



# Chargeurs

Holding Companies / France

## Protective Films and Healthcare Solutions lead to record Q1 results

Earnings/sales releases - 05/05/2021

Leveraging the strong demand from the construction sector, Chargeurs' Protective Films recorded robust sales growth, which, in combination with the top-line contribution of the group's novel division, Healthcare Solutions, allowed the group to record its best quarterly result in Q1. As the business lines most impacted by the pandemic continue on their progressive recovery, the solid momentum shown by CPF and CHS point to a very encouraging FY performance.

### Fact

Chargeurs reported group revenues of €181m in Q1 21, corresponding to +15.9% lfl growth, mainly driven by the Protective Films division, which recorded +10.9% organic growth to €77m, and by Healthcare Solutions which contributed €42m to the group's top line. Still weighed down by the effects of lockdown restrictions and weak end markets, CFT-PCC and Luxury Materials posted revenue declines of 24.6% and 38.5%, respectively. Museum Solutions (+11.5% reported) benefited from a scope effect following the acquisition of D&P and Hypsos.

### Revenue break-down by division

(in €m)	First quarter			chg. 2021 vs. 2020		chg. 2021 vs. 2019	
	2021	2020	2019	reported	like-for-like	reported	like-for-like
Protective Films	76.5	70.9	69.2	+7.9%	+10.9%	+10.5%	+12.7%
PCC Fashion Technologies	31.6	45.2	53.0	-30.1%	-24.6%	-40.4%	-34.9%
Museum Solutions	12.6	11.3	8.1	+11.5%	-19.5%	+55.6%	-50.6%
Luxury Materials	18.4	30.1	30.9	-38.9%	-38.5%	-40.5%	-39.8%
<b>Chargeurs excl. Healthcare Solutions</b>	<b>139.1</b>	<b>157.5</b>	<b>161.2</b>	<b>-11.7%</b>	<b>-10.9%</b>	<b>-13.7%</b>	<b>-16.2%</b>
Healthcare Solutions	41.7	-	-	-	-	-	-
<b>Chargeurs</b>	<b>180.8</b>	<b>157.5</b>	<b>161.2</b>	<b>+14.8%</b>	<b>+15.6%</b>	<b>+12.2%</b>	<b>+9.7%</b>

Source: Company reports

The company made no changes to its FY outlook, and reaffirmed its target revenue for CHS of €50-100m in 2021.

### Analysis

#### CPF: An impressive quarterly performance

Carried by rising demand coming from sectors such as construction, Protective Films was able to record its best quarterly result to date, after an already strong Q4 20, cementing the strong momentum that led us to upgrade significantly our FY21 outlook. The group's new-fangled Italian production plan allowed the division to meet this demand, helping support this upbeat scenario.

With a +10.9% lfl growth recorded in Q1 21, we have grounds to believe that the FY21 performance will be impressive. The Q1 20 comparison base was not particularly easy to one-up, as the division was spared from the effects of the pandemic at the time, which makes the Q1 21 beat all the more notable.

While the company did not share any profitability figures, the current high raw material prices such as polyethylene may lead to softer margins over H1 considering the solid volume growth, even if Chargeurs will be able gradually to pass on these higher prices to customers. Overall, we expect the division to return back to its 2019 profitability levels in 2021.



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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: 51.8%
Target Price (6 months)	€ 34.0
Share Price	€ 22.4
Market Cap. €M	546
Price Momentum	<b>STRONG</b>
Extremes 12Months	12.4 ▶ 24.5
Sustainability score	4.4 /10
Credit Risk	BB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-3.20%	-3.22%	20.4%	36.0%
Other financials	-3.10%	0.28%	3.51%	41.7%
STOXX 600	-1.41%	0.33%	5.89%	32.0%

Last updated: 29/04/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.00	18.5	16.8	14.4
Dividend yield (%)	8.34	2.23	2.90	3.35
EV/EBITDA(R) (x)	5.48	9.23	8.67	7.12
Adjusted EPS (€)	1.76	1.21	1.33	1.56
Growth in EPS (%)	167	-31.3	10.4	17.0
Dividend (€)	1.32	0.50	0.65	0.75
Sales (€M)	822	786	782	850
Underlying operat. profit ma...	9.65	8.48	8.10	8.72
Attributable net profit (€M)	41.0	28.1	31.2	36.8
ROE (after tax) (%)	17.5	12.1	12.9	13.1
Gearing (%)	75.7	93.0	76.7	58.8

[Company Valuation](#) - [Company Financials](#)

## **Reality check**

Supportive trends stemming from the rapid recovery of the industrial activity and low inventory levels post-pandemic led us to increase substantially our top-line estimates for the division ahead of the publication of the Q1 results. We saw the current pressures on global supply chains, rising raw material prices and limited transport and freight capacity worldwide as signals of a strong trading environment that would allow CPF to outperform significantly.

