

COMPANY CONTACT AFTER H1 2023/2024 RESULTS

2 MAJOR NEW MILESTONES REACHED IN H1 23/24

After the post-Covid recovery was confirmed in H1 22/23, and H2 22/23 saw a combination of margin expansion and debt reduction, the results for H1 23/24, released last Wednesday, showed a big jump in profitability (reported EBITDA margin +4pts), even as revenue dipped (-5% lfl). The fact that the company continues to reduce its debt, and refinanced 100% of its LT debt in July, means that its financial situation is no longer a source of concern. While destocking could continue to depress sales temporarily, various cost-optimizing measures put into place should drive profitability up sharply over the coming years. These are structural measures that will position the group to reap rewards when revenue growth picks up again. After making only minimal changes to our estimates, we remain **BUYERS** with a new target price of **€29 (vs €30)**.

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Impressive margin expansion in H1 despite weak revenue

Revenue for H1 2023/24 (ended July) reached €70.1m (-5%; -5% lfl), whereas our estimate was for €74.4m / +2% lfl. While it is true that the basis for comparison was very demanding (+50% lfl in H1 22/23) due to a post-Covid rebound, it should also be said that business levels were not as buoyant as anticipated, as clients sought to use up the inventories built up the year before when they were worried about supply.

Despite the sales miss, the H1 results came in well above our estimates, particularly reported EBITDA, which reached €9.4m (+36%) vs. our €7.5m estimate, with EBITDA margin ending the period at 13.3% (+4pts) vs. our 10.1% estimate. This overshoot was made possible by the company's work to optimize operating costs (gross margin was broadly flat at 50.7%) through a series of measures, notably the closure of the Quadpack Plastics site in Spain and transfer of production to Kierspe.

Continued debt reduction and refinancing of all LT debt

Net debt, excluding IFRS 16, ended July at €35.1m, for a €4.6m reduction in H1 following -€10m in H2 22/23. With its improved financial situation, the company was able to secure a syndicated loan for €38m in July, which it used to refinance all of its long-term debt while setting aside €12m for capex and working capital. The loan also allowed it to smooth out its maturity dates (less than €5m due/year through March 2026). We had suggested last May that Quadpack was on track to allay worries about its financial situation, and the H1 23/24 results show that such concerns are officially no longer valid.

Focus to remain on profitability and debt reduction

We lowered our sales estimates for 2023/24-2025/26e after management expressed caution about business growth in the near term, though the cost-optimization measures announced and quantified (€4-5m a year) underpin our EBITDA estimates and have led us to upgrade our margin estimates. We expect debt to continue to reduce in the coming years, especially with management focusing on organic growth in the near term.

Invest Securities and the issuer have signed an analyst coverage agreement

.in € / share	23/24e	24/25e	25/26e
Adjusted EPS	0,87	1,43	2,37
<i>chg.</i>	<i>+206%</i>	<i>+64,0%</i>	<i>+65,8%</i>
<i>estimates chg.</i>	<i>-9,8%</i>	<i>-13,0%</i>	<i>-0,5%</i>

au 31/01	23/24e	24/25e	25/26e
PE	21,8x	13,3x	8,0x
EV/Sales	0,9x	0,8x	0,7x
EV/Adjusted EBITDA	8,2x	6,3x	4,4x
EV/Adjusted EBITA	15,5x	10,7x	6,5x
FCF yield*	6,1%	8,0%	12,7%
Div. yield (%)	n.s.	n.s.	1,3%

* After tax op. FCF before WCR

key points		
Closing share price 17/11/2023		19,00
Number of Shares (m)		4,4
Market cap. (€m)		83
Free float (€m)		6
ISIN		ES0105118006
Ticker		ALQP-FR
DJ Sector		Producer Manufacturing

	1m	3m	Ytd
Absolute perf.	-4,5%	-3,6%	+0,0%
Relative perf.	-7,3%	+0,5%	+2,7%

Source : Factset, Invest Securities estimates

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	0,49	1,50	2,44
Adjusted EPS (€)	1,08	1,14	-0,11	-0,25	0,29	0,87	1,43	2,37
<i>Diff. I.S. vs Consensus</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>
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	21,8x	13,3x	8,0x
EV/Sales	0,97x	1,12x	1,65x	1,45x	0,95x	0,85x	0,78x	0,66x
EV/Adjusted EBITDA	12,6x	12,8x	26,2x	25,5x	13,5x	8,2x	6,3x	4,4x
EV/Adjusted EBITA	16,1x	19,0x	n.s.	n.s.	39,4x	15,5x	10,7x	6,5x
Op. FCF bef. WCR yield	1,9%	2,2%	0,4%	0,1%	2,4%	6,1%	8,0%	12,7%
Op. FCF yield	8,0%	3,2%	2,2%	n.s.	4,9%	6,4%	4,8%	11,3%
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	19,0	19,0	19,0
Market cap.	99	107	132	110	97	83	83	83
Net Debt	2	36	36	44	40	34	30	21
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	117	113	103

