



Chargeurs

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Strong 2016 sales and operating delivery

Earnings/sales releases - 29/01/2017

Fact

Chargeurs released strong FY2016 sales with guidance that its 2016 underlying operating earnings would be "above" the €38m mark vs. a previous €35m target.

The following table provides a summary of Q4 and FY gains on the revenue front.

in euro millions	Full Year		Change		Fourth quarter		Change	
	2016	2015	reported	like-for-like*	2016	2015	reported	like-for-like*
Protective Films	250.3	227.2	+10.2%	+6.5%	62.8	55.5	+13.2%	+4.0%
Fashion Technologies **	132.0	157.5	-16.2%	+0.1%	31.7	39.5	-19.7%	-4.8%
Technical Substrates	24.6	20.3	+21.2%	+21.2%	7.4	6.4	+15.6%	+15.6%
Wool	99.5	93.7	+6.2%	+6.8%	24.9	22.4	+11.2%	+7.6%
Chargeurs	506.4	498.7	+1.5%	+5.1%	126.8	123.8	+2.4%	+2.4%

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

** Yak Trading is accounted for by the equity method in 2016 (its annual revenue was € 17.3m in 2015)

Analysis

Sales growth is certainly impressive for the Protective Films business which continues to surf on stronger volumes and rising mix. The addition of a small operation in the US (Main Tape) is helping the headline figure with more to come from next year. The strength of Protective Films is essential as it accounts for more than two-thirds of the group's recurring earnings. 2016 figures offer a very sound base for a stream of steady earnings growth in 2017 and 2018 even though it would be bold to expect margins to expand much from 2016 (AlphaValue's estimate at 10.4%).

The historic Interlining business, rechristened Fashion Technologies, had a weaker Q4 on an lfl basis. This was much documented as the business had a strong H1 in advance of H2 sales. So that there is nothing untoward in a flattening Q4. Operating margins are expected to be up strongly after the group disinvested its Chinese operation (Yak) by retaining only an equity stake.

The newly-formed Technical Substrates has been charging ahead quarter after quarter which was not a given as it relied on the operating performance of a heavy capex effort that was completed in 2015.

The Wool business also appears to deliver steadier growth as it focuses on high-end products. Visibility remains low, however, in this business line.

Chargeurs' management confirmed that 2016 was an excellent year by raising underlying operating earnings to "above" €38m from €35m initially. AlphaValue had already anticipated a strong push to earnings to this €38m level as volume growth looked like sticking.

Impact

The excellent set of figures is only half a 2016 surprise as management had appeared quite confident over the last few months. We have tweaked only marginally our 2017 and 2018 figures as a degree of cautiousness is warranted from these high levels of profitability. More or much more can happen on the

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 : 10.8%

Target Price (6 months) € 20.3

Share Price € 18.3

Market Capitalisation €M 422

Price Momentum **STRONG**

Extremes 12Months 7.14 ▶ 18.3

Newsflow Neutral

Bloomberg CRI FP Equity

Reuters CRIP.PA

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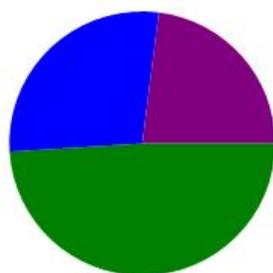
PERF	1w	1m	3m	12m
Chargeurs	4.81%	14.6%	16.5%	126%
Other financials	1.44%	3.20%	6.59%	12.8%
STOXX 600	0.43%	0.31%	6.38%	5.93%

Last updated: 31/01/2017	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	8.96	9.61	8.73	13.0
Dividend yield (%)	4.08	4.50	3.37	2.35
EV/EBITDA(R) (x)	3.18	3.37	4.46	6.84
Adjusted EPS (€)	0.55	0.69	1.22	1.40
Growth in EPS (%)	48.2	26.9	76.1	14.7
Dividend (€)	0.20	0.30	0.36	0.43
Sales (€M)	478	499	506	533
Underlying operat. profit ma...	4.79	6.13	7.60	8.18
Attributable net profit (€M)	11.4	15.3	28.1	32.2
ROE (after tax) (%)	6.25	7.41	12.4	13.2
Gearing (%)	-3.04	-7.43	-13.1	-19.2

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earnings growth front but from an extended asset base. Chargeurs has made good use of the zero rate context to raise cheap debt financing and increase its firing power for acquired growth. This is the next step with a degree of confidence that external growth will be a well-measured one.

