



# Chargeurs

Holding Companies / France

## Successful acquired growth offsets organic slowdown

Earnings/sales releases - 07/05/2019

**Q1 19 revenues dominated by high comps and successful acquisitions.**

### Fact

- Consolidated revenue topped €161.2m in Q1 19, +11.3% in gross terms and -4.6% lfl.
- Renegotiation of the Euro PP notes issued in 2016 and 2017, including an extension of maturity until 2023, increases the group's financial flexibility for future acquisitions.
- Management reiterated its outlook for FY19 of increasing revenue and operating profit while generating solid cash flows, as it aims to achieve €1bn in turnover by the end of 2021.
- Below is the breakdown by business line:

In euro millions	First quarter			Change 19/18		Change
	2019	2018	2017	Reported	Like-for-like*	19/17
Protective Films	69.2	74.7	70.9	-7.4%	-9.5%	-2.4%
Fashion Technologies	53.0	33.8	33.6	56.8%	2.4%	57.7%
Technical Substrates	8.1	6.3	6.6	28.6%	-12.7%	22.7%
Luxury Materials	30.9	30.0	32.3	3.0%	1.3%	-4.4%
<b>Chargeurs</b>	<b>161.2</b>	<b>144.8</b>	<b>143.4</b>	<b>11.3%</b>	<b>-4.6%</b>	<b>12.3%</b>

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

### Analysis

The solid +11.3% increase in gross terms was brought down by a disappointing -4.6% contraction on a lfl basis. As Chargeurs strives to promote its keen eye for profitable growth, organic or acquired, it is only fair to promote the reported figures as satisfactory and reminding shareholders that the 2018 base was noteworthy for being remarkably high.

Revenues from its largest business, Protective Films, shrank by -9.5% lfl due to this Q1 18 high base and clearly to a less favourable economic environment in Europe and a stalling in orders from China, as clients await the implementation of a lower VAT rate in Q2. It is evident that the slowdown in the European economy, notably in Germany, has caught up with Chargeurs as manufacturers postpone/reduce their orders, bracing for tougher times ahead. Caution is extending into Q2 as well. At the margin, the group has been preparing for the launch of additional capacity aimed at the premium market and to open by H2 of this year. This should help pull up sales somewhat and help defend margins. In broad terms, H1 in Protective Films suffers more from flat demand than from any pricing pressure.

The group can smile when it comes to Fashion Technologies that manages a lfl gain of +2.4% and a big jump with the integration of PCC acquired last summer. The combined businesses are up to expectations when it comes to synergies, to servicing the fashion and luxury industries with worldwide assets and expanding in Asia. As a reminder, it was not a foregone conclusion to relaunch the then staid interlining business as Chargeurs did through repositioning and acquisitions. Fashion Technologies has the potential to become the second driving force for Chargeurs, which vindicates its disciplined acquisition strategy.



**Jorge VELANDIA**

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 68.4%**

Target Price (6 months)	€ 30.3
Share Price	€ 18.0
Market Cap. €M	415
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	15.0 ▶ 25.7
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	-4.16%	-1.86%	-11.5%	-29.9%
Other financials	-0.78%	1.96%	10.7%	3.13%
STOXX 600	-1.12%	-0.33%	5.86%	-0.02%

Last updated: 21/03/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	19.8	14.9	10.7	9.05
Dividend yield (%)	2.95	4.18	4.73	5.01
EV/EBITDA(R) (x)	10.4	8.67	6.87	5.88
Adjusted EPS (€)	1.15	1.21	1.68	1.99
Growth in EPS (%)	5.14	5.50	39.0	18.3
Dividend (€)	0.67	0.75	0.85	0.90
Sales (€M)	573	656	833	1,007
Underlying operat. profit ma...	8.55	8.27	8.91	9.49
Attributable net profit (€M)	26.6	27.8	41.9	53.5
ROE (after tax) (%)	11.4	11.1	12.9	13.2
Gearing (%)	17.6	48.9	36.6	33.1

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Concerning the smaller Technical Substrates business, it is important to note that it can record big quarterly swings depending on deliveries. So that the quarterly lfl drop is not an issue.

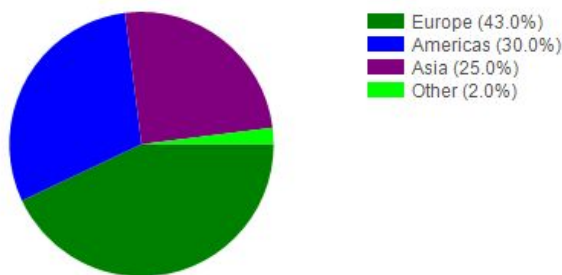
In all, the integration of recent acquisitions in Technical Substrates (UK-based Leach) and Fashion Technologies (Asia-based PCC Interlining) resulted in a +15% scope effect in group revenues. In order to continue with the group's active external growth strategy, the renegotiation of the terms of its Euro PP notes issued in 2016 and 2017 to align those with the more favourable ones of a bigish syndicated loan will give the company extra firepower to chase large, high value-added acquisitions to continue strengthening its portfolio as it aims to reach €1bn in sales by the end of 2021. This renegotiation clearly attests to the confidence that creditors have in the ability of Chargeurs to deploy successfully its growth ambitions.

