



# Chargeurs

Holding Companies / France



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## Chargeurs opens its heart

Significant news - 17/05/2017

### Fact

Chargeurs' willing new boss organised a field trip to the main plant of Chargeurs Protective Films, the most profitable business line of the group. We were impressed.

### Analysis

The new CEO, Mr Fribourg, has clearly changed the dynamic of the group by invigorating a fresh entrepreneurial mood while retaining a keen eye on profits of the ROCE variety. This is worth stressing as shareholders can only smile.

The plant visit is the second one (the first one was a year ago for the Technical Substrates division) and a complete departure from the previous governance communication choices.

The growth push that Mr Fribourg is fostering is essentially achieved on an unchanged asset basis. This amounts to sheer good management to seize better pricing opportunities, by moving upscale, by avoiding lost business /quality issues, etc. The Protective Film business is a case in point as its underlying markets are immense, provided that they are tackled under economic conditions.

As a reminder, Protective Films are used to protect fragile surfaces of all sorts in transport situations as well as manufacturing ones so that the finished product is perfect. There is no limit to potential applications as long as it is promoted as a cost saving to industrial users.

The 2016 surge in Protective Films' EBIT margin to an all-time high (11%) led us to believe that it would be hard to see much progress from there. Cyclical growth will help certainly going above current levels but we have been impressed by the across the board efforts to chase better margined premium usage, by the attention to detail in the running of complex machinery with a very high level of home grown digitalisation, about logistics and solid shop-floor work practices, all aiming at improving productivity by small steps.

The other convincing move is the pursuit of higher integration to widen margins through more service content. The very recent acquisition of two manufacturers of ad hoc machinery that sticks the protective films on the surfaces to be protected goes in this direction. The productivity gains offered to clients are worth a bundle and should be charged accordingly. And obviously this provides an even better understanding of clients' needs.

Our take is that Chargeurs' management is successfully implementing its well-flagged strategy of disproportionate profitability gains through small but well thought out incremental investments.

### Impact

There is a clear case to believe that Chargeurs can deliver more on the sales return front than the already excellent figures posted in 2016. Our current forecast is for the group's underlying EBIT margin at 8.34% vs. the 8.06% of last year.

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.

### Reduce

Upside : 2.59%

Target Price (6 months)	€ 25.5
Share Price	€ 24.8
Market Capitalisation €M	573
Price Momentum	<b>STRONG</b>
Extremes 12Months	8.83 ▶ 26.4
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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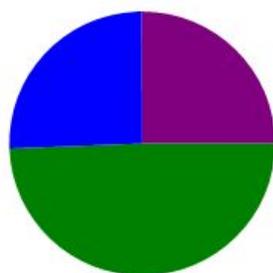

PERF	1w	1m	3m	12m
Chargeurs	2.64%	32.3%	30.4%	171%
Other financials	-1.65%	7.02%	11.3%	25.3%
STOXX 600	-1.04%	3.78%	5.75%	17.3%

Last updated: 24/04/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	9.61	9.81	16.1	15.6
Dividend yield (%)	4.50	5.15	2.82	3.22
EV/EBITDA(R) (x)	3.37	5.18	10.1	9.56
Adjusted EPS (€)	0.69	1.09	1.54	1.59
Growth in EPS (%)	26.9	56.8	41.3	3.18
Dividend (€)	0.30	0.55	0.70	0.80
Sales (€M)	499	506	552	572
Underlying operat. profit ma...	6.13	8.06	8.34	8.35
Attributable net profit (€M)	15.3	25.0	35.3	36.4
ROE (after tax) (%)	7.41	11.2	14.8	14.1
Gearing (%)	-7.43	-5.43	-2.46	-5.31

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

Protective Films are seen at 12% vs. 11.2% in 2016. The issue is simply whether the strong organic growth recorded in Q1 17 (+10.8%) has legs moving into the year. We stay put with our current expectation (+7% organic).

## Sales by Geography



■ Europe (49.4%)  
■ Asia (25.6%)  
■ Americas (25.1%)

## Consolidated P&L Accounts

		12/16A	12/17E	12/18E
Sales	€M	506	552	572
Change in sales	%	1.48	8.97	3.57
Change in staff costs	%	1.43	2.88	3.57
EBITDA	€M	48.8	56.0	58.2
<b>EBITDA(R) margin</b>	<b>%</b>	<b>9.64</b>	<b>10.2</b>	<b>10.2</b>
Depreciation	€M	-9.90	-10.0	-10.5
Underlying operating profit	€M	38.9	46.0	47.7
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>33.9</b>	<b>45.0</b>	<b>46.7</b>
Net financial expense	€M	-2.00	-3.50	-3.50
of which related to pensions	€M	-0.40	-0.08	-0.10
Exceptional items & other	€M			
Corporate tax	€M	-4.90	-6.70	-7.26
Equity associates	€M	-2.00	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>25.0</b>	<b>35.3</b>	<b>36.4</b>
NOPAT	€M	24.9	32.8	34.0

