



Chargeurs

Holding Companies / France

H1: an absolute home run

Earnings/sales releases - 14/09/2020

What Chargeurs has been able to accomplish in the challenging circumstances that marked this H1 is nothing short of remarkable. Quick-witted management and great execution allowed the company to post an historical H1, led by the newly-created Chargeurs Healthcare Solutions. Even though H2 and FY21 are not bound to be as sensational, the long-term outlook remains more than encouraging.

Fact

- Chargeurs' consolidated revenues totalled €519m in H1, jumping by +54% lfl, driven by Chargeurs Healthcare Solutions, whose sales reached €254m.
- The top-line out-performance was carried down the P&L with EBITDA and recurring operating profit increasing by +14% to €71m and +12% to €60m, respectively.
- Resilient cash generation from the new activities and the historical businesses supported Chargeur's net debt position, which remained stable versus FY19 at €122m.
- Given the strong H1 results, the company will pay an interim dividend of €0.28 per share.
- The FY20 outlook has been reiterated, expecting revenues in excess of €750m and recurring operating profit above €60m.

In € millions	H1 2020	H1 2019	H1 2020 vs H1 2019	Q2 2020 vs Q2 2019	Q1 2020 vs Q1 2019
Revenue	518.5	326.1	+59.0%	+119.1%	-2.3%
Like-for-like change			+54.4%	+112.3%	-4.7%
EBITDA	71.2	32.5			
as a % of revenue	13.7%	10.0%			
Recurring operating profit	59.5	22.7			
as a % of revenue	11.5%	7.0%			
Profit for the period	28.9	8.3			

Source: Company reports

Analysis

Back in April, when Chargeurs announced the creation of a fifth division (at the time denoted by its brand name Lainière Santé), we saw the potential in this new activity to help offset the impact on the core activities brought by the sanitary and economic crisis. What we completely underestimated was Chargeurs' skill in retooling the industrial capability and focusing its resources and talent for the creation, from the ground up, of a new business line that has brought the group to its best H1 to date.

Chargeurs Healthcare Solutions now stands as a pillar for the group, with unequivocal organic growth ambitions, and attests to management's preparedness to make the best out of the exceptional conditions that characterised this H1. The impressive €254m in revenues realised by the division in Q2 alone was driven by the surging demand for personal protective equipment (PPE). Chargeurs leveraged its expertise in technical textiles, industrial assets, as well as its logistical



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 51.3%
Target Price (6 months)	€ 28.2
Share Price	€ 18.6
Market Cap. €M	532
Price Momentum	STRONG
Extremes 12Months	8.61 ▶ 19.8
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	16.8%	28.6%	30.3%	19.6%
Other financials	2.18%	0.20%	8.95%	3.97%
STOXX 600	1.67%	-1.85%	4.22%	-5.58%

Last updated: 17/04/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	27.5	23.0	12.9	12.0
Dividend yield (%)	4.14	4.56	4.83	5.10
EV/EBITDA(R) (x)	9.32	10.5	7.02	6.70
Adjusted EPS (€)	0.66	0.81	1.44	1.55
Growth in EPS (%)	-42.6	22.8	77.7	7.44
Dividend (€)	0.75	0.85	0.90	0.95
Sales (€M)	626	643	887	974
Underlying operat. profit ma...	6.61	6.35	8.43	8.84
Attributable net profit (€M)	15.1	20.3	39.5	42.4
ROE (after tax) (%)	6.42	6.93	10.7	10.4
Gearing (%)	51.9	38.8	38.8	47.7

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capabilities brought by the PCC acquisition to fulfill a massive €250m order book in a matter of months.

The order book for H2 is definitely a more modest one at c.€50m, since governments and entities raced to fill their stocks in Q2, which should explain management's conservative outlook for the remainder of the year. Nonetheless, we see the top-line of €750m as an easy bar to surpass, even if we still assume that the historical businesses will remain under pressure in H2.

Moving on to Chargeurs Protective Films, the division's diversified geographical footprint allowed it to sustain a level of activity that softened the impact of the crisis, with increased orders in the US helping to compensate the downturn in Europe, for example. The top-line fell a relatively modest 6.3% to €134m. More importantly, production was adjusted quickly which helped preserve profitability, with EBITDA coming in at €12.7m (9.5% margin) and recurring operating profit at €6.9m (5.2% margin).

CFT-PCC saw a bigger hit, not surprising given its exposure to fashion and luxury customers. Revenues plummeted by 39% to €66m, but it should be highlighted that the division remained profitable, the recurring operating profit was €2.3m (3.5% margin). This was thanks to Chargeurs' strong pricing power, and the optimisation of its supplier base, allowing it to keep the gross margin stable. CLM, also heavily exposed to the fashion and luxury sector, saw its activity suffer significantly, with sales falling by 30% to €40m.

Moving on to the recently-created Chargeurs Museum Solutions, the H1 performance was sustained on a reported basis thanks to the integration of Chargeurs' latest acquisitions in the realm of museum services, D&P and Hypsos. The top-line increased +39% to €25m, but fell 47% on a lfl basis. While the activity was naturally disrupted by the lockdowns, management was keen to note that the division saw no major cancellations (postponements only), and was able to secure new projects through successful bids. The lfl performance is merely explained by the downturn in the technical textiles legacy business, tied to the negative dynamic in the retail space.

