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QUADPACK

BUY

TARGET PRICE : 30€ (vs 29€) +51%

COMPANY CONTACT AFTER 2022/2023 RESULTS

PHASE 1 SUCCESSFUL, PHASE 2 OFF TO A GOOD START

The FY 2022/23 results Quadpack released yesterday confirm that the positive trends observed in H1 are continuing, with sales rebounding sharply (+29% lfl) and reported EBITDA margin expanding further (+1.7pt to 8.9%). The biggest news in yesterday's report was the significant reduction in debt achieved in H2 (-€10m to €40m excl. IFRS 16), this having been the main cause for concern in a rising rate environment. With the new CEO focused on sustainability and operational improvements, we expect the 2023/24 to see a return to more normal sales growth rates (+6% lfl), along with a sharp increase in profitability (reported EBITDA margin +2.3pts) and ongoing debt reduction (-€7m to €33m, or 2.2x adjusted EBITDA). As the market takes on board this substantial improvement in Quadpack's financial situation, the stock could start to regain some of the ground lost since early 2021. Still a BUY with a new TP of €30 (vs. €29).

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Report completed on
05/31/2023 7:30

Report published on
05/31/2023 7:43

Strong sales growth, earnings recovery confirmed in FY 2022/23

Quadpack reported FY 2022/23 sales (12 months to January 31st) of €142.6m (+34%), topping our €140.5m estimate. Organic growth (+29%) was particularly robust with the growth rate normalizing in H2 as anticipated (+12% vs. +51% in H1), especially at the Sourcing division (+14% vs. +69% in H1 for a FY gain of +34%). Organic growth at the Manufacturing business reached +15% in H2 after +29% in H1.

While robust sales did translate into earnings growth, operating leverage was not as strong as we had anticipated due to inflation. Reported EBITDA for FY 2022/23 came in at €12.6m (+65%) vs. our €13.6m estimate, lifting EBITDA margin to 8.9% (+1.7pt) vs 9.6% expected, EBIT at €2.7m (-€1.0m in 21/22) vs €5.1m exp. and net income at €1.0m (-€2.3m in 21/22) vs €2.5m exp.. Management notes that stripping out the plastics business in Spain (shut down early in 2023), EBITDA would stand at €13.5m.

Significant debt reduction in H2 allays concerns about the financial situation

Excluding IFRS 16, Quadpack's net debt fell from €44.2m at end 2021/22 to €39.7m at end 2022/23, below our €45.7m estimate. This performance is all the more noteworthy in that net debt had increased by €5.6m in H1, driven higher by the change in WCR (-€7.1m). **In other words, WCR improved by +€10.5m in H2!** While the increase in WCR was logical in H1, given the surge in sales and the need to secure inventories amidst supply chain disruptions, the speed of normalization took us by surprise.

The focus in 2023/24 will be on profitability and debt reduction

Quadpack's strategic plan through 2025 is designed to make it a leader in sustainable cosmetics packaging and improve its operating performances. While these objectives have not been expressed as financial targets (or at least the targets have not been made public), we understand from our discussions with management that in the near term, the focus will clearly be on boosting profitability and paying down debt. In 2023/24, we expect this strategy to lead to steadier lfl growth (+6%), while also allowing the company to considerably expand its reported EBITDA margin (+2.3pts to 11.2%) and continue to reduce its debt (-€7m to €32.8m excluding IFRS 16). .../...

Invest Securities and the issuer have signed an analyst coverage agreement

.in € / share	23/24e	24/25e	25/26e
Adjusted EPS	0,97	1,65	2,38
chg.	*+239%*	*+70,0%*	*+44,9%*
estimates chg.	*-14,3%*	*-1,8%*	*n.s.*

au 31/01	23/24e	24/25e	25/26e
PE	20,6x	12,1x	8,4x
EV/Sales	0,8x	0,7x	0,6x
EV/Adjusted EBITDA	8,1x	5,8x	4,3x
EV/Adjusted EBITA	15,0x	9,5x	6,4x
FCF yield*	5,5%	8,9%	12,8%
Div. yield (%)	n.s.	n.s.	1,3%

* After tax op. FCF before WCR

key points	
Closing share price 30/05/2023	19,90
Number of Shares (m)	4,4
Market cap. (€m)	87
Free float (€m)	7
ISIN	ES0105118006
Ticker	ALQP-FR
DJ Sector	Producer Manufacturing

	1m	3m	Ytd
Absolute perf.	+0,0%	+5,9%	+4,7%
Relative perf.	+4,0%	+13,7%	+2,2%

Source : Factset, Invest Securities estimates

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FINANCIAL DATA

Share information	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Published EPS (€)	0,97	0,92	-0,36	-0,53	0,23	0,88	1,64	2,37
Adjusted EPS (€)	**1,08**	**1,14**	**-0,11**	**-0,25**	**0,29**	**0,97**	**1,65**	**2,38**
Diff. I.S. vs Consensus	*n.d.*	*n.d.*	*n.d.*	*n.d.*	*n.d.*	*n.d.*	*n.d.*	*n.d.*
Dividend	0,38	0,36	0,00	0,00	0,00	0,00	0,25	0,25

