



Chargeurs

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On time delivery, cont'd

Earnings/sales releases - 16/11/2018

Forget the quarterly swings to sequential growth, Chargeurs is delivering on its promise of focused, profitable growth.

Fact

Chargeurs released Q3 top line like-for-like growth of 1%, a slowdown on previous quarters (9 months up 2.5%). Real growth at +11% reflected the contributions from successful acquisitions.

Chargeurs 9 months 2018 revenues

In euro millions	Nine months		Change		Third quarter		Change	
	2018	2017	reported	like-for-like *	2018	2017	reported	like-for-like *
Protective Films	217.7	211.0	+3.2%	+1.1%	67.7	67.7	+0.0%	-4.1%
Fashion Technologies	107.8	98.7	+9.2%	+5.9%	39.0	30.9	+26.2%	+2.9%
Technical Substrates	20.4	18.3	+11.5%	-9.3%	5.6	5.8	-3.4%	-43.1%
Luxury Materials	75.4	74.8	+0.8%	+4.8%	21.9	16.6	+31.9%	+33.7%
Chargeurs	421.3	402.8	+4.6%	+2.5%	134.2	121.0	+10.9%	+1.0%

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

Analysis

Quarterly sales reporting can be misleading. This is the case for Chargeurs' Q3 as its niche but "world" businesses are subject to quarterly shifts of operations that bear no relation to the underlying growth trend. The Q3's modest proforma growth can be narrowed down to superior Q3 growth a year ago and client business being recorded earlier (Protective Film) or booked later (Technical Substrates).

All in all, after speaking with management, we discern no untoward trends. While the case for downgrades to global growth has been gaining strength of late, Chargeurs is not really seeing any such signal in its current operations.

What matters above all is the sense of consistent delivery quarter after quarter. Businesses such as Luxury Materials (ex Wool) or Fashion Technologies (ex Interlining) that would have been disposed of by most fast money managers on account of no growth have been revitalised to great effect through a combination of focus on world niche markets, a rising mix across the businesses, investment in people more than in blunt capacity and sensible external growth at keen prices. Easily said but the proof is clearly in the 2018 pudding.

Also consistent with earlier comments about Chargeurs being a world group even if small in size, the Q3 sales release was enriched by the addition of a geographical breakdown. This is good to have and confirms the shift in growth away from Europe. Note that the group is also keen to align its world assets with its world revenues so as to prevent FX squeezes with good progress already having been made in the US.

Chargeurs 9 months 2018 revenues – Geography



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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: 70.8%

Target Price (6 months)	€ 30.0
Share Price	€ 17.6
Market Cap. €M	410
Price Momentum	NEGATIVE
Extremes 12Months	17.5 ▶ 27.7
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	-8.54%	-9.57%	-23.9%	-18.4%
Other financials	-1.78%	-2.32%	-5.30%	-1.59%
STOXX 600	-2.36%	-1.80%	-5.60%	-6.16%

Last updated: 29/06/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	9.66	20.1	13.2	10.7
Dividend yield (%)	5.23	2.74	3.98	4.55
EV/EBITDA(R) (x)	5.00	9.22	7.89	6.53
Adjusted EPS (€)	1.09	1.09	1.33	1.65
Growth in EPS (%)	56.8	0.02	22.2	23.7
Dividend (€)	0.55	0.60	0.70	0.80
Sales (€M)	506	533	567	657
Underlying operat. profit ma...	7.68	8.33	8.54	9.11
Attributable net profit (€M)	25.0	25.2	31.0	38.4
ROE (after tax) (%)	11.2	11.0	13.0	14.9
Gearing (%)	-5.43	-2.24	10.6	23.0

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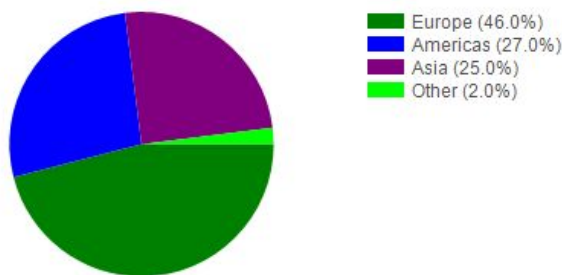
<i>In euro millions</i>	Nine months		Change	
	2018	2017	reported	like-for-like *
Europe	210.0	192.0	+9.4%	+4.9%
Americas	105.1	105.3	-0.2%	+6.4%
Asia	106.2	105.5	+0.7%	-5.9%
Chargeurs	421.3	402.8	+4.6%	+2.5%

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

■ Impact

There appears to be no reason to revisit our sales and earnings forecasts at least at the operating level.