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	137,2	144,3	156,3
<i>chg.</i>	<i>+15%</i>	<i>+25%</i>	<i>-22%</i>	<i>+4%</i>	<i>+34%</i>	<i>-4%</i>	<i>+5%</i>	<i>+8%</i>
Adj. EBITDA	8,1	11,5	6,4	6,0	10,1	14,2	18,0	23,6
Adj. EBITA	6,3	7,7	1,1	0,1	3,5	7,5	10,5	15,9
<i>chg.</i>	<i>-18%</i>	<i>+22%</i>	<i>-86%</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+40%</i>	<i>+51%</i>
EBIT	6,5	7,1	0,2	-1,0	2,7	7,0	11,0	16,4
Financial result	-1,4	-1,8	-2,3	-1,7	-2,4	-2,5	-1,9	-1,6
Corp. tax	-1,4	-1,4	0,8	0,1	0,5	-1,3	-2,6	-4,2
Minorities+affiliates	0,0	-0,2	-0,2	0,3	0,2	-1,1	0,0	0,0
Net attributable profit	3,7	3,7	-1,5	-2,3	1,0	2,1	6,6	10,7
Adjusted net att. profit	4,1	4,6	-0,5	-1,1	1,2	3,8	6,3	10,4
<i>chg.</i>	<i>-23%</i>	<i>+11%</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+64%</i>	<i>+66%</i>

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	14,2	18,0	23,6
Theoretical Tax / EBITA	-1,8	-2,2	-0,3	0,0	-1,0	-2,1	-2,9	-4,5
Capex	-4,4	-6,0	-5,4	-5,9	-5,8	-5,0	-6,0	-6,0
Operating FCF bef. WCR	1,9	3,3	0,7	0,1	3,3	7,1	9,0	13,1
Change in WCR	6,2	1,4	2,9	-1,4	3,5	0,3	-3,6	-1,4
Operating FCF	8,1	4,7	3,6	-1,3	6,7	7,4	5,5	11,7
Acquisitions/disposals	-0,5	-45,1	0,0	-4,0	0,5	0,2	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	-2,1	-1,4	-1,2
Published Cash-Flow	8,6	-33,7	0,2	-8,1	4,5	5,5	4,0	9,4

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	58,8	57,8	56,6
Intangible assets/GW	5,7	32,8	33,4	36,3	35,9	33,6	32,8	32,0
WCR	10,4	19,0	16,6	17,6	13,7	13,4	16,9	18,3
Group equity capital	23,5	35,0	36,5	34,7	35,3	37,4	44,0	53,6
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	34,2	30,2	20,8

* excluding IFRS 16

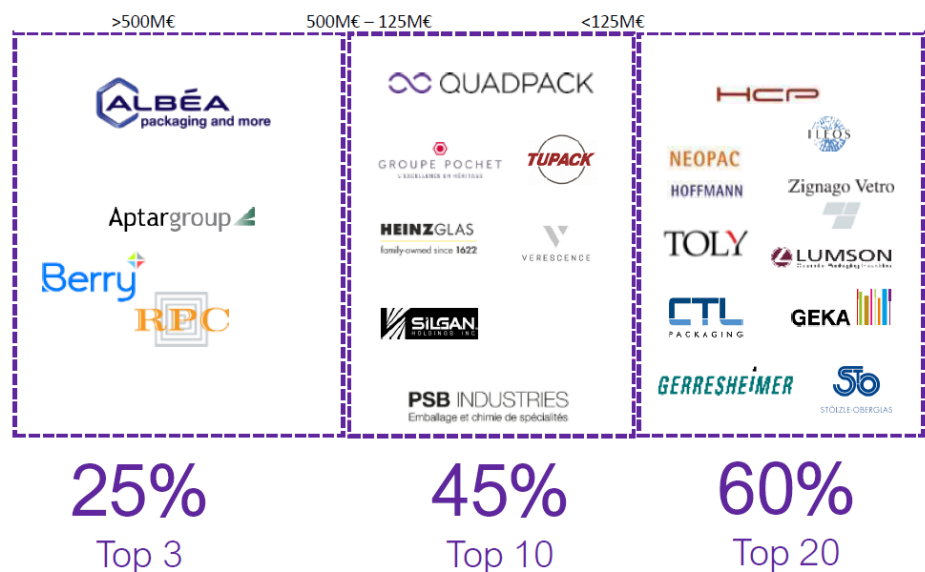
Financial ratios	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24e	2024/25e	2025/26e
Adjusted EBITDA margin	7,7%	8,8%	6,3%	5,7%	7,1%	10,3%	12,5%	15,1%
Adj. EBITA margin	6,0%	5,9%	1,0%	0,1%	2,4%	5,5%	7,3%	10,2%
Adjusted Net Profit/Sales	3,9%	3,5%	n.s.	n.s.	0,9%	2,8%	4,3%	6,7%
ROCE	23,8%	10,2%	1,4%	0,1%	4,6%	10,5%	14,1%	21,3%
ROE adjusted	17,6%	13,1%	n.s.	n.s.	3,5%	10,2%	14,3%	19,4%
Gearing	10,2%	103,6%	98,9%	127,2%	112,6%	91,5%	68,7%	38,8%
ND/Adjusted EBITDA (in x)	0,3x	3,2x	5,6x	7,3x	3,9x	2,4x	1,7x	0,9x