Valuation ratios	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
P/E	24,0x	23,3x	n.s.	n.s.	77,6x	20,6x	12,1x	8,4x
EV/Sales	0,97x	1,12x	1,65x	1,45x	0,95x	0,80x	0,69x	0,59x
EV/Adjusted EBITDA	12,6x	12,8x	26,2x	25,5x	13,5x	8,1x	5,8x	4,3x
EV/Adjusted EBITA	16,1x	19,0x	n.s.	n.s.	39,4x	15,0x	9,5x	6,4x
Op. FCF bef. WCR yield	1,9%	2,2%	0,4%	0,1%	2,4%	5,5%	8,9%	12,8%
Op. FCF yield	8,0%	3,2%	2,2%	n.s.	4,9%	6,9%	8,1%	11,9%
Div. yield (%)	1,7%	1,4%	1,2%	n.s.	n.s.	n.s.	n.s.	1,3%

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Share price in €	*26,0*	*26,5*	*30,6*	*25,2*	*22,1*	*19,9*	*19,9*	*19,9*
Market cap.	99	107	132	110	97	87	87	87
Net Debt	2	36	36	44	40	33	25	15
Minorities	1	5	1	0	0	0	0	0
Provisions/ near-debt	0	0	1	1	1	1	1	1
+/- Adjustments	0	-1	-1	-1	-1	-1	-1	-1
Entreprise Value (EV)	**102**	**147**	**168**	**154**	**136**	**120**	**112**	**102**

Income statement (€m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Sales	104,7	131,0	102,0	106,4	142,6	150,1	161,3	172,6
chg.	*+15%*	*+25%*	*-22%*	*+4%*	*+34%*	*+5%*	*+8%*	*+7%*
Adj. EBITDA	8,1	11,5	6,4	6,0	10,1	14,8	19,2	23,5
Adj. EBITA	**6,3**	**7,7**	**1,1**	**0,1**	**3,5**	**8,0**	**11,7**	**15,8**
chg.	***-18%***	***+22%***	***-86%***	***n.s.***	***n.s.***	***n.s.***	***+48%***	***+35%***
EBIT	6,5	7,1	0,2	-1,0	2,7	7,5	11,7	15,8
Financial result	-1,4	-1,8	-2,3	-1,7	-2,4	-2,1	-1,8	-1,4
Corp. tax	-1,4	-1,4	0,8	0,1	0,5	-1,5	-2,8	-4,0
Minorities+affiliates	0,0	-0,2	-0,2	0,3	0,2	0,0	0,0	0,0
Net attributable profit	3,7	3,7	-1,5	-2,3	1,0	3,8	7,2	10,4
Adjusted net att. profit	4,1	4,6	-0,5	-1,1	1,2	4,2	7,2	10,4
chg.	***-23%***	***+11%***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***+70%***	***+45%***

Cash flow statement (€m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Adjusted EBITDA	8,1	11,5	6,4	6,0	10,1	14,8	19,2	23,5
Theoretical Tax / EBITA	-1,8	-2,2	-0,3	0,0	-1,0	-2,2	-3,3	-4,4
Capex	-4,4	-6,0	-5,4	-5,9	-5,8	-6,0	-6,0	-6,0
Operating FCF bef. WCR	**1,9**	**3,3**	**0,7**	**0,1**	**3,3**	**6,5**	**9,9**	**13,0**
Change in WCR	6,2	1,4	2,9	-1,4	3,5	1,7	-0,9	-0,9
Operating FCF	**8,1**	**4,7**	**3,6**	**-1,3**	**6,7**	**8,2**	**9,0**	**12,1**
Acquisitions/disposals	-0,5	-45,1	0,0	-4,0	0,5	0,0	0,0	0,0
Capital increase/decrease	0,0	13,7	-0,2	0,1	0,0	0,0	0,0	0,0
Dividends paid	-1,1	-1,2	0,0	-0,8	0,0	0,0	0,0	-1,1
Other adjustments	2,1	-5,9	-3,3	-2,1	-2,7	-1,3	-1,2	-0,9
Published Cash-Flow	**8,6**	**-33,7**	**0,2**	**-8,1**	**4,5**	**6,9**	**7,8**	**10,1**

Balance Sheet (€m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Assets	16,1	57,0	57,1	62,3	61,9	60,6	59,1	57,4
Intangible assets/GW	5,7	32,8	33,4	36,3	35,9	35,1	34,3	33,5
WCR	10,4	19,0	16,6	17,6	13,7	12,0	12,9	13,8
Group equity capital	23,5	35,0	36,5	34,7	35,3	39,1	46,3	55,6
Minority shareholders	0,5	4,6	0,5	0,2	0,1	0,1	0,1	0,1
Provisions	0,1	0,1	0,6	0,8	0,6	0,6	0,6	0,6
Net financial debt	**2,4**	**36,2**	**36,1**	**44,2**	**39,7**	**32,8**	**25,1**	**15,0**

Financial ratios	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Adjusted EBITDA margin	7,7%	8,8%	6,3%	5,7%	7,1%	9,8%	11,9%	13,6%
Adj. EBITA margin	6,0%	5,9%	1,0%	0,1%	2,4%	5,3%	7,3%	9,2%
Adjusted Net Profit/Sales	3,9%	3,5%	n.s.	n.s.	0,9%	2,8%	4,5%	6,0%
ROCE	23,8%	10,2%	1,4%	0,1%	4,6%	11,0%	16,3%	22,2%
ROE adjusted	17,6%	13,1%	n.s.	n.s.	3,5%	10,8%	15,6%	18,8%
Gearing	10,2%	103,6%	98,9%	127,2%	112,6%	84,0%	54,2%	26,9%
ND/Adjusted EBITDA (in x)	0,3x	3,2x	5,6x	7,3x	3,9x	2,2x	1,3x	0,6x

