



Chargeurs

Support Services / France

Solid first half with robust cash generation

Earnings/sales releases - 09/09/2024

Chargeurs is confirming its Q1 24 trend continues into H1 24, with the top line and profitability exceeding expectations, bolstered by all the group's core activities. Novacel (formerly Chargeurs Advanced Materials), in particular, saw its operating margin doubling, thereby consolidating its recovery. Improved profitability together with better working capital management led to a substantial accretion in OCF, enabling the group to reduce its net debt. All in all, a fine second quarter supporting a recovery that is gathering pace.

Fact

- Chargeurs posted H1 24 sales of €374m, up 11% yoy organically to €374.3m, slightly above expectations, driven by all businesses.
- Group operating income improved by 34% yoy to €17m (7% above consensus), bringing the margin to 4.5%.
- The upward trend was confirmed for Novacel (ex-Chargeurs Advanced Material), which recorded a 7.6% rise in organic sales, including 12.2% in Q2, to €157.9m, and a doubling of profitability to 5.4% (vs. 2.7% in H1 23).
- Chargeurs reported a clear improvement in OCF to €39.6m (vs. €0.9m), underpinned by a robust rise in EBITDA and working capital management.
- The group reduced its net debt by €32.4m to €218.7m, corresponding to a leverage of 4.3x compared with 5x at the end of December 2023.
- In line with these good figures, Chargeurs confirmed the resumption of dividend payments from 2025.

€m	H1 2024	H1 2023 [†]	Reported Change	like-for-like Change
Revenue	374.3	344.6	+8.6%	+11.1%
Gross profit	99.3	88.3	+12.5%	
as a % of revenue	26.5%	25.6%	+0.9pt	
EBITDA	29.6	24.5	+20.8%	
as a % of revenue	7.9%	7.1%	+0.8pt	
Recurring operating profit	17.0	12.7	+33.9%	
as a % of revenue	4.5%	3.7%	+0.8pt	
Operating profit	10.2	7.9	+29.1%	
Net financial expense	-15.7	-12.7		
Tax	2.8	7.0		
Net profit	-3.4	1.9		
Attributable net profit	-3.5	2.1		

[†] Amounts calculated on a comparable basis following the change in valuation method for land and buildings, the consolidation of Swaine and the application of IFRS 5, Assets Held for Sale and Discontinued Operations

Analysis

Before delving into the financial details, it may be worth mentioning that Chargeurs' takeover bid announced during its FY 23 results was a resounding success for the holding company, which now boasts a capital structure that is more in tune with its strategy. Following the tender offer, Groupe Familial Fribourg holds 67.6% of the capital (68.5% of voting rights), alongside leading institutional investors including the Habert-Dassault family and Groupama.

As regards the figures as such, Chargeurs' recovery, which began in Q1 24, gathered pace in H1 24, with the top line and profitability above expectations in H1 24. The group posted organic sales growth of 11% yoy to €374m, underpinned by



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Add	Upside: 16.0%
Target Price (6 months)	€ 13.9
Share Price	€ 12.0
Market Cap. €M	298
Price Momentum	STRONG
Extremes 12 Months	6.40 ▶ 13.3
Sustainability score	2.5 /10
Credit Risk	B →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

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PERF	1w	1m	3m	12m
Chargeurs	-1.64%	16.3%	-9.09%	10.9%
Support Services	-1.85%	2.05%	1.00%	9.39%
STOXX 600	-3.52%	2.14%	-3.45%	11.5%

Last updated: 03/09/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	82.7	23.6	13.6	10.6
Dividend yield (%)	0.00	5.00	5.83	6.67
EV/EBITDA(R) (x)	11.1	9.73	8.19	7.02
Adjusted EPS (€)	0.14	0.51	0.88	1.13
Growth in EPS (%)	-84.5	256	73.6	27.8
Dividend (€)	0.00	0.60	0.70	0.80
Sales (€M)	653	730	810	888
Underlying operat. profit ma...	4.07	4.88	5.87	6.65
Attributable net profit (€M)	1.50	12.0	20.8	26.6
ROE (after tax) (%)	0.56	4.64	7.62	9.05
Gearing (%)	89.6	103	98.3	92.7

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

a strong improvement in the Novacel (ex-Chargeurs Advanced Materials) business and the positive momentum at Chargeurs Museum Studio (CMS). The group also benefited from its geographical positioning, notably in North America, Asia, Africa and the Middle East, whose growth offset the weaker dynamics in Europe. In terms of profitability, Chargeurs recorded an improvement in its gross margin against a backdrop of progress in the supply chain, and, consistent with the enhanced performance of its main businesses, namely Novacel, Chargeurs reported a 34% uplift in its recurring operating profit to €17m, bringing its margin up 80bp to 4.5%.

