



Chargeurs

Holding Companies / France

Healthcare-led Q3 lifts full-year outlook

Earnings/sales releases - 11/11/2020

After a blockbuster Q2 led by the newly-added Healthcare division, Chargeurs' Q3 results were once again bolstered by the strong sales performance in the health-related activities, this time accompanied by a welcome recovery in protective films (also health-related). The positive quarterly performance supports the group's upgraded FY outlook, which we see as easily achievable.

Fact

Chargeurs' Q3 revenues rose 12.3% lfl (15.9% reported) to €169.7m on the back of strong sales at the Healthcare Solutions division, which more than offset the still affected, but improving, core businesses (Protective Films in particular). The 9M sales stand an impressive +45.7% above the 2019 levels at €688.2m, driven by Healthcare Solutions (€300.6m), while the core businesses have significantly narrowed the sales contraction in Q3 compared to their ytd performance.

Revenue break-down by division

in millions of euros	Nine months		Change		Q3 20		Change	
	2020	2019	reported	like-for-like	2020	2019	reported	like-for-like
Protective Films	200.8	211.9	-5.2%	-4.9%	67.1	69.8	-3.9%	-1.9%
PCC Fashion Technologies	98.4	156.2	-37.0%	-35.7%	32.9	48.4	-32.0%	-29.5%
Museum Solutions	38.2	24.7	+54.7%	-40.8%	13.2	6.7	+97.0%	-24.2%
Luxury Materials	50.2	79.7	-37.0%	-36.3%	9.8	21.5	-54.4%	-53.6%
Chargeurs excl. Healthcare Solutions	387.6	472.5	-18.0%	-22.3%	123.0	146.4	-16.0%	-19.6%
Healthcare Solutions	300.6	-	-	-	46.7	-	-	-
Chargeurs	688.2	472.5	+45.7%	+41.4%	169.7	146.4	+15.9%	+12.3%

Source: Company reports

Analysis

Healthcare leads the way once again

The €46.7m top-line contribution from the newest addition to Chargeurs' diversified sector exposure has been the definite driver for the group's quarterly outperformance. The company has leveraged the expertise and industrial capacity from its core protective films, textiles and technical substrates businesses to solidify its health-related offering...to great results.

Based on the Q3 performance, we see our €312m forecast for the CHS as a low bar to clear. The substantial capacity additions that will result from the new 16 production lines covered by Chargeurs' new €8m capex plan should support the division's sustainable sales development in 2021 and beyond.

Protective films nearly out of the woods

Among the core businesses, the Protective Films division showed a solid recovery in Q3, with sales declining by just 1.9% lfl to €67.1m. The rebound was also driven by the health industry, as the division supplies high quality protective films used to protect healthcare equipment during transport, in addition to plexiglass needed to ensure social distancing mandates. We see these trends enduring through Q4 which would sustain a better FY sales performance than the 15% yoy contraction we are currently anticipating.

Other core businesses still face a challenging context

The activity at PCC Fashion Technologies continues to be significantly affected by weakened demand in China and Hong Kong for high-quality interlining, with the



Jorge VELANDIA

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 70.5%**

Target Price (6 months) € 29.1

Share Price € 17.1

Market Cap. €M 413

Price Momentum **GOOD**

Extremes 12Months 8.48 ▶ 19.5

Bloomberg CRI FP Equity

Reuters CRIP.PA



[Download Full Analysis](#)

[Company Page](#)



PERF	1w	1m	3m	12m
Chargeurs	-0.58%	-1.27%	18.2%	1.01%
Other financials	6.06%	0.98%	5.61%	9.78%
STOXX 600	7.98%	3.80%	5.42%	-5.18%

Last updated: 11/11/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	26.6	8.79	22.8	18.2
Dividend yield (%)	2.28	3.98	3.81	4.10
EV/EBITDA(R) (x)	9.10	5.78	8.61	7.37
Adjusted EPS (€)	0.66	1.94	0.75	0.94
Growth in EPS (%)	-42.6	194	-61.4	25.2
Dividend (€)	0.40	0.68	0.65	0.70
Sales (€M)	626	841	648	706
Underlying operat. profit ma...	6.61	8.54	5.88	7.09
Attributable net profit (€M)	15.1	44.4	17.3	21.8
ROE (after tax) (%)	6.42	16.4	5.29	5.94
Gearing (%)	51.9	51.8	49.0	43.4

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

global rebound in fashion being fast-fashion-led as evidenced by the positive surprises at H&M, Zalando, among others. Divisional revenues decreased 29.5% to €32.9m during the quarter and we expect them to remain weakened in Q4. The current fashion industry's dynamic also explains the poor performance at CLM (-53.6% in Q3 to €9.8m).