Source : company, Invest Securities Estimates

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 (63% of H1 2023/24 sales), Quadpack has expanded its offering to include makeup (21%) and perfume (7%). This allows it to better address the needs of clients that are active in all three markets. Today, it has a broad product range that includes airless containers (that prevent any contact between the product and outside air to protect from oxidation), plastic jars made using injection molding, glass jars and bottles, wood packaging... In addition to making containers, Quadpack also offers decorating and finishing services (serigraphy, laser etching, hot stamping) since this allows it 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. When it was founded in 2003, the company specialized in sourcing products from Eastern Europe and Asia and reselling them almost exclusively to small- and mid-sized European companies active in the skincare mass market. Its 2013 takeover of Technotraf Wood Packaging (wood-based packaging) marked a pivot to an industrial strategy. Quadpack has since made five more acquisitions (Kamprak in 2014, Rinaplast in 2016, Louvrette and Inotech Cosmetics in 2019 and Wicklein in 2021) to bolster its production capacity in Europe (notably Germany) and reduce its dependence on Asian suppliers. The Sourcing business accounted for almost 100% of sales in 2013/14, but its share was just 53% in H1 2023/24, with Manufacturing contributing 47%. This shift is bound to continue over the coming years, the Covid crisis (with its impact on supply chains) and consumers' increasing demand for local and more responsible production confirming the wisdom of the company's strategy, though it does intend to preserve its dual business model.

The first effects of the arrival of the new CEO

On September 13, 2022, Quadpack named Alexandra Chauvigné as its new Chief Executive Officer effective September 1. She succeeded co-founder Tim Eaves, who remains chairman of the board. The change 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.

When she was tapped as CEO, Chauvigné had considerable leadership experience in the packaging industry after a 25-year career. 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: Vice President and General Manager for skincare and color cosmetics from 2018 to 2020 and, prior to that (2011-17), President, global market development for the beauty business. Her expertise in product strategy and production optimization are great assets to Quadpack with its current focus on these two areas.

As discussed in detail below, Chauvigné's appointment is already bearing fruit operationally (priority given to innovation and sustainability) and financially (optimization of operations and debt reduction).

ESG: Greater emphasis on product innovation and sustainability

Quadpack has made ESG a cornerstone of its strategy for several years now, and that emphasis has only increased in the wake of the leadership changes made a year ago.

Since becoming the first cosmetics packaging firm to earn B Corp certification in 2021, Quadpack has been steadily ramping up its efforts in this area, and is currently focusing on innovations to increase the sustainability and recyclability of its products. It has notably launched a number of single-material makeup and skincare packaging solutions that facilitate recycling. A few examples: German brand Stoertbekker has adopted the bio-based Sulapac material (partnership with the Finnish company Sulapac, which developed the technology); Epara is now using refillable airless packaging solutions; and Danish brand Nuori has adopted recycled PET packaging solutions that are 100% made in Europe. Quadpack has more innovation in the pipeline as well: within the coming months, it will launch other new products to meet demand for more sustainable packaging.

As we have been stressing for some time, ESG strategies are a key differentiating factor in the packaging industry, and we are convinced that Quadpack's initiatives in this area will give it an ever-larger competitive edge over the coming years, as cosmetics companies face sustained pressure from consumers and work to meet the ambitious goals set to reduce their environmental footprint. Europe-based production, attention to sustainability and recyclability and the use of plastic alternatives in packaging (wood, metal, bio-sourced polymers) are all sources of opportunity.

Faster-than-anticipated improvement in profitability in H1 23/24

It should be recalled that Quadpack's revenue rose sharply in H1 2022/23 (+50% lfl), while H2 2022/23 saw a solid improvement in profitability (EBITDA margin +1.4pt) together with significant debt reduction (-€10m in H2, bringing the total for the fiscal year to -€4.5m). Management indicated last May that the top priorities in 2023/24 would be margin expansion and continued debt reduction. It exceeded our expectations on both fronts in H1 23/24, which is all the more impressive considering that revenue missed our estimate due to destocking by clients.