While this is still the case, as analysts we are bound to the realm of what is possible, and have thus recognised a fault in our revenue estimates for FY21, which were far too optimistic at €385m, and has thus been adjusted to, a still record, €317m.

## **Another strong quarterly showing from Healthcare Solutions**

Benefiting from a strong order book as CHS secured major tender bids with governments and municipalities including the sale of PPE and a new activity in biosecurity (disinfection of Rouen's mass transit network), the division is well on the way to achieve the €50-100m FY21 sales guidance, an objective that we deem quite conservative as our current forecasts stand at €120m.

Already expanding the scope and niches of this novel division, CHS has entered into the "wellness" space with the acquisition of the French-based hairbrush company, Fournival Altesse. While small in scale, this acquisition shows promise as management develops a genuine fourth growth pillar that enhances the group's diversification efforts. Taking this into account, through organic expansion and follow-up acquisitions, we expect CHS to attain €133m in revenues by 2023.

## **CFT-PCC and Luxury Materials still under pressure**

Standing as the hardest hit divisions due to the effects of the pandemic and lockdown restrictions on the fashion sector, the two divisions remain on a path of gradual recovery, with management noting market conditions improving in some geographies.

These tensions should ease over the course of the year, particularly in Western markets, which are now lifting restrictions as vaccination efforts advance. Nonetheless, we expect 2021 to be a transition year, with material recovery arriving by 2022.

## **Museum Solutions, strong order book but technical substrates still weak**

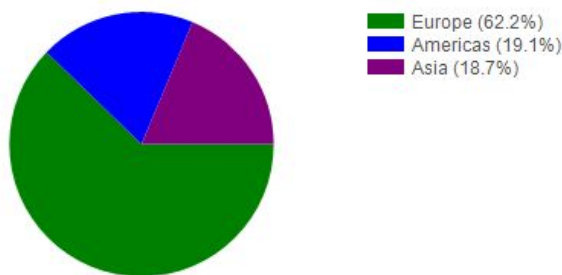
The division saw its top line lifted by the contribution of D&P and Hypsos, the newest additions that lead Chargeurs' museum servicing ambitions, a market that was less impacted by the pandemic than one would be led to believe, with many museums taking advantage of the several months' closures imposed by lockdown restrictions to carry out major renovation projects.

On the other hand, the historical activities in technical substrates were still much affected by the lack of demand from key end markets such as retail and trade shows. Much like for the fashion-related activities, the gradual reopening of economies will see the trading environment improving over the course of 2021.

## **■ Impact**

We adjust our FY21-22 estimates, including the rectification of CPF's top-line figures. These changes have a marginal effect on our target price and we maintain our positive stance on the stock.

## Sales by Geography



## Consolidated P&L Accounts

	12/20A	12/21E	12/22E
Sales	€M 822	786	782
Change in sales	% 31.3	-4.43	-0.45
Change in staff costs	% 5.36	9.75	7.31
EBITDA	€M 102	77.7	80.9
<b>EBITDA(R) margin</b>	<b>% 12.5</b>	<b>9.89</b>	<b>10.3</b>
Depreciation	€M -20.6	-20.8	-19.9
Underlying operating profit	€M 79.3	53.6	57.5
<b>Operating profit (EBIT)</b>	<b>€M 55.8</b>	<b>45.6</b>	<b>49.5</b>
Net financial expense	€M -9.50	-10.5	-11.0
of which related to pensions	€M -0.30	-0.20	-0.28
Exceptional items & other	€M		
Corporate tax	€M -4.30	-7.53	-7.78
Equity associates	€M -1.70	0.50	0.50
Minority interests	€M 0.70	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M 40.3</b>	<b>28.1</b>	<b>31.2</b>
NOPAT	€M 54.0	38.2	40.9

