



Chargeurs

Holding Companies / France



otherfinancials@alphavalue.eu
+33 (0) 1 70 61 10 50
corporate.alphavalue.com

Discipline pays off

Earnings/sales releases - 16/11/2017

Fact

Chargeurs released robust Q3 revenues even though the US hurricanes led to business being pushed back to Q4 (see following table).

In euro millions	Nine months		Change		Third quarter		Change	
	2017	2016	reported	like-for-like *	2017	2016	reported	like-for-like *
Protective Films	211.0	187.5	+23.5	+6.3%	67.7	67.0	+0.7	+1.9%
Fashion Technologies	98.7	100.3	-1.6	-0.9%	30.9	31.5	-0.6	+2.9%
Technical Substrates	18.3	17.2	+1.1	+6.4%	5.8	5.6	+0.2	+3.6%
Luxury Materials	74.8	74.6	+0.2	-0.9%	16.6	22.1	-5.5	-21.7%
Chargeurs, including Luxury Materials	402.8	379.6	+23.2	+3.0%	121.0	126.2	-5.2	-1.9%
Chargeurs, excluding Luxury Materials	328.0	305.0	+23.0	+3.9%	104.4	104.1	+0.3	+2.3%

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

Analysis

By business, Q3 is a confirmation of top-line strength as a result of a successful drive to ramp up the mix in product lines. This ability to defend prices through quality and servicing on what used to be considered commodity products is a defining feature of the new management.

Protective Films' pro forma gain over Q3 at +1.9% looks like a slowdown only because of the US hurricane impacts. Suppliers (base chemicals) and clients have both been disrupted. By Q4, some of that miss should have been recovered. It is actually significant that in spite of the disruption, the business has kept a positive quarterly yoy growth.

Fashion Technologies' 6-month revenue growth was looking modest only because of early sales in H1 16 so that it is an unfavourable comp effect. Q3 is showing that the once staid interlining business is recording solid gains in the fashion and fast-fashion businesses.

Technical Substrates is clearly surfing on the strong take-up of its new products. One-off export contracts can be significant so that quarterly growth is not really relevant.

Luxury Materials is the ambitious name of the ex Wool business. Ambitious as this is a case of work in progress as the no-risk trading operation is being turned into an industry label for quality wool. This means selectivity in the wool traded with a quality label (quality of the product as well as environmental aspects in every step of the value chain). Selectivity means lower trading opportunities, hence the revenue drop.

Impact

Q3 sales certainly do not justify reconsidering the earnings expectations. We, however, feel a need to trim down our earnings slightly for 2017 as the opex efforts to defend higher value-added product lines and prepare for long-term quality growth look like biting a bit more than expected into the EBIT margins. In addition, we may have underestimated the cost of pre-emptive overfinancing that

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.

Add Upside: 13.5%

Target Price (6 months) € 25.1

Share Price € 22.1

Market Cap. €M 511

Price Momentum **NEGATIVE**

Extremes 12Months 14.9 ▶ 26.5

Bloomberg CRI FP Equity

Reuters CRIP.PA



[Download Full Analysis](#)

[Company Page](#)



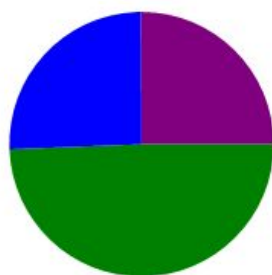
PERF	1w	1m	3m	12m
Chargeurs	-7.75%	-12.2%	-5.46%	47.3%
Other financials	-2.16%	-1.51%	3.81%	27.1%
STOXX 600	-3.17%	-2.41%	1.45%	12.6%

Last updated: 11/09/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	9.61	9.81	16.1	14.5
Dividend yield (%)	4.50	5.15	3.16	3.61
EV/EBITDA(R) (x)	3.37	5.18	9.28	8.22
Adjusted EPS (€)	0.69	1.09	1.37	1.53
Growth in EPS (%)	26.9	56.8	26.0	11.6
Dividend (€)	0.30	0.55	0.70	0.80
Sales (€M)	499	506	552	577
Underlying operat. profit ma...	6.13	8.06	8.00	8.65
Attributable net profit (€M)	15.3	25.0	31.7	35.5
ROE (after tax) (%)	7.41	11.2	13.4	14.0
Gearing (%)	-7.43	-5.43	-3.30	-6.88

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

leaves the group free to act swiftly when an opportunity arises. Lastly, the extra €20m capex effort for Protective Films so as to put the business on an “industry 4.0” orbit does have an immediate cash and opex impact. All practical fine-tuning and certainly not a worry.