Quadpack's H1 2023/24 revenue (six months to end-July), reported on Wednesday, reached €70.1m (-5%; -5% lfl), whereas we were looking for €74.4m / +2% lfl. While it is true that the basis for comparison was very demanding, H1 22/23 (+50% lfl) having been boosted by a post-Covid effect, business levels were not quite as robust as we had anticipated since clients that had built up considerable inventories the year before amidst supply concerns destocked this year. Though an exact figure was not given, the effect of pricing in H1 was relatively minor (a few points), as corroborated by the trend in gross margin. The Sourcing division, which faced the toughest basis for comparison (+68% in H1 22/23), was the most impacted, with revenue ending H1 23/24 at €37.2m (-14%; -14% lfl) vs. our estimates of €40.6m / -4% lfl. Results at the Manufacturing division were more in line with our expectations, with revenue reaching €33.0m (+7%; +7% lfl) vs. our estimate of €33.8m / +10% lfl.

H1 2023/24 reported results vs. estimates

in m€ (ended 31/07) published figures	H1 2022/23 published	H1 2023/24 published	H1 2023/24 IS Estimates	diff.
Revenue	73,9	70,1	74,4	-6%
<i>lfl change</i>	<i>+50%</i>	<i>-5%</i>	<i>+2%</i>	
<i>change</i>	<i>+58%</i>	<i>-5%</i>	<i>+1%</i>	
Published EBITDA	6,9	9,4	7,5	+25%
<i>change</i>	<i>+96%</i>	<i>+36%</i>	<i>+9%</i>	
EBITDA margin	9,3%	13,3%	10,1%	
EBIT	2,8	4,6	2,9	+58%
Net Profit	1,5	1,2	1,3	-7%

Source : Quadpack, IS estimates

in m€ (ended 31/01) Adjusted figures	H1 2022/23 published	H1 2023/24 published	H1 2023/24 IS Estimates	diff.
Revenue	73,9	70,1	74,4	-6%
<i>lfl change</i>	<i>+50%</i>	<i>-5%</i>	<i>+2%</i>	
<i>change</i>	<i>+58%</i>	<i>-5%</i>	<i>+1%</i>	
Adjusted EBITDA	6,2	8,2	6,5	+25%
<i>change</i>	<i>+152%</i>	<i>+31%</i>	<i>+4%</i>	
Adj. EBITDA margin	8,4%	11,6%	8,7%	
Adjusted EBIT	3,2	4,9	3,1	+59%
Adjusted Net Profit	1,9	2,6	1,4	+79%

NB : adjusted for IFRS 16 and exceptional items

Source : Quadpack, IS estimates

Even with the sales miss, Quadpack's H1 earnings largely exceeded our estimates at every level, chiefly thanks to operating cost optimization (gross margin was broadly flat at 50.7% vs. 50.4% in H1 22/23). Despite inflation, opex came in 14% lower, mainly thanks to (i) the optimization of production assets (closure of the Quadpack Plastics site in Spain, transfer of production to the Kierspe facility), and (ii) an improvement in processes, notably lesser recourse to temporary workers. Reported EBITDA ended the period at €9.4m (+36%), vs. our €7.5m estimate, lifting margin by 4pts to 13.3% – we were looking for 10.1%! Both divisions saw their margins expand, though Manufacturing logically was more favorably impacted, with its EBITDA margin reaching 13.2% (+4.4pts) vs. our 12.0% estimate. The only item of the income statement that merits comment is interest expenses that were slightly higher than anticipated (-€1.6m vs. -€1.3m estimate), reflecting the continued rise in interest rates since May.

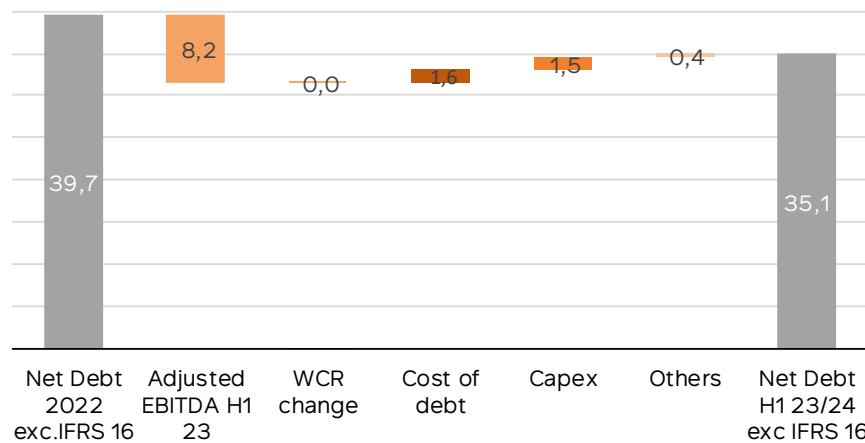
Factoring in limited restructuring charges (€0.3m), adjusted income (restating for the impact of IFRS 16) also largely surpassed our estimate, particularly +25% for adjusted EBITDA.

In sum, the H1 23/24 results were impressive, with profitability expanding at a much faster pace than expected (nearly one year ahead of the timeline in our model), solely because the company was able to optimize its operating costs despite inflation. Importantly, as we see it, this improvement does not reflect cyclical and/or temporary factors: it is structural and is therefore likely to continue.