Source : company, Invest Securities Estimates

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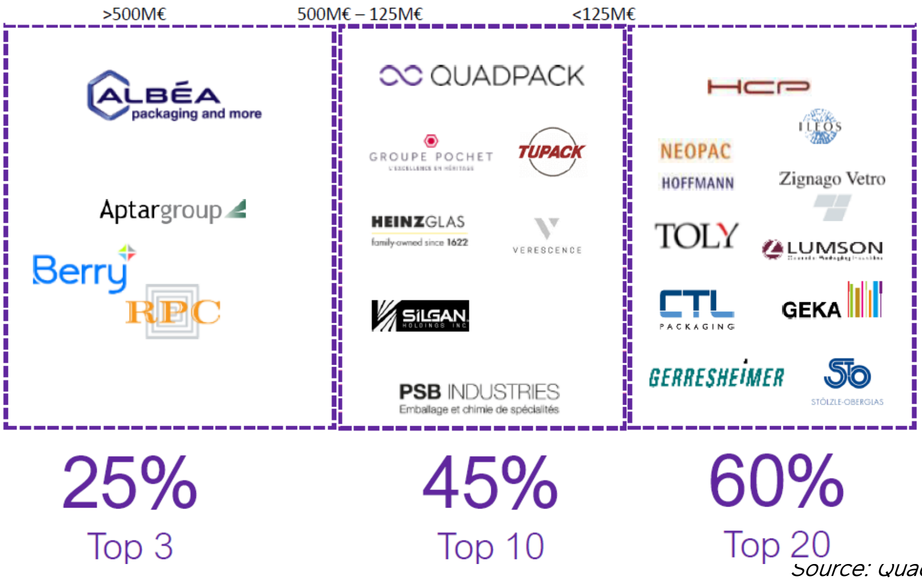
Background: One of Europe's 10 leading cosmetics packaging suppliers

Founded in 2003, Quadpack is a Spain-based firm specialized in cosmetics packaging. It operates in a €20bn market (10% of the global cosmetics market) dominated by companies like Albéa, AptarGroup, Berry and RPC, and counts among Europe's ten leading players alongside Tupack, Groupe Pochet, Heinz-Glas, Verescence, Silgan and PSB Industries. While it works with cosmetics giants such as L'Oréal, Estée Lauder, Shiseido and Beiersdorf, Quadpack's main target is midsize companies (€50m to €1bn of sales) that allow it to optimize its profitability, including L'Occitane, Kiko Milano, Rituals and ISDIN.

Competitive universe for Quadpack



Source: Quadpack

Historically focused on packaging for skincare products (67% of H1 2022/23 sales), Quadpack has expanded its offering to include packaging for makeup (19%) and perfume (9%). This allows it to better address the needs of clients that are active in these three markets. Its broad product offering includes airless containers (stops contact between a product and the outside air to prevent oxidation), plastic jars made through injection molding, glass jars and bottles, and wood containers. In addition to packaging, Quadpack also offers decorating and finishing services (serigraphy, laser etching, hot stamping) in order to deliver finished products to its clients and keep most of the value-added in the packaging for itself.

In terms of business model, Quadpack has profoundly modified its strategy over the years. When it was founded in 2003, the company specialized in sourcing from Eastern Europe and Asia and reselling the products almost exclusively to small and midsize European companies active in the skincare mass market. Its 2013 takeover of Technotraf Wood Packaging (wood-based packaging) marked a shift to an industrial strategy. Quadpack has since made five acquisitions (Kamprak in 2014, Rinaplast in 2016, Louvrette and Inotech in 2019 and Wicklein in 2021) to bolster its production capacity in Europe (notably in Germany) and reduce its dependence on Asian suppliers. The Sourcing business accounted for almost 100% of sales in 2013/14, but by 2022/23 its share was just 55%, with Manufacturing contributing the other 45%. This strategic shift will clearly continue over the coming years, fueled by the COVID crisis (and its impact on supply chains) and consumers' increasing appetite for local and more responsible production, which confirms the wisdom of Quadpack's strategy, though it intends to maintain a dual business model.

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New CEO at the helm since September

On September 13 of last year, Quadpack announced that it had named Alexandra Chauvigné as its new chief executive officer effective September 1. She succeeded cofounder Tim Eaves, who remains chairman of the board. The shakeup was in keeping with good governance practices, which call for a separation of the CEO and board chair positions in order to improve transparency and accountability. It also allows Eaves to devote more time to social and environmental responsibility initiatives in the newly created role of chief impact officer.

Chauvigné has acquired considerable leadership experience over her 25-year career in the packaging industry. She previously served as general manager of the consumer packaging division of DS Smith, a global supplier of sustainable cardboard (2021/22 sales of £7.24bn). Between 2011 and 2020, she held various executive positions at Aptar, a global leader in dispensing packaging solutions: she was vice president for skincare and color cosmetics from 2018 to 2020 and, prior to that (2011-17), president, global market development for the brand's beauty business. Her expertise in product strategy and production optimization will be great assets to Quadpack with its current focus on these two areas.

