

Clasquin

France | Support services | MCAP EUR 66.1m

17 March 2017

Buy (Hold)

Target Price EUR 32.00 (30.00)
Current Price EUR 28.70
Up/downside 11.5%
Change in TP 6.7%
Change in EPS -24.1% 2016E

Sound drivers for earnings recovery

Low freight rates and higher opex have weighed on 2016 earnings. Recovery in 2017 should be strong in the light of the normalisation of freight rates, dynamic volumes and a smaller increase of opex. Rating upgraded from Hold to Buy, TP raised from EUR30 to EUR32.

Scissor effect

In light of GP/volume pressure and increasing opex base, we expected earnings to come under pressure in 2016, especially with a very high opex leverage. This was the case, with a higher proportion than we thought: recurring EBIT was down 22% at EUR5.2m and net profit down 35% at EUR2.2m (KECH: EUR5.4m in EBIT, EUR2.8m in net profit). The gap with our estimates is the result of a higher-than-expected increase in labour costs and financial costs. The solid recovery in air and ocean unit margins in Q4 (cfr. espresso of 22 February) was not enough to offset the first nine difficult months due to weak global demand and rising capacity, and despite very dynamic volume growth (Ocean freight: +17% in TEU, Air freight: +6% in tonnes, at a comparable scope).

Earnings recovery very likely in 2017

The scenario of a rebound in earnings this year is highly credible in the light of the spike we have been noticing on freight rates since Q4 2016 and that is pursuing in Q1 2017. Since volatility in freight rates can act as a double-edged sword, the swing in EBIT could be significant and without any delay. In such a situation, we point out the flexibility of Clasquin versus the largest freight forwarders who deal with larger customers in general and, as a result, tend to be more committed on rates. Q4 proved it nicely with Clasquin experiencing a notable bounce in unit margins, in both air and ocean. From an industry perspective, the shipping industry is gradually adjusting to global trade slowdown and overcapacity through consolidation among ship owners (China Shipping/Cosco, Japanese carriers) and after some notable bankruptcy (ex: Doosan, Hanjin in Korea). On top of this, we argue that the increase of opex base this year (+4.6% at a comparable scope) will soften in 2017 given that half of them are not supposed to repeat (ex: namely the strengthening of the top executives, costs related to the German and Australian activities).

Rating upgraded to Buy, TP raised to EUR32

The combined effect of the normalisation of freight rates and sustained volume will be amplified by slower growth in opex, thus advocating for earnings recovery in 2017. We raise our GP and EBIT estimates to take those elements into account. Impact on TP is EUR2. Upgrade to Buy.

Baptiste de Leuville

Equity Research Analyst

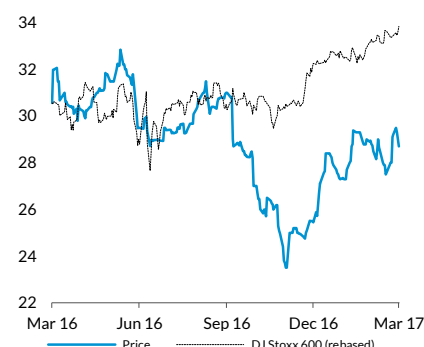
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Market data

Bloomberg: ALCLA FP	Reuters: ALCLA.PA
Market cap (EURm)	66
Free float	39%
No. of shares outstanding (m)	2
Avg. daily volume (EURm)	0.1
YTD abs performance	1.1%
52-week high/low (EUR)	32.85/23.50

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
Sales (m)	235.0	245.3	252.1
EBITDA adj (m)	7.1	8.5	9.1
EBIT adj (m)	4.6	6.3	7.8
Net profit adj (m)	2.1	3.3	4.3
Net fin. debt (m)	8.7	8.3	7.7
FCF (m)	0.1	3.0	4.3
EPS adj. and fully dil.	0.92	1.42	1.85
Consensus EPS	1.07	1.37	1.68
Net dividend	0.81	1.24	1.61

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
P/E adj and ful. dil.	31.2	20.2	15.5
EV/EBITDA	11.0	9.2	8.6
EV/EBIT	17.1	12.5	10.0
FCF yield	0.1%	4.6%	6.4%
Dividend yield	2.8%	4.3%	5.6%
Net fin. debt/EBITDA	1.2	1.0	0.8
Gearing	37.6%	33.4%	29.0%
ROIC	10.2%	13.2%	15.6%
EV/IC	2.6	2.5	2.3



