

48 bd des Batignolles
75017 Paris - France
sales@alphavalue.eu
www.alphavalue.com

Change of control

Governance related - 07/10/2015

Analyst : Pierre-Yves GAUTHIER
otherfinancials@alphavalue.eu
T. : +33 (0) 1 70 61 10 50

Fact

The concert party that held c.28% of the shares has sold to an ad hoc fund. The fund is driven by a Mr Michaël Fribourg who boasts the financial support of a number of French banks. The chief executive, Ms Odillard, will bow out as well by 30 October 2015, on the transaction date.

The transaction will happen at €8, a marginal premium to the undisturbed close price (€7.75).

The change in ownership of the 28% concert holding is not technically a change of control and below the 33.4% that would trigger a compulsory bid.

Analysis

That the concert party (Mr Malone, the ex CEO and Mr Seydoux a long-term holder) would sell was a reasonable expectation although the calendar was anybody's guess. The surprise is the management change that appears to be driven by the change in shareholding.

The other surprise is the nature of the buyer with the fund being led by a young manager, coming from the French administration elite.

Impact

No impact on EPS in the near term. The structure of the new governance as well as the (possibly new) strategy will be reassessed when the new largest shareholder goes hopefully public.

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Buy	Upside : 79.5%
Target Price (6 months)	€ 13.3
Share Price	€ 7.42
Market Capitalisation €M	171
Price Momentum	GOOD
Extremes 12Months	4.07 ▶ 8.30
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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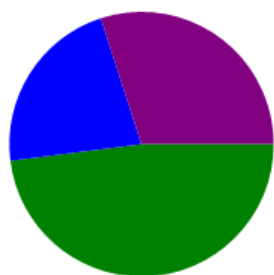


PERF	1w	1m	3m	12m
Chargeurs	-0.13%	-7.71%	10.9%	51.9%
Other financials	3.91%	-1.90%	-4.50%	18.4%
STOXX 600	3.78%	1.72%	-3.17%	9.09%

Last updated: 02/09/2015	12/13A	12/14A	12/15E	12/16E
Adjusted P/E (x)	10.1	9.90	11.4	8.46
Dividend yield (%)	0.00	3.75	3.37	4.04
EV/EBITDA(R) (x)	2.69	3.51	4.32	3.61
Adjusted EPS (€)	0.37	0.54	0.65	0.88
Growth in EPS (%)		45.8	21.1	34.4
Dividend (€)	0.00	0.20	0.25	0.30
Sales (€M)	467	478	500	520
Operating margin (%)	3.82	4.47	5.29	5.73
Attributable net profit (€M)	3.20	11.2	13.5	20.2
ROE (after tax) (%)	4.44	6.14	6.45	8.69
Gearing (%)	8.82	-3.04	-5.29	-8.49

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Sales by Geography



■ Europe (48.0%)
■ Americas (22.0%)
■ Other (30.0%)

Consolidated P&L Account

		12/14A	12/15E	12/16E
Sales	€M	478	500	520
Change in sales	%	2.53	4.63	3.96
Change in staff costs	%	2.32	2.81	3.50
EBITDA	€M	31.6	37.0	40.8
EBITDA(R) margin	%	6.61	7.39	7.85
Depreciation	€M	-8.90	-9.50	-10.0
Underlying operating profit	€M	22.7	27.5	30.8
Operating profit (EBIT)	€M	21.4	26.2	29.8
Net financial expense	€M	-6.30	-4.20	-3.10
of which related to pensions	€M	-0.40	-0.32	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.30	2.45	-6.82
Equity associates	€M	0.40	-10.7	0.50
Minority interests	€M	0.00	-0.20	-0.20
Adjusted attributable net profit	€M	11.7	15.0	20.2
NOPAT	€M	16.6	8.82	22.2

