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Sponsored research
Support Services
France

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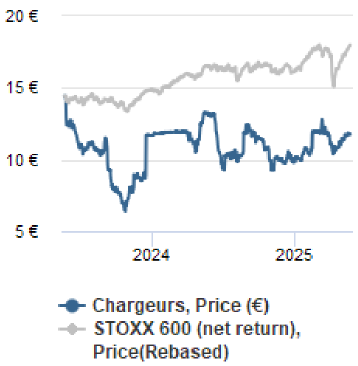
Opinion	**Add**
Upside (%)	19.2
Price (€)	11.76
Target Price (€)	14.0
Bloomberg Code	CRI FP
Market Cap (€M)	292
Enterprise Value (€M)	543

Momentum	STRONG
Sustainability	3/10
Credit Risk	B↗

Research Analysts
Saïma Hussain
+33 (0) 1 70 61 10 50
supportservices@alphavalue.eu



Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	Yes

Chargeurs

From an industrialist to a luxury player

PROS

- Chargeurs is focusing on no-nonsense profitable growth, with a keen eye for developing businesses in niche markets with a low capital intensity
- The creation of Museum Studios, a unique one-stop-shop offering in a very scattered market, demonstrates Chargeurs' ingenuity and this has rapidly established itself as the group's new growth lever
- The rapid expansion of Chargeurs' Luxury division presents several opportunities, culminating in a significant forthcoming acquisition

CONS

- The firm is small in absolute terms and may fall below most investors' radars
- The uncertain macro-economic environment is weighing on the group's largest division, Chargeurs Advanced Materials, even if volume has reached an inflection point
- Chargeurs' net debt is now high (3.5x leverage) and may deteriorate further following an acquisition

KEY DATA	12/22A	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	**18.3**	**82.7**	**22.1**	**13.3**	**10.4**
Dividend yield (%)	*4.51*	*0.00*	*5.34*	*5.95*	*6.80*
EV/EBITDA(R) (x)	8.72	11.1	9.41	8.11	6.95
Adjusted EPS (€)	**0.92**	**0.14**	**0.51**	**0.88**	**1.13**
Growth in EPS (%)	*-29.2*	*-84.5*	*256*	*73.6*	*27.8*
Dividend (€)	0.76	0.00	0.60	0.70	0.80
Sales (€M)	746	653	730	810	888
Underlying operat. profit margin (%)	*6.08*	*4.07*	*4.88*	*5.87*	*6.65*
Attributable net profit (€M)	22.1	1.50	12.0	20.8	26.6
ROE (after tax) (%)	**8.08**	**0.56**	**4.64**	**7.62**	**9.05**
Gearing (%)	*53.5*	*89.6*	*103*	*98.3*	*92.7*

Detailed financials at the end of this report

Key Ratios

		12/23A	12/24E	12/25E	12/26E
Adjusted P/E	x	82.7	22.1	13.3	10.4
EV/EBITDA	x	11.1	9.41	8.11	6.95
P/Book	x	1.10	1.00	0.98	0.91
Dividend yield	%	0.00	5.34	5.95	6.80
Free Cash Flow Yield	%	-14.5	2.73	5.32	8.29
ROE (after tax)	%	0.56	4.64	7.62	9.05
ROCE	%	3.85	4.83	6.26	7.14
Net debt/EBITDA	x	6.16	5.48	4.68	4.03

Consolidated P&L

		12/23A	12/24E	12/25E	12/26E
Sales	€M	653	730	810	888
EBITDA	€M	46.9	55.5	67.0	78.5
Underlying operating profit	€M	21.2	26.6	36.5	44.3
Operating profit (EBIT)	€M	22.0	27.4	37.3	45.1
Net financial expenses	€M	-29.7	-20.0	-18.0	-18.0
Pre-tax profit before exceptional items	€M	-7.70	7.37	19.3	27.1
Corporate tax	€M	11.1	3.60	0.53	-1.49
Attributable net profit	€M	1.50	12.0	20.8	26.6
Adjusted attributable net profit	€M	3.40	12.0	20.8	26.6

Cashflow Statement

		12/23A	12/24E	12/25E	12/26E
Total operating cash flows	€M	8.70	46.7	54.3	64.9
Capital expenditure	€M	-19.2	-19.4	-21.5	-24.0
Total investment flows	€M	-29.0	-29.4	-31.5	-34.0
Dividends (parent company)	€M	-8.60	0.00	-14.1	-16.5
New shareholders' equity	€M	-4.20	0.00	0.00	0.00
Total financial flows	€M	4.20	-19.8	-31.2	-33.6
Change in net debt position	€M	-56.2	-2.53	-8.52	-2.64
Free cash flow (pre div.)	€M	-40.2	7.22	14.7	22.9

Balance Sheet

		12/23A	12/24E	12/25E	12/26E
Goodwill	€M	205	212	218	225
Total intangible	€M	271	278	284	291
Tangible fixed assets	€M	85.0	92.0	99.0	106
Right-of-use	€M	20.0	20.4	20.8	21.2
WCR	€M	23.6	36.1	49.3	61.4
Total assets (net of short term liabilities)	€M	503	529	557	583
Ordinary shareholders' equity (group share)	€M	252	264	282	305
Provisions for pensions	€M	12.4	25.1	25.4	25.8
Net debt / (cash)	€M	270	273	281	284
Total liabilities and shareholders' equity	€M	503	529	557	583
Gross Cash	€M	89.9	87.4	78.9	76.2

Per Share Data

		12/23A	12/24E	12/25E	12/26E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**0.14**	**0.51**	**0.88**	**1.13**
Net dividend per share	**€**	**0.00**	**0.60**	**0.70**	**0.80**
Free cash flow per share	€	-1.69	0.31	0.63	0.98
Book value per share	€	10.7	11.2	12.0	13.0
Number of diluted shares (average)	**Mio**	**23.8**	**23.5**	**23.5**	**23.5**

Contents

Businesses & Trends

Chargeurs under the aegis of a new owner manager since 2015 has quietly shifted from a status of holding company essentially striving to pay back its bankers to that of an industrial group investing in profitable growth. This successful reenergising has been mostly achieved with the same business lines, more recently joined by the development of new growth avenues through strategic acquisitions and the reorientation of existing industrial assets.

Although we initially saw Chargeurs through the lens of an industrial conglomerate, given the strong delegation of daily execution to its different business units, the strategy pursued by the new owner and moves into new capital-light businesses by spinning off growth bits of existing businesses into fully-fledged divisions (Healthcare Solutions and Museum Solutions) have led us to reassess this view. Hence, we now consider Chargeurs as an industrial group in the Support Services sector, whose companies cater to various B2B services underlined by a low capital intensity.

Active management goes with one motto: growth in niche markets with a world scope. Unsurprisingly “niche but world reach” is the common feature of the 4 historical business lines. This geographical breadth is a clearly a plus as growth can be built out of the existing rather lean network of commercial units, plants and offices.

As of mid-2022, Chargeurs restructured its 5 activities into 3 strategic business areas: Technologies, Luxury and Diversification. While historically, the bulk of Chargeurs’ EBIT had come from its Technology division, in July 2022 Chargeurs announced that it wanted to achieve balanced contributions in terms of EBIT from its Technology and Luxury businesses by 2025 – strategy that would be implemented through the acquisition of a luxury goods player.

If this strategy appears ambitious, it is worth mentioning that the Chargeurs management team has shown an inordinate ability to capture major societal trends and turn them to its benefit. This is encapsulated in words like going “all digital”, going for “premiumisation” and upmarket, embarking ESG best practices and playing with the ever-more-intricate supply chains. There is nothing here that other companies cannot do, but Chargeurs seems particularly nimble at extracting more from such shifts.

