



# Chargeurs

Holding Companies / France

## Q3: another robust quarterly showing

Earnings/sales releases - 18/11/2019

**Q3 revenues are showing robustness even though some of Protective Films' end markets (Chargeurs' main business) remain in the slow lane.**

### Fact

Q3 sales up 1.7% lfl confirm management's earlier observation that the H1 negative showing (-1.9% lfl, of which -7.1% on Protective Films) was a transitory weakness in end markets. The 9-month lfl sales are still slightly below last year's (-0.8%), though markedly higher on a reported basis (+12.2%) given the successful integration of PCC in the Fashion Technologies division.

### Revenue break-down by division

In euro millions	Nine months		Change		Third quarter		Change	
	2019	2018	Reported	Like-for-like*	2019	2018	Reported	Like-for-like*
Protective Films	211.9	217.7	-2.7%	-4.4%	69.8	67.7	+3.1%	+1.9%
PCC Fashion Technologies	156.2	107.8	+44.9%	+1.9%	48.4	39.0	+24.1%	+1.5%
Technical Substrates	24.7	20.4	+21.1%	+3.9%	6.7	5.6	+19.6%	+19.6%
Luxury Materials	79.7	75.4	+5.7%	+4.4%	21.5	21.9	-1.8%	-3.2%
<b>Chargeurs</b>	<b>472.5</b>	<b>421.3</b>	<b>+12.2%</b>	<b>-0.8%</b>	<b>146.4</b>	<b>134.2</b>	<b>+9.1%</b>	<b>+1.7%</b>

\* Based on a comparable scope of consolidation and at constant exchange rates

Source: Company reports

### Analysis

#### Protective Films

The positive side of the Q3 coin is the return to lfl sales growth at Protective Films (+1.9%). Q2 was marred by clients taking a cautious view about H2 19, notably in Germany. Such destocking was bound to be limited in an industry which is not relying on stocks. Chargeurs' management nevertheless strikes a cautious tone for the end of this year as macro signals from China and Germany remain unconvincing ones. The good news is that the capex efforts to ramp up the share of premium products do seem to be paying off accord to plan.

#### PCC Fashion Technologies

The division is confirmed as the success story of 2019 with a well-executed complete overhaul of the business through the acquisition of PCC. The unspectacular lfl gain at +1.5% must be read as a strong realisation in demanding and deflating industries while, here too, the mix has been improved substantially.

#### Technical Substrates

The activity posts remarkable lfl growth in Q3 but the 9-month figure is more telling of a well-oriented business. Its dash for the museum market as well as a biggish acquisition in progress will provide the business with its critical mass.

Finally, a drop in sales of Luxury Materials is due to a frozen wool market, a situation that should not last.

### Impact

Q3 sales are good in an overall slow growth context. The group should meet the targets set by H1 but without much leeway to the extent that export-oriented countries remain in the slow lane. What matters, as usual, is the ability to deliver on growth through a combination of premiumised product lines, capacity capex



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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: 86.8%

Target Price (6 months)	€ 30.6
Share Price	€ 16.4
Market Cap. €M	379
Price Momentum	<b>GOOD</b>
Extremes 12Months	14.5 ▶ 21.0
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	-5.53%	4.73%	6.93%	-3.48%
Other financials	0.39%	2.80%	11.2%	27.6%
STOXX 600	0.15%	3.20%	11.2%	13.3%

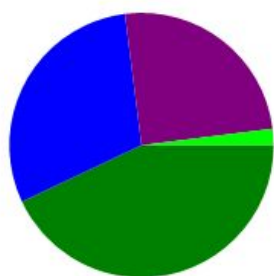
Last updated: 18/11/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	16.9	20.2	12.8	10.2
Dividend yield (%)	3.46	4.57	5.18	5.49
EV/EBITDA(R) (x)	9.11	9.75	7.27	6.11
Adjusted EPS (€)	1.15	0.81	1.28	1.60
Growth in EPS (%)	5.33	-29.1	57.8	24.9
Dividend (€)	0.67	0.75	0.85	0.90
Sales (€M)	573	631	776	966
Underlying operat. profit ma...	8.55	7.03	8.39	8.92
Attributable net profit (€M)	26.6	18.7	32.0	43.2
ROE (after tax) (%)	11.4	7.63	10.2	11.0
Gearing (%)	17.6	52.7	40.4	36.5

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and acquisitions.

The group delivers on all fronts. There is no reason to change long-term forecasts but Chargeurs took a more cautious stance for the close of 2019 with a recurring EBIT target of not much more than the €44m reached in 2017. That would lead us to to trim our 2019 EPS estimates by c. 5% with no significant impact on our target price.

