



# Chargeurs

Holding Companies / France

## New protective equipment activity to help offset Coronavirus impact

Latest - 14/04/2020

Chargeurs' new initiative, focused on the development and production of personal protective equipment (PPE), will allow the group to leverage the expertise of its PCC Fashion Technologies division to meet rising demand given the current global sanitary crisis caused by the Coronavirus. Acknowledging any potential execution risks given the volatile context, the new business line would allow Chargeurs to help off-set the expected hit to the group's core activities brought by the ongoing crisis.

### Fact

- Under the brand Lainière Santé, Chargeurs will be launching a line of PPE products, including masks, scrubs, protective gloves, etc.
- The group will invest in production lines in France, the US and other geographies to assure mass production on a global scale.
- Given the current volatile environment, the group has yet to confirm the expected level of demand and sales potential of this new activity.

### Analysis

In the context of the sanitary crisis brought by the Coronavirus outbreak, Chargeurs, like many industrial conglomerates, faces a challenging outlook due to the major disruption that has prompted a global economic crisis.

With an historical know-how in the textiles business, housed under the PCC Technologies division, last week's announcement of the launch of a new business line for the development and mass production PPE products, under the banner 'Lainière Santé', puts in evidence that Chargeurs' management has been quick-witted in assuring the continuity of its activities in the current market environment.

The group will be leveraging the expertise, production capacity and supplier network of its PCC Fashion Technologies division for the development of this new activity. The group's global footprint would allow it to secure orders from major customers including governments and large private institutions. Nonetheless, major efforts in logistics and distribution networks are needed in order to meet the skyrocketing demand for PPE products.

Subject to any execution risks that may transpire by the launch of a major industrial effort in this volatile market environment, and dependent on the evolution of demand, the new business line would partly off-set the decline in Chargeurs' core activities. It appears investors are confident in the management's skill in facing the crisis, given the remarkable share price recovery over the past 10 days with the Chargeurs share returning to its pre-Coronavirus price levels.

### Impact

We will incorporate the new business line into our forecasts. Nonetheless, despite the positive contribution from Laninière Santé, we hold the view that, globally, the group's activities will be significantly disrupted by the ongoing Coronavirus crisis, resulting in an overall negative effect for FY2020.



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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: 78.9%

Target Price (6 months)	€ 30.5
Share Price	€ 17.0
Market Cap. €M	394
Price Momentum	GOOD
Extremes 12Months	8.71 ▶ 18.8
Bloomberg	CRI FP Equity
Reuters	CRIP.PA



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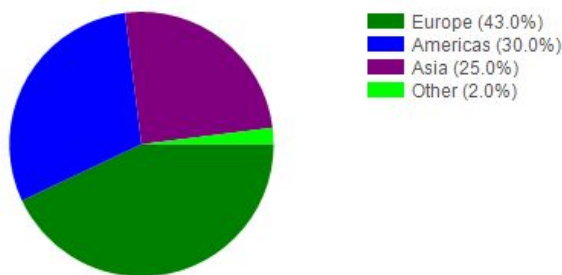


PERF	1w	1m	3m	12m
Chargeurs	95.4%	43.7%	-1.50%	-2.00%
Other financials	9.48%	-1.81%	-17.0%	-0.79%
STOXX 600	6.32%	-1.14%	-20.9%	-14.0%

Last updated: 28/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	16.9	22.3	13.3	10.6
Dividend yield (%)	3.46	4.14	4.99	5.28
EV/EBITDA(R) (x)	9.11	10.4	7.48	6.26
Adjusted EPS (€)	1.15	0.81	1.28	1.61
Growth in EPS (%)	5.33	-29.1	57.9	25.5
Dividend (€)	0.67	0.75	0.85	0.90
Sales (€M)	573	631	776	973
Underlying operat. profit ma...	8.55	7.03	8.39	8.89
Attributable net profit (€M)	26.6	18.7	32.0	43.4
ROE (after tax) (%)	11.4	7.63	10.2	11.0
Gearing (%)	17.6	52.7	40.4	36.4