## Cashflow Statement

	12/20A	12/21E	12/22E
EBITDA	€M 102	77.7	80.9
Change in WCR	€M 2.60	-0.70	1.66
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -6.40	-7.53	-7.78
Exceptional items	€M		
Other operating cash flows	€M -14.6	-8.00	-8.00
Total operating cash flows	€M 84.0	61.5	66.8
Capital expenditure	€M -14.9	-16.5	-17.3
Total investment flows	€M -76.9	-26.5	-27.3
Net interest expense	€M -9.50	-10.5	-11.0
Dividends (parent company)	€M -5.90	-18.8	-6.61
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M -0.10	0.00	0.00
Total financial flows	€M 111	-50.4	-46.6
Change in cash position	€M 115	-15.5	-7.15
<b>Free cash flow (pre div.)</b>	<b>€M 59.6</b>	<b>34.5</b>	<b>38.5</b>

## Per Share Data

	Mio	23.1	23.3	23.5
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Mio	22.9	23.2	23.4
<b>Benchmark EPS</b>	€	<b>1.76</b>	<b>1.21</b>	<b>1.33</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	€	<b>1.32</b>	<b>0.50</b>	<b>0.65</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 39.6	55%	■ Ackermans & van H...
Dividend Yield	€ 24.8	20%	■ Wacker Chemie
DCF	€ 38.7	10%	■ AkzoNobel
P/E	€ 26.2	10%	■ Solvay
P/Book	€ 15.6	5%	■ Bolloré
TARGET PRICE	€ 34.0	100%	■ GBL
			■ Sonae
			■ Hal Trust

### NAV/SOTP Calculation

## Balance Sheet

	12/20A	12/21E	12/22E
Goodwill	€M 191	197	204
Total intangible	€M 229	235	242
Tangible fixed assets	€M 83.1	90.1	97.1
Financial fixed assets	€M 7.00	7.00	7.00
WCR	€M 19.6	20.3	18.6
Other assets	€M 71.4	35.0	37.0
Total assets (net of short term liab.)	€M 456	435	450
<b>Ordinary shareholders' equity</b>	<b>€M 237</b>	<b>225</b>	<b>259</b>
Quasi Equity & Preferred	€M		
Minority interests	€M -0.80	0.00	0.00
Provisions for pensions	€M 16.8	18.2	18.4
Other provisions for risks and liabilities	€M 0.40	0.40	0.40
Total provisions for risks and liabilities	€M 17.2	18.6	18.8
Tax liabilities	€M -30.5	-30.0	-30.0
Other liabilities	€M 22.2	13.4	13.4
<b>Net debt (cash)</b>	<b>€M 211</b>	<b>208</b>	<b>189</b>
Total liab. and shareholders' equity	€M 456	435	450

## Capital Employed

	12/20A	12/21E	12/22E
Capital employed after depreciation	€M 377	392	404

## Profits & Risks Ratios

	%	17.5	12.1	12.9
<b>ROE (after tax)</b>				
ROCE	%	14.3	9.74	10.1
<b>Gearing (at book value)</b>	<b>%</b>	<b>75.7</b>	<b>93.0</b>	<b>76.7</b>
Adj. Net debt/EBITDA(R)	x	2.43	3.18	2.82
Interest cover (x)	x	8.62	5.20	5.36

## Valuation Ratios

	x	9.00	18.5	16.8
<b>Reference P/E (benchmark)</b>				
Free cash flow yield	%	16.3	6.59	7.31
P/Book	x	1.54	2.32	2.03
<b>Dividend yield</b>	<b>%</b>	<b>8.34</b>	<b>2.23</b>	<b>2.90</b>

## EV Calculation

	€M	366	523	526
Market cap				
+ Provisions	€M	17.2	18.6	18.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	173	169	149
+ Leases debt equivalent	€M	38.1	38.9	39.6
- Financial fixed assets (fair value)	€M	32.3	32.3	32.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	562	717	701
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.48</b>	<b>9.23</b>	<b>8.67</b>
EV/Sales	x	0.68	0.91	0.90

Analyst : Jorge Velandia, Changes to Forecasts : 29/04/2021.