



Chargeurs

Support Services / France

Strong 2022 introduces a promising 2023

Earnings/sales releases - 13/03/2023

After a record year in 2021 and despite a tough macro-economic environment, Chargeurs closed FY22 on a high note. Chargeurs' resilient performance was driven by the impressive performance of the PCC Fashion Technologies division and a fast-growing Luxury segment. While a slowdown has been seen in the CAM business, there is little to worry about in view of the signs of a rebound currently observed. The solid results, combined with the anticipated normalisation, have prompted Chargeurs to reaffirm its 2025 targets.

Fact

- Chargeurs posted revenues of €746.4m in 2022, up a slight +1.3% yoy but +15.3% excluding the health operations (CHS), driven by strong growth at Fashion Technologies (CFT) and Museum Studio (CMS).
- Over 2022, CFT reached €220m in revenues, or +32.4% lfl, and its EBITDA increased by 98.4% to €24.2m, bringing the margin up to 11%, driven by a positive volume and price effect along with the rebound of the fashion sector.
- Chargeurs Museum Studio (CMS) reported a 75.1% increase in revenue to €87.2m, driven by organic growth of 34.5% and a 32.3% consolidation effect. EBITDA and ROPA increased by 15.3% and 10.6%, respectively.
- Chargeurs Advanced Materials (CAM), on the other hand, posted revenues down 6.3% lfl and EBITDA down 13% due to the normalisation of its clients' inventories.
- While Chargeurs' EBITDA came in at €67.9m, down 8% yoy, the figure is still 5.9% above our expectations and up 22.5% excluding CHS.
- Chargeurs' reported ROPA was a clear beat, outperforming our expectations by 11.3% to €45.4m.
- Despite the good operating results, the unfavourable development of working capital compared with the particularly good year of 2021 led to a deterioration in CFO and therefore in the net debt position, which reached €174.7m versus €109.3m last year.

€m	2022	2021	Change	Change excl. CHS
Revenue	746.4	736.6	+1.3%	+15.3%
Gross profit	195.0	186.3	+4.7%	+21.2%
As a % of revenue	26.1%	25.3%		
EBITDA	67.9	73.8	-8.0%	+22.5%
As a % of revenue	9.1%	10.0%		
Recurring operating profit	45.4	50.7	-10.5%	+41.7%
As a % of revenue	6.1%	6.9%		
Operating profit	38.5	41.2	-6.6%	+62.6%
Net financial expense	-19.1	-10.6		
Tax	2.5	-0.5		
Net profit	21.9	30.8		
Attributable net profit	22.1	30.6	-27.8%	+16.1%
Earnings per share (euros per share)	0.92	1.30	-29.4%	



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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: 76.9%
Target Price (6 months)	€ 27.6
Share Price	€ 15.6
Market Cap. €M	388
Price Momentum	GOOD
Extremes 12Months	11.4 ▶ 20.0
Sustainability score	3.4 /10
Credit Risk	BBB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

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PERF	1w	1m	3m	12m
Chargeurs	8.19%	3.25%	20.8%	-15.0%
Support Services	-2.00%	-4.38%	-0.63%	-2.70%
STOXX 600	-2.26%	-1.24%	3.33%	6.24%

Last updated: 03/01/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	17.7	19.5	12.6	9.37
Dividend yield (%)	5.37	4.98	6.93	9.37
EV/EBITDA(R) (x)	9.03	8.67	6.56	5.43
Adjusted EPS (€)	1.30	0.86	1.24	1.66
Growth in EPS (%)	-14.9	-33.7	43.1	34.6
Dividend (€)	1.24	0.84	1.08	1.46
Sales (€M)	737	752	827	892
Underlying operat. profit ma...	6.88	5.28	6.45	7.64
Attributable net profit (€M)	30.6	20.6	29.4	39.8
ROE (after tax) (%)	12.1	7.57	10.1	12.4
Gearing (%)	45.6	45.6	43.9	38.7

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

■ Analysis

Chargeurs demonstrated the resilience of its asynchronous business model in 2022, with revenue rising slightly by 1.3% lfl and by 8.7% lfl excluding the healthcare activity to €746.4m. The inflationary context did not dent the group's performances, which recorded a 4.7% increase in its gross margin to €195m. The group's pricing power and the diversity of its activities in terms of both sector and geographically, combined with its leading position in niche segments, enabled Chargeurs to post a ROPA of €45.4m, 11.3% above our expectations.