As discussed in the outlook section below, Chauvigné is gradually making her mark on the company's strategy, giving priority to innovation and sustainability while simultaneously working to optimize profitability and reduce debt.

An ESG approach that continues to bear fruit

Quadpack has placed ESG at the heart of its strategy for several years now. As evidence of its commitment, the company achieved B Corp status two years ago, becoming the first cosmetics packaging firm to earn this certification. It has also joined the UN Global Compact, which aims to promote socially responsible attitudes in business. Additionally, Tom Eaves, former CEO and now board chairman, has been spearheading sustainable development initiatives since September 2022 in his role as chief impact officer.

The company continued to pursue its ESG goals at different levels in 2022/23, notably with a campaign to measure the impact of every product in its catalogue over its entire lifecycle. This analysis will shape Quadpack's product development strategy going forward, as it works to integrate eco-design principles, sustainable materials, refillable containers and single-material products that optimize recycling. Its different actions in this area include launching a stick for solid formulas with a PCR content of up to 42% and a refillable lipstick in a container that Quadpack makes with wood from sustainably managed forests.

In sum, Quadpack is continuing to step up its ESG initiatives, believing that this will remain a major differentiating factor in its industry and give it an increasingly large competitive edge going forward. Moreover, its efforts to sell more of its own products (45% of 2022/23 sales), made at its production sites in Europe (five facilities of which three in Spain, two in Germany), rather than products sourced from Asia, is proving quite popular with clients that are also facing pressure from consumers (e.g. L'Oréal's 2030 Plan and Beiersdorf's targets for 2025-30). At the same time, the use of plastic alternatives for cosmetics packaging (wood, metal, bio-sourced polymers) is perfectly in keeping with the times and will do a great deal to set the company apart. **As we have reiterated many times now, we find this strategy smart and see it as a source of opportunities for the company.**

The sharp rebound seen in H1 22/23 is confirmed

It should be recalled that the H1 2022/23 earnings Quadpack reported late last November showed very robust sales growth (+58% to €73.9m), well ahead of our estimate (+39%), thanks to (i) a post-Covid surge in order intake in H2 21/22, and (ii) the resolution of supply chain disruptions that had prevented the company from fulfilling

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all its orders in H2 21/22.

Yesterday, the company reported FY 2022/23 sales of €142.6m (+34%; +29% lfl), whereas we were looking for €140.5m. This growth was fueled by the contribution from Wicklein (consolidation scope effect of +4pts) and a positive forex effect (+2pts), but organic growth was also quite strong (+29%) with, as was anticipated, a normalization in H2 (+12% following +51% in H1), especially at the Sourcing division (+14% in H2 after +69% in H1, for a full-year gain of +34%). Organic growth at the Manufacturing business, results for which are now broken down into three subsegments (plastic, wood and decoration), reached +15% in H2 following +29% in H1.

2022/23 reported results vs. estimates

in m€ (ended 31/01) published figures	2021/22 published	2022/23 published	2022/23 IS Estimates	diff.
Revenue	106,4	142,6	140,5	+2%
lfl change	*+2%*	*+29%*	*+26%*	
change	*+4%*	*+34%*	*+32%*	
Published EBITDA	7,7	12,6	13,6	-7%
change	*-9%*	*+65%*	*+77%*	
EBITDA margin	7,2%	8,9%	9,6%	
EBIT	-1,0	2,7	5,1	-46%
Net Profit	-2,3	1,0	2,5	-60%

Source : Quadpack, IS estimates

in m€ (ended 31/01) Adjusted figures	2021/22 published	2022/23 published	2022/23 IS Estimates	diff.
Revenue	106,4	142,6	140,5	+2%
lfl change	*+2%*	*+29%*	*+26%*	
change	*+4%*	*+34%*	*+32%*	
Adjusted EBITDA	6,0	10,1	11,6	-13%
change	*-6%*	*+67%*	*+91%*	
Adj. EBITDA margin	5,7%	7,1%	8,2%	
Adjusted EBIT	0,1	3,5	5,1	-32%
Adjusted Net Profit	-1,1	1,2	2,6	-52%

Source : Quadpack, IS estimates

This strong sales trend translated into robust earnings growth as well, though operating leverage just missed our expectation. Reported EBITDA came in at €12.6m (+65%), short of our €13.6m estimate, and reported EBITDA margin rose to 8.9% (+1.7pt) vs. our 9.6% estimate. EBIT reached €2.7m (-€1.0m in 2021/22), whereas we were looking for €5.1m, and net income of €1.0m (vs. -€2.3m in 2021/22) missed our €2.5m estimate.

At a more granular level, reported EBITDA at the Manufacturing division was in line with our expectation (€5.9m, for a margin of 9.5% vs. €5.8m and 9.5% in our model), but leverage at the Sourcing division fell short (reported EBITDA of €6.8m, 8.3% margin vs. €7.7m and 9.7% in our model). Not only did strong sales growth in Sourcing fail to optimize margins, the division's gross margin also contracted (to 43.8%, down 3.1pts) due to higher raw material prices that were only passed through to customers gradually. Note that the FY result does not call into question the Sourcing division's potential to achieve a normative EBITDA margin of 10% to 11%. **Management also mentioned that EBITDA would have ended the fiscal year at €13.5m if the closure of the plastics business in Spain was factored in (see 2023 outlook section below). Taking that change into account, EBITDA margin at the Manufacturing division would have reached 11%, underpinning our assumption about the normative margin potential.** Lastly, we would note that this latest earnings report shows a reported EBITDA margin of 16.4% (+2.7pts) for the wood activity, just 6.9% (+2.1pts) for Plastic and 10.5% for Decoration. As we see it, these gaps are a good illustration of the margin expansion potential across the entire Manufacturing division.

