



# Chargeurs

Holding Companies / France



**Pierre-Yves GAUTHIER**  
otherfinancials@alphavalue.eu  
+33 (0) 1 70 61 10 50  
corporate.alphavalue.com

## Chargeurs goes for acquired growth, at last

Significant news - 19/07/2016

### Fact

Chargeurs makes a smallish but significant acquisition. Main Tape, the business acquired in the US with revenues of c. \$27m, is an add-on to Protective Films, the main business line of Chargeurs SA. The consideration is unknown. We tinker with sideline indications to gauge an impact (see last section).

### Analysis

Chargeurs SA has a new governance, a new owner and is insistent on the concept of quality growth (read "profitable") in niche businesses. Where it differs from smaller holding companies is that it already has a world reach so that the concept of tackling niche businesses has substance. The Main Tape acquisition is small in turnover terms but does highlight the new growth-oriented drive of Chargeurs as it is its first acquisition in the last 15 years or so.

Chargeurs' management is keen to stress that it is going for growth "à la Mittelstand" if one dares write so. This implies believing in decentralised management, a strong balance sheet, financial discipline and profits rather than size. The starting point can only be to expand where Chargeurs already excels, i.e. its four existing businesses

The Main Tape acquisition appears to fit the bill in that it brings extra know-how to Chargeurs Protective Film, more US-based operations so that the group ends up with nearly 20% of its sales in the US (good to have), extra industrial capacity so that it saves on capex, complementary products so that sales forces will have more on their plate and apparently solid management. There is no price information but the acquisition which is debt free and debt financed is expected to be earnings enhancing after the odd 18 months.

The stated strategy is to go for such "surgical" additions to the existing businesses. The group has the proper financing lined up with a €57m funding raised earlier this year as a private placement at rather agreeable terms so that more may follow and confirms the group's change in profile from a retrenchment one to one of finely-tuned expansion.

### Impact

We assume that Chargeurs which initiated discussions went for a "trade" deal, i.e. 20% to 25% below the going rate of EV at c. 1x sales. This would mean a debt-financed transaction at c.€18m, generating operating earnings of about €2.4m, leading to a post-tax €1.6m result. That would more than cover the funding costs of the purchase that we compute at 4% and thus a €0.7m interest charge. In addition, Chargeurs reckons that the synergies derived from the joint businesses could be as high as €2m. Once taxed that would add €1.3m at the bottom line so that this acquisitions, which kicks in by July 2016, would add close to €2m to the bottom line by 2018 or about 6% earnings enhancement. Such back of the envelope computations are not backed by the company and will be allowed for when H1 earnings lead to an update.

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.

<b>Buy</b>	<b>Upside : 45.5%</b>
Target Price (6 months)	€ 16.4
Share Price	€ 11.3
Market Capitalisation €M	260
Price Momentum	<b>STRONG</b>
Extremes 12Months	6.45 ▶ 11.3
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

[Download Full Analysis](#)[Company Page](#)

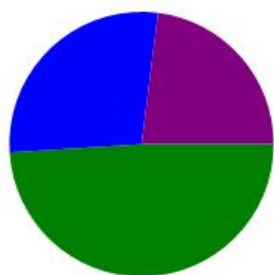
PERF	1w	1m	3m	12m
Chargeurs	8.25%	13.0%	30.7%	58.6%
Other financials	0.04%	4.29%	-2.79%	-14.3%
STOXX 600	0.32%	3.54%	-3.41%	-16.9%

Last updated: 09/05/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	9.74	9.82	9.91	9.29
Dividend yield (%)	3.75	4.40	3.19	3.81
EV/EBITDA(R) (x)	3.49	3.46	5.19	4.54
Adjusted EPS (€)	0.55	0.69	1.14	1.22
Growth in EPS (%)	48.2	26.9	64.1	6.68
Dividend (€)	0.20	0.30	0.36	0.43
Sales (€M)	478	499	507	528
Underlying operat. profit ma...	4.79	6.13	6.67	6.85
Attributable net profit (€M)	11.4	15.3	26.2	27.9
ROE (after tax) (%)	6.25	7.41	11.6	11.6
Gearing (%)	-3.04	-7.43	-13.1	-18.1