Debt refinancing is the other good news of H1 23/24

In H2 22/23, Quadpack had reduced its net debt (excluding IFRS 16) by €10m, to €39.7m, mainly by optimizing WCR (+€10.5m). Debt reduction continued in H1 23/24 (-€4.6m), primarily driven by EBITDA growth and a normalization of WCR. At end-July, net debt stood at €35.1m, or €40.8m including IFRS 16. This represents 2.2x annualized reported EBITDA, an astonishing improvement from the end of 2021 (6.3x) and even the end of 2022 (3.6x)!

Trend in net debt excluding IFRS 16



Source : Quadpack

The company took advantage of its improved situation to refinance all of its long term debt in July. A new syndicated loan led by Deutsche Bank, for a total of €38m (€26.9m drawn at end-July), allowed Quadpack to (i) refinance all its previous LT debt (Covid-related but also from the Louvrette takeover), and (ii) set aside €12m to fund investments and WCR. It should also be noted that, as shown in the table below, the new financing will allow Quadpack to smooth out its maturity dates, notably limiting the amounts due annually between now and March 2026 to less than €5m, whereas before it would have had to pay back €7.7m to €8.5m in 2023-25, temporarily limiting its investment capacity. Management did not provide details about the terms of the financing, simply indicating that the debt was at variable rates, and that the margin was very competitive.

Quadpack debt maturities

in m€	Total	mars-24	mars-25	mars-26	mars-27	>4 years
LT Bank borrowings	26,3	3,5	4,5	5,3	5,8	7,1
Current bank borrowings	7,5	7,5	0,0	0,0	0,0	0,0
Finance lease obligations	9,0	3,6	0,7	0,4	0,3	4,1
Derivatives	0,2	0,1	0,0	0,0	0,0	0,0
Other	0,9	0,1	0,8	0,0	0,0	0,0
Total	43,8	7,3	6,0	5,7	6,1	11,2

Source : Quadpack

We had indicated in May that Quadpack was on track to ease concerns about its financial situation, and H1 23/24 achievements (improvement in EBITDA, reduction in net debt, refinancing of all LT debt) are the definitive proof that such concerns are no longer valid.

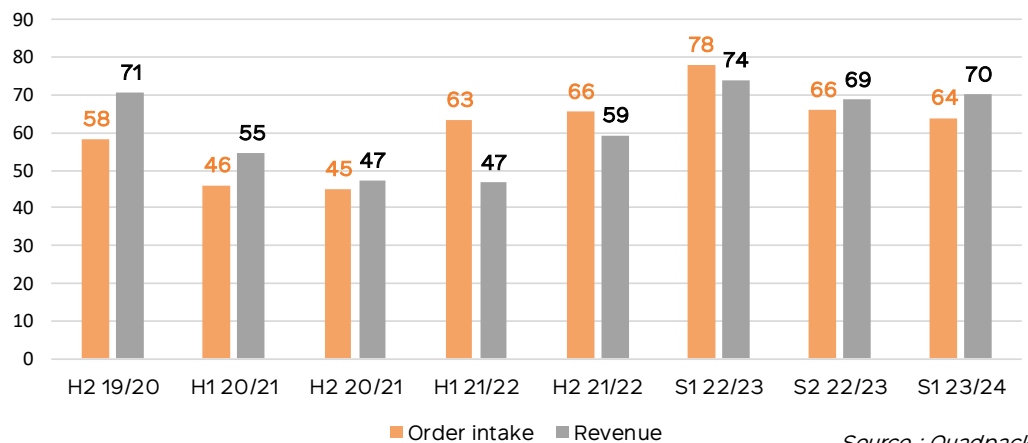
Caution about ST revenue trends, multiple cost optimization efforts announced

When discussing the company's outlook, management expressed caution about revenue trends, but also said it was stepping up the margin optimization plan, providing details about a series of measures to be taken and the results they were expected to produce.

The cautious short-term revenue outlook reflects an uncertain macroeconomic and geopolitical climate that is causing clients to watch their margins closely and to manage inventories more carefully than last year, when their main concern was locking in supply. Management suggested that the business climate would remain “soft” through H1 2024, with growth picking up again in H2 2024 driven by the end of destocking and product innovation (multiple launches planned for late 2023-early 2024).

This caution is underpinned by the order intake trend in H1 2023/24, when new orders reached €64m, down 3% from H2 2022/23 and 18% below H1 2022/23, when the post-Covid rebound was in full swing. One factor contributing to this weakness was the slower-than-anticipated rebound in the Chinese cosmetics market, which prompted Quadpack’s European clients to adopt a wait-and-see attitude.