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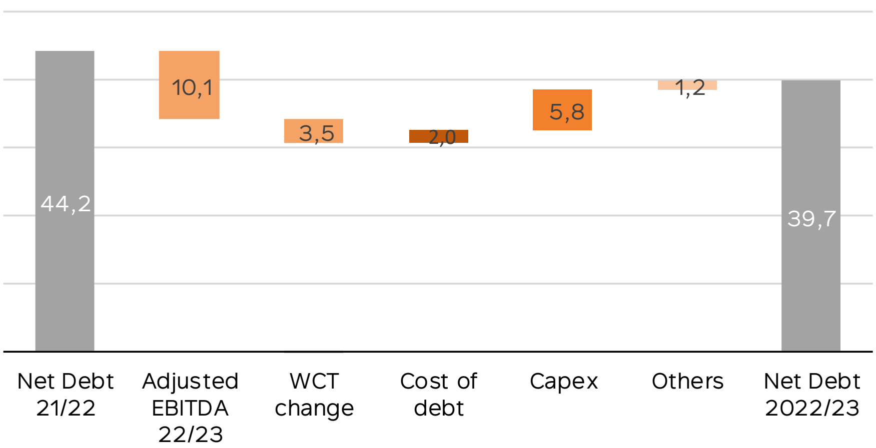
The best surprise of the earnings release: Substantial debt reduction in H2

Excluding IFRS 16 adjustments, Quadpack's net debt dropped from €44.2m in January 2022 to €39.7m at end-January 2023, vs. our €45.7m estimate. In addition to the absence of acquisitions, this decrease was driven chiefly by the trend in adjusted EBITDA (+€10.1m) and working capital optimization (+€3.5m), which more than offset higher capex (-€5.8m) and interest expenses (-€2m).

Trend in net debt excluding IFRS 16



Source : Quadpack

This reduction is noteworthy, especially considering that net debt had increased by €5.6m in H1 22/23 due to the change in WCR (-€7.1m). **In other words, WCR improved by €10.5m in H2!** While it was logical to see WCR increase in H1, given the surge in sales and the need to secure inventories amidst supply chain disruptions, we were not anticipating such a rapid normalization.

In short, Quadpack's financial profile improved considerably in the past year, with its net debt to EBITDA ratio (not adjusted for IFRS 16) dropping from 6.3x at the end of 2021/22 to 3.6x at the end of 2022/23.

Outlook for 2023/24: Focus on profitability and deleverage confirmed

Five-year plan geared to sustainability and operational improvement

Quadpack's strategic plan for the five years to 2025 is designed to help it become a leader in sustainable cosmetics packaging, a company with improved operating performances and a financial model that is resilient and creates value for shareholders. The plan rests of four pillars:

- **Sustainability:** ESG will remain central to the company's strategy of setting itself apart in terms of its social and environmental practices, with a core goal of making 50% of the products in its portfolio recyclable, compostable or reusable by 2025.
- **An efficient operating model:** Here, the focus will be on attracting new talent, improving processes and operating efficiencies, and becoming more operationally agile. Digitalization will play a central role in these efforts, with (i) the implementation of SAP S4/Hana as the company's ERP (1st deployment in November 2021, with rollouts in Spain, France and Italy in 2022), (ii) an e-commerce platform, and (iii) a new Manufacturing Execution System, or MES, to help the company oversee and optimize production and move toward Industry 4.0 (1st deployment anticipated in H1 23 at the Kierspe facility with other production sites following in 2024).

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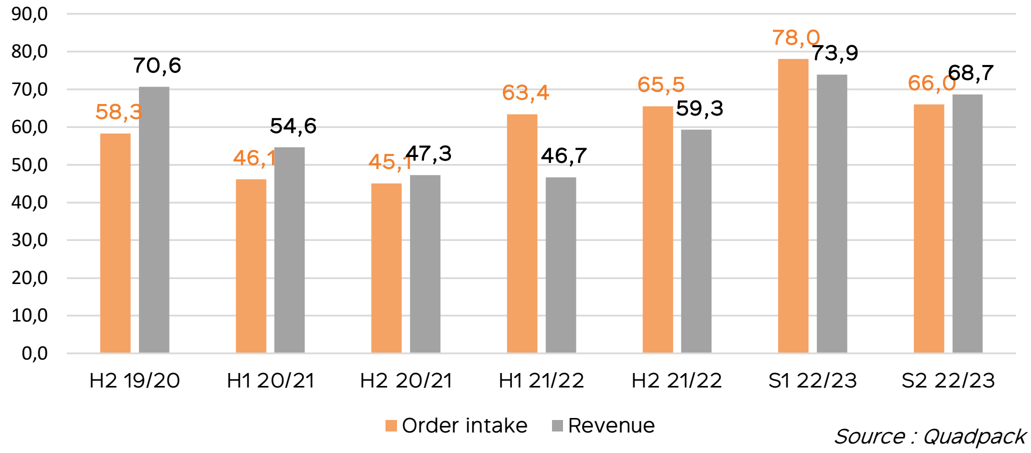
- **Global footprint, local offering:** Quadpack's goal is to increase the share of its products that are made locally in order to offer supply solutions that are tailored to each region in which it operates. After Europe, it is now turning its focus to the US.
- **Collaborative innovation:** The company is working to forge stronger partnerships for the development of new commercial solutions, manufacturing techniques, and avant-garde products and services.