## Sales by Geography



Europe	(43.0%)
Americas	(30.0%)
Asia	(25.0%)
Other	(2.0%)

## Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	573	631	776
Change in sales	%	7.56	10.1	23.0
Change in staff costs	%	33.9	11.5	20.4
EBITDA	€M	59.8	57.2	80.1
<b>EBITDA(R) margin</b>	%	<b>10.4</b>	<b>9.06</b>	<b>10.3</b>
Depreciation	€M	-10.8	-12.8	-15.0
Underlying operating profit	€M	48.1	42.4	61.6
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>42.2</b>	<b>31.5</b>	<b>49.6</b>
Net financial expense	€M	-10.6	-12.2	-15.3
of which related to pensions	€M	-0.30	-0.14	-0.22
Exceptional items & other	€M			
Corporate tax	€M	-5.08	-1.05	-2.79
Equity associates	€M	0.10	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>26.6</b>	<b>18.7</b>	<b>32.0</b>
NOPAT	€M	34.0	30.3	43.8

## Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	59.8	57.2	80.1
Change in WCR	€M	-22.5	-13.3	-5.00
Actual div. received from equity holdi...	€M	0.00	0.50	0.50
Paid taxes	€M	-6.00	-1.05	-2.79
Exceptional items	€M			
Other operating cash flows	€M	-8.40	-5.00	-5.00
Total operating cash flows	€M	22.9	38.3	67.8
Capital expenditure	€M	-24.3	-20.0	-17.0
Total investment flows	€M	-90.3	-90.0	-87.0
Net interest expense	€M	-10.6	-12.2	-15.3
Dividends (parent company)	€M	-10.8	-15.6	-17.5
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-10.2	0.00	100
Total financial flows	€M	-42.6	-38.0	62.4
Change in cash position	€M	-110	-89.7	43.2
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-12.0</b>	<b>6.11</b>	<b>35.5</b>

## Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	23.1	23.0	27.0
Number of diluted shares (average)	Mio	23.2	23.0	25.0
<b>Benchmark EPS</b>	<b>€</b>	<b>1.15</b>	<b>0.81</b>	<b>1.28</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.67</b>	<b>0.75</b>	<b>0.85</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 29.5	55%	● Ackermans & van H...
Dividend Yield	€ 32.8	20%	■ Wacker Chemie
DCF	€ 38.3	10%	■ Akzo Nobel
P/E	€ 30.3	10%	■ Solvay
P/Book	€ 19.9	5%	■ Bolloré
TARGET PRICE	€ 30.6	100%	● GBL
			● Sonae
			● Hal Trust

### NAV/SOTP Calculation

## Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	128	202	248
Total intangible	€M	158	204	250
Tangible fixed assets	€M	80.7	113	136
Financial fixed assets	€M	13.1	15.0	20.0
WCR	€M	41.7	55.0	60.0
Other assets	€M	23.0	30.0	32.0
Total assets (net of short term liab.)	€M	324	421	504
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>237</b>	<b>253</b>	<b>376</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	17.4	17.6	17.8
Other provisions for risks and liabilities	€M	0.50	1.00	5.00
Total provisions for risks and liabilities	€M	17.9	18.6	22.8
Tax liabilities	€M	-27.2	-30.0	-30.0
Other liabilities	€M	3.50	5.00	5.00
<b>Net debt (cash)</b>	<b>€M</b>	<b>92.2</b>	<b>175</b>	<b>129</b>
Total liab. and shareholders' equity	€M	324	421	504

## Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	294	387	467

## Profits & Risks Ratios

		12/18A	12/19E	12/20E
<b>ROE (after tax)</b>	%	<b>11.4</b>	<b>7.63</b>	<b>10.2</b>
ROCE	%	11.6	7.81	9.38
<b>Gearing (at book value)</b>	%	<b>17.6</b>	<b>52.7</b>	<b>40.4</b>
Adj. Net debt/EBITDA(R)	x	1.54	3.05	1.61
Interest cover (x)	x	4.67	3.55	4.12

## Valuation Ratios

		12/18A	12/19E	12/20E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>16.9</b>	<b>20.2</b>	<b>12.8</b>
Free cash flow yield	%	-2.69	1.62	8.03
P/Book	x	1.88	1.49	1.17
<b>Dividend yield</b>	%	<b>3.46</b>	<b>4.57</b>	<b>5.18</b>

## EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	447	376	442
+ Provisions	€M	17.9	18.6	22.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	92.2	175	129
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	16.0	16.0	16.0
+ Minority interests (fair value)	€M	4.00	4.00	4.00
= EV	€M	545	558	582
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>9.11</b>	<b>9.75</b>	<b>7.27</b>
EV/Sales	x	0.95	0.88	0.75

Analyst : Jorge Velandia, Changes to Forecasts : 18/11/2019.