Sales by Geography



■ Europe (49.0%)
■ Asia (28.0%)
■ Americas (23.0%)

Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€M	499	506	533
Change in sales	%	4.33	1.48	5.23
Change in staff costs	%	8.79	6.10	4.14
EBITDA	€M	40.4	48.5	53.6
EBITDA(R) margin	%	8.10	9.58	10.1
Depreciation	€M	-9.70	-10.0	-10.0
Underlying operating profit	€M	30.6	38.5	43.6
Operating profit (EBIT)	€M	24.0	35.5	42.6
Net financial expense	€M	-5.30	-0.60	-4.10
of which related to pensions	€M	-0.30	-0.12	-0.24
Exceptional items & other	€M			
Corporate tax	€M	7.50	-5.41	-6.60
Equity associates	€M	-10.7	-1.20	0.50
Minority interests	€M	-0.20	-0.20	-0.20
Adjusted attributable net profit	€M	15.3	28.1	32.2
NOPAT	€M	10.9	25.8	31.2

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	40.4	48.5	53.6
Change in WCR	€M	8.00	-1.90	6.00
Actual div. received from equity holdi...	€M	0.30	0.50	0.50
Paid taxes	€M	-5.90	-5.41	-6.60
Exceptional items	€M	0.00	0.00	
Other operating cash flows	€M	-11.0	-5.00	-5.00
Total operating cash flows	€M	31.8	36.7	48.5
Capital expenditure	€M	-12.9	-12.0	-13.0
Total investment flows	€M	-12.9	-15.0	-16.0
Net interest expense	€M	-5.30	-0.60	-4.10
Dividends (parent company)	€M	-3.20	-6.20	-8.28
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	-5.50	-11.3	2.86
Change in cash position	€M	11.4	10.4	35.4
Free cash flow (pre div.)	€M	13.6	24.1	31.4

Per Share Data

		12/15A	12/16E	12/17E
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	€	0.69	1.22	1.40
Restated NAV per share	€			
Net dividend per share	€	0.30	0.36	0.43

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 22.6	55%	■ Akzo Nobel
Dividend Yield	€ 13.6	20%	■ Solvay
DCF	€ 18.4	10%	■ Wendel
P/E	€ 25.4	10%	■ Bolloré
P/Book	€ 15.1	5%	■ GBL
TARGET PRICE	€ 20.3	100%	■ Sonae
			■ Hal Trust
			■ Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€M	76.7	76.0	76.0
Total intangible	€M	78.5	78.0	78.0
Tangible fixed assets	€M	55.9	57.0	60.0
Financial fixed assets	€M	18.1	19.0	19.0
WCR	€M	16.1	18.0	12.0
Other assets	€M	24.9	30.0	30.0
Total assets (net of short term liab.)	€M	196	207	204
Ordinary shareholders' equity	€M	219	235	253
Quasi Equity & Preferred	€M			
Minority interests	€M	3.10	5.00	5.00
Provisions for pensions	€M	14.6	16.2	16.1
Other provisions for risks and liabilities	€M	0.70	1.00	1.00
Total provisions for risks and liabilities	€M	15.3	17.2	17.1
Tax liabilities	€M	-27.1	-23.0	-23.0
Other liabilities	€M	8.80	11.0	11.0
Net debt (cash)	€M	-23.3	-38.3	-58.6
Total liab. and shareholders' equity	€M	196	207	204

Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	173	176	169

Profits & Risks Ratios

		12/15A	12/16E	12/17E
ROE (after tax)	%	7.41	12.4	13.2
ROCE	%	6.33	14.7	18.5
Gearing (at book value)	%	-7.43	-13.1	-19.2
Adj. Net debt/EBITDA(R)	x	-0.48	-0.71	-1.09
Interest cover (x)	x	6.12	79.3	11.3

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	9.61	8.73	13.0
Free cash flow yield	%	8.88	9.82	7.48
P/Book	x	0.70	1.04	1.66
Dividend yield	%	4.50	3.37	2.35

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	153	245	420
+ Provisions	€M	15.3	17.2	17.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-23.3	-38.3	-58.6
+ Leases debt equivalent	€M	4.00	4.00	0.01
- Financial fixed assets (fair value)	€M	16.0	16.0	16.0
+ Minority interests (fair value)	€M	3.10	4.00	4.00
= EV	€M	136	216	366
EV/EBITDA(R)	x	3.37	4.46	6.84
EV/Sales	x	0.27	0.43	0.69