



# Chargeurs

Support Services / France

## The up-and-coming luxury player

Significant news - 15/09/2022

With its recent acquisitions of Swaine in 2021, the Cambridge Satchel Company in 2022, the development of the Chargeurs Museum Studio division and its luxury wool, Chargeurs looks like a luxury player in the making.

### Fact

- Chargeurs acquired the British luxury brand Swaine in 2021.
- In July 2022, Chargeurs acquired an 80% stake in Skira, a renowned publisher of classical and modern art and design books.
- In August 2022, Chargeurs acquired the Cambridge Satchel Company, a company producing luxury leather goods at affordable prices.

### Analysis

Chargeurs rechristened its business units. The new Chargeurs Luxury moniker encapsulates 3 business lines: Luxury fibers (ex Wool), Chargeurs Museum Studio and Chargeurs Personal Care to which are now added a raft of recently acquired personal luxury brands.

#### A differentiated offer of museum services

Through its numerous acquisitions in recent years, Chargeurs aims to become the leading player in museum services through CMS (Chargeurs Museum Studio). Chargeurs seeks to intervene at every level of the museum's decision-making chain, from project management, design and building to audiovisual content production and even the publication of art books. To this end, the group recently acquired Skira, a renowned publisher of classic and modern art and design books. Over the years, Chargeurs has developed a leading and unique one-stop-shop offering in a very scattered market of multiple small players in order to design and deliver the best visitor experience and fully capture the robust growth in the museum and luxury brands experience sector. The goal is to reinvigorate museums, increase their audiences and drive revenue growth. During its analyst day on September 8th, Chargeurs made a show of what its CMS unit can deliver with the National Army Museum: it redesigned the customer experience and turned an old and dull museum into an attractive one. Short term, despite an integrated and differentiated offering, the business' earnings dynamic is still constrained by the phasing of major contracts. This should not last since the group's order book is made up of major projects won in H2 2021 and 2022 which will deliver most of their profit at the end of the contract, i.e. from H2 2023, then 2024 and 2025.

#### A new kind of luxury

Through its Luxury Fibers division, and more specifically through its Nativa label, Chargeurs has been capitalizing on luxury trends, including the positive implications of stricter ESG practices. The Nativa label is a label that allows for the traceability of premium wool, and offers quality wool that guarantees responsible practices and regenerative agriculture. Today, although not yet a high-margin business, the label is growing and Chargeurs has offered its solutions to several brands including Stella McCartney which uses Nativa in its story-telling to its customers. Chargeurs is looking to increase the label's visibility; the company



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<b>Buy</b>	<b>Upside: 150%</b>
Target Price (6 months)	€ 31.5
Share Price	€ 12.6
Market Cap. €M	311
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	12.6 ▶ 27.3
Sustainability score	4.9 /10
Credit Risk	BBB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-5.59%	-25.2%	-23.7%	-48.3%
Support Services	-0.32%	-6.07%	3.28%	-21.3%
STOXX 600	0.17%	-6.38%	0.41%	-10.6%

Last updated: 13/05/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	17.7	9.54	8.48	6.26
Dividend yield (%)	5.37	6.04	6.83	8.74
EV/EBITDA(R) (x)	9.03	5.15	4.63	3.71
Adjusted EPS (€)	1.30	1.32	1.48	2.01
Growth in EPS (%)	-14.9	1.32	12.5	35.5
Dividend (€)	1.24	0.76	0.86	1.10
Sales (€M)	737	797	854	926
Underlying operat. profit ma...	6.88	7.15	7.55	8.91
Attributable net profit (€M)	30.6	31.4	35.3	48.1
ROE (after tax) (%)	12.1	11.4	11.7	14.2
Gearing (%)	45.6	41.8	37.3	29.9

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

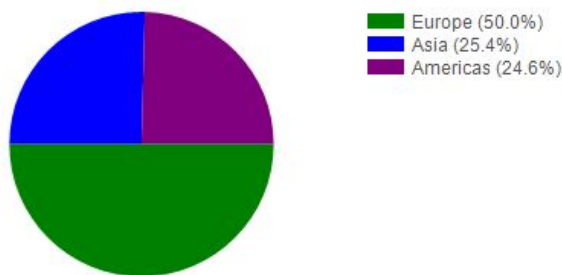
expects that the traceability and sustainability services will help transform a low-margin business into a double-digit margin business. That will not happen overnight as the group must be able to sell its wool at a premium in order to cover the extra costs. In short, the group intends to transform CLF's model from pure trading to a value-added model through Nativa's services including regenerative agriculture that helps luxury brands to reduce their emissions.

### **The development of the Swaine brand**

Finally, the development of Chargeurs' luxury goods division will be propped up by the company's two recent acquisitions, Swaine brand, acquired in 2021, and the Cambridge Satchel, acquired in August 2022. Swaine is a leading British luxury goods company that has been active in leather goods, umbrellas and millinery for over 270 years. Again, Chargeurs is undertaking a remarkable job of updating the brand's positioning from one focused on the image of English Gentlemen to one that is also youth-oriented and aimed at women. The group has already changed the location of the store in Mayfair and will soon open a flagship store in New Bond Street, the logo, the digital strategy and intends to achieve synergies with the Cambridge Satchel Company. Inevitable questions will center around how quickly and at what risk to the brand Chargeurs will be able to increase revenue and profit significantly by changing the brand's positioning.