Novacel's recovery picks up pace

Novacel (ex-Chargeurs Advanced Materials) is showing clear promise of a recovery, as underlined by the 7.6% organic growth recorded by the division in H1 24, of which 12.2% in Q2 24 alone. This success reflects the 10% upturn in volumes achieved in H1 24, notwithstanding the fall in polyethylene prices over the period. The division saw a sizeable upswing in its margin, doubling to 5.4% vs. 2.7% in H1 23, at €8.6m. Chargeurs expects to return to a normal operating margin of around 9-10% by 2025.

Chargeurs PCC profitability gains ground

While yoy growth in Chargeurs' Fashion business (PCC) was virtually flat in H1 24, the division posted sustained organic growth of 9.4%, underpinned by gains in the American and Asian markets and offset by FX factors. The division's profitability also improved, with operating income of €7.9m corresponding to a margin of 7.8% (compared with €7.1m and a margin of 7.1%), reflecting the group's premiumisation strategy and sound cost management. In line with its premiumisation approach, Chargeurs finalised the acquisition of Cilander in July, strengthening the division's leadership in high-tech, high-quality textiles.

Chargeurs Museum Studio expansion goes on

Chargeurs Museum Studio continues to consolidate its position as the group's most promising growth driver, with sales up 27% in H1 24 to €66.3m. The division benefited in particular from the favourable sales momentum in the US and Saudi Arabia, where major projects were launched. The division's profitability also improved by 33% to €6m in H1 24, bringing the margin up to 9%. Chargeurs has thus reaffirmed its target of €150m in sales by 2024 for the division, and expects operating income to exceed €11m for the year.

Sound operational performance translated into solid cash generation

Significant EBITDA improvement in H1 24 coupled with better WC management resulted in strong OCF generation at €39.6m vs. €0.9m last year.

The company's balance sheet was strengthened, with shareholders' equity rising by €39.7m to €292.1m, largely thanks to the revaluation of real estate assets booked at historical prices well below market value. Compared to a reset in 2023, equity gained €6m from €286m.

Strong generation of OCF resulted in a €32.4m reduction in net debt to €218.7m, bringing the leverage ratio down to 4.3x, from 5x at the end of December 2023, with a target of 3.5x by the end of 2024.

Outlook FY 24

Notwithstanding the improvement in the group's operating profitability, Chargeurs' net income fell to €-3.5m from €2.1m in H1 23, due to exceptional charges related to the partial takeover bid and restructuring costs. Nevertheless, Chargeurs expects an improvement in H2 24 due to the reduction in excess financing debt, the expected fall in interest rates and FCF. Chargeurs therefore expects net income to be positive in 2024, with a scenario of accelerating recovery in late

2024 and early 2025.

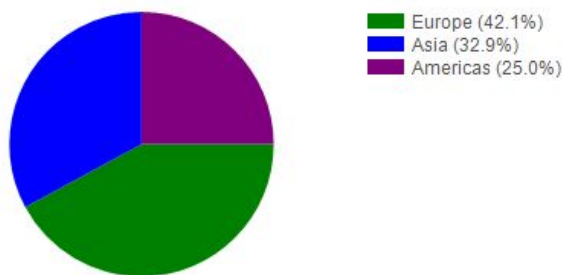
For H2 24, Chargeurs' priorities are to: i) to further improve the profitability of each of its divisions, ii) continue to enhance cash generation and improve working capital, and iii) finalise the integration of Cilander.

All in all, a good start to FY 24, following which Chargeurs reinstated its dividends for 2025.

■ Impact

While we take a positive view on these results, we will be revising our net income estimates downwards to take into account the group's exceptional charges linked to the takeover bid and restructuring costs. This does not alter our positive opinion on the stock. Furthermore, we will be reviewing our valuation methodology so as to reclassify Chargeurs as a holding company.

