

Holding Companies / France

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Resistance of prices, drop in volumes

Earnings/sales releases - 26/11/2012

■ Fact

For Q3 12, management reported revenues of €124.9m, -6% compared to last year with volumes declining by -8.5% and prices by -2.6% but with a favourable FX effect of +5.1%.

Over the 9m period, revenues decreased by 3.7% mainly due to lower volumes (-12%) while the price effect was positive (+4.2%) as was the FX (+4.2%).

The group has indicated that, with the application of the latest tax measures announced in France concerning "the revised earnings projections in the French subsidiaries' 5-year business plans", its deferred tax assets should be reduced by c.€5m.

For FY2012, given the difficult business conditions, Chargeurs guides for non-recurring restructuring charges of €6m for the strategic and cost-cutting programme, with savings of €4m per year expected as from 2013.

■ Analysis

Continuing challenging economic situation in Europe and lower growth in Asia has further impacted the group's activity during Q3.

- Revenues in Chargeurs Protective Films increased by 4% yoy, primarily driven by volumes, while prices were impacted by the volatility of the polyethylene price (only part of it was passed on as price increases to customers).

- Chargeurs Interlining's revenues declined by 6.5% ytd due to lower demand from end-markets and thus lower volumes, -10.6% ytd. Chargeurs implemented its cost reduction programme in Europe and Asia with the optimisation of production facilities in France, reorganisation in the Iberian Peninsula, and consolidation of business units in China.

- The Wool business remained challenging with volumes -22.3% and financing issues, leading to a cut in production capacity in China and a cost-cutting plan in Australia and Argentina.

Thanks to the strict WCR management, we now cautiously assume net debt to be reduced to a maximum of €60m at the end of 2012, in line with management's goal.

■ Impact

Our figures include the revised guidance (after the H1 release) and also the one-off restructuring charge of €6m announced on 15 November.

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 : 165 %
Target Price (6 months)	€ 8.47
Share Price	€ 3.20
Market Capitalisation €M	43.1
Price Momentum	GOOD
Extremes 12Months	2.49 ▶ 4.23
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

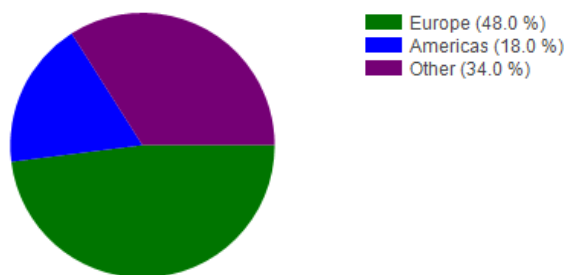

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PERF	1w	1m	3m	12m
Chargeurs	27.0 %	13.5 %	11.5 %	0.63 %
Other financials	4.85 %	4.68 %	6.16 %	21.6 %
STOXX 600	3.98 %	1.41 %	2.11 %	24.1 %

Last updated: 26/11/2012	12/10A	12/11A	12/12E	12/13E
Adjusted P/E (x)	6.16	10.1	ns	10.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.24	5.44	4.73	4.06
Adjusted EPS (€)	0.72	0.47	-0.03	0.29
Growth in EPS (%)		-35.2		
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	512	552	527	500
Operating margin (%)	4.16	4.29	1.71	3.70
Attributable net profit (€M)	12.9	10.5	-1.62	6.30
ROE (after tax) (%)	8.44	5.31	-0.32	3.34
Gearing (%)	42.0	35.9	36.3	31.6

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

Sales by Geography



Consolidated P&L Account

		12/11A	12/12E	12/13E
Sales	€M	552	527	500
Change in sales	%	7.83	-4.55	-5.12
Change in staff costs	%	4.87	-0.53	-1.99
EBITDA	€M	30.9	25.7	30.0
EBITDA(R) margin	%	6.65	5.98	7.23
Depreciation	€M	-9.00	-9.40	-10.0
Underlying operating profit	€M	20.8	15.0	18.5
Operating profit (EBIT)	€M	23.7	9.00	18.0
Net financial expense	€M	-10.4	-11.2	-11.1
of which related to pensions	€M	0.00	-0.46	-0.61
Exceptional items & other	€M			
Corporate tax	€M	-4.50	0.38	-2.00
Equity associates	€M	1.20	1.20	1.40
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	10.5	-1.62	6.30
NOPAT	€M	17.8	7.82	14.4