Cashflow Statement

		12/14A	12/15E	12/16E
EBITDA	€M	31.6	37.0	40.8
Change in WCR	€M	8.60	-7.80	3.00
Actual div. received from equity holdi...	€M	0.70	0.50	0.50
Paid taxes	€M	-4.60	2.45	-6.82
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	-7.50	-5.00	-5.00
Total operating cash flows	€M	28.8	27.1	32.5
Capital expenditure	€M	-9.10	-12.0	-10.0
Total investment flows	€M	-9.90	-15.0	-13.0
Net interest expense	€M	-6.30	-4.20	-3.10
Dividends (parent company)	€M	0.00	-3.00	-5.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	3.00	0.00	0.00
Total financial flows	€M	3.80	-19.5	-13.9
Change in cash position	€M	22.7	-7.37	5.62
Free cash flow (pre div.)	€M	13.4	10.9	19.4

Per Share Data

		12/14A	12/15E	12/16E
No. of shares net of treas. stock (year...	Mio	23.0	23.0	23.0
Number of diluted shares (average)	Mio	22.9	23.0	23.0
Benchmark EPS	€	0.54	0.65	0.88
Restated NAV per share	€			
Net dividend per share	€	0.20	0.25	0.30

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 13.9	55%	<ul style="list-style-type: none"> ■ Akzo Nobel ■ Solvay ■ Wendel ■ Bolloré ■ GBL ■ Sonae ■ Hal Trust ■ Eurazeo
Dividend Yield	€ 9.55	20%	
DCF	€ 16.1	10%	
P/E	€ 14.8	10%	
P/Book	€ 13.0	5%	
TARGET PRICE	€ 13.3	100%	

NAV/SOTP Calculation

Balance Sheet

		12/14A	12/15E	12/16E
Goodwill	€M	70.4	75.5	75.5
Total intangible	€M	72.6	78.0	78.0
Tangible fixed assets	€M	50.3	53.0	57.0
Financial fixed assets	€M	27.1	19.0	19.0
WCR	€M	23.2	31.0	28.0
Other assets	€M	24.6	28.0	30.0
Total assets (net of short term liab.)	€M	201	214	217
Ordinary shareholders' equity	€M	194	225	240
Quasi Equity & Preferred	€M			
Minority interests	€M	3.80	5.00	5.00
Provisions for pensions	€M	15.5	9.20	9.47
Other provisions for risks and liabilities	€M	0.40	1.00	1.00
Total provisions for risks and liabilities	€M	15.9	10.2	10.5
Tax liabilities	€M	-13.5	-23.0	-23.0
Other liabilities	€M	10.7	11.0	11.0
Net debt (cash)	€M	-9.30	-14.5	-26.1
Total liab. and shareholders' equity	€M	201	214	217

Capital Employed

		12/14A	12/15E	12/16E
Capital employed after depreciation	€M	177	185	186

Profits & Risks Ratios

		12/14A	12/15E	12/16E
ROE (after tax)	%	6.14	6.45	8.69
ROCE	%	9.39	4.77	11.9
Gearing (at book value)	%	-3.04	-5.29	-8.49
Adj. Net debt/EBITDA(R)	x	-0.17	-0.28	-0.54
Interest cover (x)	x	3.85	7.08	10.7

Valuation Ratios

		12/14A	12/15E	12/16E
Reference P/E (benchmark)	x	9.90	11.4	8.46
Free cash flow yield	%	10.9	6.38	11.3
P/Book	x	0.63	0.76	0.71
Dividend yield	%	3.75	3.37	4.04

EV Calculation

		12/14A	12/15E	12/16E
Market cap	€M	123	171	171
+ Provisions	€M	15.9	10.2	10.5
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-9.30	-14.5	-26.1
+ Leases debt equivalent	€M	4.00	4.00	4.00
- Financial fixed assets (fair value)	€M	26.0	16.0	16.0
+ Minority interests (fair value)	€M	3.80	5.00	4.00
= EV	€M	111	160	147
EV/EBITDA(R)	x	3.51	4.32	3.61
EV/Sales	x	0.23	0.32	0.28

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 02/09/2015.