

Hansa Group

Personal and household care products

Hansa has undergone a strategic shift, transforming it into a fully integrated supplier of personal and household care products such as shampoos, shower gels, liquid detergents, fabric conditioners and laundry care products. Although demand for these products is fairly resilient to a weakness in economic conditions, there is little opportunity for growth in the market as a whole, so Hansa is focusing on segments with higher-than-average growth prospects. These include private label products, liquid clothes-washing detergents and markets in Eastern and Southern Europe, North Africa and Asia. Being a fully integrated supplier with a unique process for a key ingredient gives Hansa significant cost advantages.

Results affected by strategic disposal of Chemicals Trading business

H113 revenues dropped by 16.5% year-on-year to €174.0m. Consumer Product revenues were stable, reflecting moderate success in replacing the business lost when drug-store Schlecker became insolvent in Q112, but production volumes were lower, reflecting a weak order book. Chemicals revenues fell by €35.8m, partly because of the disposal of the Chemicals Trading business in Q412, partly because of decreased internal demand and a lack of orders resulting from higher product prices. A combination of lower sales volumes, delays in passing on feed material price increases to customers, the disposal of the Chemicals Trading business and costs associated with reducing the number of group locations resulted in operating losses widening from €2.2m to €9.6m. In June the group raised €10m (gross) through the placement of 3.4m shares at €2.92. Net debt rose by €6m to €109m, giving a net debt/equity ratio of 121%.

Noting continuing weakness in demand and increased competition and pricing pressure, management expects FY13 sales to be lower than FY12, generating an operating loss. It has initiated a comprehensive restructuring programme, intended to generate 'considerable' savings. This will complement longer-term programmes for improving costs and energy efficiency such as creating a 'Chemical Park' close to its Genthin facility, where Solvay Novecare will manufacture speciality surfactants, and signing an agreement in which Getec will invest in the construction of a power station to produce process heat and steam for Hansa's Ibbenbüren plant. Longer term, management expects growth from the private labels business and from increased utilisation of the surfactants plant through additional contract manufacturing.

Valuation: Awaiting information on restructuring programme

An observation on valuation is deferred pending information on the extent of the proposed restructuring programme.

Consensus estimates						
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/11	383.5	6.4	0.09	0.10	16.8	6.6
12/12	399.3	1.1	3.10	0.80	0.5	52.8
12/13e	N/A	N/A	N/A	N/A	N/A	N/A
12/14e	N/A	N/A	N/A	N/A	N/A	N/A

Source: Thomson Reuters

Basic industries

Price €1.51
Market cap €78m

Share price performance



Share details

Code H4G
Shares in issue 51.5m
Net (debt)/cash (€) as at Jun '13 (109.2m)

Business description

The Chemical segment (59% H113 revenues) manufactures surfactant feed materials and surfactants used in-house and by customers in the chemicals industry. The Consumer Products segment (41%) manufactures detergents, cleaning agents and body care products. 53% of H113 revenues were derived from exports.

Bull

- Disposal of Chemicals Trading business in Q412 frees up cash for use elsewhere in the business and reduces risk
- Unique process for manufacturing linear alkyl benzene gives a significant cost advantage
- Co-location with suppliers in 'Chemical Park' model reduces logistics costs

Bear

- Rising feed material prices may negatively affect demand
- Potential of compromising financial covenants if operating losses are sustained
- Potential for ad-hoc impairments in H213 as product portfolio is reviewed

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