



Chargeurs

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Very solid Q3 revenues indeed

Earnings/sales releases - 14/11/2016

Fact

In keeping with previous quarters, Chargeurs published robust sales which were up 7.5% on an organic basis and 6.7% reported. The reported figure is impacted by the Yak disposal in Fashion Technologies and the acquisition of MainTape in the US in the Protective Films business line. Chargeurs' fast-improving respectability is confirmed as it raised another €15m 7-year bond at 2.45%. There is no mention of the intended deployment of the proceeds.

Management is confirming an underlying EBIT target of at least €35m. This is below our own estimates (€36.9m).

Analysis

The sales growth delivery looks increasingly like a clockwork exercise. The dull Chargeurs of yesteryear has moved on to a fast-paced, niche-focused cash flow machine.

We were impressed over H1 by the growth posted by Fashion Technologies, the rechristened Interlining business. Its push toward fast and traditional fashion appears to be successful. Q3 sales inched down 1.8% but this need not be an issue as Q2 was flagged as benefiting from advanced bookings.

The money-making machine, the Protective Film business, is booking impressive and steady growth at 7.9% combining volumes and positive mix impacts. The group is still shy about its latest US acquisition MainTape, which has been presented as a perfect fit.

The newish Technical Substrates is seemingly doing very well on the back of extra-wide manufacturing capacities now matching market demand.

And finally, the capital-light wool trading division is seeing a growth uptick as well.

All good with only one question: what is the next step as Chargeurs is now long in financial ammunition?

Impact

As we have been taking a rather aggressive stance about earnings delivery initially, we shall not upgrade forecasts and wait for external growth announcements, if any.

AlphaValue is contracted by Chargeurs to provide equity research on Chargeurs, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy	Upside : 23.9%
Target Price (6 months)	€ 19.2
Share Price	€ 15.5
Market Capitalisation €M	357
Price Momentum	STRONG
Extremes 12Months	7.14 ▶ 16.1
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

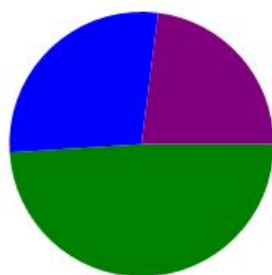
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PERF	1w	1m	3m	12m
Chargeurs	3.61%	1.44%	32.0%	113%
Other financials	1.10%	-1.21%	-0.96%	0.03%
STOXX 600	1.32%	-0.51%	-2.27%	-8.47%

Last updated: 14/09/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	8.96	9.61	13.2	11.2
Dividend yield (%)	4.08	4.50	2.32	2.77
EV/EBITDA(R) (x)	3.18	3.37	6.99	5.75
Adjusted EPS (€)	0.55	0.69	1.18	1.38
Growth in EPS (%)	48.2	26.9	69.4	17.4
Dividend (€)	0.20	0.30	0.36	0.43
Sales (€M)	478	499	498	530
Underlying operat. profit ma...	4.79	6.13	7.41	8.08
Attributable net profit (€M)	11.4	15.3	27.0	31.7
ROE (after tax) (%)	6.25	7.41	11.9	13.1
Gearing (%)	-3.04	-7.43	-12.9	-18.8

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



■ Europe (49.0%)
■ Asia (28.0%)
■ Americas (23.0%)

Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€M	499	498	530
Change in sales	%	4.33	-0.17	6.48
Change in staff costs	%	8.79	6.10	4.14
EBITDA	€M	40.4	46.9	52.9
EBITDA(R) margin	%	8.10	9.41	9.96
Depreciation	€M	-9.70	-10.0	-10.0
Underlying operating profit	€M	30.6	36.9	42.9
Operating profit (EBIT)	€M	24.0	33.9	41.9
Net financial expense	€M	-5.30	-0.60	-4.10
of which related to pensions	€M	-0.30	-0.12	-0.24
Exceptional items & other	€M			
Corporate tax	€M	7.50	-4.89	-6.36
Equity associates	€M	-10.7	-1.20	0.50
Minority interests	€M	-0.20	-0.20	-0.20
Adjusted attributable net profit	€M	15.3	27.0	31.7
NOPAT	€M	10.9	24.7	30.7