Advanced Materials, a macro proxy

Advanced Materials is the world-leader in plastic-films and technical-solutions for temporary surface protection with c.40-years’ experience and a global market share estimated to be above 25%. Primary end-users (construction, household appliances, electronics, transport and auto sectors) reflect the pace of the global economy (components sourced from everywhere need to travel and be protected) all spurred by the general drive for quality, calling for the protection of parts comprising a finished product. The move to ever-thinner, usable films and associated glues also implies positive mix effects over the long run. Thin films are also widely used in manufacturing processes such as stamping where they contribute to mechanical properties. Thin films’ technology can be fairly complex when they unfold at great speed, must not break and avoid generating painful noise.

Thin films is one of those great (and discreet) businesses where the client needs a quality supplier for a component which is hardly visible in the final cost of the product. Services in effect matter as much as the film. Chargeurs strengthened that link by acquiring in 2017 designers and manufacturers of film-laying machinery. This magnifies the relationship with clients and the value proposition. In addition, Chargeurs increased “premium-grade” capacity from the new-fangled Italian production line that came online in late 2019.

Following an outstanding 2021, marked by record volumes against a backdrop of post-Covid supply-chain disruption, 2022 turned out to be a tougher year for Chargeurs Advanced Materials, which saw volumes fall as a result of inventory normalization and customer destocking. Accordingly, the division recorded a 6.3% organic yoy decline in revenues to €332.6m in 2022 coupled with a 12.8% decline in EBITDA to €32m representing a 120bps drop in margin. Fortunately for the division, the worst seems to be over, as volumes have again picked up from Q1-23 and were above their prior-year levels in the Q3-23.

Notwithstanding the sensitivity of the business to macroeconomic conditions, CAM’s products remain essential to the industrial supply chain worldwide, and the premiumization of the business towards the high-end market helps mitigate margin erosion. For the time being, Advanced Materials is still the most visible part of Chargeurs and where the industrial performance matters most.

Fashion Technologies: from product to service

The Fashion Technologies (CFT-PCC) division, which is the second-largest contributor to the Technologies division’s profitability, and very likely the largest in 2023, is Chargeurs’ interlinings operations. Today the division is the world leader in luxury and fashion interlinings, offering solutions to the world’s leading ready-to-wear brands. Through its technical fabrics, CFT gives structure to garments, an essential fabric for the manufacturing of coats, jackets, shirts and sportswear, responding to the trend towards greater sophistication in clothing.

As for Chargeurs Advanced Materials, the company has successfully transformed its operations within CFT through the years from a product to a service for the fashion industry – a shift accomplished through the acquisition of PCC in 2018, a coating company that has expanded into the field of interlining capable of heat-fusion in garments. Through this acquisition, Chargeurs extended its know-how in the USA and Asia, completed its interlining business and, above all, added a large service component as its stock in trade. This amounts to being selected as the “prime” contact by a given brand to ensure the timely supply of the various inputs to the actual manufacturers (usually a motley crew). Brand designers effectively rely on subcontractors with frequent issues of quality consistency.

Due to its exposure to the fashion sector, which was hit hard by the pandemic and the lockdown restrictions that significantly curtailed the activities of fashion retailers, this division did not escape the drag on revenues and earnings in

2020 with a 35.3% lfl yoy drop in revenues to €131.8m and shrinkage of its operating profit from €17.5m to €5.1m (i.e. from an 8.3% margin to 3.9%). After a persistently difficult 2021 for the division, CFT-PCC recorded a rebound in 2022 to its pre-pandemic levels, with revenues up 32.4%, an EBITDA margin up 360bps to 11% and EBIT up by 254.2% yoy to €17m. The segment benefited from a volume effect, with a pick-up in demand from fashion and luxury customers.

Although the division is also sensitive to macroeconomic conditions, which have a direct impact on global consumption, its diversification efforts in Asia, Europe and South America should help to offset any lags in consumption. In addition, the expansion of its global network across all apparel segments, coupled with an increasing market share, continue to support a resilient scenario for the division.

Museum Solutions: the new growth lever in a high-potential niche market
Conceived from the foundations of Chargeurs' historical technical substrates business under the subsidiary Senfa Technologies, five strategic acquisitions carried out in 2018-20 led to the creation of a novel division focused on the niche market of museum services. Chargeurs seeks to intervene at every level of a 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, Chargeurs has broadened its portfolio with the acquisition of Skira, a renowned publisher of classic and modern art and design books, completed in June 2022. Through these acquisitions, Chargeurs has developed a leading and unique one-stop-shop offering in a very scattered market of multiple small players, 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.

Whereas this division was built from scratch, with sales of €13.7m in 2019, it proved capable of withstanding rough economic weather, securing revenues of €41m in 2020. CMS even reached €87.2m in sales in 2022. However Chargeurs' aspirations for this division do not end there. In 2023, Chargeurs is targeting CMS sales of €120m, then €150m in 2024, before crossing the symbolic €200m threshold in 2025. This is an ambitious goal at first sight, but a realistic one in view of the division's rapid expansion.

Luxury Fibers, expanding through Nativa
Chargeurs Luxury Fibers (CLF) has long been a leading world player in the "top making" and sale of combed, top-of-the-range wool. It knows the wool industry inside-out but essentially withdrew from the risk side (industrial processing, market making) back in 2012. It was about servicing with a high but stable turnover presenting no risk and hardly any profit.

The story is quite different today, with the gradual transformation of a product – the sale of quality wool – into a premium service through the Nativa label, which guarantees the traceability of wool and respect for animal welfare and the environment. In this way, Chargeurs acts as a de-facto quality guarantor over the end-to-end wool manufacturing process. To achieve this, CLF uses the blockchain technology with end-to-end quality control for top quality wools so as to capitalize on the demand for ever-higher-quality natural fibers and ever-thinner materials.

As for CFT-PCC, the CLF division was hit hard by the effects of the pandemic and lockdown restrictions on the fashion sector in 2020, with revenues falling by 34.6% lfl to €64.6m, and recurring operating profit swinging to a loss (€-2.3m). 2021 was not much better for Chargeurs Luxury Fibers, with a recurring operating profit of €1m, representing a margin of 1.16% compared with 2.7% pre-Covid. In 2022, margins returned to acceptable levels (2.1%) owing to a recovery in the fashion sector. While Chargeurs expects a sharp drop in the division's revenues in 2023 in a context of a negative price effect (strong drop in the conventional wool price (i.e.: micron 17 down by -30% on Q3 and -21% for 9M 23), and a change in product mix (less conventional and growing certified Nativa wool), Chargeurs hopes to maintain its margins thanks to the premiumization of its business.

Chargeurs Personal Goods, a luxury player in the making

Much like Chargeurs Museum Studio, Chargeurs Personal Goods is a business unit that was built from the ground up and came into existence in 2022. The division brings together Chargeurs' 3 acquisitions in the luxury personal goods and accessories brands sector. Chargeurs' drive to expand in the luxury sector resulted in the acquisition of Fournival Altesse, a manufacturer of high-end hairbrushes, in 2021, and The Cambridge Satchel, a renowned brand of affordable Made in UK luxury, in August 2022. The latest addition to the division to date is Swaine, the world's oldest leather goods brand.

In each of these activities, Chargeurs has undertaken a genuine business reorganization, with an upmarket strategy developed for Fournival Altesse, a multi-channel sales strategy for the Cambridge Satchel and, finally, a modernization of the collections with the extension of the target market to women for Swaine. Chargeurs' determination to establish itself as a player in the luxury goods sector does not stop there. Last December, Chargeurs announced its intention to develop further in the luxury goods sector through a yet-to-be-acquired significant deal that would bolster its luxury goods division in order to reach balanced contributions in terms of EBIT from the Technologies and Luxury Activities by 2025.

In terms of operational performance, although we don't have a reference year as the Cambridge Satchel and Altesse Studio brands were consolidated in December 2022, the division still has a favourable outlook with new partnerships expected for the Cambridge Satchel and new distributors, including Galeries Lafayette, for Altesse Studio. At the end of September, the division generated €6.2m in revenues.

