



Chargeurs

Holding Companies / France

Solid 2018 vintage

Earnings/sales releases - 31/01/2019

Chargeurs released 2018 revenues ahead of expectations in adverse global markets and looks like beating street expectations at the operating line (preliminary: a bit more than €48m). This would indeed be excellent news as Chargeurs did not slowdown on capex and opex, thereby preparing the ground for another wave of well-anchored profitable growth.

Fact

The industrial conglomerate has released, first and foremost, its 2018 FY revenues up 7.6% on a reported basis and +2.6% on an lfl one. The table below provides a two-year growth history (2016-18) which is a way of reminding investors that 2017 was a very strong year, on which Chargeurs continued to improve.

Chargeurs 2018 full-year sales by business

In euro millions	Twelve months			Change 18 / 17		Change 18 / 16
	2018	2017	2016	reported	like-for-like *	
Protective Films	283.3	281.0	250.3	+0.8%	0.0%	+13.2%
PCC Fashion Technologies	161.1	131.2	132.0	+22.8%	+6.9%	+21.8%
Technical Substrates	30.7	25.8	24.6	+19.0%	-5.4%	+24.8%
Luxury Materials	98.2	95.0	99.5	+3.4%	+6.4%	-1.3%
Chargeurs	573.3	533.0	506.4	+7.6%	+2.6%	+13.2%

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

In addition, Chargeurs gave a first indication of its 2018 recurring operating result which, at €48m quoted to €48.8m (allowing for a 10% increase also quoted), is very much confirming a solid delivery on the earnings front as well. The full year earnings are due on 12 March.

Analysis

The sales breakdown and corporate comments all point towards a very solid performance once netted from adverse markets, from a less friendly US\$ anyway and from a high reference in 2017.

The implied conclusion is that Chargeurs has not reached a plateau of any sort and can digest the upfront costs of preparing for continued growth.

By business line, the facial lack of growth of the key business (Protective Films/CPF) reflects primarily a more normal course of business whilst in 2017 many clients had been stockpiling on fears of capacity shortages. 2018 reflects a degree of destocking and a dollar which has lost c. 8%, mostly by H2. CPF's continuing efforts to promote higher value-added products and top-notch manufacturing capacity are a very sound base for 2019.

Fashion Technologies is the confirmed excellent news of the year with a pro forma 7% gain, while the addition of PCC (from last August) is a promising shift of business model that justifies the division's name. In less than three years, the management of Chargeurs will have completely relaunched what seemed a no-growth exhausted asset. By 2019, it may be the biggest contributor to the group's revenue increase through a combination of perimeter effect and underlying growth.

Technical Substrates sales are partly driven by big contracts so that the lfl growth



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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: 48.1%**

Target Price (6 months) € 29.3

Share Price € 19.8

Market Cap. €M 461

Price Momentum **GOOD**

Extremes 12Months 15.0 ▶ 26.7

Bloomberg CRI FP Equity

Reuters CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	2.33%	17.6%	8.94%	-26.2%
Other financials	1.66%	6.71%	2.27%	-7.42%
STOXX 600	1.02%	6.18%	0.84%	-9.49%

Last updated: 29/06/2018	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	20.1	17.0	12.0	11.1
Dividend yield (%)	2.74	3.09	4.05	4.56
EV/EBITDA(R) (x)	9.22	9.82	7.21	6.62
Adjusted EPS (€)	1.09	1.33	1.65	1.77
Growth in EPS (%)	0.02	22.2	23.7	7.79
Dividend (€)	0.60	0.70	0.80	0.90
Sales (€M)	533	567	657	688
Underlying operat. profit ma...	8.33	8.54	9.11	9.35
Attributable net profit (€M)	25.2	31.0	38.4	41.4
ROE (after tax) (%)	11.0	13.0	14.9	15.0
Gearing (%)	-2.24	10.6	23.0	19.9

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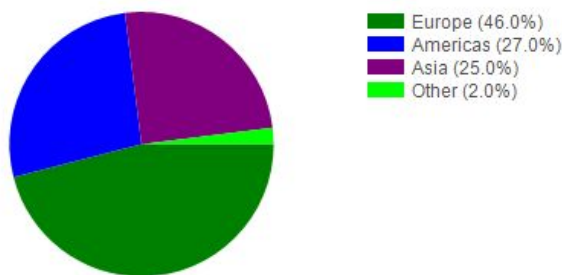
can swing about. This is a business that will grow through acquisitions anyway. The group has confirmed its ambitions earlier this month by injecting a new management with an aggressive road plan with the aim of reaching total sales of €100m by 2021. This would be no small feat.

The Luxury Materials division's flattish sales growth does not matter as much since its contribution to the bottom line is still a modest one with low capital exposure anyway. The bet is to give substance to the division's inspiring name by raising the quality/tracking of quality of wool. This is a long-lasting effort that appears to be gaining traction.

■ Impact

The top line is a positive surprise. We will wait for the details of 2018 earnings to rejig the model and raise forecasts. The main issue will be to award some sort of a valuation premium to reflect success on two fronts: making existing assets sweat in a way that gains the support of all stakeholders, and acquire growth at reasonable prices. Combining the two is no mean feat. So far, so successful.

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	€ 22.1	20%	■ Wacker Chemie
DCF	€ 34.8	10%	■ Akzo Nobel
P/E	€ 36.9	10%	■ Solvay
P/Book	€ 15.8	5%	■ Bolloré
TARGET PRICE	€ 29.3	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	17.0	12.0
Free cash flow yield	%	3.13	3.42	6.34
P/Book	x	2.22	2.13	1.73
Dividend yield	%	2.74	3.09	4.05

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€M	511	529	461
+ 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	606	537
EV/EBITDA(R)	x	9.22	9.82	7.21
EV/Sales	x	0.97	1.07	0.82

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