Sales by Geography



Consolidated P&L Accounts

	12/23A	12/24E	12/25E
Sales	€M 653	730	810
Change in sales	% -12.5	11.8	10.9
Change in staff costs	% -3.34	4.39	3.47
EBITDA	€M 46.9	55.5	67.0
EBITDA(R) margin	% 7.18	7.60	8.27
Depreciation	€M -20.3	-22.9	-24.2
Underlying operating profit	€M 21.2	26.6	36.5
Operating profit (EBIT)	€M 22.0	27.4	37.3
Net financial expense	€M -29.7	-20.0	-18.0
of which related to pensions	€M	-0.25	-0.87
Exceptional items & other	€M		
Corporate tax	€M 11.1	3.60	0.53
Equity associates	€M -0.30	0.70	0.70
Minority interests	€M 0.30	0.30	0.30
Adjusted attributable net profit	€M 3.40	12.0	20.8
NOPAT	€M 15.6	20.8	28.7

Cashflow Statement

	12/23A	12/24E	12/25E
EBITDA	€M 46.9	55.5	67.0
Change in WCR	€M -17.0	-12.5	-13.2
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -5.60	3.60	0.53
Exceptional items	€M		
Other operating cash flows	€M -15.6		
Total operating cash flows	€M 8.70	46.7	54.3
Capital expenditure	€M -19.2	-19.4	-21.5
Total investment flows	€M -29.0	-29.4	-31.5
Net interest expense	€M -29.7	-20.0	-18.0
Dividends (parent company)	€M -8.60	0.00	-14.1
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M -4.20	0.00	0.00
Total financial flows	€M 4.20	-19.8	-31.2
Change in cash position	€M -16.1	-2.53	-8.52
Free cash flow (pre div.)	€M -40.2	7.22	14.7

Per Share Data

	Mio	23.5	23.5	23.5
No. of shares net of treas. stock (year...)				
Number of diluted shares (average)				
Benchmark EPS	€	0.14	0.51	0.88
Restated NAV per share	€			
Net dividend per share	€	0.00	0.60	0.70

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 12.0	35%	● AkzoNobel
NAV/SOTP per share	€ 27.3	20%	● Rentokil Initial
EV/Ebitda	€ 4.23	20%	● Quadiant
P/E	€ 7.40	10%	● Teleperformance
Dividend Yield	€ 16.9	10%	● Bureau Veritas
P/Book	€ 19.8	5%	
TARGET PRICE	€ 13.9	100%	

NAV/SOTP Calculation

Balance Sheet

	12/23A	12/24E	12/25E
Goodwill	€M 205	212	218
Total intangible	€M 271	278	284
Tangible fixed assets	€M 85.0	92.0	99.0
Financial fixed assets	€M 5.60	5.60	5.60
WCR	€M 23.6	36.1	49.3
Other assets	€M 57.5	57.5	57.5
Total assets (net of short term liab.)	€M 503	529	557
Ordinary shareholders' equity	€M 252	264	282
Quasi Equity & Preferred	€M		
Minority interests	€M -0.10	0.00	0.00
Provisions for pensions	€M 12.4	25.1	25.4
Other provisions for risks and liabilities	€M 6.40	6.40	6.40
Total provisions for risks and liabilities	€M 18.8	31.5	31.8
Tax liabilities	€M -53.1	-53.1	-53.1
Other liabilities	€M 14.6	14.6	14.6
Net debt (cash)	€M 270	273	281
Total liab. and shareholders' equity	€M 503	529	557

Capital Employed

	12/23A	12/24E	12/25E
Capital employed after depreciation	€M 405	431	458

Profits & Risks Ratios

	%	0.56	4.64	7.62
ROE (after tax)				
ROCE	% 3.85	4.83	6.26	
Gearing (at book value)	% 89.6	103	98.3	
Adj. Net debt/EBITDA(R)	x 5.76	4.91	4.20	
Interest cover (x)	x 0.71	1.35	2.13	

Valuation Ratios

	x	82.7	23.6	13.6
Reference P/E (benchmark)				
Free cash flow yield	% -14.5	2.56	5.22	
P/Book	x 1.10	1.07	1.00	
Dividend yield	% 0.00	5.00	5.83	

EV Calculation

	€M	278	282	282
Market cap				
+ Provisions	€M 18.8	31.5	31.8	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	0.00
+ Net debt at year end	€M 250	252	261	
+ Leases debt equivalent	€M 20.0	20.0	20.0	
- Financial fixed assets (fair value)	€M 45.8	45.8	45.8	
+ Minority interests (fair value)	€M 0.00	0.00	0.00	
= EV	€M 521	540	549	
EV/EBITDA(R)	x 11.1	9.73	8.19	
EV/Sales	x 0.80	0.74	0.68	

Analyst : Saïma Hussain, Changes to Forecasts : 03/09/2024.