler Capital Markets

Thanks to gross profit rebound, the company could benefit from a better absorption of its fixed costs but could be partly offset by the resumption of developments, and in 2010 by costs linked to the rationalisation of the Italian subsidiary. Having discovered accounting irregularities in 2009, the company was forced to replace top management, implying restructuring costs of around EUR1m in 2010.

In its annual guidance, management announced EBIT which was close to 2008 levels (EBIT at EUR5.9m) excluding the impact of the Italian subsidiary (around EUR5m compared with EUR4.5m in 2009), which we judge realistic in a context of a gross profit rebound. As restructuring charges are unlikely to be recurring, EBIT growth could accelerate in 2011: +41% after +14% in 2010.

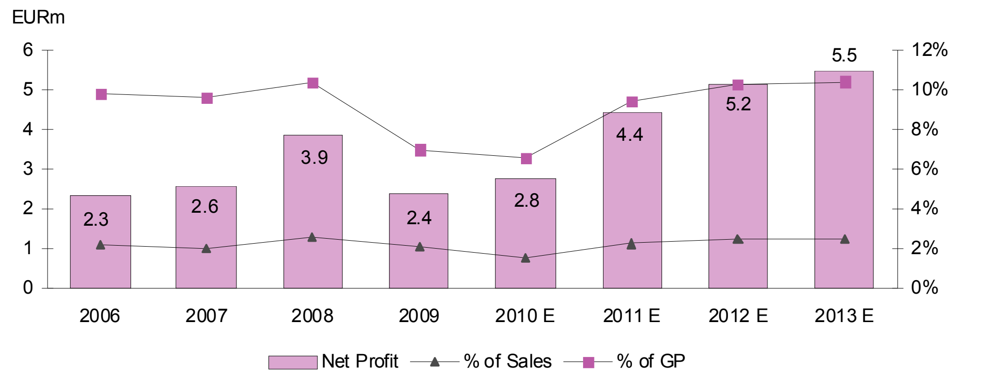
Table 11: Results forecasts

	2007	2008	2009	2010E	2011E	2012E	2013E
Sales	127.5	150.9	114.7	180.2	198.2	208.1	218.5
Growth	20.4%	18.4%	-24.0%	57.0%	10.0%	5.0%	5.0%
Organic growth *	27.6%	14.5%	-25.6%	52.0%	10.0%	5.0%	5.0%
GP	26.5	37.2	34.3	42.0	47.0	49.9	52.4
Growth	11%	40%	-8%	23%	12%	6%	5%
Operating profit **	3.5	6.0	4.3	6.1	7.2	7.9	8.4
Growth	16.1%	72.4%	-28.6%	41.6%	18.2%	10.2%	5.8%
% of sales	2.7%	4.0%	3.7%	3.4%	3.6%	3.8%	3.8%
% of GP	13.2%	16.2%	12.6%	14.5%	15.3%	15.9%	16.0%
EBIT	**3.3**	**5.9**	**4.5**	**5.1**	**7.2**	**7.9**	**8.4**
Growth	**1.3%**	**79.5%**	**-24.6%**	**13.8%**	**41.4%**	**10.2%**	**5.8%**
% of sales	**2.6%**	**3.9%**	**3.9%**	**2.8%**	**3.6%**	**3.8%**	**3.8%**
% of GP	**12.4%**	**15.9%**	**13.1%**	**12.1%**	**15.3%**	**15.9%**	**16.0%**

* Excluding forex and scope effects
** Excluding non-operating charges and revenues
Source: Kepler Capital Markets

Adding in FCF generation and the funds raised on the back of the IPO in 2006, Clasquin had a cash position of EUR9m at end-2009, compared with EUR3.7m in debt, implying low financial charges. Moreover, thanks to its activities in Asia, Clasquin benefited from a relatively low tax rate (25-30%). Net margin is thus close to the EBIT margin (2.1% in terms of sales in 2009 and 7% in terms of gross profit), and net profit is expected to follow the EBIT rebound. For 2009-13, our estimates lead to 23% net profit growth on average per year (net profit 2.4x), partly thanks to the favourable comparison basis offered by 2009, and partly thanks to activity and margins rebound (NP 2013 = 1.5x NP 2008).

Chart 20: Net profit forecasts



Source: Kepler Capital Markets

FCF hit by sales rebound, acceleration expected as of 2011

Thanks to better results, cash flow is expected to rebound as of 2010 (Table 12). Due to the integration of Gueppe, and its investments in trucks, capex was boosted to EUR2.8m in 2008. Amid a halt in activities, capex was reduced to EUR1m in 2009. In view of the more aggressive development strategy announced, we estimate that capex could increase in 2010 to reach EUR3m (catch-up effect) and maintained at EUR2.5m for the following years.

In 2009, adding in lower capex and lower WCR (due to the drop in sales), Clasquin had thus significantly improved its FCF generation: EUR6.1m versus EUR3.7m in 2008. However, a resumption of development and a sales rebound could penalise cash generation in 2010 (negative FCF expected). Amid more stable conditions, the company could return to high FCF generation, with EUR3.6m expected for 2011, 9.5% in FCF/EV despite conservative WCR assumptions (maintained at 6% of sales).