A resilient performance boosted by CFT PCC

In 2022, the Advanced Materials division posted a 6.3% organic decline in sales to €332.6m. This decline should be put into perspective as 2021 was an exceptional year due to a high level of inventory of its clients keen to manage potential supply-chain disruptions. The fall in volumes in H2 22 is therefore explained by the normalisation of inventories and the ongoing destocking by customers in the context of global economic uncertainties. In 2022, CAM reported a 12.8% decline in EBITDA to €32m, representing a 120bp drop in the margin. Nevertheless, Chargeurs remains confident about the future of the surface solutions business, which is beginning to benefit from the global turnaround. Chargeurs expects a rebound under the cover of public investment programmes, an improvement in the health situation in China, and the easing of energy price pressures. As such, the business is currently witnessing the early signs of a rebound as reflected by the uptick in order intake observed in January-February, particularly in Europe. If this trend is confirmed in the coming months, it will result in an improvement in sales in H2

CFT proved to be the primary driver of Chargeurs' performance in 2022, with revenue up 32.4% organically, EBITDA margin up 360bp to 11% and ROPA up 254.2% to €17m. The business's excellent performance was driven by a combination of volume effects buoyed up by the rebound in the fashion market, clear market share gains and a favourable price effect. Although the 2022 delivery sets new levels for CFT, Chargeurs remains confident of the division's ability to yield even more, due to a high order book.

Unsurprisingly, the health segment posted sharply lower figures compared with 2021 due to the normalisation of the sanitary situation. In 2022, the division reported revenues down 93.2% to €6.4m, EBITDA down 77% to €5.2m and ROPA down 80.2% to €4.3m. The activity will now be consolidated under the CFT PCC division.

A vibrant and expanding luxury business

The year 2022 was a pivotal one for Chargeurs Museum Studio, which recorded a 75.1% increase in revenues to €87.2m, driven by a 32.3% scope effect linked to the acquisitions of Event Communications and Skira Editore, and a 34.5% organic growth rate. EBITDA and ROPA also recorded positive dynamics with, respectively, +15.3% and +10.6%. The outlook for the coming years is very positive with an order book that should enable the business line to exceed €120m in revenues by 2023. Around 50% of the business performance will be driven by the American market going forward.

Chargeurs Luxury Fibers (premium wool) also had an excellent year with organic revenue growth of 7.9% to €94.7m. This segment is not meant to generate high margins but it managed to double its net earnings to €2m. These good figures were driven by a positive price mix effect and by the NATIVA brand expansion, as illustrated by a global contract signed with Gucci.

Lastly, the Personal Goods subdivision was created to consolidate Fournival

Altesse and The Cambridge Satchel in the Chargeurs' accounts for the first time, two acquisitions that were completed in 2021 and August 2022, respectively.

The only blemish on the picture is the increase in net debt

In terms of cash flow generation, despite the good performance of the businesses, with EBITDA rising to €67.9m, Chargeurs reported a decline in cash flow to €32.9m. This decline, combined with a €40.5m increase in working capital mainly due to temporary impacts at CAM, and owing to an exceptionally low level in 2021 of 3.8% of sales, led to a deterioration in CFO to €-7.4m from €64.9m in 2021. Chargeurs expects this situation to be resolved through global logistics optimisation plans and a rebound in business.

As a result, net debt has increased to €174.7m, from €109.3m in 2021, bringing the net debt /EBITDA ratio up to 2.6x from 1.5x in 2021. Even if debt is under control, an expected acquisition in the luxury sector could deteriorate its gearing further, but we note Chargeurs' 2022 gearing of 0.6x leaves some important headroom compared to its bank covenant of 1.2x.

A solid outlook for 2023

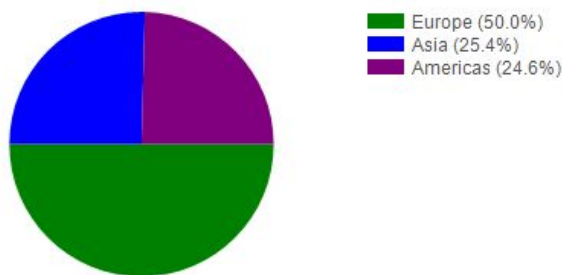
Given the resilience of its results in a challenging environment, Chargeurs is confident about the years ahead. In 2023, the group plans to make a major acquisition to balance the revenue contributions from its Luxury Goods and Technology businesses by growing the former. The group has confirmed its objective of reaching revenues of €1bn and an EBITDA of €100m excluding acquisitions by 2025. Chargeurs expects a more favourable 2023 under the guise of a reduction in the energy crisis and an improvement in the health situation in Asia.