## Cashflow Statement

		12/16A	12/17E	12/18E
EBITDA	€M	48.8	56.0	58.2
Change in WCR	€M	0.80	-0.30	0.00
Actual div. received from equity holdi...	€M	0.30	0.50	0.50
Paid taxes	€M	-8.00	-6.70	-7.26
Exceptional items	€M	0.00		
Other operating cash flows	€M	-8.00	-5.00	-5.00
Total operating cash flows	€M	33.9	44.5	46.4
Capital expenditure	€M	-10.8	-13.0	-14.0
Total investment flows	€M	-31.4	-16.0	-17.0
Net interest expense	€M	-2.00	-3.50	-3.50
Dividends (parent company)	€M	-11.5	-12.7	-16.1
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	59.9	-27.1	-30.5
Change in cash position	€M	56.4	1.46	-1.05
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>21.1</b>	<b>28.0</b>	<b>28.9</b>

## Per Share Data

		12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...)	Mio	23.0	23.0	23.0
Number of diluted shares (average)	Mio	23.0	23.0	23.0
<b>Benchmark EPS</b>	<b>€</b>	<b>1.09</b>	<b>1.54</b>	<b>1.59</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.55</b>	<b>0.70</b>	<b>0.80</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 25.8	55%	<ul style="list-style-type: none"> <li>■ Akzo Nobel</li> <li>■ Solvay</li> <li>■ Wendel</li> <li>■ Bolloré</li> <li>■ GBL</li> <li>■ Sonae</li> <li>■ Hal Trust</li> <li>■ Eurazeo</li> </ul>
Dividend Yield	€ 23.4	20%	
DCF	€ 23.9	10%	
P/E	€ 34.0	10%	
P/Book	€ 16.1	5%	
TARGET PRICE	€ 25.5	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/16A	12/17E	12/18E
Goodwill	€M	90.1	92.0	95.0
Total intangible	€M	92.1	94.0	97.0
Tangible fixed assets	€M	61.8	66.0	72.0
Financial fixed assets	€M	14.9	16.0	18.0
WCR	€M	21.7	22.0	22.0
Other assets	€M	23.8	27.0	29.0
Total assets (net of short term liab.)	€M	217	229	243
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>227</b>	<b>249</b>	<b>270</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	16.7	15.0	15.0
Other provisions for risks and liabilities	€M	0.50	1.00	1.00
Total provisions for risks and liabilities	€M	17.2	16.0	16.0
Tax liabilities	€M	-29.0	-30.0	-30.0
Other liabilities	€M	3.10	5.00	5.00
<b>Net debt (cash)</b>	<b>€M</b>	<b>-1.40</b>	<b>-10.9</b>	<b>-17.8</b>
Total liab. and shareholders' equity	€M	217	229	243

## Capital Employed

		12/16A	12/17E	12/18E
Capital employed after depreciation	€M	195	198	209

## Profits & Risks Ratios

		12/16A	12/17E	12/18E
<b>ROE (after tax)</b>	<b>%</b>	<b>11.2</b>	<b>14.8</b>	<b>14.1</b>
ROCE	%	12.8	16.6	16.3
<b>Gearing (at book value)</b>	<b>%</b>	<b>-5.43</b>	<b>-2.46</b>	<b>-5.31</b>
Adj. Net debt/EBITDA(R)	x	0.05	-0.19	-0.31
Interest cover (x)	x	24.3	13.5	14.0

## Valuation Ratios

		12/16A	12/17E	12/18E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>9.81</b>	<b>16.1</b>	<b>15.6</b>
Free cash flow yield	%	8.60	4.91	5.08
P/Book	x	1.08	2.29	2.11
<b>Dividend yield</b>	<b>%</b>	<b>5.15</b>	<b>2.82</b>	<b>3.22</b>

## EV Calculation

		12/16A	12/17E	12/18E
Market cap	€M	245	570	570
+ Provisions	€M	17.2	16.0	16.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-1.40	-10.9	-17.8
+ Leases debt equivalent	€M	4.00	0.01	0.01
- 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	253	563	556
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.18</b>	<b>10.1</b>	<b>9.56</b>
EV/Sales	x	0.50	1.02	0.97