



Chargeurs

Holding Companies / France



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Earnings/sales releases

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Fact

Chargeurs SA confirmed by dint of its H1 16 earnings release that it is in ship-shape form with net earnings up 64% on EBITDA up 22% and sales down 1.2% (fx and perimeter effect). The balance sheet is strong with a €16m excess cash position and €214m equity as the cash generation has remained very strong so that a €0.2 interim dividend can be paid on 21 September (shares go ex on 19 September). This is a first and will definitively push Chargeurs into shareholder-friendly investment territories.

Analysis

Chargeurs' widely different cylinders have been all ticking smoothly by H1 16.

The pulling force of the Protective Films business is being felt once again. This business, which accounts for nearly half of Chargeurs' group revenues, has been confronted with negative forex developments but still managed 6% lfl growth, attesting to market share gains through renewed product lines. Its EBITDA margins are running at an all-time high of 13.7% (up 180bp yoy) as plants are running at full capacity or so. The future is likely to be of the same vein with operational leverage stemming from the July 2016 Main Tape acquisition in the US: not big in absolute terms but spot on in terms of avoiding early capex.

The serious good news stems from the Fashion Technologies business. The recently-introduced moniker is consistent with its delivery. Gains recorded with major fashion brandnames including luxury ones plus positive seasonal effects have led to rocketing EBITDA margins at 9.4% vs. 6.5% a year ago. Management is stressing the fact that what seasonal business has been collected in H1 will not show up in H2 but it is a fact that the dynamics of Fashion Technologies have moved on from staid and boring to high tech products meeting fashion-driven demand. This may last.

The little one business, Technical Substrates, after a powerful start in 2015, is hardly taking a breath with widening EBITDA margins on 18% revenue growth. This is good news.

Lastly, the Wool division, although it continues to look at a distance from other businesses as it is driven on a capital return basis, is also delivering a 20% underlying operating profit gain on contracting volumes. That was not expected.

Impact

We are impressed by the speed at which the still new governance has triggered over cautious Chargeurs into an ambitious growth proposition built on the mastery of niches with a world scope. As a reminder, Chargeurs is tiny but has had a world reach throughout its complex history.

We duly raised our EPS expectations for this year by 4% and next by about 14% and our target price by 16%. This is an understated target price as we kept the lid on the SOTP which would deserve more and we refrained from expressing more

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 : 52.3%
Target Price (6 months)	€ 19.0
Share Price	€ 12.5
Market Capitalisation €M	288
Price Momentum	STRONG
Extremes 12Months	7.16 ▶ 12.7
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

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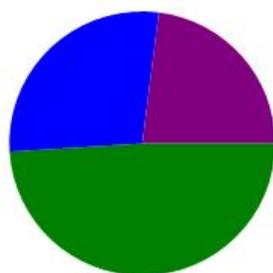
PERF	1w	1m	3m	12m
Chargeurs	8.60%	4.87%	28.9%	64.4%
Other financials	-2.36%	-2.42%	6.23%	-1.95%
STOXX 600	-3.07%	-2.13%	3.65%	-4.78%

Last updated: 14/09/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	9.74	9.82	10.6	9.05
Dividend yield (%)	3.75	4.40	2.88	3.44
EV/EBITDA(R) (x)	3.49	3.46	5.52	4.45
Adjusted EPS (€)	0.55	0.69	1.18	1.38
Growth in EPS (%)	48.2	26.9	69.4	17.4
Dividend (€)	0.20	0.30	0.36	0.43
Sales (€M)	478	499	498	530
Underlying operat. profit ma...	4.79	6.13	7.41	8.08
Attributable net profit (€M)	11.4	15.3	27.0	31.7
ROE (after tax) (%)	6.25	7.41	11.9	13.1
Gearing (%)	-3.04	-7.43	-12.9	-18.8

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of the tax assets. Barring a deep recession, Chargeurs has moved into low risk territories.

Sales by Geography



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

Consolidated P&L Account

		12/15A	12/16E	12/17E
Sales	€M	499	498	530
Change in sales	%	4.33	-0.17	6.48
Change in staff costs	%	8.79	6.10	4.14
EBITDA	€M	40.4	46.9	52.9
EBITDA(R) margin	%	8.10	9.41	9.96
Depreciation	€M	-9.70	-10.0	-10.0
Underlying operating profit	€M	30.6	36.9	42.9
Operating profit (EBIT)	€M	24.0	33.9	41.9
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	-4.89	-6.36
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	27.0	31.7
NOPAT	€M	10.9	24.7	30.7

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	40.4	46.9	52.9
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	-4.89	-6.36
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	35.6	48.0
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	9.32	34.9
Free cash flow (pre div.)	€M	13.6	23.0	30.9

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	1.18	1.38
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	€ 22.5	55%	■ Akzo Nobel
Dividend Yield	€ 11.9	20%	■ Solvay
DCF	€ 14.8	10%	■ Wendel
P/E	€ 21.5	10%	■ Bolloré
P/Book	€ 12.8	5%	■ GBL
TARGET PRICE	€ 19.0	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	234	251
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	-37.2	-57.1
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	11.9	13.1
ROCE	%	6.33	14.0	18.1
Gearing (at book value)	%	-7.43	-12.9	-18.8
Adj. Net debt/EBITDA(R)	x	-0.48	-0.71	-1.08
Interest cover (x)	x	6.12	76.0	11.1

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	9.82	10.6	9.05
Free cash flow yield	%	8.68	8.02	10.8
P/Book	x	0.71	1.23	1.14
Dividend yield	%	4.40	2.88	3.44

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	157	287	287
+ 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	-37.2	-57.1
+ 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	140	259	235
EV/EBITDA(R)	x	3.46	5.52	4.45
EV/Sales	x	0.28	0.52	0.44

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 14/09/2016.