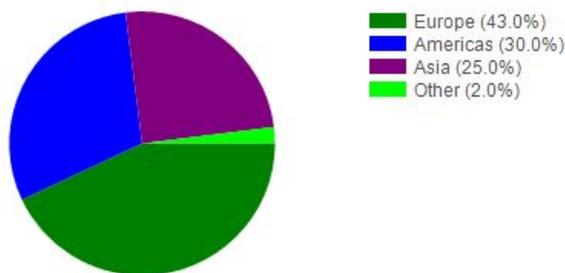
Cash generation was a genuine highlight in this release. The superb performance led by CHS and the resilience shown by the group's core activities was reflected in €71m in operating cash flow, fully offsetting the acquisitions made in museum services. Thanks to this, the group's net debt position remained stable at €122m, coupled with a rising EBITDA, it resulted in the net debt/EBITDA ratio decreasing from 2x in FY19 to a solid 1.2x in H1, a remarkable feat given the current market context.

■ Impact

The impressive H1 release leapfrogged even our most bullish estimates; as a result, our 2020 estimates will be upgraded significantly, particularly on an operating profitability basis.

The more conservative outlook for FY21 compared to our current estimates should slightly offset this; nonetheless, the long-term outlook remains solid. Our conviction is supported further by the level of preparedness and top-notch execution displayed by Chargeurs in this most volatile and challenging period.

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	626	643	887
Change in sales	%	9.23	2.73	37.8
Change in staff costs	%	7.15	28.5	32.7
EBITDA	€M	60.0	60.6	97.2
EBITDA(R) margin	%	9.58	9.42	11.0
Depreciation	€M	-18.6	-19.7	-22.5
Underlying operating profit	€M	38.9	37.4	69.7
Operating profit (EBIT)	€M	31.9	30.4	61.7
Net financial expense	€M	-11.5	-12.8	-16.8
of which related to pensions	€M	-0.30	-0.14	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.92	2.23	-5.98
Equity associates	€M	-0.40	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	15.1	20.3	39.5
NOPAT	€M	27.0	26.8	49.5

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	60.0	60.6	97.2
Change in WCR	€M	-13.3	-11.5	0.00
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-3.30	2.23	-5.98
Exceptional items	€M			
Other operating cash flows	€M	-8.10	-8.00	-8.00
Total operating cash flows	€M	35.3	43.3	83.2
Capital expenditure	€M	-25.3	-17.0	-18.0
Total investment flows	€M	-34.7	-87.0	-88.0
Net interest expense	€M	-11.5	-12.8	-16.8
Dividends (parent company)	€M	-8.60	-17.6	-24.2
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-9.80	100	0.00
Total financial flows	€M	-15.2	55.9	-50.5
Change in cash position	€M	-16.1	12.2	-55.3
Free cash flow (pre div.)	€M	-1.50	13.5	48.4

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	22.7	27.4	27.4
Number of diluted shares (average)	Mio	22.8	25.1	27.4
Benchmark EPS	€	0.66	0.81	1.44
Restated NAV per share	€			
Net dividend per share	€	0.75	0.85	0.90

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 26.6	55%	● Ackermans & van H...
Dividend Yield	€ 34.1	20%	● Wacker Chemie
DCF	€ 34.0	10%	● AkzoNobel
P/E	€ 24.7	10%	● Solvay
P/Book	€ 17.7	5%	● Bolloré
TARGET PRICE	€ 28.2	100%	● GBL
			● Sonae
			● Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	136	182	228
Total intangible	€M	173	220	266
Tangible fixed assets	€M	87.3	110	134
Financial fixed assets	€M	12.6	20.0	25.0
WCR	€M	48.5	60.0	60.0
Other assets	€M	31.6	32.0	35.0
Total assets (net of short term liab.)	€M	386	480	562
Ordinary shareholders' equity	€M	232	354	387
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	18.3	16.2	16.5
Other provisions for risks and liabilities	€M	0.40	0.50	0.50
Total provisions for risks and liabilities	€M	18.7	16.7	17.0
Tax liabilities	€M	-27.7	-30.0	-30.0
Other liabilities	€M	13.4	13.4	13.4
Net debt (cash)	€M	149	126	174
Total liab. and shareholders' equity	€M	386	480	562

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	322	411	485

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	6.42	6.93	10.7
ROCE	%	8.41	6.52	10.2
Gearing (at book value)	%	51.9	38.8	38.8
Adj. Net debt/EBITDA(R)	x	2.48	2.08	1.79
Interest cover (x)	x	3.47	2.95	4.20

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	27.5	23.0	12.9
Free cash flow yield	%	-0.36	2.64	9.49
P/Book	x	1.77	1.44	1.32
Dividend yield	%	4.14	4.56	4.83

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	411	511	511
+ Provisions	€M	18.7	16.7	17.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	149	126	174
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	19.3	19.3	19.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	559	634	683
EV/EBITDA(R)	x	9.32	10.5	7.02
EV/Sales	x	0.89	0.99	0.77

Analyst : Jorge Velandia, Changes to Forecasts : 17/04/2020.