Cashflow Statement

		12/11A	12/12E	12/13E
EBITDA	€M	30.9	25.7	30.0
Change in WCR	€M	-30.0	12.0	0.90
Actual div. received from equity holdi...	€M	0.70	0.70	0.70
Paid taxes	€M	-4.00	0.38	-2.00
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	1.35	-12.0	-12.0
Total operating cash flows	€M	-1.05	26.8	17.6
Capital expenditure	€M	-4.50	-3.00	-5.00
Total investment flows	€M	-4.40	2.60	-5.00
Net interest expense	€M	-10.4	-11.2	-11.1
Dividends (parent company)	€M	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.50	0.00	0.00
Total financial flows	€M	-9.90	-10.7	-10.5
Change in cash position	€M	-14.7	18.6	2.06
Free cash flow (pre div.)	€M	-16.0	12.6	1.45

Per Share Data

		12/11A	12/12E	12/13E
No. of shares net of treas. stock (year...)	Mio	21.5	21.5	21.5
Number of diluted shares (average)	Mio	21.5	21.5	21.5
Benchmark EPS	€	0.47	-0.03	0.29
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€12.8	55 %	● Akzo Nobel
Dividend Yield	€0.00	20 %	● Solvay
DCF	€9.05	10 %	● Wendel
P/E	€2.19	10 %	● Bolloré
P/Book	€6.40	5 %	● Groupe Bruxelles L...
TARGET PRICE	€8.47	100 %	● Sonae
			● Hal Trust
			● Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/11A	12/12E	12/13E
Goodwill	€M	66.8	66.8	66.8
Total intangible	€M	71.6	71.6	71.6
Tangible fixed assets	€M	56.9	50.2	44.9
Financial fixed assets	€M	19.6	19.6	19.6
WCR	€M	83.4	71.4	70.5
Other assets	€M	41.6	40.0	40.0
Total assets (net of short term liab.)	€M	288	266	260
Ordinary shareholders' equity	€M	196	191	187
Quasi Equity & Preferred	€M			
Minority interests	€M	7.20	6.70	6.70
Provisions for pensions	€M	10.7	12.0	12.1
Other provisions for risks and liabilities	€M	6.00	6.00	6.00
Total provisions for risks and liabilities	€M	16.7	18.0	18.1
Tax liabilities	€M	-17.8	-17.8	-17.8
Other liabilities	€M	6.70	8.00	8.00
Net debt (cash)	€M	78.6	60.0	57.9
Total liab. and shareholders' equity	€M	288	266	260

Capital Employed

		12/11A	12/12E	12/13E
Capital employed after depreciation	€M	247	228	222

Profits & Risks Ratios

		12/11A	12/12E	12/13E
ROE (after tax)	%	5.31	-0.32	3.34
ROCE	%	8.85	5.22	8.47
Gearing (at book value)	%	35.9	36.3	31.6
Adj. Net debt/EBITDA(R)	x	2.56	2.38	2.02
Interest cover (x)	x	2.00	1.40	1.76

Valuation Ratios

		12/11A	12/12E	12/13E
Reference P/E (benchmark)	x	10.1	ns	10.9
Free cash flow yield	%	-15.7	18.3	2.11
P/Book	x	0.52	0.36	0.37
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/11A	12/12E	12/13E
Market cap	€M	101	68.8	68.8
+ Provisions	€M	16.7	18.0	18.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	78.6	60.0	57.9
+ Leases debt equivalent	€M	15.4	15.0	15.0
- Financial fixed assets (fair value)	€M	19.6	19.6	19.6
+ Minority interests (fair value)	€M	7.20	6.70	6.70
= EV	€M	200	149	147
EV/EBITDA(R)	x	5.44	4.73	4.06
EV/Sales	x	0.36	0.28	0.29

Analyst : Véronique Colas, Changes to Forecasts : 26/11/2012.