Human assets

All in all, as we look retrospectively, Chargeurs has succeeded in breathing new life into its four businesses and in creating one from scratch, thanks to rigorous management and the conviction that any niche is worth exploring. By successively convincing existing staff to wake up, go for profitable growth and then hire young talents, train them and make acquisitions, Chargeurs has managed to surprise just about every observer.

Divisional Breakdown Of Revenues

	Sector	12/23A	12/24E	12/25E	12/26E	Change 24E/23 €M	Change 24E/23 of % total	Change 25E/24E €M	Change 25E/24E of % total
Total sales		**653**	**730**	**810**	**888**	**77↑**	**100%**	**80↑**	**100%**
Advanced Materials (ex Prote...	Chemicals-Specialty	272	292	310	329	20↑	26%	18↑	23%
PCC Fashion Technologies	Apparel,Textile,Fashion	193	193	203	213	0↑	0%	10↑	13%
Personal Care (ex Healthcare...	Other Health Services	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Museum Solutions (ex Techni...	Advanced Materials	106	150	190	225	44↑	57%	40↑	50%
Luxury Fibers (ex Luxury Mat...	Apparel,Textile,Fashion	73.3	79.9	87.9	96.7	7↑	9%	8↑	10%
Personal Goods	Apparel,Textile,Fashion	9.00	14.9	19.3	25.1	6↑	8%	4↑	6%
Other		0.00	0.00	0.00	0.00	0↑	0%	0↑	0%

Key Exposures

	Revenues	Costs	Equity
Australian $	0.0%	10.0%	0.0%
Dollar	15.0%	10.0%	0.0%
Emerging currencies	10.0%	10.0%	0.0%
Long-term global warming	0.0%	0.0%	0.0%
Oil price (Brent $/bl)	0.0%	13.0%	0.0%
Renminbi	12.0%	10.0%	0.0%

Sales By Geography

Europe	42.1%
Of which Italy	11.7%
Of which France	6.5%
Of which Germany	6.1%
Asia	32.9%
Of which China	9.5%
Americas	25.0%
Of which United States	20.6%

We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Year after year, the Chargeurs mantra of doing better through staff training, premiumisation and branding appears to be paying off. This is in addition to quick-witted management to leverage the existing industrial assets to unlock new potential avenues for growth while expanding into luxury goods.

As we look back, in 2020 Chargeurs demonstrated its agility by turning an unfavourable context into an opportunity that resulted in the creation of a new business, Chargeurs Healthcare Solutions, enabling the group to contend with the headwinds created by the global pandemic. Similarly, Chargeurs has successfully transformed its former Technical Substrates division into a unique player in the Museums sector. It is now the turn of the recently-created Chargeurs Personal Goods division to expand, while Chargeurs Healthcare Solutions is no longer relevant.

In this way, over the years Chargeurs has succeeded in creating value through the development of a portfolio of leading businesses in niche sectors. The “Leap Forward” strategy embodies Chargeurs’ desire to be agile and responsive through its “asset light” model, while premiumising its businesses in order to manage crises and cope with all cycles. This strategic plan gave rise to the ambition for Chargeurs to achieve sales in excess of €800m with an EBITDA margin of 9% to 10% in 2024 and revenues in excess of €1bn in 2025.

In the next few paragraphs, we address the idiosyncrasies of the five current business lines:

Advanced Materials

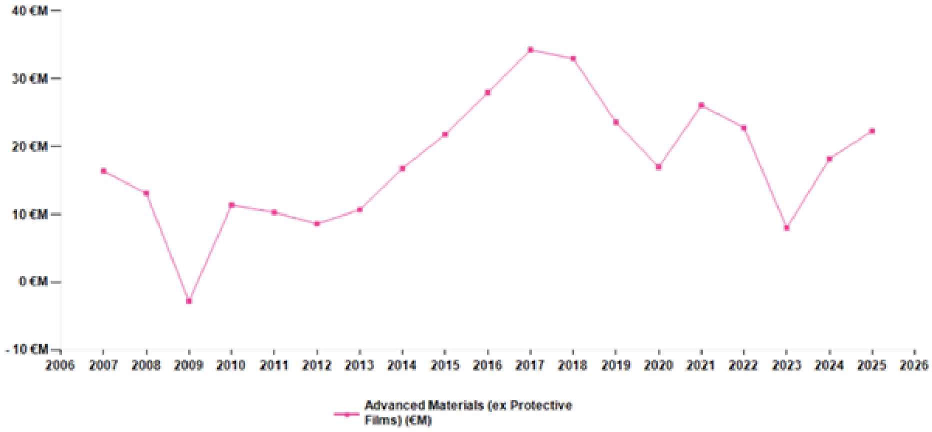
Advanced Materials has been working hard to make itself a must in the processing industries where it is needed. The culture is one of continuing investment in making the product ever better, thinner, more silent, greener, etc. Going upmarket is aimed at avoiding the boom-bust nature of chemical-related products.

Adding capacity in the right geographies also helps smooth cycles. As a de facto speciality chemicals business (polyethylene is the main base input), Advanced Materials is all about capacity usage, productivity gains, passing on higher input costs through ad hoc price revisions and pass-through contracts in addition to upgrading the product on a continuous basis.

Like so many industrial firms, Advanced Materials has been making a dash for growth with the acquisition of three small firms supplying thin-film application machines. This not only captures incremental turnover on must-have equipment but also offers an insight into the actual ways clients are using protective films. Providing extra insight into consumption has enabled Advanced Materials to expand its service content. This higher service component is a slow build-up process but creates the conditions for improved client stickiness and secures sustainably high margins.

Where the upper limits stand for EBIT margins is rather hard to gauge as the business is a mixture of an oligopoly and no serious barriers to entry for a chemical group willing to have a go – although this has not really happened to date. Growth and the subsequent margins are more determined by the flow of acquisitions aimed at locking in market share here and there.

The main challenge is that the business is extremely sensitive to the economic climate. As a result, margins suffered during Covid, even though they recovered in 2021 due to a consumer stockpiling effect in a context of supply chain disruptions, and faced a normalization from 2022 until mid-2023. We see the EBIT developing as follows:



Source: Company reports, AlphaValue estimates.

Fashion Technologies

The hunch that structural pressure due to competition from low-cost countries and fast-changing tastes could be dealt with through a close collaboration with fast-fashion and strong-fashion brands has proven correct. Designing the right type of high-tech interlinings, helping clients, setting up capacity next to client plants and, above all, moving into a partnership/servicing type of business model has paid off. Indeed clients need dependability and a high level of confidence in their suppliers due to their ultra-short turnaround times. This means that, beyond the fact that price competition is bound to remain, there is an argument that margins may be partly defended by the higher level of service that Fashion Technologies is cultivating.

Since the division is driven by the apparel market and its inclination towards boom-bust economics, recovering the historic 5% peak margins had looked to be an aggressive target. In 2016, however, the margin reached 6.1%, only partly helped by the disposal of a loss-making Chinese operation, and 2017 managed 6.2% with flat sales (up 1.3% lfl) while 2018 shot the lights out at 9.2%, only partly helped by the booking over four months of the excellent margins at PCC. With the integration of PCC being fully realised in 2019, the division saw another strong year, with profitability at a solid 8.5% despite increased opex related to the premiumisation strategy.

This positive momentum was brought to a halt in 2020 due to the effects of the COVID-19 pandemic. Due to the high exposure to the fashion sector, which was hit hard by lockdown restrictions worldwide, CFT-PCC saw its revenues shrink by 35.3% lfl to €132m, with margins falling to 3.9%. T2021 was also marked by tensions despite the gradual lifting of restrictions as vaccination progressed. It was only in 2022, however, that we saw a return to margins above the pre-pandemic level of 7.73%. Looking ahead, we expect margins to remain strong, even though we anticipate a slowdown in sales in Europe, which should translate into lower margins in FY-23.