Trend in sales and order intake



All of this has led management to strengthen its focus on optimizing profitability and reducing debt through a variety of measures:

- Optimization of industrial assets, especially at the Kierspe facility for plastic products. After shutting down the Quadpack Plastics site in Spain and transferring all production to Germany (resulting in annual gains of €1m), management has announced a plan to boost efficiency at Kierspe to save €2-3m a year. It says that after investing heavily to ramp up capacity at Kierspe, there are several other areas where it can now improve profitability, knowing that the Plastic business of the Manufacturing division only generated an EBITDA margin of 6.9% in 2022 (vs. normative margin of >15%).
- Adaptation of the company’s organizational structure, thanks to efforts to digitalize and improve processes with an eye to boosting agility and efficiency. This plan should drive a 10% reduction in indirect staff (contractors and temp workers), resulting in savings of €1m.

All in all, Quadpack expects to be able to save €4m to €5m a year, with no significant related costs. This is far from negligible for a company that ended 2022 with EBITDA of €12.6m.

No material change to our result’s estimates thanks to cost savings

In the wake of this earnings release, and factoring in the cost-saving measures announced, we are standing behind our estimates, albeit with a more cautious revenue outlook for the near term.

We have lowered our revenue growth estimates by about -10% to align with management's messaging, though we believe its scenario is conservative, given that: (i) growth in China did not pick up as quickly as expected but is showing signs of rebounding in H2 2023, based on comments made by L'Oréal when it reported its Q3 23 sales; (ii) Quadpack's clients cannot keep destocking forever – at some point they will need to rebuild their inventories; and (iii) Quadpack will launch a number of innovative products over the coming months, and has high hopes for their success. While H2 2023/24 is likely to be relatively weak, pleasant surprises are possible toward the end of H1 2024/2025e or in H2 2024/25e.

The downgrade to our revenue estimates is almost entirely offset at the level of adjusted EBITDA by projected cost savings, resulting in upgrades to our EBITDA margin estimates of +0.4pt for 2023/24e, +0.6pt for 2024/25e and +1.6pt for 2025/26e. Consequently, our adjusted EBITDA estimates only move down by -4%/-6% for 2023/24-2024/25e and are unchanged for 2025/26e. Though the impact on adjusted EBITA and adjusted net profit is more pronounced, since depreciation/amortization and interest expenses are unchanged, we see Quadpack delivering robust earnings growth not only in 2023/24e but also in 2024/25e, continuing the positive momentum that took hold in 2022/23.

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

In m€ (ended 31/01)	2022/23	2023/24e			2024/25e			2025/26e		
Adjusted figures	published	New	Prev	Change	New	Prev	Change	New	Prev	Change
Revenue	142,6	137,2	150,1	-9%	144,3	161,3	-11%	156,3	172,6	-9%
<i>lfl change</i>	<i>+29%</i>	<i>-3%</i>	<i>+6%</i>		<i>+5%</i>	<i>+8%</i>		<i>+8%</i>	<i>+7%</i>	
<i>change</i>	<i>+34%</i>	<i>-4%</i>	<i>+5%</i>		<i>+5%</i>	<i>+7%</i>		<i>+8%</i>	<i>+7%</i>	
Adjusted EBITDA	10,1	14,2	14,8	-4%	18,0	19,2	-6%	23,6	23,5	+0%
<i>change</i>	<i>+67%</i>	<i>+41%</i>	<i>+47%</i>		<i>+27%</i>	<i>+30%</i>		<i>+31%</i>	<i>+22%</i>	
Adj. EBITDA margin	7,1%	10,3%	9,9%		12,5%	11,9%		15,1%	13,6%	
Adjusted EBIT	3,5	7,5	8,0	-6%	10,5	11,7	-10%	15,9	15,8	+1%
Adjusted Net Profit	1,2	3,8	4,2	-10%	6,3	7,2	-13%	10,4	10,4	-0%

Nota Bene : adjusted for IFRS 16 and exceptional items

Source : Quadpack, IS estimates

In terms of FCF, we have slightly lowered our capex estimate for 2023/24e (€5m vs. €6m), and the downward revision of our growth estimates should limit the impact of WCR. All in all, we see debt being reduced by €4m-€6m a year in 2023/24-2024/25e, then by €9m in 2025/26e. Bearing in mind that Quadpack is currently focused on organic growth, net debt excluding IFRS 16 stands to drop to €20m by 2025/26e, which would be less than 1x adjusted EBITDA (0.9x reported EBITDA including IFRS 16).

New price target of €29 (vs. €30), still a BUY

We have calculated the value of Quadpack based on the average of a DCF model and peer comparison, details of which are below. This approach yields a target price of €29 (vs. €30). Given the considerable upside potential and the company's newfound momentum, we remain BUYERS.

- Our DCF model now puts the target price at €31.2 (vs. €31.3 previously), reflecting a WACC that has increased (10.00% vs. 9.82%) since the end of May due to the rise in the risk-free rate.