Despite a (well-flagged) challenging first quarter in lfl terms, the company reiterated its outlook for FY19.

### ■ Impact

We will make slight adjustments to our estimates, taking into account the more challenging context for the Protective Films division over H1. This should have a marginal impact on our target price which is dominated by a SOTP which itself is hardly impacted by quarterly revenues. We maintain our positive view on the stock.

## Sales by Geography



## Consolidated P&L Accounts

	12/18A	12/19E	12/20E
Sales	€M 573	656	833
Change in sales	% 7.56	14.4	27.0
Change in staff costs	% 33.9	12.2	21.1
EBITDA	€M 59.8	67.3	89.2
<b>EBITDA(R) margin</b>	<b>% 10.4</b>	<b>10.3</b>	<b>10.7</b>
Depreciation	€M -10.8	-13.0	-15.0
Underlying operating profit	€M 48.1	51.6	70.7
<b>Operating profit (EBIT)</b>	<b>€M 42.2</b>	<b>45.6</b>	<b>63.7</b>
Net financial expense	€M -10.6	-12.5	-15.3
of which related to pensions	€M	-0.13	-0.18
Exceptional items & other	€M		
Corporate tax	€M -5.13	-5.74	-7.02
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 26.6</b>	<b>27.8</b>	<b>41.9</b>
NOPAT	€M 33.8	36.7	50.1

## Cashflow Statement

	12/18A	12/19E	12/20E
EBITDA	€M 59.8	67.3	89.2
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	-5.74	-7.02
Exceptional items	€M		
Other operating cash flows	€M -8.40	-5.00	-5.00
Total operating cash flows	€M 22.9	43.7	72.7
Capital expenditure	€M -24.3	-16.0	-20.0
Total investment flows	€M -89.6	-86.0	-90.0
Net interest expense	€M -10.6	-12.5	-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 -11.6	0.00	100
Total financial flows	€M -43.1	-39.0	42.4
Change in cash position	€M -110	-81.3	25.1
<b>Free cash flow (pre div.)</b>	<b>€M -12.0</b>	<b>15.2</b>	<b>37.4</b>

## Per Share Data

		23.1	23.0	27.0
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>1.21</b>	<b>1.68</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	€ 29.8	55%	● Ackermans & van H...
Dividend Yield	€ 28.5	20%	■ Wacker Chemie
DCF	€ 40.9	10%	■ Akzo Nobel
P/E	€ 31.6	10%	■ Solvay
P/Book	€ 17.5	5%	■ Bolloré
TARGET PRICE	€ 30.3	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 237</b>	<b>263</b>	<b>388</b>
Quasi Equity & Preferred	€M		
Minority interests	€M 0.00	0.00	0.00
Provisions for pensions	€M 17.4	16.4	17.2
Other provisions for risks and liabilities	€M 0.50	1.00	5.00
Total provisions for risks and liabilities	€M 17.9	17.4	22.2
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 92.2</b>	<b>165</b>	<b>118</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

		11.4	11.1	12.9
<b>ROE (after tax)</b>	<b>%</b>	<b>11.4</b>	<b>11.1</b>	<b>12.9</b>
ROCE	%	11.5	9.47	10.7
<b>Gearing (at book value)</b>	<b>%</b>	<b>17.6</b>	<b>48.9</b>	<b>36.6</b>
Adj. Net debt/EBITDA(R)	x	1.54	2.46	1.33
Interest cover (x)	x	4.54	4.21	4.71

## Valuation Ratios

		19.8	14.9	10.7
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>19.8</b>	<b>14.9</b>	<b>10.7</b>
Free cash flow yield	%	-2.29	3.69	7.72
P/Book	x	2.21	1.56	1.25
<b>Dividend yield</b>	<b>%</b>	<b>2.95</b>	<b>4.18</b>	<b>4.73</b>

## EV Calculation

	12/18A	12/19E	12/20E	
Market cap	€M 524	412	484	
+ Provisions	€M 17.9	17.4	22.2	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M 92.2	165	118	
+ 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 622	583	613	
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>10.4</b>	<b>8.67</b>	<b>6.87</b>
EV/Sales	x	1.08	0.89	0.74

Analyst : Jorge Velandia, Changes to Forecasts : 21/03/2019.