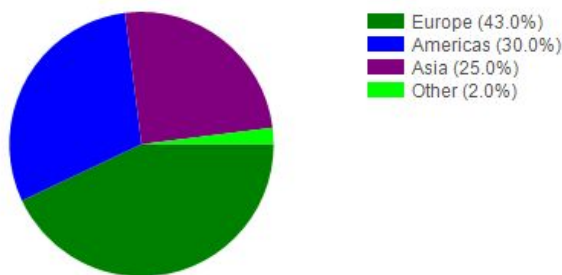
Lastly, Museum Solutions (€13m) benefited from scope effects following the integration of D&P, Hypsos and MET, while the historical technical substrates activities remains severely weakened due to the decline in retail and conferences/trade-shows; among the most affected industries by lockdown restrictions.

■ Impact

Following the strong Q3, the group has raised once again its FY guidance, now expecting a top-line of +€800m (we currently forecast €812m) and a recurring operating profit of +€70m.

Based on the Q3 release, we will raise our FY revenue estimates for CHS and CFP, which will mechanically raise our recurring operating income forecasts near the €70m level targeted by the company. We maintain our positive opinion on the stock, supported by the improved FY20 outlook and quite conservative FY21 assumptions.

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	626	841	648
Change in sales	%	9.23	34.3	-23.0
Change in staff costs	%	7.15	6.23	9.74
EBITDA	€M	60.0	95.0	63.9
EBITDA(R) margin	%	9.58	11.3	9.87
Depreciation	€M	-18.6	-19.7	-20.8
Underlying operating profit	€M	38.9	71.8	38.1
Operating profit (EBIT)	€M	31.9	64.8	30.1
Net financial expense	€M	-11.5	-12.8	-16.8
of which related to pensions	€M	-0.30	-0.14	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.92	-8.10	3.50
Equity associates	€M	-0.40	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	15.1	44.4	17.3
NOPAT	€M	27.0	50.9	27.3

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	60.0	95.0	63.9
Change in WCR	€M	-13.3	13.3	5.12
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-3.30	-8.10	3.50
Exceptional items	€M			
Other operating cash flows	€M	-8.10	-8.00	-8.00
Total operating cash flows	€M	35.3	92.2	64.5
Capital expenditure	€M	-25.3	-23.0	-18.0
Total investment flows	€M	-34.7	-81.6	-28.0
Net interest expense	€M	-11.5	-12.8	-16.8
Dividends (parent company)	€M	-8.60	-16.4	-15.8
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-9.80	0.00	0.00
Total financial flows	€M	-15.2	97.1	-75.7
Change in cash position	€M	-16.1	108	-39.1
Free cash flow (pre div.)	€M	-1.50	56.4	29.7

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...)	Mio	22.7	23.0	23.2
Number of diluted shares (average)	Mio	22.8	22.9	23.1
Benchmark EPS	€	0.66	1.94	0.75
Restated NAV per share	€			
Net dividend per share	€	0.40	0.68	0.65

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 31.7	55%	● Ackermans & van H...
Dividend Yield	€ 26.3	20%	● Wacker Chemie
DCF	€ 33.7	10%	● AkzoNobel
P/E	€ 20.7	10%	● Solvay
P/Book	€ 19.7	5%	● Bolloré
TARGET PRICE	€ 29.1	100%	● GBL
			● Sonae
			● Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	136	206	213
Total intangible	€M	173	244	251
Tangible fixed assets	€M	87.3	110	134
Financial fixed assets	€M	12.6	20.0	25.0
WCR	€M	48.5	35.2	30.1
Other assets	€M	31.6	32.0	35.0
Total assets (net of short term liab.)	€M	386	479	516
Ordinary shareholders' equity	€M	232	308	347
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	18.3	16.2	16.5
Other provisions for risks and liabilities	€M	0.40	0.50	0.50
Total provisions for risks and liabilities	€M	18.7	16.7	17.0
Tax liabilities	€M	-27.7	-30.0	-30.0
Other liabilities	€M	13.4	13.4	13.4
Net debt (cash)	€M	149	170	169
Total liab. and shareholders' equity	€M	386	479	516

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	322	410	439

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	6.42	16.4	5.29
ROCE	%	8.41	12.4	6.22
Gearing (at book value)	%	51.9	51.8	49.0
Adj. Net debt/EBITDA(R)	x	2.48	1.79	2.65
Interest cover (x)	x	3.47	5.67	2.30

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	26.6	8.79	22.8
Free cash flow yield	%	-0.38	14.3	7.52
P/Book	x	1.71	1.28	1.14
Dividend yield	%	2.28	3.98	3.81

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	398	393	396
+ Provisions	€M	18.7	16.7	17.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	149	170	169
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	19.3	31.3	31.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	546	549	550
EV/EBITDA(R)	x	9.10	5.78	8.61
EV/Sales	x	0.87	0.65	0.85

Analyst : Jorge Velandia, Changes to Forecasts : 11/11/2020.