Museum Solutions

In its fourth year as a separate operation, the previously-named Technical Substrates' business model shifted first with the integration of Leach. What was an industrial act – producing technical substrates in the right quality – moved onto a final product (image displayed on a box) but with new unexpected markets such as museums. This niche market later became the key focus for the division, driven at first by the creation of Chargeurs Creative Collection, a banner that grouped Leach and the company's subsequent additions (Design MP, MET Studio) to be later turned into a fully-fledged solution in museum servicing with the addition of Hypsos and D&P in 2020.

Through various acquisitions, including that of book publisher Skira in June 2022, Chargeurs has transformed the Technical Substrates business model to make the division a unique and leading player in museum services. This paradigm shift at Museum Studio has resulted in Chargeurs targeting sales of €120m in 2023 and €150m in 2024, and breaking the €200m barrier in 2025 with a double-digit margin. This is something of a feat when you consider that the pre-Museum Studio was struggling to exceed €30m in sales. We regard the outlook for the division as clearly positive, considering its well-filled order book and its unique positioning in regions such as the Middle East and Asia.

Luxury Fibers

The wool industry is a world apart to which the group is applying its recipes of improved mix and branding. Moving toward the luxury end of the market by acting as a quality guarantor certainly involves a shift in the business model where branding as a quality warranty is generating revenues independently from volumes changing hands. This will take time.

We can already see the effects of this model evolution through the expansion of the Nativa label, which enables the traceability of premium wool, and offers quality wool that guarantees responsible practices and regenerative agriculture. This label offers solutions to several brands, including Stella McCartney and, since September 2022, Gucci. By expanding Nativa, Chargeurs expects to transform a low-margin business into a double-digit margin business in the longer term.

Personal Goods

Chargeurs' latest division, Chargeurs Personal Goods, reflects Chargeurs' ambition to become a player in the luxury goods industry. This division regroups Chargeurs' 3 recent acquisitions, namely the manufacturer of high-end hairbrushes, Fournival Altesse, the renowned brand of affordable Made in UK luxury, The Cambridge Satchel, and the world's oldest leather goods brand, Swaine. Although the division remains small for the time being with a negligible contribution to Chargeurs' results with sales of €4.1m and EBITDA of €0.5m in H1-23, Chargeurs intends to develop this activity with a potential significant acquisition in the Luxury Goods sector which should enable Chargeurs to reach balanced contributions in terms of EIBT from the Technologies and Luxury Activities by 2025.

Healthcare Solutions

At the time of its creation, the Healthcare Solutions unit was a real feat for the management, who succeeded in transforming an unfavourable context into an opportunity to create a new business line: mask manufacturing. It was a commercial success that translated into recurring EBIT of €63.5m in 2020. However, with the end of the pandemic, CHS no longer contributes to Chargeurs' results and has consequently ceased to be considered as a separate division.

Divisional Underlying operat. profit

	12/23A	12/24E	12/25E	12/26E	Change 24E/23		Change 25E/24E	
					€M	of % total	€M	of % total
Total	**26.6**	**35.6**	**47.6**	**59.1**	**9↑**	**100%**	**12↑**	**100%**
Advanced Materials (ex Protective Films)	10.1	14.6	18.6	23.0	5↑	50%	4↑	33%
PCC Fashion Technologies	13.8	14.5	16.2	17.0	1↑	8%	2↑	14%
Personal Care (ex Healthcare Solutions)	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Museum Solutions (ex Technical Substrates)	8.50	12.0	17.1	22.5	4↑	39%	5↑	43%
Luxury Fibers (ex Luxury Materials)	2.20	2.80	3.34	3.67	1↑	7%	1↑	5%
Personal Goods	-0.90	-1.19	-0.58	0.00	0↓	-3%	1↑	5%
Other/cancellations	-7.10	-7.10	-7.10	-7.10	0↑	0%	0↑	0%

Divisional Underlying operat. profit margin

	12/23A	12/24E	12/25E	12/26E
Total	**4.07%**	**4.88%**	**5.87%**	**6.65%**
Advanced Materials (ex Protective F...	3.71%	5.00%	6.00%	7.00%
PCC Fashion Technologies	7.15%	7.50%	8.00%	8.00%
Personal Care (ex Healthcare Soluti...				
Museum Solutions (ex Technical Su...	8.03%	8.00%	9.00%	10.0%
Luxury Fibers (ex Luxury Materials)	3.00%	3.50%	3.80%	3.80%
Personal Goods	-10.0%	-8.00%	-3.00%	0.00%

Valuation

We regard Chargeurs SA as an industrial group in the Support Services sector, a highly diversified universe of businesses catering for various B2B services on a low capital intensity basis. We had initiated coverage of Chargeurs as a holding company then battling on to pay back its debt. The strategy pursued by the new owner, with a focus on active management of its industrial assets and leveraging its existing capabilities to develop new capital light businesses, has led us to reassess our view on Chargeurs' valuation profile.

Peer metrics therefore consist of a multi-sector group of companies with a B2B services dimension; plus the odd reference to specialist chemicals as Advanced Materials is the historically-dominant business (overtaken momentarily by CHS in COVID-19-hit 2020) with a 5-year average of 46% of group sales and 58% of EBITDA. We apply a discount to the peer-based references to account for Chargeurs' smaller scale versus peers.

The DCF is based on fairly modest EBITDA growth and sales growth of 2.5% in line with industry expectations. We therefore estimate an EBITDA margin of between 7% and 9% until 2033. In terms of capex, we expect Chargeurs to remain below 3%.

For the NAV, we have stopped using the data calculated and provided by the company in the parent company's financial statements. The more entrepreneurial management since late 2015 warrants the use of sector multiples.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		10.9	-7%	35%
NAV/SOTP per share		27.3	132%	20%
EV/Ebitda	*Peers*	6.25	-47%	20%
P/E	*Peers*	9.27	-21%	10%
Dividend Yield	*Peers*	16.5	40%	10%
P/Book	*Peers*	18.4	57%	5%
Target Price		**14.0**	**19%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	13.9	8.58	2.21	3.40
Chargeurs's ratios	11.8	7.55	0.95	6.33
Premium	-33.0%	-33.0%	-33.0%	-33.0%
Default comparison based valuation (€)	**9.27**	**6.25**	**18.4**	**16.5**
Bureau Veritas	21.5	11.9	6.25	3.33
Rentokil Initial	15.7	9.70	1.89	2.80
AkzoNobel	18.9	11.2	2.38	3.32
Teleperformance	5.58	4.28	1.07	4.76
Quadient	8.61	4.85	0.54	4.28

DCF Valuation Per Share

WACC	%	8.49
PV of cashflow FY1-FY11	€M	245
FY11CF	€M	42.9
Normalised long-term growth"g"	%	2.00
Sustainability "g"	%	1.55
Terminal value	€M	618
PV terminal value	€M	274
PV terminal value in % of total value	%	*52.8*
Total PV	€M	519

Avg net debt (cash) at book value	€M	277
Provisions	€M	31.5
Unrecognised actuarial losses (gains)	€M	0.00
Financial assets at market price	€M	45.8
Minorities interests (fair value)	€M	0.00
Equity value	€M	256
Number of shares	Mio	23.5
Implied equity value per share	**€**	**10.9**
Sustainability impact on DCF	%	-6.91

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50
Target equity risk premium	%	5.00
Tax advantage of debt finance (normalised)	%	25.0
Average debt maturity	Year	5
Sector asset beta	x	0.95
Debt beta	x	0.70
Market capitalisation	€M	276
Net debt (cash) at book value	€M	273
Net debt (cash) at market value	€M	232