In short, by rejigging its business definition and buying into adjacent industries, Chargeurs is taking a punt in the luxury realms. If confirmed and successful, it will inevitably change its profile from a BtoB support services type business to one possibly more oriented towards consumers. The next few quarters will help tell how deep this move might be.

## Sales by Geography



## Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€M 737	797	854
Change in sales	% -10.4	8.21	7.08
Change in staff costs	% 8.75	3.28	3.26
EBITDA	€M 73.8	80.5	88.5
<b>EBITDA(R) margin</b>	<b>% 10.0</b>	<b>10.1</b>	<b>10.4</b>
Depreciation	€M -23.1	-23.6	-24.0
Underlying operating profit	€M 45.2	51.5	59.0
<b>Operating profit (EBIT)</b>	<b>€M 41.2</b>	<b>45.5</b>	<b>53.0</b>
Net financial expense	€M -10.6	-10.0	-10.5
of which related to pensions	€M	-0.06	-0.11
Exceptional items & other	€M		
Corporate tax	€M -0.50	-4.72	-7.89
Equity associates	€M 0.70	0.70	0.70
Minority interests	€M -0.20	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M 30.6</b>	<b>31.4</b>	<b>35.3</b>
NOPAT	€M 32.3	36.8	42.1

## Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€M 73.8	80.5	88.5
Change in WCR	€M 21.9	-8.18	-11.3
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -6.10	-4.72	-7.89
Exceptional items	€M		
Other operating cash flows	€M -11.7	-8.00	-8.00
Total operating cash flows	€M 77.9	59.6	61.3
Capital expenditure	€M -13.0	-17.3	-18.0
Total investment flows	€M -16.9	-27.3	-28.0
Net interest expense	€M -10.6	-10.0	-10.5
Dividends (parent company)	€M -17.7	-24.1	-13.1
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 -54.0	-37.8	-74.1
Change in cash position	€M 10.2	-5.47	-40.8
<b>Free cash flow (pre div.)</b>	<b>€M 54.3</b>	<b>32.3</b>	<b>32.8</b>

## Per Share Data

	Mio	24.0	23.7	23.8
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Mio	23.5	23.8	23.8
<b>Benchmark EPS</b>	<b>€</b>	<b>1.30</b>	<b>1.32</b>	<b>1.48</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>1.24</b>	<b>0.76</b>	<b>0.86</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 38.3	35%	● AkzoNobel
NAV/SOTP per share	€ 38.4	20%	● Rentokil Initial
EV/Ebitda	€ 23.4	20%	● Quadient
P/E	€ 19.5	10%	● Teleperformance
Dividend Yield	€ 25.2	10%	● Bureau Veritas
P/Book	€ 24.7	5%	
TARGET PRICE	€ 31.5	100%	

### NAV/SOTP Calculation

## Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€M 189	195	202
Total intangible	€M 238	245	251
Tangible fixed assets	€M 85.3	92.3	99.3
Financial fixed assets	€M 7.90	7.90	7.90
WCR	€M -18.0	-9.82	1.49
Other assets	€M 42.4	42.4	42.4
Total assets (net of short term liab.)	€M 418	440	466
<b>Ordinary shareholders' equity</b>	<b>€M 267</b>	<b>286</b>	<b>319</b>
Quasi Equity & Preferred	€M		
Minority interests	€M -0.60	-0.60	-0.60
Provisions for pensions	€M 14.6	13.1	13.4
Other provisions for risks and liabilities	€M 13.8	13.8	13.8
Total provisions for risks and liabilities	€M 28.4	26.9	27.2
Tax liabilities	€M -36.9	-36.9	-36.9
Other liabilities	€M 42.4	42.4	42.4
<b>Net debt (cash)</b>	<b>€M 117</b>	<b>122</b>	<b>115</b>
Total liab. and shareholders' equity	€M 418	440	466

## Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€M 345	367	392

## Profits & Risks Ratios

	%	12.1	11.4	11.7
<b>ROE (after tax)</b>				
ROCE	%	9.38	10.0	10.7
<b>Gearing (at book value)</b>	<b>%</b>	<b>45.6</b>	<b>41.8</b>	<b>37.3</b>
Adj. Net debt/EBITDA(R)	x	2.01	1.91	1.66
Interest cover (x)	x	4.26	5.17	5.68

## Valuation Ratios

	x	17.7	9.54	8.48
<b>Reference P/E (benchmark)</b>				
Free cash flow yield	%	9.82	10.8	10.9
P/Book	x	2.07	1.04	0.94
<b>Dividend yield</b>	<b>%</b>	<b>5.37</b>	<b>6.04</b>	<b>6.83</b>

## EV Calculation

	€M	553	298	300
Market cap				
+ Provisions	€M	28.4	26.9	27.2
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	85.9	90.0	82.6
+ Leases debt equivalent	€M	31.4	32.0	32.0
- Financial fixed assets (fair value)	€M	32.3	32.3	32.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	666	415	410
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>9.03</b>	<b>5.15</b>	<b>4.63</b>
EV/Sales	x	0.90	0.52	0.48

Analyst : Saïma Hussain, Changes to Forecasts : 13/05/2022.