All in all, a year that confirmed the strength of Chargeurs' business model in a challenging macro-economic environment.

■ Impact

We will be raising our FY23 estimates, particularly for CFT and CMS, following this strong release. We will also revise our NAV estimates and roll forward our estimates for 2025. We maintain our positive stance on the stock.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€M 737	752	827
Change in sales	% -10.4	2.08	10.0
Change in staff costs	% 8.75	11.6	3.12
EBITDA	€M 73.8	64.1	80.1
EBITDA(R) margin	% 10.0	8.53	9.68
Depreciation	€M -23.1	-23.3	-23.8
Underlying operating profit	€M 45.2	35.3	50.8
Operating profit (EBIT)	€M 41.2	31.3	44.8
Net financial expense	€M -10.6	-11.6	-10.5
of which related to pensions	€M	-0.36	-0.77
Exceptional items & other	€M		
Corporate tax	€M -0.50	0.16	-5.59
Equity associates	€M 0.70	0.70	0.70
Minority interests	€M -0.20	0.00	0.00
Adjusted attributable net profit	€M 30.6	20.6	29.4
NOPAT	€M 34.6	27.5	39.4

Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€M 73.8	64.1	80.1
Change in WCR	€M 21.9	-17.5	-12.4
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -6.10	0.16	-5.59
Exceptional items	€M		
Other operating cash flows	€M -11.7	-8.00	-8.00
Total operating cash flows	€M 77.9	38.8	54.1
Capital expenditure	€M -13.0	-8.20	-14.0
Total investment flows	€M -16.9	-18.2	-24.0
Net interest expense	€M -10.6	-11.6	-10.5
Dividends (parent company)	€M -17.7	-24.1	-15.0
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 -54.0	-39.1	-75.4
Change in cash position	€M 10.2	-18.5	-45.3
Free cash flow (pre div.)	€M 54.3	19.0	29.6

Per Share Data

	Mio	24.0	23.7	23.8
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Mio	23.5	23.8	23.8
Benchmark EPS	€	1.30	0.86	1.24
Restated NAV per share	€			
Net dividend per share	€	1.24	0.84	1.08

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 28.5	35%	● AkzoNobel
NAV/SOTP per share	€ 38.0	20%	● Rentokil Initial
EV/Ebitda	€ 19.1	20%	● Quadient
P/E	€ 18.2	10%	● Teleperformance
Dividend Yield	€ 31.2	10%	● Bureau Veritas
P/Book	€ 24.3	5%	
TARGET PRICE	€ 27.6	100%	

NAV/SOTP Calculation

Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€M 189	195	202
Total intangible	€M 238	245	251
Tangible fixed assets	€M 85.3	92.3	99.3
Financial fixed assets	€M 7.90	7.90	7.90
WCR	€M -18.0	-0.50	11.9
Other assets	€M 42.4	45.5	45.5
Total assets (net of short term liab.)	€M 418	453	479
Ordinary shareholders' equity	€M 267	276	305
Quasi Equity & Preferred	€M		
Minority interests	€M -0.60	-0.60	-0.60
Provisions for pensions	€M 14.6	22.6	22.8
Other provisions for risks and liabilities	€M 13.8	13.8	13.8
Total provisions for risks and liabilities	€M 28.4	36.4	36.6
Tax liabilities	€M -36.9	-36.9	-36.9
Other liabilities	€M 42.4	42.4	42.4
Net debt (cash)	€M 117	135	133
Total liab. and shareholders' equity	€M 418	453	479

Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€M 345	376	402

Profits & Risks Ratios

	%	12.1	7.57	10.1
ROE (after tax)				
ROCE	%	10.0	7.29	9.78
Gearing (at book value)	%	45.6	45.6	43.9
Adj. Net debt/EBITDA(R)	x	2.01	2.60	2.06
Interest cover (x)	x	4.26	3.14	5.22

Valuation Ratios

	x	17.7	19.5	12.6
Reference P/E (benchmark)				
Free cash flow yield	%	9.82	4.76	7.97
P/Book	x	2.07	1.45	1.22
Dividend yield	%	5.37	4.98	6.93

EV Calculation

	€M	553	400	372
Market cap				
+ Provisions	€M	28.4	36.4	36.6
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	85.9	103	100
+ Leases debt equivalent	€M	31.4	32.0	32.0
- Financial fixed assets (fair value)	€M	32.3	15.0	15.0
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	666	556	525
EV/EBITDA(R)	x	9.03	8.67	6.56
EV/Sales	x	0.90	0.74	0.63

Analyst : Saïma Hussain, Changes to Forecasts : 03/01/2023.