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Key financials

FY to 31/12 (EUR)	2011	2012	2013	2014	2015	2016E	2017E	2018E
Per share data								
EPS adjusted	1.33	0.91	0.96	0.92	1.45	0.92	1.42	1.85
EPS adj and fully diluted	1.33	0.91	0.96	0.92	1.45	0.92	1.42	1.85
% Change	-9.7%	-31.4%	4.8%	-3.9%	57.8%	-36.7%	54.3%	30.2%
EPS reported	1.33	0.91	0.96	0.92	1.45	0.92	1.42	1.85
Cash flow per share	2.54	0.80	2.20	2.84	3.57	1.34	2.68	3.18
Book value per share	9.12	9.17	9.15	9.22	9.42	8.99	9.50	10.00
Dividend per share	1.20	0.75	0.75	0.80	1.25	0.81	1.24	1.61
Number of shares, YE (m)	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Valuation								
P/E adjusted	16.3	21.4	21.9	27.8	20.3	31.2	20.2	15.5
P/E adjusted and fully diluted	16.3	21.4	21.9	27.8	20.3	31.2	20.2	15.5
P/BV	2.4	2.1	2.3	2.8	3.1	3.2	3.0	2.9
P/CF	8.5	24.4	9.5	9.0	8.2	21.4	10.7	9.0
Dividend yield (%)	5.5%	3.8%	3.6%	3.1%	4.2%	2.8%	4.3%	5.6%
FCF yield (%)	6.3%	-2.2%	4.8%	6.2%	8.6%	0.1%	4.6%	6.4%
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	5.8	7.7	7.9	13.7	9.2	11.0	9.2	8.6
EV/EBIT	8.0	11.4	11.1	20.3	12.1	17.1	12.5	10.0
Income Statement (EURm)								
Sales	171.4	184.6	198.1	201.7	234.2	235.0	245.3	252.1
% Change	-4.3%	7.7%	7.3%	1.8%	16.1%	0.3%	4.4%	2.8%
EBITDA adjusted	7.9	6.0	6.3	4.6	8.2	7.1	8.5	9.1
EBITDA margin (%)	4.6%	3.3%	3.2%	2.3%	3.5%	3.0%	3.5%	3.6%
EBIT adjusted	5.7	4.1	4.5	3.1	6.3	4.6	6.3	7.8
EBIT margin (%)	3.3%	2.2%	2.3%	1.5%	2.7%	2.0%	2.6%	3.1%
Net financial items & associates	-0.5	-0.4	-0.4	-0.4	-0.1	-0.5	-0.5	-0.5
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-1.9	-1.4	-1.6	-0.9	-1.9	-1.5	-2.0	-2.6
Net profit from continuing operations	3.3	2.3	2.5	1.8	4.2	2.6	3.7	4.7
Net profit from discontinuing activities	0.0	0.0	0.0	0.7	-0.3	0.0	0.0	0.0
Net profit before minorities	3.3	2.3	2.5	2.5	4.0	2.6	3.7	4.7
Net profit reported	3.1	2.1	2.2	2.1	3.3	2.1	3.3	4.3
Net profit adjusted	3.1	2.1	2.2	2.1	3.3	2.1	3.3	4.3
Cash Flow Statement (EURm)								
Cash flow from operating activities	5.9	1.8	5.1	6.5	8.2	3.1	6.2	7.3
Capex	-2.7	-2.8	-2.8	-2.9	-2.4	-3.0	-3.1	-3.1
Free cash flow	3.1	-1.0	2.3	3.7	5.8	0.1	3.0	4.3
Acquisitions & Divestments	0.2	-1.6	0.0	-1.8	-8.5	0.0	0.0	0.0
Dividend paid	-2.9	-2.1	-2.0	-2.2	-2.1	-3.2	-2.2	-3.1
Others	0.0	-0.3	-0.5	-0.4	1.5	-0.5	-0.5	-0.5
Change in net financial debt	0.5	-5.1	-0.1	-0.7	-3.2	-3.6	0.4	0.6
Balance Sheet (EURm)								
Intangible assets	6.1	7.7	8.4	11.4	17.3	18.1	18.9	19.6
Tangible assets	5.5	5.8	5.5	6.2	3.8	4.0	4.0	4.1
Financial & other non-current assets	1.3	1.5	1.4	1.8	2.9	2.9	2.9	2.9
Total shareholders' equity	22.3	22.3	22.2	23.3	23.8	23.3	24.9	26.5
Pension provisions	0.4	0.6	0.7	1.1	1.1	1.1	1.1	1.1
Liabilities and provisions	47.4	59.0	65.8	73.3	85.5	104.3	107.7	110.0
Net financial debt	-5.8	-0.2	-0.1	0.7	5.2	8.7	8.3	7.7
Working capital requirement	4.8	8.6	8.0	6.2	6.3	8.2	8.6	8.8
Invested Capital	16.3	22.0	21.9	23.8	27.3	30.3	31.5	33.5
Ratios								
ROE (%)	14.9%	10.0%	10.4%	10.0%	15.6%	10.0%	15.3%	18.9%
ROIC (%)	22.1%	13.6%	12.7%	8.9%	16.9%	10.2%	13.2%	15.6%
Net fin. debt / EBITDA (x)	-0.7	0.0	0.0	0.2	0.6	1.2	1.0	0.8
Gearing (%)	-26.1%	-0.8%	-0.5%	3.0%	21.9%	37.6%	33.4%	29.0%