DCF model assumptions

DCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Sales	106	143	137	144	156	168	178	188	196	203	208	211
<i>cha</i>	<i>+4,3%</i>	<i>+34,1%</i>	<i>-3,8%</i>	<i>+5,2%</i>	<i>+8,3%</i>	<i>+7,3%</i>	<i>+6,3%</i>	<i>+5,4%</i>	<i>+4,4%</i>	<i>+3,4%</i>	<i>+2,5%</i>	<i>+1,5%</i>
Adjusted EBITDA	6,0	10,1	14,2	18,0	23,6	25,3	26,9	28,3	29,5	30,5	31,2	31,6
Adj. EBITDA margin	5,7%	7,1%	10,3%	12,5%	15,1%	15,1%	15,1%	15,1%	15,0%	15,0%	15,0%	15,0%
Capex	-5,9	-5,8	-5,0	-6,0	-6,0	-6,2	-6,4	-6,5	-6,6	-6,6	-6,5	-6,3
<i>in % of sales</i>	<i>-5,6%</i>	<i>-4,1%</i>	<i>-3,6%</i>	<i>-4,2%</i>	<i>-3,8%</i>	<i>-3,7%</i>	<i>-3,6%</i>	<i>-3,5%</i>	<i>-3,4%</i>	<i>-3,2%</i>	<i>-3,1%</i>	<i>-3,0%</i>
Adjusted Depreciation	-6,0	-6,6	-6,7	-7,5	-7,7	-7,8	-7,8	-7,7	-7,5	-7,2	-6,8	-6,3
<i>in % of sales</i>	<i>-5,6%</i>	<i>-4,6%</i>	<i>-4,8%</i>	<i>-5,2%</i>	<i>-4,9%</i>	<i>-4,6%</i>	<i>-4,4%</i>	<i>-4,1%</i>	<i>-3,8%</i>	<i>-3,5%</i>	<i>-3,3%</i>	<i>-3,0%</i>
WCR	17,6	13,7	13,4	16,9	18,3	18,8	19,0	19,0	18,8	18,4	17,7	16,9
<i>WCR / Sales (%)</i>	<i>16,6%</i>	<i>9,6%</i>	<i>9,7%</i>	<i>11,7%</i>	<i>11,7%</i>	<i>11,2%</i>	<i>10,7%</i>	<i>10,1%</i>	<i>9,6%</i>	<i>9,1%</i>	<i>8,5%</i>	<i>8,0%</i>
Corp. tax	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%
Summary												
EBITDA	6,0	10,1	14,2	18,0	23,6	25,3	26,9	28,3	29,5	30,5	31,2	31,6
Corp. tax	0,0	-1,0	-2,1	-2,9	-4,5	-4,9	-5,3	-5,8	-6,2	-6,5	-6,8	-7,1
Capex	-5,9	-5,8	-5,0	-6,0	-6,0	-6,2	-6,4	-6,5	-6,6	-6,6	-6,5	-6,3
Change in WCR	-1,4	3,9	0,3	-3,6	-1,4	-0,4	-0,2	0,0	0,2	0,4	0,7	0,9
Op. FCF aft. WCR	-1,3	7,2	7,4	5,5	11,7	13,7	14,9	15,9	16,9	17,8	18,5	19,1
var	ns	-673%	3%	-27%	115%	17%	8%	7%	6%	5%	4%	3%
Coef d'actualisation			0,5	1,5	2,5	3,5	4,5	5,5	6,5	7,5	8,5	9,5
Discounted Op. FCF			7,1	4,7	9,2	9,8	9,7	9,4	9,1	8,7	8,2	7,7

Source : IS estimates

DCF model assumptions

	Valuation	in m€	€/share
Period 1-10 years		83,8	19,1
Infinity growth		92,2	21,0
Total Entreprise Value		176,0	40,2
Net Debt adjusted		-39,7	-9,1
Other adjustments		0,4	0,1
Valuation		136,7	31,2

Source : Invest Securities

Sensitivity analysis

		WACC						
		8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%
LT Growth	+0,5%	36,8	33,8	31,1	28,8	26,7	24,8	23,0
	+1,0%	38,6	35,3	32,5	29,9	27,7	25,6	23,8
	+1,5%	40,7	37,1	33,9	31,2	28,7	26,6	24,6
	+2,0%	43,1	39,1	35,6	32,6	30,0	27,6	25,5
	+2,5%	45,9	41,4	37,5	34,2	31,3	28,8	26,5

Source : Invest Securities

		WACC						
		8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%
Marge EBITDA ajustée LT	10,0%	25,5	23,3	21,3	19,6	18,0	16,7	15,4
	12,5%	33,1	30,2	27,6	25,4	23,4	21,6	20,0
	15,0%	40,7	37,1	33,9	31,2	28,7	26,6	24,6
	17,5%	48,2	44,0	40,3	37,0	34,1	31,5	29,2
	20,0%	55,8	50,9	46,6	42,8	39,4	36,5	33,8

Source : Invest Securities

- Our peer comparison, applying a steep 20% discount to the sample, yields a TP of €26.8 (vs. €28.8), reflecting the downgrade to our revenue estimates. It should be noted that the 2024 multiples leave much more upside than the 2023 multiples (due to margin improvement), which should automatically trigger a re-rating next year.