Table 12: FCF generation forecasts

	2006	2007	2008	2009	2010E	2011E	2012E	2013E
Cash flow	3.7	3.7	6.8	4.8	5.6	7.2	8.0	8.4
Capex	-1.2	-1.4	-2.8	-1.0	-3.0	-2.5	-2.5	-2.5
WCR	7.5	7.5	7.8	5.7	10.8	11.9	12.5	13.1
% of sales	7.1%	5.9%	5.2%	5.0%	6.0%	6.0%	6.0%	6.0%
Change in WCR	-0.2	-0.3	-0.3	2.2	-5.1	-1.1	-0.6	-0.6
FCF	**2.3**	**2.0**	**3.7**	**6.1**	**-2.5**	**3.6**	**4.9**	**5.3**
FCF yield	**4.1%**	**5.5%**	**13.3%**	**22.7%**	**Ns**	**9.5%**	**13.5%**	**15.9%**

Source: Kepler Capital Markets

With a net cash position of EUR2m at end-2010, and the improvement expected as of 2011, Clasquin could be able to finance its organic growth but also external growth.

Both predator and prey

External growth operations on the cards

Despite its willing to seize external growth opportunities, the company has not finalised any deal in the sector since its listing in 2006 (IPO price of EUR15.5). The absence of external growth in its business is not rare. Necotrans (EUR1bn in sales estimated) had declared its intention to acquire companies in 2008 in France and overseas (US, Brazil, etc.), but has not yet announced any deal.

Panalpina has managed only one external growth operation since its listing, with the acquisition of Apollo (Australian company) in November. In our opinion, the lack of transactions in the freight forwarding market does not mean there is no prey, but rather that bidders do not want to increase their offer price (5-6x EBITDA targeted by Clasquin).

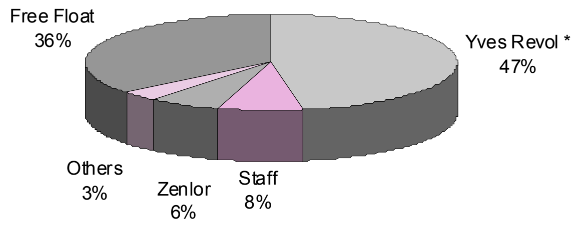
The company aims to: 1) complete its domestic network (insufficient coverage in the Paris region); 2) reinforce its presence in the German market; 3) develop (US) and penetrate new markets (India). Clasquin thus expects significant cross-selling synergies on the back of this deal. Considering transaction multiples of 5-6x EBITDA, a normative EBITDA margin of 4-5%, and the size of the target announced at around EUR50m in sales, Clasquin could invest EUR10-15m to realise external growth operations, which the company can perfectly afford.

To find new prey, Clasquin recently announced it may widen its acquisition target to include bigger players. If the target includes sales of over EUR60-70m target, we estimate that new ways of financing would be required (capital increase to raise cash, payment in shares, etc.). In view of management's selectivity, we are convinced that in the case of an external growth operation the deal will be quickly accretive for shareholders, and could boost the share price performance. However, as it is difficult to foresee such operations, we have not factoring any deal into our estimates and thus in the group's valuation.

A company owned by one man: Yves Revol, CEO

Despite the absence of external growth operations since its listing in 2006, the company is expecting to double its gross profit in 2010 compared with the performance posted in 2005 thanks to its strong organic growth during the period. The more the company grows, the more it becomes an attractive prey. The historical manager and main shareholder of the company, Yves Revol, could decide to sell his stake in the company.

Chart 21: Capital split



* Directly and through its Olymp holding
Source: Clasquin

In view of the large number of groups officially interested in external growth in the freight forwarding segment (Necotrans, Panalpina, Norbert Dentressangle, etc.), there is no lack of predators. Based on our estimates for 2011, and transaction multiples of 5-6x EBITDA, the price offered for Clasquin would reach EUR23-27 per share, significantly above the current share price.

Research ratings and important disclosures

Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (see below)	Currency	Price
BOLLORE	FR0000039299	nothing to disclose	EUR	158.95
CLASQUIN	FR0004152882	8	EUR	17.26
DEUTSCHE POST	DE0005552004	nothing to disclose	EUR	12.64
DSV 'B'	DK0060079531	nothing to disclose	DKK	123.30
EAGLE BULK SHIPPING	MHY2187A1010	nothing to disclose	USD	4.98
EXPEDITOR INTL.OF WASH.	US3021301094	nothing to disclose	USD	54.60
KUHNE+NAGEL INTL.	CH0025238863	nothing to disclose	CHF	130.00
NORBERT DENTRESSANGLE	FR0000052870	nothing to disclose	EUR	66.30
PANALPINA	CH0002168083	nothing to disclose	CHF	120.50
STEF-TFE	FR0000064271	nothing to disclose	EUR	38.90
TNT	NL0000009066	nothing to disclose	EUR	19.75
UTI WORLDWIDE	VGG872101032	nothing to disclose	USD	21.20

Source: Factset closing prices of 31/12/2010

Stock prices**:** Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

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