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



## Sales by Geography



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

## Consolidated P&L Account

		12/15A	12/16E	12/17E
Sales	€M	499	507	528
Change in sales	%	4.33	1.58	4.22
Change in staff costs	%	8.79	5.90	3.95
EBITDA	€M	40.4	43.8	46.2
<b>EBITDA(R) margin</b>	<b>%</b>	<b>8.10</b>	<b>8.64</b>	<b>8.74</b>
Depreciation	€M	-9.70	-10.0	-10.0
Underlying operating profit	€M	30.6	33.8	36.2
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>24.0</b>	<b>32.8</b>	<b>35.2</b>
Net financial expense	€M	-5.30	-3.30	-3.10
of which related to pensions	€M	-0.30	-0.43	-0.47
Exceptional items & other	€M			
Corporate tax	€M	7.50	-3.63	-4.49
Equity associates	€M	-10.7	0.50	0.50
Minority interests	€M	-0.20	-0.20	-0.20
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>15.3</b>	<b>26.2</b>	<b>27.9</b>
NOPAT	€M	10.9	24.4	26.2

## Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	40.4	43.8	46.2
Change in WCR	€M	8.00	3.10	3.00
Actual div. received from equity holdi...	€M	0.30	0.50	0.50
Paid taxes	€M	-5.90	-3.63	-4.49
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	38.8	40.2
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	-3.30	-3.10
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	-13.7	4.09
Change in cash position	€M	11.4	10.1	28.3
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>13.6</b>	<b>23.5</b>	<b>24.1</b>

## 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
<b>Benchmark EPS</b>	<b>€</b>	<b>0.69</b>	<b>1.14</b>	<b>1.22</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.30</b>	<b>0.36</b>	<b>0.43</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 18.5	55%	■ Akzo Nobel
Dividend Yield	€ 11.8	20%	■ Solvay
DCF	€ 13.6	10%	■ Wendel
P/E	€ 18.8	10%	■ Bolloré
P/Book	€ 12.5	5%	■ GBL
TARGET PRICE	€ 16.4	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	13.0	10.0
Other assets	€M	24.9	30.0	30.0
Total assets (net of short term liab.)	€M	196	202	202
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>219</b>	<b>233</b>	<b>246</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	3.10	5.00	5.00
Provisions for pensions	€M	14.6	12.9	12.9
Other provisions for risks and liabilities	€M	0.70	1.00	1.00
Total provisions for risks and liabilities	€M	15.3	13.9	13.9
Tax liabilities	€M	-27.1	-23.0	-23.0
Other liabilities	€M	8.80	11.0	11.0
<b>Net debt (cash)</b>	<b>€M</b>	<b>-23.3</b>	<b>-38.0</b>	<b>-51.3</b>
Total liab. and shareholders' equity	€M	196	202	202

## Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	173	171	167

## Profits & Risks Ratios

		12/15A	12/16E	12/17E
<b>ROE (after tax)</b>	<b>%</b>	<b>7.41</b>	<b>11.6</b>	<b>11.6</b>
ROCE	%	6.33	14.3	15.7
<b>Gearing (at book value)</b>	<b>%</b>	<b>-7.43</b>	<b>-13.1</b>	<b>-18.1</b>
Adj. Net debt/EBITDA(R)	x	-0.48	-0.78	-1.11
Interest cover (x)	x	6.12	11.8	13.7

## Valuation Ratios

		12/15A	12/16E	12/17E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>9.82</b>	<b>9.91</b>	<b>9.29</b>
Free cash flow yield	%	8.68	9.05	9.30
P/Book	x	0.71	1.11	1.05
<b>Dividend yield</b>	<b>%</b>	<b>4.40</b>	<b>3.19</b>	<b>3.81</b>

## EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	157	259	259
+ Provisions	€M	15.3	13.9	13.9
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-23.3	-38.0	-51.3
+ 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	140	227	210
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>3.46</b>	<b>5.19</b>	<b>4.54</b>
EV/Sales	x	0.28	0.45	0.40

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 09/05/2016.