Company debt spread	bp	350
Marginal Company cost of debt	%	7.00
Company beta (leveraged)	**x**	**1.54**
Company gearing at market value	%	98.7
Company market gearing	%	49.7
Required return on geared equity	**%**	**11.2**
Cost of debt	%	5.25
Cost of ungeared equity	**%**	**8.23**
WACC	%	8.49

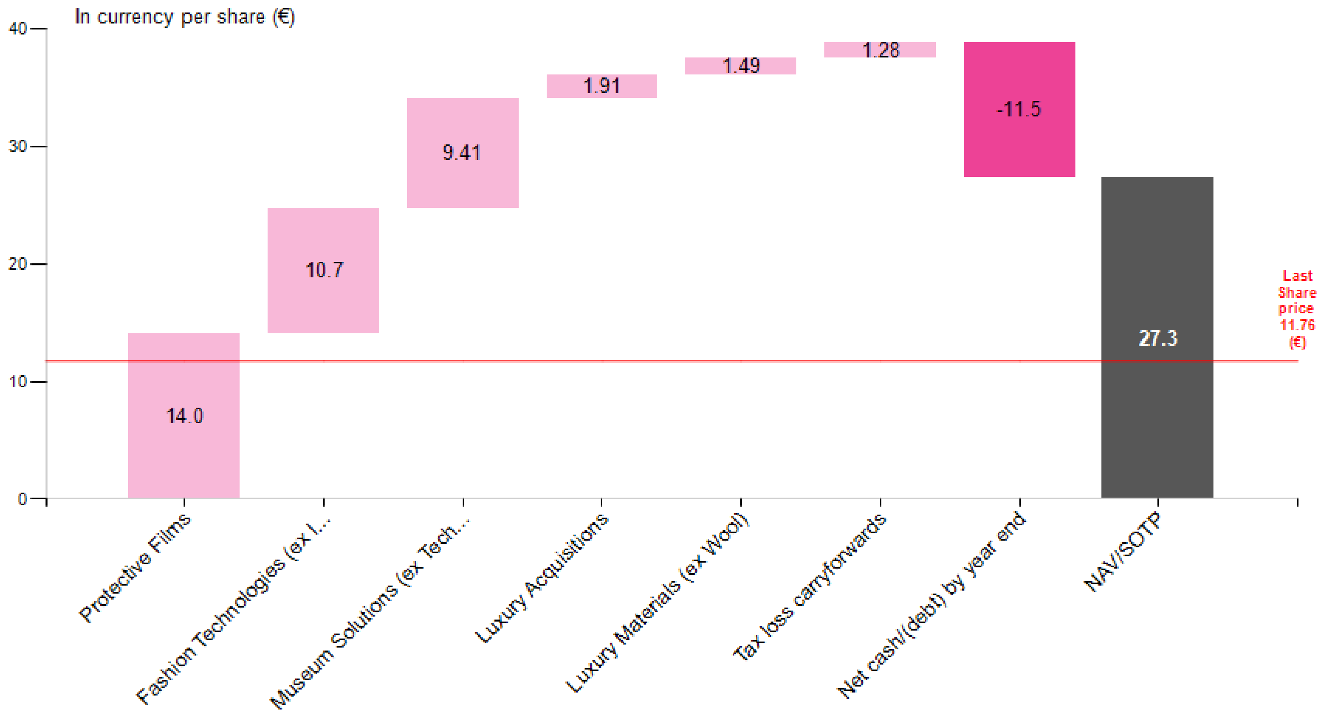
DCF Calculation

		12/23A	12/24E	12/25E	12/26E	Growth	12/27E	12/34E
Sales	€M	653	730	810	888	**3.00%**	915	1,125
EBITDA	€M	46.9	55.5	67.0	78.5	**2.50%**	80.5	95.6
EBITDA Margin	*%*	*7.18*	*7.60*	*8.27*	*8.84*		*8.80*	*8.50*
Change in WCR	€M	-17.0	-12.5	-13.2	-12.1	**2.50%**	-12.4	-14.8
Total operating cash flows (pre tax)	€M	-2.40	43.1	53.7	66.4		68.1	80.9
Corporate tax	€M	11.1	3.60	0.53	-1.49	**2.50%**	-1.53	-1.81
Net tax shield	**€M**	**-7.43**	**-5.00**	**-4.50**	**-4.50**	**2.50%**	**-4.61**	**-5.48**
Capital expenditure	€M	-19.2	-19.4	-21.5	-24.0	**3.50%**	-24.8	-31.6
Capex/Sales	*%*	*-2.94*	*-2.66*	*-2.66*	*-2.70*		*-2.71*	*-2.81*
Pre financing costs FCF (for DCF purposes)	€M	-17.9	22.2	28.2	36.4		37.1	42.0
Various add backs (incl. R&D, etc.) for DCF purposes	€M	0.00	0.00	0.00	0.00		0.00	0.00
Free cash flow adjusted	**€M**	**-17.9**	**22.2**	**28.2**	**36.4**		**37.1**	**42.0**
Discounted free cash flows	**€M**	**-17.9**	**22.2**	**26.0**	**30.9**		**29.1**	**18.6**
Invested capital	€	405	431	458	484		501	637

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
Protective Films	100%	EV/EBITDA	12	329	329	14.0	36.1%
Fashion Technologie...	100%	EV/EBITDA	11.5	252	252	10.7	27.6%
Museum Solutions (e...	100%	EV/EBITDA	11.4	221	221	9.41	24.3%
Luxury Acquisitions	100%	AlphaValue valuation		45.0	45.0 [1]	1.91	4.94%
Luxury Materials (ex ...	100%	Adj. historical price		35.0	35.0	1.49	3.84%
Tax loss carryforwards	100%	AlphaValue valuation		30.0	30.0	1.28	3.29%
Other							
Total gross assets					**912**	**38.8**	**100%**
Net cash/(debt) by year end					-270 [2]	-11.5	-29.6%
Commitments to pay							
Commitments received							
NAV/SOTP					642	27.3	70.4%
Number of shares net of treasury shares - year end (Mio)					**23.5**		
NAV/SOTP per share (€)					**27.3**		
Current discount to NAV/SOTP (%)					**56.9**		

1. Rough estimated value of the acquisition of Skira and The Cambridge Satchel.
2. Year-end expected group net cash (debt) position



Debt

If funding had not been an issue for Chargeurs, which had wisely accumulated excess resources to this end through a combination of private debt placings (Euro PP), today's story is quite different. The Group's net debt position rose from €174.7m at the end of 2022 to €194.4m in H1-2023, increasing the leverage ratio from 2.6x to 3.5x. In addition, the rising interest rate environment with hyperinflation in Argentina resulted in an increase in the Group's financial expenses in H1-23 to €12.4m. Despite the deterioration in the Group's financial leverage position, Chargeurs still has ample credit lines, with total available financial resources (cash and undrawn lines) of €271m in H1-23. The Holding company intends to maintain a controlled leverage level, with a target debt/ebitda ratio of less than 3x.