Peer comparison for Quadpack

QUADPACK vs Peers	Sh. price (€)	Mark. Cap. (m€)	chg. ytd	PE		EV/Sales		EV/ EBITDA	
				23e	24e	23e	24e	23e	24e
APTARGROUP INC	117,5	7 729	+7%	27,3x	25,0x	2,8x	2,6x	13,9x	12,9x
TFF GROUP	42,8	928	+5%	15,0x	13,8x	2,3x	2,2x	11,0x	10,2x
GROUPE GUILLIN	27,2	503	+25%	7,2x	7,3x	0,6x	0,5x	4,2x	3,7x
OENEO	13,1	852	-6%	24,7x	22,6x	2,8x	2,7x	14,6x	13,3x
U10 CORP	1,1	19	-10%	22,1x	13,8x	0,2x	0,2x	10,5x	9,4x
Average			+4%	19,3x	16,5x	1,8x	1,7x	10,8x	9,9x
QUADPACK	19,00	83	+0%	21,8x	13,3x	0,9x	0,8x	7,0x	5,5x
Potential				-11%	+24%	+142%	+141%	+64%	+97%

Source : Factset / Invest Securities

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

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

WEAKNESSES

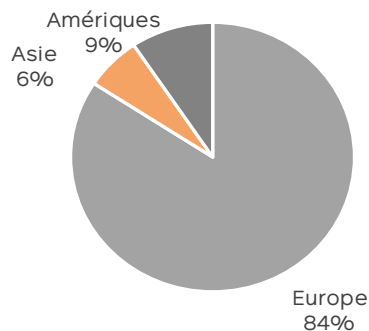
- Still modest size compared to the major players in cosmetics packaging
- Still highly European presence

THREATS

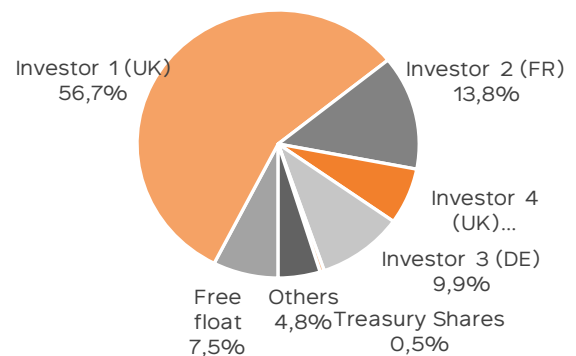
- Cosmetics players bringing packaging production in-house
- Slowdown on the world cosmetics market
- Poor execution of the strategy of rapid growth

ADDITIONAL INFORMATION

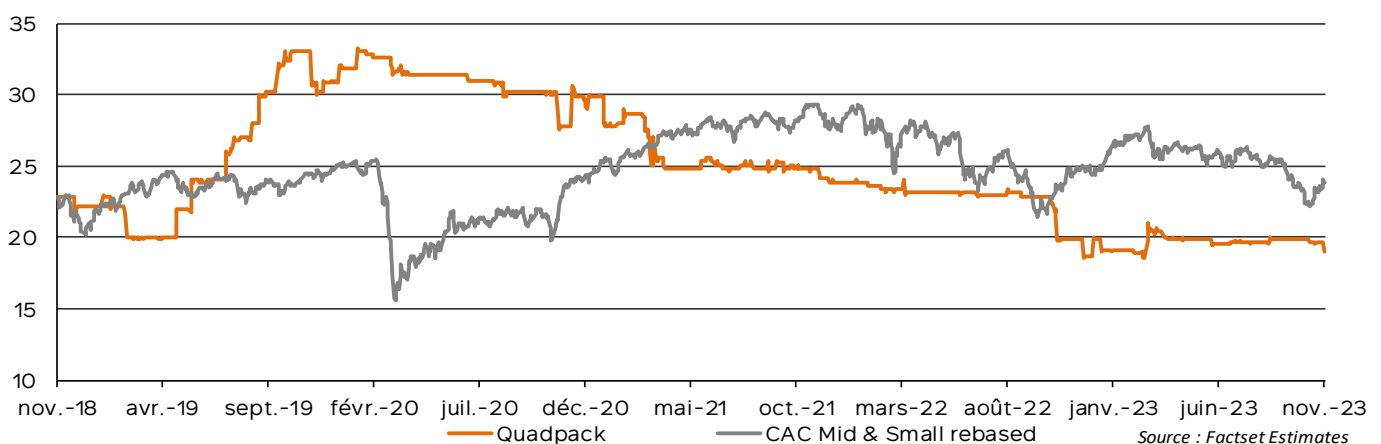
Sales Breakdown 2022/23



Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



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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.)
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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	30/05/2023	BUY	30,0	+51%
Quadpack	Maxime Dubreil	22/11/2022	BUY	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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