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Stock	ISIN	Disclosure (See Below)	Currency	Price
Clasquin	FR0004152882	8	EUR	28.70

Source: Factset closing prices of 16/03/2017

Companies mentioned

Stock	Disclosure (See Below)
	nothing to disclose

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Name of the Research Analyst(s): Baptiste de Leuville

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Rating ratio Kepler Cheuvreux Q4 2016

Rating Breakdown	A	B
Buy	52%	57%
Hold	32%	33%
Reduce	15%	6%
Not Rated/Under Review/Accept Offer	2%	4%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

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12 months rating history

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Clasquin (EUR)	29/04/2016 08:03	Equity Research	Hold	35.00	30.80
	29/08/2016 06:30	Equity Research	Hold	31.00	30.99
	22/09/2016 06:37	Equity Research	Hold	30.00	30.80

Credit research does not issue target prices. Left intentionally blank.

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Credit research

Rating system (issuer or instrument level)

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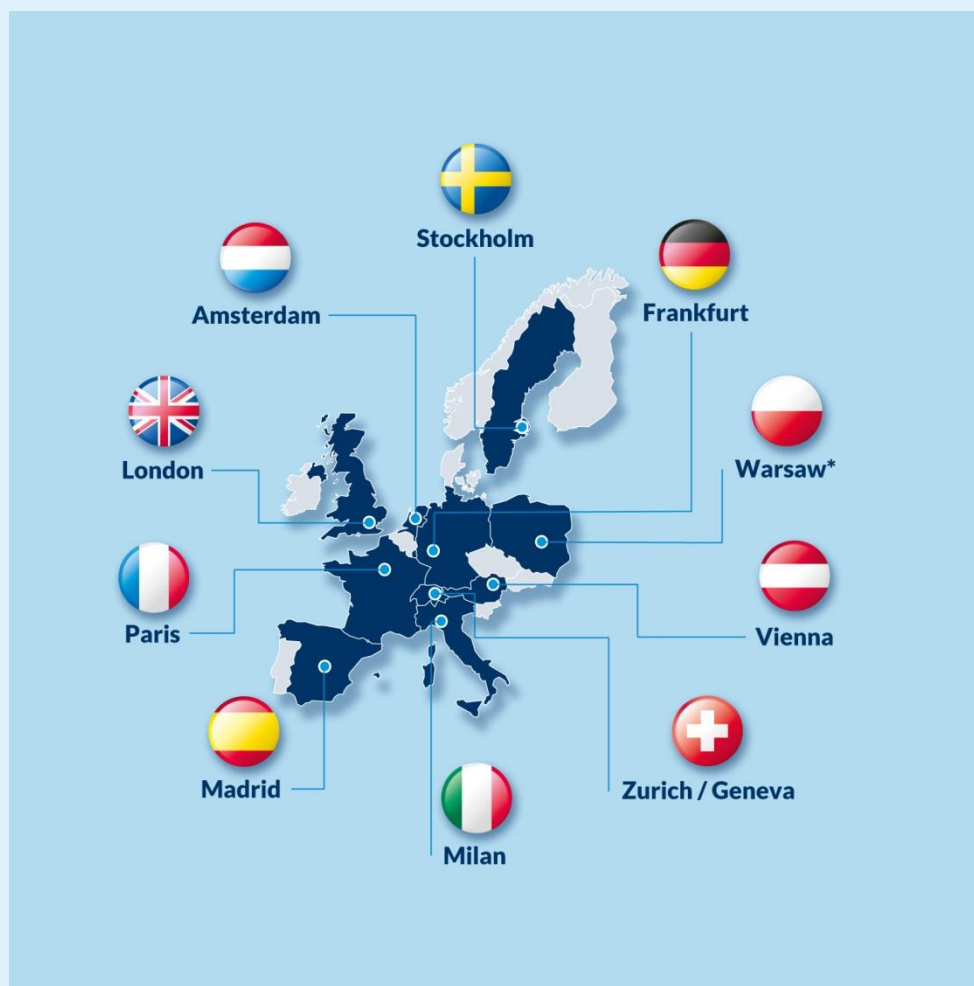
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