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	577
Change in sales	%	1.48	9.00	4.56
Change in staff costs	%	1.43	2.88	3.57
EBITDA	€M	48.8	55.2	61.4
EBITDA(R) margin	%	9.64	9.99	10.6
Depreciation	€M	-9.90	-11.0	-11.5
Underlying operating profit	€M	38.9	44.2	49.9
Operating profit (EBIT)	€M	33.9	43.2	48.9
Net financial expense	€M	-2.00	-7.10	-7.10
of which related to pensions	€M	-0.40	-0.08	-0.10
Exceptional items & other	€M			
Corporate tax	€M	-4.90	-4.90	-6.80
Equity associates	€M	-2.00	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	25.0	31.7	35.5
NOPAT	€M	24.9	31.5	35.5

Cashflow Statement

		12/16A	12/17E	12/18E
EBITDA	€M	48.8	55.2	61.4
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	-4.90	-6.80
Exceptional items	€M	0.00		
Other operating cash flows	€M	-8.00	-5.00	-5.00
Total operating cash flows	€M	33.9	45.5	50.1
Capital expenditure	€M	-10.8	-11.0	-14.0
Total investment flows	€M	-31.4	-14.0	-17.0
Net interest expense	€M	-2.00	-7.10	-7.10
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	4.50	0.00
Total financial flows	€M	59.9	-26.2	-34.1
Change in cash position	€M	56.4	5.29	-0.98
Free cash flow (pre div.)	€M	21.1	27.4	29.0

Per Share Data

		12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...	Mio	23.0	23.2	23.2
Number of diluted shares (average)	Mio	23.0	23.1	23.2
Benchmark EPS	€	1.09	1.37	1.53
Restated NAV per share	€			
Net dividend per share	€	0.55	0.70	0.80

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 25.5	55%	<ul style="list-style-type: none"> ■ Akzo Nobel ■ Solvay ■ Wendel ■ Bolloré ■ GBL ■ Sonae ■ Hal Trust ■ Eurazeo
Dividend Yield	€ 22.0	20%	
DCF	€ 28.6	10%	
P/E	€ 30.6	10%	
P/Book	€ 15.1	5%	
TARGET PRICE	€ 25.1	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
Ordinary shareholders' equity	€M	227	244	265
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	10.0	10.0
Total provisions for risks and liabilities	€M	17.2	25.0	25.0
Tax liabilities	€M	-29.0	-30.0	-30.0
Other liabilities	€M	3.10	5.00	5.00
Net debt (cash)	€M	-1.40	-14.7	-21.7
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
ROE (after tax)	%	11.2	13.4	14.0
ROCE	%	12.8	15.9	17.0
Gearing (at book value)	%	-5.43	-3.30	-6.88
Adj. Net debt/EBITDA(R)	x	0.05	-0.27	-0.35
Interest cover (x)	x	24.3	6.29	7.13

Valuation Ratios

		12/16A	12/17E	12/18E
Reference P/E (benchmark)	x	9.81	16.1	14.5
Free cash flow yield	%	8.60	5.33	5.65
P/Book	x	1.08	2.11	1.94
Dividend yield	%	5.15	3.16	3.61

EV Calculation

		12/16A	12/17E	12/18E
Market cap	€M	245	514	514
+ Provisions	€M	17.2	25.0	25.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-1.40	-14.7	-21.7
+ 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	512	505
EV/EBITDA(R)	x	5.18	9.28	8.22
EV/Sales	x	0.50	0.93	0.88