Detailed financials at the end of this report

Funding - Liquidity

		12/23A	12/24E	12/25E	12/26E
EBITDA	€M	46.9	55.5	67.0	78.5
Funds from operations (FFO)	€M	1.80	39.4	50.4	59.9
Ordinary shareholders' equity	**€M**	**252**	**264**	**282**	**305**
Gross debt	€M	360	360	360	360
+ Gross Cash	€M	89.9	87.4	78.9	76.2
= Net debt / (cash)	**€M**	**270**	**273**	**281**	**284**
Gearing (at book value)	%	89.6	103	98.3	92.7
Equity/Total asset (%)	%	50.2	49.8	50.7	52.4
Adj. Net debt/EBITDA(R)	*x*	*6.16*	*5.48*	*4.68*	*4.03*
Adjusted Gross Debt/EBITDA(R)	*x*	*8.08*	*7.06*	*5.85*	*5.00*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*60.0*	*59.8*	*58.2*	*56.3*
Ebit cover	*x*	*0.71*	*1.35*	*2.13*	*2.59*
FFO/Gross Debt	*%*	*0.47*	*10.0*	*12.9*	*15.3*
FFO/Net debt	*%*	*0.67*	*14.4*	*17.9*	*21.1*
FCF/Adj. gross debt (%)	*%*	*-10.6*	*1.84*	*3.75*	*5.84*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*1.09*	*2.07*	*2.05*	*2.17*
"Cash" FCF/ST debt	*x*	*-0.75*	*0.16*	*0.34*	*0.52*

Covenants

Begin	End	Trigger	Condition	Consequence
30/06/2017	31/12/2023	Net debt/Ebitda(R)	< 3.50	Early repayment
30/06/2017	31/12/2023	Gearing	< 85.0	Early repayment

Worth Knowing

A bit of history

2015 experienced a tectonic change in the Chargeurs shareholding with 28% of the equity changing hands (see Governance section). This brought to an end about 25 years of management by Mr Eduardo Malone backed by the historical main shareholder of Chargeurs, Mr Seydoux. Both then exercised their control through convertibles that were converted in September 2015. An ad hoc grouping of investors named Columbus Holding SAS has since been the new "reference" shareholder. Columbus has been set up for the sole purpose of owning Chargeurs shares and is managed by Mr Michaël Fribourg who also acts as the Chairman and CEO of Chargeurs SA. The relative weights of the Columbus shareholders remain unknown but Mr Fribourg made it clear by early 2019 that he had gained the "vast majority" of Columbus. Columbus itself may be geared to some extent as Chargeurs has established a proactive dividend policy.

Convincing drive

The big change introduced by the new owner and manager is to pursue a clear line of profitable growth across the existing four lines of business. They are identified as niche businesses but big enough, due to the world reach of Chargeurs, to offer considerable earnings/dividends prospects provided there is a process to address that growth potential.

Over the last five years, it is clear that the new governance has whipped into positive action existing businesses and managed to surround itself with a new breed of entrepreneurial managers at headquarter level. This appears to result in a positive mixture of extracting more from existing operations through a development logic (as opposed to the cost-paring obsessions of too many managers) and preparing the group for quality growth through well-prepared acquisitions.

Next big step

Chargeurs' drive for growth has set a 2024 target at €800m with a 9% to 10% EBITDA margin and a €1bn target as of 2025. This will require a combination of organic growth and a contribution from acquired growth in luxury goods.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Columbus Holding SAS	64.3%	65.3%	0.00%
Treasury Shares	3.30%	3.10%	0.00%
Apparent free float			**32.4%**

Sustainability

Chargeurs' sustainability strategy

The Chargeurs Group's sustainability strategy is in alignment with the UN Sustainable Development Goals. The Group has been a signatory of the UN Global Compact since 2017. In 2020, the Group launched a sustainability-linked Euro PP issue with two KPIs: reducing the frequency of work accidents and increasing the share of revenue from sustainable products and services. The Group's strategy is built on 2 additional KPIs: reducing CO2 emissions and water consumption by production units. The progression in the group's ESG performance is assessed by the independent rating agency EthiFinance (GAIA rating). Overall, Chargeurs is doing-well as testified by a 77/100 score in 2020 (vs 69 in 2019) outperforming the average 51/100 of the 230 companies in the Gaïa panel.

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	**5/10**	25%
Board geographic diversity	**0/10**	20%
Chairman vs. Executive split	✗	5%
Environment		
CO^2 Emission	**3/10**	25%
Water withdrawal	**2/10**	10%
Social		
Wage dispersion trend	**6/10**	5%
Job satisfaction	**0/10**	5%
Internal communication	**10/10**	5%
Sustainability score	**3.0/10**	100%

Governance & Management

Since October 2015, the change of control has led to a change of governance with Mr Michaël Fribourg acting as Chairman and CEO whereas the previous set up was to split the Chairman and CEO positions. There are five new board members: Mr Fribourg, Mr Coquoin (an asset manager for the Habert-Dassault family office), Mr Urbain as a Columbus representative, Ms Cecilia Ragueneau and Ms Isabelle Guichot.

Mr Fribourg took over the full management of Chargeurs in a remarkably short time span by late 2015 and has since been shifting gears in the right direction with impressive results.

The striking aspect of the “new” Chargeurs is that it is new in its management style with a CEO keen to rebuild the growth potential of existing businesses through positive, entrepreneurial management. The eye remains keenly focused on the financial performance and a defensive balance sheet which is a hard act for anyone to execute.

Governance score

Company (Sector)	Independent board
5.6 (6.9)	Yes

Parameters	Company	Sector	Score	Weight
Number of board members	6	9	9/10	5.0%
Board feminization (%)	50	42	10/10	5.0%
Board domestic density (%)	100	49	0/10	10.0%
Average age of board's members	60	59	5/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	50	57	5/10	20.0%
One share, one vote			✘	10.0%
Chairman vs. Executive split			✘	0.0%
Chairman not ex executive			✔	5.0%
Full disclosure on mgt pay			✔	5.0%
Disclosure of performance anchor for bonus trigger			✔	5.0%
Compensation committee reporting to board of directors			✘	5.0%
Straightforward, clean by-laws			✔	15.0%
Governance score			**5.6/10**	**100.0%**

Chargeurs (Add)

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Michaël FRIBOURG	M	CEO	1982	2015		1,673 (2023)	
Olivier BUQUEN	M	Deputy CEO		2024		(2023)	
Joelle FABRE-HOFFMEISTER	F	Deputy CEO		2024			
Daniel LAURENT	M	Partner		2023			
Delphine DE CANECAUDE	F	Executive Officer		2023			
Carine DE KOENIGSWARTER	F	Executive Officer					
Philippe DENOIX	M	Executive Officer		2023			
Federico PAULLIER	M	Executive Officer	1960	2013			
Gianluca TANZI	M	Executive Officer					

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Michaël FRIBOURG	M	✗	President/Chairman of th...	2021	1982	2015		0.00 (2023)	
Emmanuel COQUOIN	M	✗	Member	2022	1961	2015		77.7 (2023)	
Isabelle GUICHOT	F	✓	Member	2022	1966	2016		88.4 (2023)	
Anne-Gabrielle HEILBRONNER	F	✓	Member	2025	1954	2022		75.4 (2023)	
Alexandra ROCCA	F	✓	Member	2026		2023		52.2 (2023)	
Nicolas URBAIN	M	✗	Member	2023	1960	2015		77.3 (2023)	

Environment

On the environment pillar, Chargeurs registered a score of 92/100 in 2020 on the back of good management of water, air, land and waste. Chargeurs is aiming to increase the share of revenue generated by sustainable products and services. As of 2020, Chargeurs generated 15% of sales from sustainable products and services and is targeting a 100% share of revenue by 2030. The group is also aiming to improve its carbon footprint. In 2020, Chargeurs emissions amounted to c.52t of CO2, a 2% decrease compared to 2019. Concerning water consumption, Chargeurs' goal is to reduce its consumption and implement integrated water resources management at all levels by 2030. In 2020, Chargeurs achieved a 28% decrease in its water consumption.

