



Chargeurs^{CR}

Holding Companies / France

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Corner turned?

Earnings/sales releases - 01/09/2013

■ Fact

Chargeurs has more than doubled its H1 13 bottom line at €3.2m from an admittedly extra low 2012 base (€1.2m). The good news is that its EBIT is up at €9m (vs. €8.1m), achieved in a context of a recession hitting already quite competitive industries (textile and chemicals mostly). The mid-2012 management decision to contract its exposure to bank financing at a rapid clip has been met by another sharp reduction in net debt from c.€32.8m by December 2012 to €16.7m. This is an achievement and hopefully frees Chargeurs for its near-term investment projects.

■ Analysis

The solid group EBIT at €9.0m combines continuing strength from the Protective Films division, a world leader in its business, with continuing pains from the Textile interlining business. The €43.1m drop in revenues to €240m is primarily due to the Wool business which reduced its scope of consolidation over H2 12 and endured another sharp drop in volume. With the benefit of hindsight, the retrenchment to the less capital intensive part of the Wool value chain has been a wise choice and one central to the ability to defend the balance sheet of the group.

On the Interlining front, eroding sales reflect not only difficult markets but also the decision to prune the client base from weaker clients effectively hooked on supplier credit. This has an acceptable cost in terms of EBIT margin (down to 3.6% from 3.7%) but mostly has benefits from the point of view of defending the balance sheet. Visibility remains pretty low due to very short order books. H2 would have started on a better footing though.

The group's heart in the current recession is Protective Films which, even though it is substantially Europe-centred, has managed to increase its sales by 4.6% most notably in ... Italy (market share gains through innovative products) and expand its EBIT margins (5.0% vs. 4.6%). This division has high ambitions as it intends to spend more on R&D.

The Wool business's sharp volume contraction has had a reasonably well-managed impact on the division's EBIT, down to €1.4m from €3.1m.

In addition to a rather decent EBIT achievement in an adverse context, the management of the balance sheet has been impressive with yet another sharp drop in net debt to €17m from €33m by December 2012 and €81m by December 2011. Good control of working capital and asset disposals helped precipitate the exit from stringent lending conditions. Which is more than welcome. Another c.€5m held as assets for sale will help contract even further the net debt position by the close of this year.

■ Impact

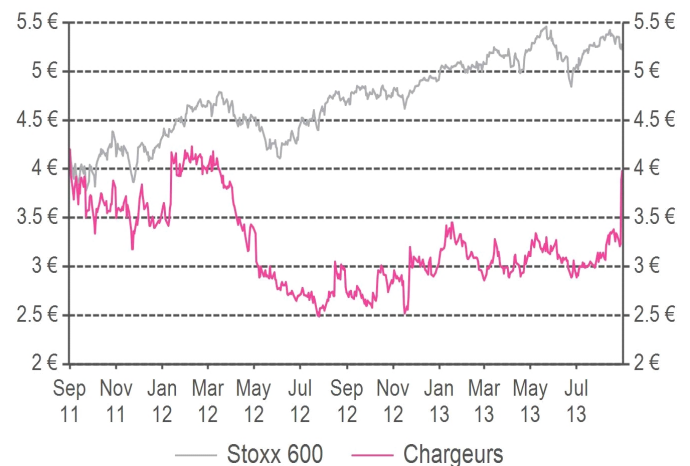
Management sticks to its conservative estimates for 2013, that is, at least, a doubling of the EBIT to €14m. So are we, as it is clear that what is gained on Protective Films tends to be lowered in Interlining. However, sticking means targeting €17.5m as far as AlphaValue is concerned. The overall sentiment is that Chargeurs should have turned the corner of getting rid of its debt yoke in a difficult year for operations. This suggests that underlying assets are solid and only need a small prop to churn decent results and future earnings growth. This indeed would be a serious change.

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.

Buy

Upside : 132 %

Target Price (6 months)	€ 9.23
Share Price	€ 3.98
Market Capitalisation €M	53.8
Price Momentum	STRONG
Extremes 12Months	2.52 ▶ 3.98
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

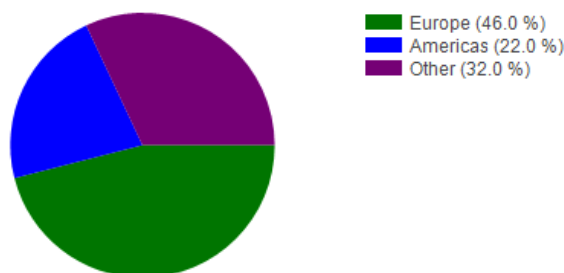
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PERF	1w	1m	3m	12m
Chargeurs	19.5 %	28.8 %	25.6 %	42.7 %
Other financials	-2.69 %	-0.87 %	0.25 %	35.2 %
STOXX 600	-2.43 %	-0.75 %	-2.05 %	12.2 %

Last updated: 19/04/2013	12/11A	12/12A	12/13E	12/14E
Adjusted P/E (x)	10.1	-7.92	13.2	8.15
Dividend yield (%)	0.00	0.00	0.00	5.03
EV/EBITDA(R) (x)	6.00	6.19	4.78	4.25
Adjusted EPS (€)	0.47	-0.40	0.30	0.49
Growth in EPS (%)	-35.2			61.5
Dividend (€)	0.00	0.00	0.00	0.20
Sales (€M)	552	525	467	483
Operating margin (%)	4.29	1.33	3.75	4.22
Attributable net profit (€M)	10.5	-15.1	6.50	10.5
ROE (after tax) (%)	5.31	-6.86	3.61	5.68
Gearing (%)	35.9	30.9	17.9	15.5