While these objectives have not been expressed as financial targets (or at least the targets have not been made public), we understand from our discussions with management that in the near term, the focus will clearly be on boosting profitability and paying down debt.

Growth rates expected to return to normal in 2023/24

Management's growth forecasts for 2023/24 are relatively cautious, given that (i) it will be focusing in priority on profitability and debt reduction, and (ii) the US market will be slowing while the rebound in Asian markets will be gradual. It only expects to match or slightly exceed growth in the cosmetics market (i.e. around +5%). This assumption is underpinned by order intake, which returned to a level more consistent with past performances in H2 22/23 (€66m) after spiking in H1 22/23 (€78m). The H2 trend thus marked a normalization, not by any means a downturn in the market. We would also note that the price increases passed last year will in theory be reflected in the company's results over the full 12 months of 2023/24.

Trend in sales and order intake



Source : Quadpack

Optimizing profitability

As mentioned above, improving profitability is today a top priority for Quadpack, through initiatives that include digitalizing processes and rationalizing production capacity.

To this end, it made the decision in January of 2023 to shut down its plastic packaging facilities in Spain (Quadpack Plastic SAU) and transfer that facility's activities to the company's production plant in Germany. This transfer is expected to save Quadpack around €1m in 2023/24. Quadpack will also get a boost from the optimization of the utilization rate at its industrial plant in Kierspe, Germany, where production capacity was increased by 30% last year.

Additional sources of momentum will be the return to a more normative growth dynamic, the effect over 12 month of the price hikes of 2022/23, and easing inflation (wages, raw material costs and logistics). In sum, the 2023/24 fiscal year is likely to see a bigger

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jump in profitability than 2022/23.

Debt reduction will also remain a top priority, management's goal being to deliver earnings growth while at the same time keeping capex in check and continuing to optimize WCR.

Marginal adjustments to our Adj. EBITDA estimates for 2023/24 and 2024/25

As shown in the table below, we have made fairly substantial changes to our estimates for 2023/24 and 2024/25, lowering our organic growth assumptions but raising our profitability targets. In the end, however, these changes have a relatively limited impact on adjusted EBITDA in our model (-€0.5m in 2023/24e and +€0.5m in 2024/25e). The effect on adjusted net income is more pronounced since the increase in the EURIBOR rate is driving up the cost of debt.

IS estimates for 2023/24 and 2024/25, with revisions

in m€ (ended 31/01)	2022/23	2023/24e			2024/25e		
Adjusted figures	published	New	Prev	Change	New	Prev	Change
Revenue	142,6	150,1	155,7	-4%	161,3	173,0	-7%
lfl change	*+29%*	*+6%*	*+11%*		*+8%*	*+11%*	
change	*+34%*	*+5%*	*+9%*		*+8%*	*+11%*	
Adjusted EBITDA	10,1	14,8	15,3	-4%	19,2	18,7	+3%
change	*+67%*	*+46%*	*+52%*		*+30%*	*+22%*	
Adj. EBITDA margin	7,1%	9,8%	9,8%		11,9%	10,8%	
Adjusted EBIT	3,5	8,0	8,2	-3%	11,7	11,6	+1%
Adjusted Net Profit	1,2	4,2	5,0	-14%	7,2	7,3	-2%

NB : ajustements liés à IFRS 16

Source : Quadpack, IS estimates

Price target raised to €30 (from €29), BUY rating reiterated

Our valuation of Quadpack represents the average of a DCF model and a peer comparison, details of which are shown below. This approach produces a target price of €30 (vs. €29). Given the stock's significant upside potential (+51%) and the company's newfound momentum, we remain BUYERS.

- Our DCF model now yields a TP of €31.0 (vs. €29.8 previously), taking into account a lower WACC (9.82% vs. 10.38%) and a six-month shift in the forecast calendar.

