

Voting rights reaffirmed

Governance related - 04/09/2015

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Fact

Owners of Chargeurs' convertible bonds with a maturity to the end of 2015 have opted for an earlier conversion. This was widely anticipated as the repayment terms were not attractive in relation to Chargeurs' share price outperformance. The date of conversion has been primarily determined by the trading windows opened to insiders, who happened to be the prime owners of the bonds.

Analysis

The exercise of the conversion option changes substantially the formal balance of control at Chargeurs but not the implied one. Indeed Chargeurs SA has always made clear that the owners of the bulk of the yet to be converted convertibles were Mr Malone, ex CEO and now Chairman, and Mr Seydoux, an historically influential shareholder, most notably via his personal holdings. As they were in a position to convert at any time, their ability to influence the board and management has always been there.

The two men, Mr Malone and Mr Seydoux, have had a long career together and had joined their voting rights in a concert party. After the conversion, the concert party will have effective control of 29.62% of the voting rights and 27.76% of the shares. The difference between voting rights and ownership is owed to the double-voting rights attached to long-held shares, a common practice in French corporate governance. The next question is whether there is a case for an end to this concert party. This is obviously not under the control of Chargeurs SA. There is no public indication about a possible calendar between concert party participants.

Impact

This new breakdown of control is the "official" face of a well identified control by long-time shareholders. Any speculative view on the subject of control should be put to rest as long as the concert party does not chose to communicate on alternative plans. It is also symbolic that this expensive convertible issue that helped Chargeurs restructure its funding in dire times is truly in the past. Cautious, self-funded growth remains the order of the day.

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 : 64.7%
Target Price (6 months)	€ 13.2
Share Price	€ 8.04
Market Capitalisation €M	185
Price Momentum	STRONG
Extremes 12Months	4.07 ▶ 8.10
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

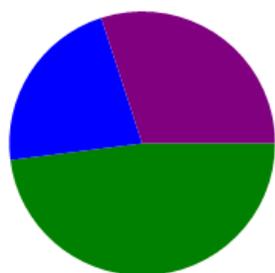

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PERF	1w	1m	3m	12m
Chargeurs	5.10%	6.49%	16.0%	46.8%
Other financials	-2.10%	-8.85%	-6.04%	11.1%
STOXX 600	-2.20%	-10.6%	-8.79%	2.08%

Last updated: 02/09/2015	12/13A	12/14A	12/15E	12/16E
Adjusted P/E (x)	10.1	9.90	12.3	9.17
Dividend yield (%)	0.00	3.75	3.11	3.73
EV/EBITDA(R) (x)	2.69	3.51	4.71	3.96
Adjusted EPS (€)	0.37	0.54	0.65	0.88
Growth in EPS (%)		45.8	21.1	34.4
Dividend (€)	0.00	0.20	0.25	0.30
Sales (€M)	467	478	500	520
Operating margin (%)	3.82	4.47	5.29	5.73
Attributable net profit (€M)	3.20	11.2	13.5	20.2
ROE (after tax) (%)	4.44	6.14	6.45	8.69
Gearing (%)	8.82	-3.04	-5.29	-8.49

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Sales by Geography



■ Europe (48.0%)
■ Americas (22.0%)
■ Other (30.0%)

Consolidated P&L Account

		12/14A	12/15E	12/16E
Sales	€M	478	500	520
Change in sales	%	2.53	4.63	3.96
Change in staff costs	%	2.32	2.81	3.50
EBITDA	€M	31.6	37.0	40.8
EBITDA(R) margin	%	6.61	7.39	7.85
Depreciation	€M	-8.90	-9.50	-10.0
Underlying operating profit	€M	22.7	27.5	30.8
Operating profit (EBIT)	€M	21.4	26.2	29.8
Net financial expense	€M	-6.30	-4.20	-3.10
of which related to pensions	€M	-0.40	-0.32	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.30	2.45	-6.82
Equity associates	€M	0.40	-10.7	0.50
Minority interests	€M	0.00	-0.20	-0.20
Adjusted attributable net profit	€M	11.7	15.0	20.2
NOPAT	€M	16.6	8.82	22.2