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

Sales by Geography



Consolidated P&L Account

		12/12A	12/13E	12/14E
Sales	€M	525	467	483
Change in sales	%	-4.96	-11.0	3.43
Change in staff costs	%	1.46	-8.61	0.93
EBITDA	€M	17.6	27.5	30.5
EBITDA(R) margin	%	4.46	7.28	7.66
Depreciation	€M	-9.80	-10.0	-10.5
Underlying operating profit	€M	6.60	17.5	20.0
Operating profit (EBIT)	€M	7.00	17.5	20.0
Net financial expense	€M	-10.2	-8.00	-6.00
of which related to pensions	€M		-0.72	-0.77
Exceptional items & other	€M	1.30		
Corporate tax	€M	-9.20	-2.00	-3.50
Equity associates	€M	-1.20	-1.00	0.00
Minority interests	€M	-0.60	0.00	0.00
Adjusted attributable net profit	€M	-10.8	6.50	10.5
NOPAT	€M	4.68	11.8	14.5

Cashflow Statement

		12/12A	12/13E	12/14E
EBITDA	€M	17.6	27.5	30.5
Change in WCR	€M	23.1	-5.40	-7.00
Actual div. received from equity holdi...	€M	0.90	0.90	0.90
Paid taxes	€M	-3.70	-2.00	-3.50
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	-5.00	-5.00	-5.00
Total operating cash flows	€M	32.9	16.0	15.9
Capital expenditure	€M	-2.20	-5.00	-5.50
Total investment flows	€M	-2.20	-8.00	-5.50
Net interest expense	€M	-10.2	-8.00	-6.00
Dividends (parent company)	€M	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.80	0.00	0.00
Total financial flows	€M	-48.7	-38.7	-15.2
Change in cash position	€M	2.00	-30.7	-4.83
Free cash flow (pre div.)	€M	20.5	3.00	4.40

Per Share Data

		12/12A	12/13E	12/14E
No. of shares net of treas. stock (year...)	Mio	21.5	21.5	21.5
Number of diluted shares (average)	Mio	21.5	21.5	21.5
Benchmark EPS	€	-0.40	0.30	0.49
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.20

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€13.0	55 %	● Akzo Nobel
Dividend Yield	€3.21	20 %	● Solvay
DCF	€5.90	10 %	● Wendel
P/E	€4.61	10 %	● Bolloré
P/Book	€7.34	5 %	● Groupe Bruxelles L...
TARGET PRICE	€9.23	100 %	● Sonae
			● Hal Trust
			● Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/12A	12/13E	12/14E
Goodwill	€M	65.9	65.9	65.9
Total intangible	€M	69.9	70.9	71.9
Tangible fixed assets	€M	47.5	42.2	36.8
Financial fixed assets	€M	24.6	25.0	25.0
WCR	€M	49.6	55.0	62.0
Other assets	€M	28.2	29.0	30.0
Total assets (net of short term liab.)	€M	232	233	237
Ordinary shareholders' equity	€M	180	181	189
Quasi Equity & Preferred	€M			
Minority interests	€M	6.60	7.00	7.00
Provisions for pensions	€M	10.6	11.4	11.4
Other provisions for risks and liabilities	€M	6.00	6.00	6.00
Total provisions for risks and liabilities	€M	16.6	17.4	17.4
Tax liabilities	€M	-11.9	-11.9	-11.9
Other liabilities	€M	8.00	8.00	8.00
Net debt (cash)	€M	32.7	32.0	26.8
Total liab. and shareholders' equity	€M	232	233	237

Capital Employed

		12/12A	12/13E	12/14E
Capital employed after depreciation	€M	237	239	241

Profits & Risks Ratios

		12/12A	12/13E	12/14E
ROE (after tax)	%	-6.86	3.61	5.68
ROCE	%	3.69	6.84	7.91
Gearing (at book value)	%	30.9	17.9	15.5
Adj. Net debt/EBITDA(R)	x	3.34	2.28	1.95
Interest cover (x)	x	0.65	2.40	3.82

Valuation Ratios

		12/12A	12/13E	12/14E
Reference P/E (benchmark)	x	-7.92	13.2	8.15
Free cash flow yield	%	30.1	3.50	5.14
P/Book	x	0.38	0.47	0.45
Dividend yield	%	0.00	0.00	5.03

EV Calculation

		12/12A	12/13E	12/14E
Market cap	€M	68.1	85.6	85.6
+ Provisions	€M	16.6	17.4	17.4
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	32.7	32.0	26.8
+ Leases debt equivalent	€M	45.5	45.5	45.5
- Financial fixed assets (fair value)	€M	24.6	25.0	25.0
+ Minority interests (fair value)	€M	6.60	7.00	7.00
= EV	€M	145	163	157
EV/EBITDA(R)	x	6.19	4.78	4.25
EV/Sales	x	0.28	0.35	0.33

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 19/04/2013.