Environmental score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
CO^2 Emission	3/10	3/10	30%
Water withdrawal	2/10	4/10	30%
Energy	5/10	3/10	25%
Waste	2/10	4/10	15%
Environmental score	**3.1**		**100%**

Company (Sector)

3.1 (3.6)

Environmental metrics

	Company						Sector
	2020	2021	2022	2023	2024	2025	2023
Energy (GJ) per €m in capital employed	3,001	2,545	1,893	1,617			325
			4.3	2.9	1.6	3.1	4.7
CO^2 tons per €m in capital employed	158	149	143	133			22
Tons waste generated per €m in capital employed	34	34	25	29			3
Cubic meter water withdrawal per €m in capital employed	2,427	1,439	1,060	1,014			185

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
DKSH		3/10	467,111	66,039		
Chargeurs		3/10	655,200	54,000	411,000	11,716
Adecco		3/10	222,815	51,920		
SGS		2/10	3,389,342	320,393	2,070,130	85,139
Experian		7/10	201,600	18,300	35,290	719
Rentokil Initial		2/10	5,240,858	316,558		
Randstad		5/10	1,188,379	58,200	280,000	1,500
Securitas		3/10		147,906		
Bureau Veritas		3/10	1,066,054	135,426	1,076,000	20,069
Eurofins Scientific		4/10	2,894,310	180,408	1,500,000	

Social

Chargeurs social pillar is even more impressive than its environment pillar with a 100/100 score. Chargeurs is committed to a social strategy which revolves around four targets: safety of employees, diversity and inclusion, upholding human rights and employee training. To achieve these goals, the Group has developed a new on-site-based safety approach as well as a culture of safety with the Global Safety Day. It also has a talent sponsorship program and provides 100% of its full-time employees with health insurance. Chargeurs has also donated 80,000 masks and 10,000 liters of hand sanitizer to hospitals, nursing homes and non-profit organizations.

Social score

Company (Sector)

6.5 (6.3)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	6/10	15%
Average wage trend	5/10	30%
Share of added value taken up by staff cost	5/10	20%
Share of added value taken up by taxes	4/10	15%
Wage dispersion trend	6/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	**5.2/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	10/10	35%
Pay	10/10	20%
Job satisfaction	0/10	10%
Internal communication	10/10	10%
Qualitative score	**9.0/10**	**100%**

Chargeurs (Add)

AlphaValue analysts tick boxes on essential components of the social/HR corporate life.
Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes ✔ / No ✘	Weight
Accidents at work		**25%**
Set targets for work safety on all group sites?	✔	10.0%
Are accidents at work declining?	✔	15.0%
Human resources development		**35%**
Are competences required to meet medium term targets identified?	✔	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✔	3.5%
Is there a training strategy tuned to the company objectives?	✔	3.5%
Are employees trained for tomorrow's objectives?	✔	3.5%
Can all employees have access to training?	✔	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✔	3.5%
Have key competences stayed?	✔	3.5%
Are managers given managerial objectives?	✔	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✔	3.5%
Is mobility encouraged between operating units of the group?	✔	3.5%
Pay		**20%**
Is there a compensation committee?	✔	6.0%
Is employees' performance combining group AND individual performance?	✔	14.0%
Job satisfaction		**10%**
Is there a measure of job satisfaction?	✘	3.3%
Can anyone participate ?	✘	3.4%
Are there action plans to prop up employees' morale?	✘	3.3%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✔	10.0%
Qualitative score	**9.0/10**	**100.0%**

Staff & Pension matters

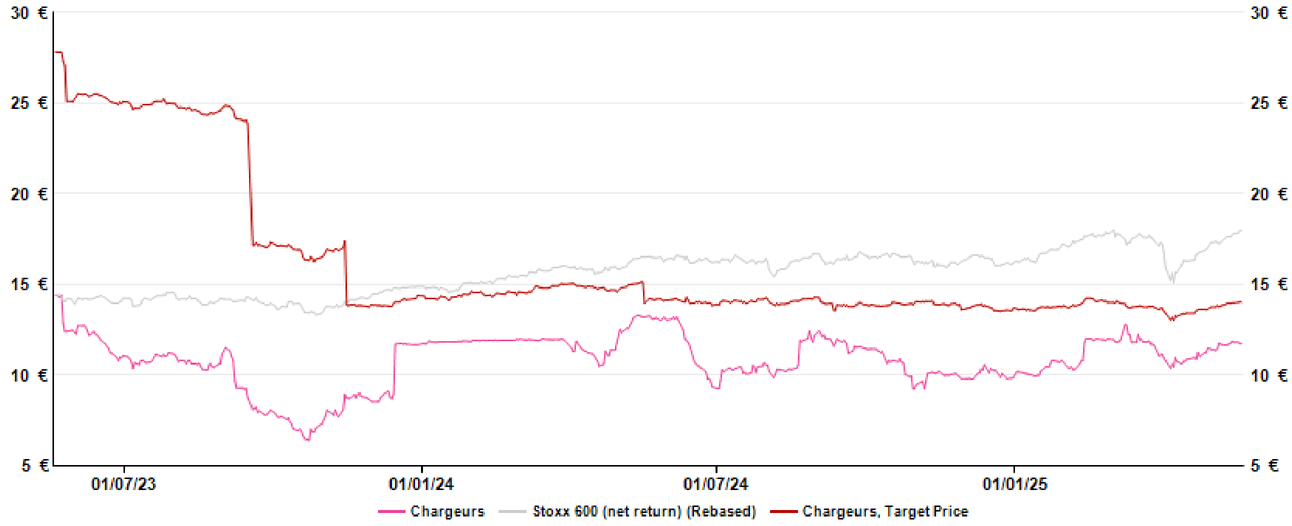
At the end of 2022, Chargeurs' workforce reached 2.3k employees. About half (1,276) are European based with the bulk (c.600) in France mainly driven by the Advanced Materials and Fashion Technologies operations. Chargeurs is keen to both rebalance its geography of production assets (i.e. new plants out of France like the production line in Italy) and rejuvenate the French staff.

Detailed financials at the end of this report

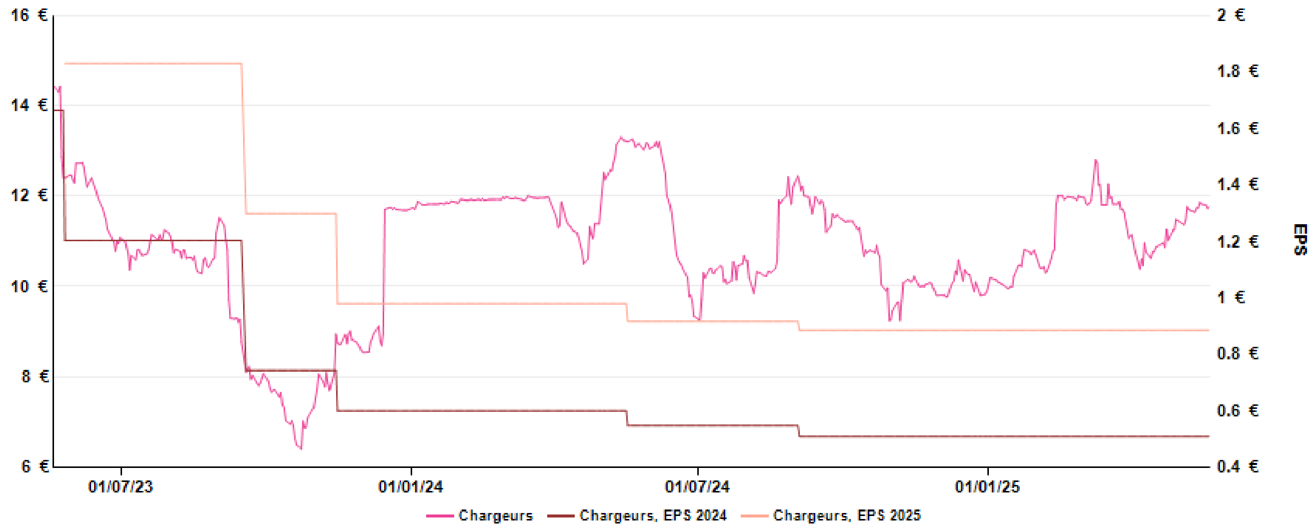
Summary Of Pension Risks		12/23A	12/24E	12/25E	12/26E
Pension ratio	**%**	**4.59**	**8.68**	**8.26**	**7.78**
Ordinary shareholders' equity	€M	252	264	282	305
Total benefits provisions	**€M**	**12.1**	**25.1**	**25.4**	**25.8**
of which funded pensions	*€M*	*-0.90*	*7.08*	*6.57*	*6.08*
of which unfunded pensions	*€M*	*12.6*	*17.6*	*18.4*	*19.2*
of which benefits / health care	*€M*	*0.40*	*0.42*	*0.43*	*0.45*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00