DCF model assumptions

DCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Sales	106	143	150	161	173	183	193	202	210	216	221	225
chg.	*+4,3%*	*+34,1%*	*+5,2%*	*+7,5%*	*+7,0%*	*+6,2%*	*+5,4%*	*+4,6%*	*+3,9%*	*+3,1%*	*+2,3%*	*+1,5%*
Adjusted EBITDA	6,0	10,1	14,8	19,2	23,5	25,3	27,0	28,7	30,2	31,6	32,8	33,7
Adj. EBITDA margin	5,7%	7,1%	9,8%	11,9%	13,6%	13.8%	14.0%	14.2%	14.4%	14.6%	14.8%	15.0%
Capex	-5,9	-5,8	-6,0	-6,0	-6,0	-6,2	-6,5	-6,6	-6,7	-6,8	-6,8	-6,7
in % of sales	*-5,6%*	*-4,1%*	*-4,0%*	*-3,7%*	*-3,5%*	*-3,4%*	*-3,3%*	*-3,3%*	*-3,2%*	*-3,1%*	*-3,1%*	*-3,0%*
Adjusted Depreciation	-6,0	-6,6	-6,8	-7,5	-7,7	-7,7	-7,8	-7,7	-7,6	-7,4	-7,1	-6,7
in % of sales	*-5,6%*	*-4,6%*	*-4,5%*	*-4,6%*	*-4,4%*	*-4,2%*	*-4,0%*	*-3,8%*	*-3,6%*	*-3,4%*	*-3,2%*	*-3,0%*
WCR	17,6	13,7	12,0	12,9	13,8	14,7	15,5	16,2	16,8	17,3	17,7	18,0
WCR / Sales (%)	*16,6%*	*9,6%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*
Corp. tax	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%
Summary												
EBITDA	6,0	10,1	14,8	19,2	23,5	25,3	27,0	28,7	30,2	31,6	32,8	33,7
Corp. tax	0,0	-1,0	-2,2	-3,3	-4,4	-4,9	-5,4	-5,9	-6,3	-6,8	-7,2	-7,6
Capex	-5,9	-5,8	-6,0	-6,0	-6,0	-6,2	-6,5	-6,6	-6,7	-6,8	-6,8	-6,7
Change in WCR	-1,4	3,9	1,7	-0,9	-0,9	-0,9	-0,8	-0,7	-0,6	-0,5	-0,4	-0,3
Op. FCF aft. WCR	**-1,3**	**7,2**	**8,2**	**9,0**	**12,1**	**13,3**	**14,4**	**15,5**	**16,5**	**17,5**	**18,4**	**19,2**
var	ns	-673%	14%	10%	35%	9%	9%	8%	7%	6%	5%	4%
Coef d'actualisation			1,0	2,0	3,0	4,0	5,0	6,0	7,0	8,0	9,0	10,0
Discounted Op. FCF			7,5	7,5	9,2	9,1	9,0	8,8	8,6	8,3	7,9	7,5

Source : IS estimates

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DCF model assumptions

Valuation	in m€	€/share
Period 1-10 years	83,4	19,0
Infinity growth	91,6	20,9
Total Entreprise Value	**175,0**	**39,9**
Net Debt adjusted	-39,7	-9,1
Other adjustments	0,4	0,1
Valuation	**135,7**	**31,0**

Source : Invest Securities

Sensitivity analysis

LT Growth	WACC 8,3%	8,8%	9,3%	**9,8%**	10,3%	10,8%	11,3%
+0,5%	36,8	33,7	31,0	28,5	26,4	24,4	22,6
+1,0%	38,7	35,3	32,3	29,7	27,3	25,2	23,4
+1,5%	40,8	37,1	**33,8**	**31,0**	**28,4**	26,2	24,2
+2,0%	43,3	39,1	35,5	32,4	29,7	27,2	25,1
+2,5%	46,2	41,5	37,5	34,1	31,1	28,4	26,1

Source : Invest Securities

Marge EBITDA ajustée LT	WACC 8,3%	8,8%	9,3%	**9,8%**	10,3%	10,8%	11,3%
10,0%	24,7	22,5	20,5	18,8	17,3	15,9	14,6
12,5%	32,8	29,8	27,2	24,9	22,8	21,0	19,4
15,0%	40,8	37,1	33,8	**31,0**	28,4	26,2	24,2
17,5%	48,9	44,4	40,5	37,1	34,0	31,3	28,9
20,0%	56,9	51,7	47,1	43,1	39,6	36,5	33,7

Source : Invest Securities

- Our peer comparison, which applies a 20% discount to reflect Quadpack's size, moves up to €28.8 (from €28.2), boosted by the rerating Groupe Guillin has enjoyed since the start of the year (+18%) as well as a 12-month shift in the forecast calendar.

Peer comparison for Quadpack

QUADPACK vs Peers	Sh. price (€)	Mark. Cap. (m€)	chg. ytd	PE 23e	PE 24e	EV/CA 23e	EV/CA 24e	EV/EBITDA publié 23e	EV/EBITDA publié 24e
APTARGROUP INC	105,7	6 924	-4%	26,7x	24,0x	2,5x	2,4x	13,2x	12,1x
TFF GROUP	39,4	854	-3%	16,0x	14,5x	2,3x	2,2x	11,0x	10,2x
GROUPE GUILLIN	25,7	476	+18%	8,0x	7,2x	0,6x	0,5x	4,2x	3,7x
OENEO	14,0	911	+0%	20,4x	17,9x	2,5x	2,4x	11,8x	10,7x
U10 CORP	1,2	21	+0%	17,6x	11,2x	0,4x	0,4x	14,6x	12,8x
Average			**+2%**	**17,7x**	**15,0x**	**1,7x**	**1,6x**	**10,9x**	**9,9x**
QUADPACK	19,90	87	+5%	20,6x	12,1x	0,8x	0,7x	8,1x	5,8x
Potentiel théorique				-14%	+24%	+148%	+153%	+73%	+104%

Source : Factset / Invest Securities

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INVESTMENT CASE

Founded in 2003, Quadpack specializes in cosmetics products packaging. The group initially focused on sourcing and essentially distributed airless products manufactured by the Korean company Yonwoo. The group then gradually streamlined its structures and at the same time began to develop in value-added services. This shift accelerated with the acquisition of production plants that have now made Quadpack a hybrid European group straddling industrial and sourcing models. As such, Quadpack currently meets the needs of all its clients up to the largest cosmetics groups by offering original products that can be delivered rapidly while responding to ecological challenges.

