

Holding Companies / France

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Worsening context weighs on profitability

Earnings/sales releases - 03/10/2012

■ Fact

For H1 12, management reported revenues of €283.1m, -2.6% compared to last year with a significant drop in volumes -13.6%, but increasing prices +7.3% and favourable FX of +3.7%.

Operating profit stood at €8.1m, -44.5% with each business unit being affected, and net income was €1.2m.

Cash flow from operations reached €12.7m which allowed a €11.8m decrease in net debt. The group's target is to continue drastically decreasing its net debt.

The group has also announced the sale of a 50% interest in the Chargeurs Wool companies in Uruguay to the Otegui family, representing annual revenues of €28m. The transaction price was US\$6.5m on the basis of the assets' book value and the companies' distributed dividends of US\$2.8m before the sale. No further details provided.

■ Analysis

Lower Chinese growth and the current European economic environment strongly impacted the group's activity and profitability in H1, and primarily in Q2, beyond what we had feared previously.

Consequently, H1 12 figures were below the previous group's guidance of sales at around €290m and operating income at some €9m... but:

- Chargeurs Protective Films succeeded in passing on price increases (thanks mainly to the indexation of the polyethylene price) and operating margins declined from 6.8% in H1 11 to 5% during the period as volumes declined due to the slowdown in the Construction sector in Europe.

- Chargeurs Interlining's operating margin dropped to 3.7% versus 5.8% last year which was a very steep level indeed. The group sees no upturn for H2 at this stage and the order book keeps only a short visibility.

Strong pricing power was not enough to face the turmoil.

Operating profit was also affected by a cost reduction programme implemented in Chargeurs Interlining with an optimisation of production facilities in France, reorganisation in Spain and Portugal, and consolidation of business units in China.

The restructuring of the Intissel plant will not impact production capacity: the group will "do better with less".

At this stage, the Group expects €1.4m of annual savings for Europe on H1 actions taken.

For FY 12, management now expects sales to reach €527m (taking into account the sale of the Uruguayan BU) and operating profit to be around €15m.

■ Impact

We substantially lower our forecasts (-30% at the operating level) to take into account the worsening economic context.

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 : 216 %

Target Price (6 months)	€ 8.28
Share Price	€ 2.62
Market Capitalisation €M	34.5
Price Momentum	NEGATIVE
Extremes 12Months	2.49 ▶ 4.23
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

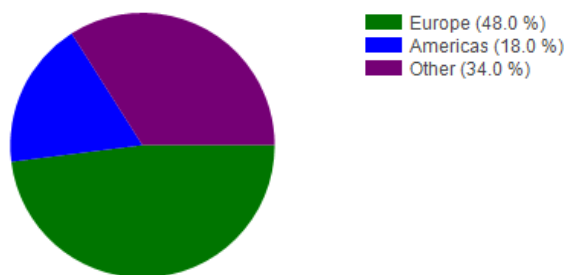

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PERF	1w	1m	3m	12m
Chargeurs	-1.50 %	-4.38 %	-3.68 %	-27.8 %
Other financials	-1.22 %	4.09 %	5.67 %	11.8 %
STOXX 600	-1.51 %	2.02 %	6.59 %	20.1 %

Last updated: 04/05/2012	12/10A	12/11A	12/12E	12/13E
Adjusted P/E (x)	6.16	10.1	7.22	5.84
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	4.13	4.35	3.67	3.47
Adjusted EPS (€)	0.72	0.47	0.36	0.45
Growth in EPS (%)		-35.2	-22.1	23.7
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	512	552	549	557
Operating margin (%)	4.16	4.29	4.04	4.17
Attributable net profit (€M)	12.9	10.5	7.79	9.64
ROE (after tax) (%)	8.44	5.31	4.02	5.02
Gearing (%)	42.0	35.9	43.3	45.2

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

Sales by Geography



Consolidated P&L Account

		12/11A	12/12E	12/13E
Sales	€M	552	549	557
Change in sales	%	7.83	-0.56	1.45
Change in staff costs	%	4.87	2.96	3.49
EBITDA	€M	30.9	32.8	34.7
EBITDA(R) margin	%	6.65	7.03	7.34
Depreciation	€M	-9.00	-9.40	-10.0
Underlying operating profit	€M	20.8	22.1	23.2
Operating profit (EBIT)	€M	23.7	21.1	23.2
Net financial expense	€M	-10.4	-11.2	-11.1
of which related to pensions	€M	0.00	-0.45	-0.62
Exceptional items & other	€M			
Corporate tax	€M	-4.50	-3.30	-3.90
Equity associates	€M	1.20	1.20	1.40
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	10.5	7.79	9.64
NOPAT	€M	17.8	16.3	18.1