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	40.4	46.9	52.9
Change in WCR	€M	8.00	-1.90	6.00
Actual div. received from equity holdi...	€M	0.30	0.50	0.50
Paid taxes	€M	-5.90	-4.89	-6.36
Exceptional items	€M	0.00	0.00	
Other operating cash flows	€M	-11.0	-5.00	-5.00
Total operating cash flows	€M	31.8	35.6	48.0
Capital expenditure	€M	-12.9	-12.0	-13.0
Total investment flows	€M	-12.9	-15.0	-16.0
Net interest expense	€M	-5.30	-0.60	-4.10
Dividends (parent company)	€M	-3.20	-6.20	-8.28
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	-5.50	-11.3	2.86
Change in cash position	€M	11.4	9.32	34.9
Free cash flow (pre div.)	€M	13.6	23.0	30.9

Per Share Data

		12/15A	12/16E	12/17E
No. of shares net of treas. stock (year...)	Mio	23.0	23.0	23.0
Number of diluted shares (average)	Mio	23.0	23.0	23.0
Benchmark EPS	€	0.69	1.18	1.38
Restated NAV per share	€			
Net dividend per share	€	0.30	0.36	0.43

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 22.5	55%	■ Akzo Nobel
Dividend Yield	€ 12.2	20%	■ Solvay
DCF	€ 14.8	10%	■ Wendel
P/E	€ 22.1	10%	■ Bolloré
P/Book	€ 13.6	5%	■ GBL
TARGET PRICE	€ 19.2	100%	■ Sonae
			■ Hal Trust
			■ Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€M	76.7	76.0	76.0
Total intangible	€M	78.5	78.0	78.0
Tangible fixed assets	€M	55.9	57.0	60.0
Financial fixed assets	€M	18.1	19.0	19.0
WCR	€M	16.1	18.0	12.0
Other assets	€M	24.9	30.0	30.0
Total assets (net of short term liab.)	€M	196	207	204
Ordinary shareholders' equity	€M	219	234	251
Quasi Equity & Preferred	€M			
Minority interests	€M	3.10	5.00	5.00
Provisions for pensions	€M	14.6	16.2	16.1
Other provisions for risks and liabilities	€M	0.70	1.00	1.00
Total provisions for risks and liabilities	€M	15.3	17.2	17.1
Tax liabilities	€M	-27.1	-23.0	-23.0
Other liabilities	€M	8.80	11.0	11.0
Net debt (cash)	€M	-23.3	-37.2	-57.1
Total liab. and shareholders' equity	€M	196	207	204

Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	173	176	169

Profits & Risks Ratios

		12/15A	12/16E	12/17E
ROE (after tax)	%	7.41	11.9	13.1
ROCE	%	6.33	14.0	18.1
Gearing (at book value)	%	-7.43	-12.9	-18.8
Adj. Net debt/EBITDA(R)	x	-0.48	-0.71	-1.08
Interest cover (x)	x	6.12	76.0	11.1

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	9.61	13.2	11.2
Free cash flow yield	%	8.88	6.47	8.68
P/Book	x	0.70	1.52	1.42
Dividend yield	%	4.50	2.32	2.77

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	153	356	356
+ Provisions	€M	15.3	17.2	17.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-23.3	-37.2	-57.1
+ Leases debt equivalent	€M	4.00	4.00	0.01
- Financial fixed assets (fair value)	€M	16.0	16.0	16.0
+ Minority interests (fair value)	€M	3.10	4.00	4.00
= EV	€M	136	328	304
EV/EBITDA(R)	x	3.37	6.99	5.75
EV/Sales	x	0.27	0.66	0.57