Cashflow Statement

		12/14A	12/15E	12/16E
EBITDA	€M	31.6	37.0	40.8
Change in WCR	€M	8.60	-7.80	3.00
Actual div. received from equity holdi...	€M	0.70	0.50	0.50
Paid taxes	€M	-4.60	2.45	-6.82
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	-7.50	-5.00	-5.00
Total operating cash flows	€M	28.8	27.1	32.5
Capital expenditure	€M	-9.10	-12.0	-10.0
Total investment flows	€M	-9.90	-15.0	-13.0
Net interest expense	€M	-6.30	-4.20	-3.10
Dividends (parent company)	€M	0.00	-3.00	-5.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	3.00	0.00	0.00
Total financial flows	€M	3.80	-19.5	-13.9
Change in cash position	€M	22.7	-7.37	5.62
Free cash flow (pre div.)	€M	13.4	10.9	19.4

Per Share Data

		12/14A	12/15E	12/16E
No. of shares net of treas. stock (year...)	Mio	23.0	23.0	23.0
Number of diluted shares (average)	Mio	22.9	23.0	23.0
Benchmark EPS	€	0.54	0.65	0.88
Restated NAV per share	€			
Net dividend per share	€	0.20	0.25	0.30

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 13.9	55%	■ Akzo Nobel
Dividend Yield	€ 9.41	20%	■ Solvay
DCF	€ 16.3	10%	■ Wendel
P/E	€ 14.2	10%	■ Bolloré
P/Book	€ 12.9	5%	■ GBL
TARGET PRICE	€ 13.2	100%	■ Sonae
			■ Hal Trust
			■ Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/14A	12/15E	12/16E
Goodwill	€M	70.4	75.5	75.5
Total intangible	€M	72.6	78.0	78.0
Tangible fixed assets	€M	50.3	53.0	57.0
Financial fixed assets	€M	27.1	19.0	19.0
WCR	€M	23.2	31.0	28.0
Other assets	€M	24.6	28.0	30.0
Total assets (net of short term liab.)	€M	201	214	217
Ordinary shareholders' equity	€M	194	225	240
Quasi Equity & Preferred	€M			
Minority interests	€M	3.80	5.00	5.00
Provisions for pensions	€M	15.5	9.20	9.47
Other provisions for risks and liabilities	€M	0.40	1.00	1.00
Total provisions for risks and liabilities	€M	15.9	10.2	10.5
Tax liabilities	€M	-13.5	-23.0	-23.0
Other liabilities	€M	10.7	11.0	11.0
Net debt (cash)	€M	-9.30	-14.5	-26.1
Total liab. and shareholders' equity	€M	201	214	217

Capital Employed

		12/14A	12/15E	12/16E
Capital employed after depreciation	€M	177	185	186

Profits & Risks Ratios

		12/14A	12/15E	12/16E
ROE (after tax)	%	6.14	6.45	8.69
ROCE	%	9.39	4.77	11.9
Gearing (at book value)	%	-3.04	-5.29	-8.49
Adj. Net debt/EBITDA(R)	x	-0.17	-0.28	-0.54
Interest cover (x)	x	3.85	7.08	10.7

Valuation Ratios

		12/14A	12/15E	12/16E
Reference P/E (benchmark)	x	9.90	12.3	9.17
Free cash flow yield	%	10.9	5.89	10.5
P/Book	x	0.63	0.82	0.77
Dividend yield	%	3.75	3.11	3.73

EV Calculation

		12/14A	12/15E	12/16E
Market cap	€M	123	185	185
+ Provisions	€M	15.9	10.2	10.5
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-9.30	-14.5	-26.1
+ Leases debt equivalent	€M	4.00	4.00	4.00
- Financial fixed assets (fair value)	€M	26.0	16.0	16.0
+ Minority interests (fair value)	€M	3.80	5.00	4.00
= EV	€M	111	174	162
EV/EBITDA(R)	x	3.51	4.71	3.96
EV/Sales	x	0.23	0.35	0.31

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 02/09/2015.