Sales by Geography



Consolidated P&L Accounts

		12/17A	12/18E	12/19E
Sales	€M	533	567	657
Change in sales	%	5.25	6.42	15.8
Change in staff costs	%	12.0	5.91	5.85
EBITDA	€M	54.6	60.0	72.8
EBITDA(R) margin	%	10.6	10.9	11.3
Depreciation	€M	-10.2	-11.5	-13.0
Underlying operating profit	€M	44.4	48.5	59.8
Operating profit (EBIT)	€M	38.5	43.5	54.8
Net financial expense	€M	-8.50	-9.10	-9.50
of which related to pensions	€M		-0.10	-0.13
Exceptional items & other	€M			
Corporate tax	€M	-4.00	-3.84	-7.46
Equity associates	€M	-0.80	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	25.2	31.0	38.4
NOPAT	€M	30.3	34.5	42.5

Cashflow Statement

		12/17A	12/18E	12/19E
EBITDA	€M	54.6	60.0	72.8
Change in WCR	€M	-6.70	1.26	-1.16
Actual div. received from equity holdi...	€M	0.80	0.80	0.50
Paid taxes	€M	-7.00	-3.84	-7.46
Exceptional items	€M			
Other operating cash flows	€M	-4.30	-5.00	-5.00
Total operating cash flows	€M	37.4	53.2	59.7
Capital expenditure	€M	-12.9	-26.0	-21.0
Total investment flows	€M	-17.9	-97.4	-31.0
Net interest expense	€M	-8.50	-9.10	-9.50
Dividends (parent company)	€M	-13.8	-14.0	-16.3
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	7.20	0.00	0.00
Total financial flows	€M	31.3	-37.3	-36.7
Change in cash position	€M	54.1	-81.5	-7.97
Free cash flow (pre div.)	€M	16.0	18.1	29.2

Per Share Data

		12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...)	Mio	23.3	23.3	23.3
Number of diluted shares (average)	Mio	23.1	23.3	23.3
Benchmark EPS	€	1.09	1.33	1.65
Restated NAV per share	€			
Net dividend per share	€	0.60	0.70	0.80

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 30.7	55%	■ Ackermans & van H...
Dividend Yield	€ 26.3	20%	■ Wacker Chemie
DCF	€ 35.7	10%	■ Akzo Nobel
P/E	€ 35.1	10%	■ Solvay
P/Book	€ 15.7	5%	■ Bolloré
TARGET PRICE	€ 30.0	100%	■ GBL
			■ Sonae
			■ Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/17A	12/18E	12/19E
Goodwill	€M	86.2	151	156
Total intangible	€M	88.3	153	158
Tangible fixed assets	€M	63.2	85.0	90.0
Financial fixed assets	€M	11.7	12.0	15.0
WCR	€M	21.1	19.8	21.0
Other assets	€M	24.0	27.0	30.0
Total assets (net of short term liab.)	€M	211	300	318
Ordinary shareholders' equity	€M	230	248	266
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	16.4	14.6	14.8
Other provisions for risks and liabilities	€M	0.70	1.00	1.00
Total provisions for risks and liabilities	€M	17.1	15.6	15.8
Tax liabilities	€M	-30.3	-30.0	-30.0
Other liabilities	€M	3.10	5.00	5.00
Net debt (cash)	€M	-8.90	61.3	61.3
Total liab. and shareholders' equity	€M	211	300	318

Capital Employed

		12/17A	12/18E	12/19E
Capital employed after depreciation	€M	196	282	296

Profits & Risks Ratios

		12/17A	12/18E	12/19E
ROE (after tax)	%	11.0	13.0	14.9
ROCE	%	16.0	12.7	14.8
Gearing (at book value)	%	-2.24	10.6	23.0
Adj. Net debt/EBITDA(R)	x	0.05	1.19	0.98
Interest cover (x)	x	5.07	5.23	6.16

Valuation Ratios

		12/17A	12/18E	12/19E
Reference P/E (benchmark)	x	20.1	13.2	10.7
Free cash flow yield	%	3.13	4.42	7.13
P/Book	x	2.22	1.65	1.54
Dividend yield	%	2.74	3.98	4.55

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€M	511	410	410
+ Provisions	€M	17.1	15.6	15.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-8.90	61.3	61.3
+ Leases debt equivalent	€M	11.9	11.9	11.9
- 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	519	487	487
EV/EBITDA(R)	x	9.22	7.89	6.53
EV/Sales	x	0.97	0.86	0.74

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 29/06/2018.