SWOT ANALYSIS

STRENGTHS

- Hybrid positioning between sourcing and industrial models
- Operational industrial capacity in Europe with significant residual production capacities
- Innovative player able to produce top of the line customized products responding to ecological challenges

WEAKNESSES

- Still modest size compared to the major players in cosmetics packaging
- Still highly European presence

OPPORTUNITIES

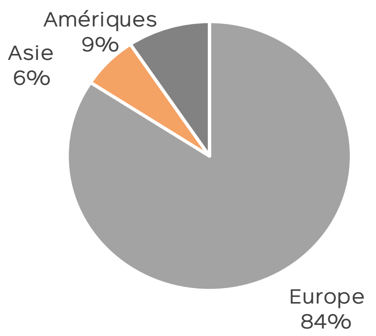
- Ability to offer its customers innovative and ecological top of the line products
- Response to the post-Covid recovery in consumer spending
- Acceleration in development in the United States and Asia thanks to original offers
- Positioning centered on the structurally growing skincare market

THREATS

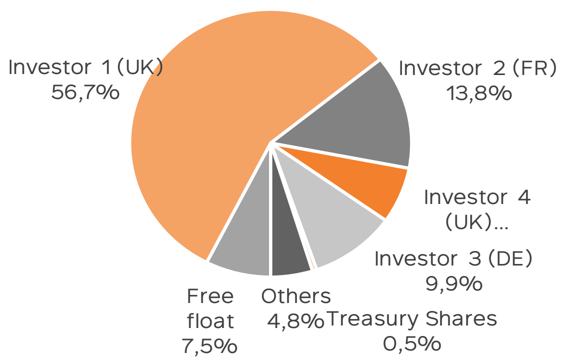
- Cosmetics players bringing packaging production in-house
- Slowdown on the world cosmetics market
- Poor execution of the strategy of rapid growth

ADDITIONAL INFORMATION

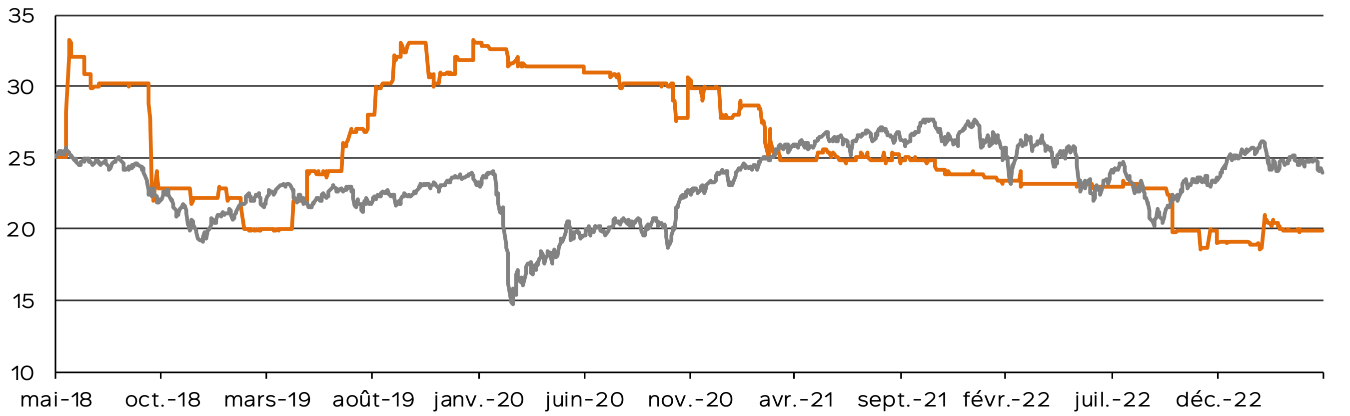
Sales Breakdown 2022/23



Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



Source : Factset Estimates

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TARGET PRICE AND RECOMMENDATION

Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company's risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

Ratings assigned by the Invest Securities analysis office are defined as follows:

- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company's risk profile)
- NEUTRAL: Between -10% downside and +10% upside potential (the maximum required may be revised upward depending on the company's risk profile)
- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company's results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

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12-MONTH HISTORY OF OPINION

The table below reflects the history of price recommendation and target changes made by the financial analysis office of Invest Securities over the past 12 months.

Company Name	Main Author	Release Date	Rating	Target Price	Potential
Quadpack	Maxime Dubreil	22-nov.-22	ACHAT	29,0	+46%

DETECTION OF CONFLICTS OF INTEREST

	Quadpack
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	Yes
Invest Securities and the issuer have signed a research service agreement.	Yes
Invest Securities and the issuer have signed a Listing Sponsor agreement.	No
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	Yes
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

Invest Securities' conflict of interest management policy is available on the Invest Securities website in the Compliance section. A list of all recommendations released over 12 months as well as the quarterly publication of "BUY, SELL, NEUTRAL, OTHERS" over 12 months, are available on the Invest Securities research platform.

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