Cashflow Statement

		12/11A	12/12E	12/13E
EBITDA	€M	30.9	32.8	34.7
Change in WCR	€M	-30.0	-13.6	-7.00
Actual div. received from equity holdi...	€M	0.70	0.70	0.70
Paid taxes	€M	-4.00	-3.30	-3.90
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	1.35	-9.00	-9.00
Total operating cash flows	€M	-1.05	7.59	15.5
Capital expenditure	€M	-4.50	-5.20	-5.30
Total investment flows	€M	-4.40	-5.20	-5.30
Net interest expense	€M	-10.4	-11.2	-11.1
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	0.50	0.00	0.00
Total financial flows	€M	-9.90	-23.9	-10.5
Change in cash position	€M	-14.7	-21.5	-0.29
Free cash flow (pre div.)	€M	-16.0	-8.81	-0.91

Per Share Data

		12/11A	12/12E	12/13E
No. of shares net of treas. stock (year...)	Mio	13.0	13.0	13.0
Number of diluted shares (average)	Mio	21.5	21.5	21.5
Benchmark EPS	€	0.47	0.36	0.45
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€12.8	55 %	● Akzo Nobel
Dividend Yield	€0.00	20 %	● Solvay
DCF	€6.06	10 %	● Wendel
P/E	€3.82	10 %	● Bolloré
P/Book	€5.24	5 %	● Groupe Bruxelles L...
TARGET PRICE	€8.28	100 %	● Sonae
			● Hal Trust
			● Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/11A	12/12E	12/13E
Goodwill	€M	66.8	66.8	66.8
Total intangible	€M	71.6	71.6	71.6
Tangible fixed assets	€M	56.9	52.2	47.1
Financial fixed assets	€M	19.6	19.6	19.6
WCR	€M	83.4	97.0	104
Other assets	€M	41.6	40.0	40.0
Total assets (net of short term liab.)	€M	288	293	295
Ordinary shareholders' equity	€M	196	191	193
Quasi Equity & Preferred	€M			
Minority interests	€M	7.20	6.70	6.70
Provisions for pensions	€M	10.7	12.3	12.4
Other provisions for risks and liabilities	€M	6.00	6.00	6.00
Total provisions for risks and liabilities	€M	16.7	18.3	18.4
Tax liabilities	€M	-17.8	-17.8	-17.8
Other liabilities	€M	6.70	8.00	8.00
Net debt (cash)	€M	78.6	87.0	87.3
Total liab. and shareholders' equity	€M	288	293	295

Capital Employed

		12/11A	12/12E	12/13E
Capital employed after depreciation	€M	247	255	257

Profits & Risks Ratios

		12/11A	12/12E	12/13E
ROE (after tax)	%	5.31	4.02	5.02
ROCE	%	8.85	7.96	8.72
Gearing (at book value)	%	35.9	43.3	45.2
Adj. Net debt/EBITDA(R)	x	2.56	2.64	2.50
Interest cover (x)	x	2.00	2.05	2.22

Valuation Ratios

		12/11A	12/12E	12/13E
Reference P/E (benchmark)	x	10.1	7.22	5.84
Free cash flow yield	%	-26.0	-25.8	-2.66
P/Book	x	0.31	0.18	0.18
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/11A	12/12E	12/13E
Market cap	€M	61.3	34.2	34.2
+ Provisions	€M	16.7	18.3	18.4
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	78.6	87.0	87.3
+ Leases debt equivalent	€M	15.4	15.0	15.0
- Financial fixed assets (fair value)	€M	19.6	19.6	19.6
+ Minority interests (fair value)	€M	7.20	6.70	6.70
= EV	€M	160	142	142
EV/EBITDA(R)	x	4.35	3.67	3.47
EV/Sales	x	0.29	0.26	0.25

Analyst : Véronique Colas, Changes to Forecasts : 04/05/2012.