



Chargeurs

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Surprisingly strong Q1 growth at Protective Films

Earnings/sales releases - 20/04/2017

Fact

Chargeurs SA has released a very strong set of figures for Q1 17 with lfl sales up 5.6% (excluding Luxury Materials, see table below) and pulled by the +10.2% of Protective Films, the key business of the firm.

(in euro millions)	First quarter		Change	
	2017	2016	reported	like-for-like*
Protective Films	70.9	58.7	+20.8%	+10.2%
Fashion Technologies	33.6	34.3	-2.0%	-3.8%
Technical Substrates	6.6	5.8	+13.8%	+13.8%
Luxury Materials**	32.3	26.5	+21.9%	+17.7%
Chargeurs	143.4	125.3	+14.4%	+8.1%
Chargeurs, excluding Luxury Materials	111.1	98.8	+12.4%	+5.6%

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

** Chargeurs Luxury Materials is the new name given to Chargeurs Wool to reflect its expertise in the supply of premium combed wool for luxury market customers.

Analysis

For Q1 sales only releases, the information is only in a summary format but it is clear that the 10.2% lfl growth posted by the Protective Films business is an excellent figure. The group combines better volumes with firming up prices (as would be expected from a cyclical industry) but also seems to benefit from its R&D efforts and ever better mix as a result.

Chargeurs SA is also purchasing two very small companies (combined 2016 turnover of €2.4m, expected to be up 40% in 2017) that supply equipment ("laminators") improving the productivity of temporary protective films clients. Such equipment will be sold to clients as a solution and improve the overall offer of Chargeurs, presumably creating as well more stickiness (so to say in this industry).

The yoy decline of Fashion Technologies is a non-event to the extent that 2016 saw an excessive proportion of the business booked in Q1. 2017 is better balanced with limited overall growth and a strong focus on bigger fast-fashion clients. Here again Chargeurs is confirming its strategy of standing closer to bigger fashion groups by opening capacity next to their plants (new Ethiopian unit due on stream this year).

Technical substrates is in line while the Luxury Goods turnover surge has no impact on margins.

Impact

These strong Q1 sales figures help back a 7% upgrade to our 2017 EPS forecasts. The issue for the following years is that by 2017 it will have reached peak margins for the last 11 years. More is certainly possible but will presumably depend on successful acquisitions that cannot be discounted at this stage.

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 : 20.0%

Target Price (6 months)	€ 25.4
Share Price	€ 21.2
Market Capitalisation €M	488
Price Momentum	STRONG
Extremes 12Months	8.48 ▶ 21.7
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

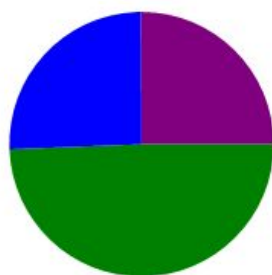
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PERF	1w	1m	3m	12m
Chargeurs	6.33%	-0.14%	21.3%	145%
Other financials	3.38%	6.55%	8.59%	18.1%
STOXX 600	1.45%	2.54%	6.68%	10.8%

Last updated: 24/04/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	9.61	9.81	13.8	13.3
Dividend yield (%)	4.50	5.15	3.31	3.78
EV/EBITDA(R) (x)	3.37	5.18	8.55	8.11
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](#)

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
EBITDA(R) margin	% 9.64	10.2	10.2
Depreciation	€M -9.90	-10.0	-10.5
Underlying operating profit	€M 38.9	46.0	47.7
Operating profit (EBIT)	€M 33.9	45.0	46.7
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
Adjusted attributable net profit	€M 25.0	35.3	36.4
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
Free cash flow (pre div.)	€M 21.1	28.0	28.9

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
Benchmark EPS	€ 1.09	1.54	1.59
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	€ 25.8	55%	● Akzo Nobel
Dividend Yield	€ 23.1	20%	■ Solvay
DCF	€ 23.9	10%	■ Wendel
P/E	€ 33.6	10%	■ Bolloré
P/Book	€ 16.2	5%	■ GBL
TARGET PRICE	€ 25.4	100%	■ Sonae
			■ Hal Trust
			■ Eurazeo

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	249	270
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
Net debt (cash)	€M -1.40	-10.9	-17.8
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	14.8	14.1
ROCE	% 12.8	16.6	16.3
Gearing (at book value)	% -5.43	-2.46	-5.31
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
Reference P/E (benchmark)	x 9.81	13.8	13.3
Free cash flow yield	% 8.60	5.77	5.96
P/Book	x 1.08	1.95	1.80
Dividend yield	% 5.15	3.31	3.78

EV Calculation

	12/16A	12/17E	12/18E
Market cap	€M 245	486	486
+ 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	479	472
EV/EBITDA(R)	x 5.18	8.55	8.11
EV/Sales	x 0.50	0.87	0.83