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## Sales by Geography



## Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	573	631	776
Change in sales	%	7.56	10.1	23.0
Change in staff costs	%	33.9	11.5	20.4
EBITDA	€M	59.8	57.2	80.1
<b>EBITDA(R) margin</b>	%	<b>10.4</b>	<b>9.06</b>	<b>10.3</b>
Depreciation	€M	-10.8	-12.8	-15.0
Underlying operating profit	€M	48.1	42.4	61.6
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>42.2</b>	<b>31.5</b>	<b>49.6</b>
Net financial expense	€M	-10.6	-12.2	-15.3
of which related to pensions	€M	-0.30	-0.14	-0.22
Exceptional items & other	€M			
Corporate tax	€M	-5.08	-1.05	-2.80
Equity associates	€M	0.10	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>26.6</b>	<b>18.7</b>	<b>32.0</b>
NOPAT	€M	34.0	30.3	43.8

## Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	59.8	57.2	80.1
Change in WCR	€M	-22.5	-13.3	-5.00
Actual div. received from equity holdi...	€M	0.00	0.50	0.50
Paid taxes	€M	-6.00	-1.05	-2.80
Exceptional items	€M			
Other operating cash flows	€M	-8.40	-5.00	-5.00
Total operating cash flows	€M	22.9	38.3	67.8
Capital expenditure	€M	-24.3	-20.0	-17.0
Total investment flows	€M	-90.3	-90.0	-87.0
Net interest expense	€M	-10.6	-12.2	-15.3
Dividends (parent company)	€M	-10.8	-15.6	-17.5
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-10.2	0.00	100
Total financial flows	€M	-42.6	-38.0	62.4
Change in cash position	€M	-110	-89.7	43.3
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-12.0</b>	<b>6.11</b>	<b>35.5</b>

## Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	23.1	23.0	27.0
Number of diluted shares (average)	Mio	23.2	23.0	25.0
<b>Benchmark EPS</b>	<b>€</b>	<b>1.15</b>	<b>0.81</b>	<b>1.28</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.67</b>	<b>0.75</b>	<b>0.85</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 31.1	55%	● Ackermans & van H...
Dividend Yield	€ 29.4	20%	■ Wacker Chemie
DCF	€ 40.2	10%	■ AkzoNobel
P/E	€ 27.1	10%	■ Solvay
P/Book	€ 15.2	5%	● Bolloré
TARGET PRICE	€ 30.5	100%	■ GBL
			● Sonae
			■ Hal Trust

### NAV/SOTP Calculation

## Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	128	202	248
Total intangible	€M	158	204	250
Tangible fixed assets	€M	80.7	113	136
Financial fixed assets	€M	13.1	15.0	20.0
WCR	€M	41.7	55.0	60.0
Other assets	€M	23.0	30.0	32.0
Total assets (net of short term liab.)	€M	324	421	504
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>237</b>	<b>253</b>	<b>376</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	17.4	17.6	17.8
Other provisions for risks and liabilities	€M	0.50	1.00	5.00
Total provisions for risks and liabilities	€M	17.9	18.6	22.8
Tax liabilities	€M	-27.2	-30.0	-30.0
Other liabilities	€M	3.50	5.00	5.00
<b>Net debt (cash)</b>	<b>€M</b>	<b>92.2</b>	<b>175</b>	<b>129</b>
Total liab. and shareholders' equity	€M	324	421	504

## Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	294	387	467

## Profits & Risks Ratios

		12/18A	12/19E	12/20E
<b>ROE (after tax)</b>	%	<b>11.4</b>	<b>7.63</b>	<b>10.2</b>
ROCE	%	11.6	7.81	9.39
<b>Gearing (at book value)</b>	%	<b>17.6</b>	<b>52.7</b>	<b>40.4</b>
Adj. Net debt/EBITDA(R)	x	1.54	3.05	1.61
Interest cover (x)	x	4.67	3.55	4.12

## Valuation Ratios

		12/18A	12/19E	12/20E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>16.9</b>	<b>22.3</b>	<b>13.3</b>
Free cash flow yield	%	-2.69	1.47	7.74
P/Book	x	1.88	1.64	1.22
<b>Dividend yield</b>	%	<b>3.46</b>	<b>4.14</b>	<b>4.99</b>

## EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	447	416	459
+ Provisions	€M	17.9	18.6	22.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	92.2	175	129
+ Leases debt equivalent	€M	0.00	0.00	0.00
- 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	545	597	599
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>9.11</b>	<b>10.4</b>	<b>7.48</b>
EV/Sales	x	0.95	0.95	0.77

Analyst : Jorge Velandia, Changes to Forecasts : 28/01/2020.