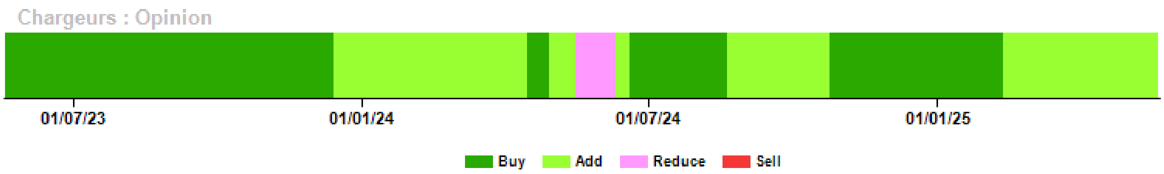
Geographic Breakdown Of Pension Liabilities		12/23A	12/24E	12/25E	12/26E
US exposure	%	33.0	33.0	33.0	33.0
UK exposure	%				
Euro exposure	%	67.0	67.0	67.0	67.0
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Stock Price and Target Price

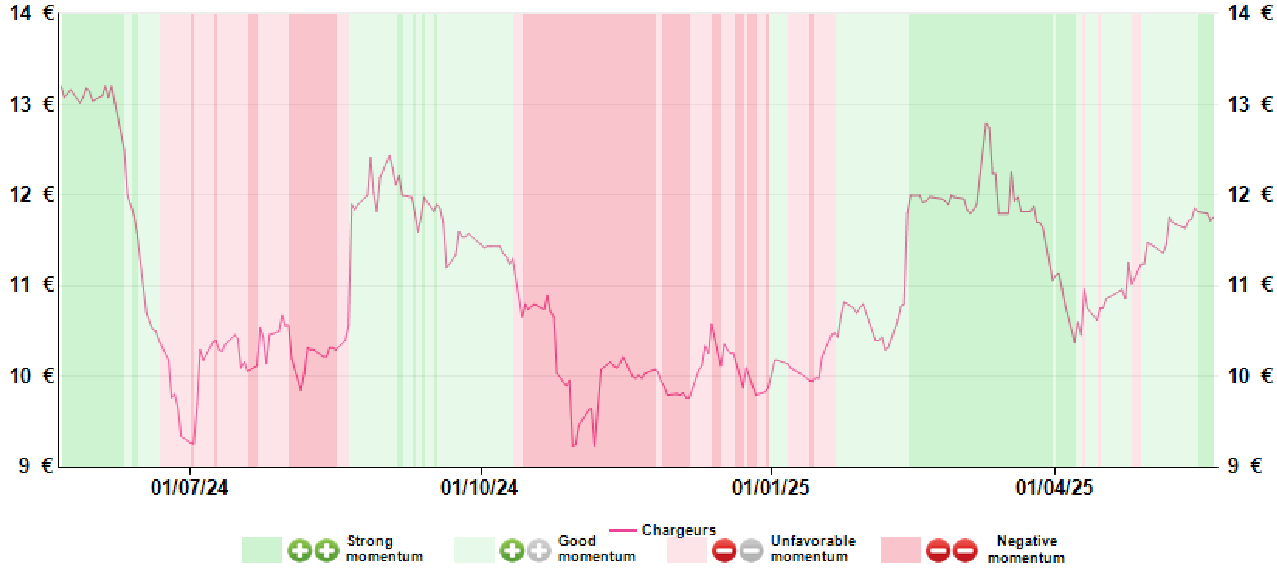


Earnings Per Share & Opinion





Momentum



Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.
The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.
For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

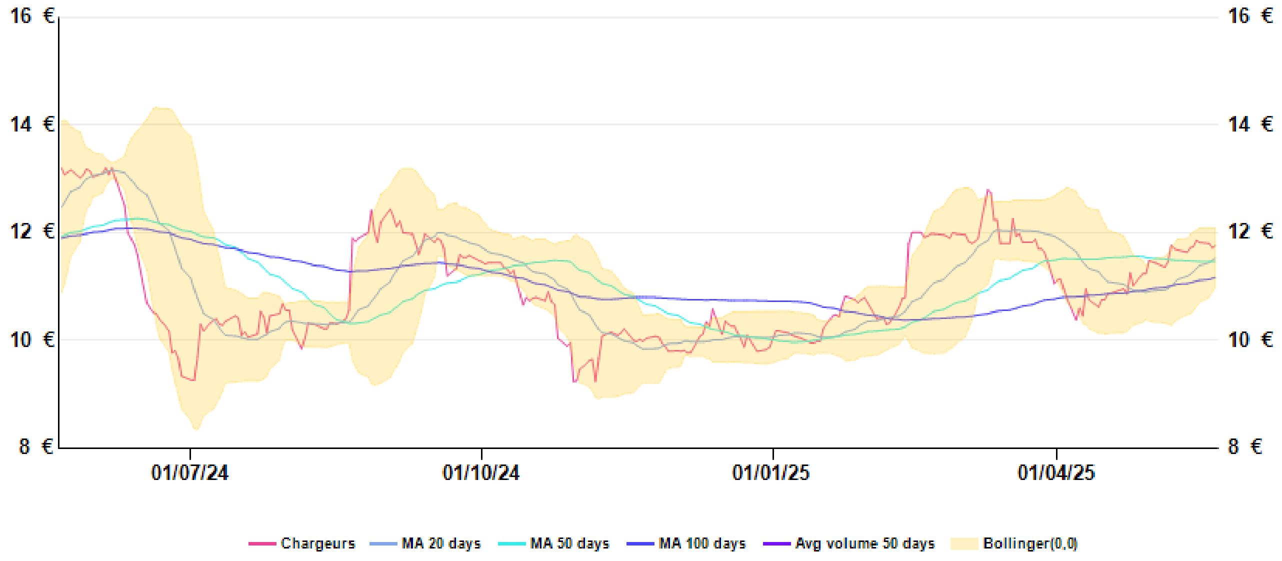
: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

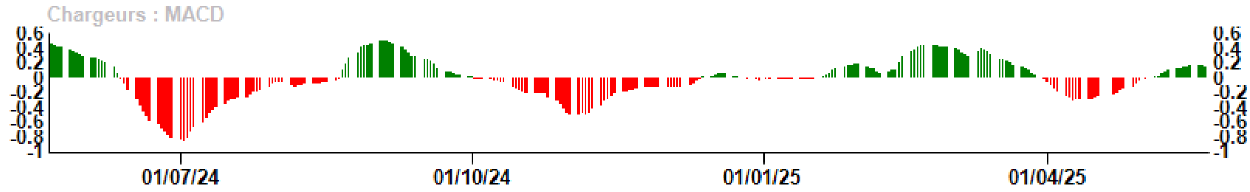
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

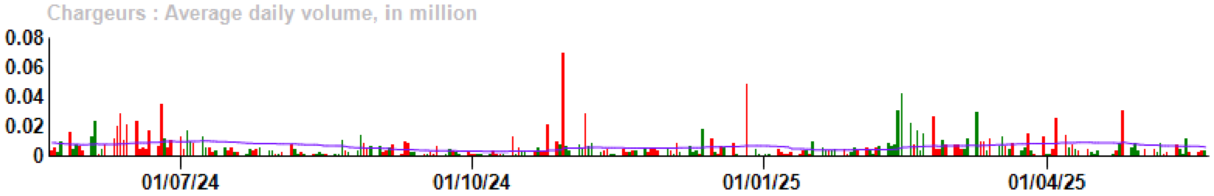
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

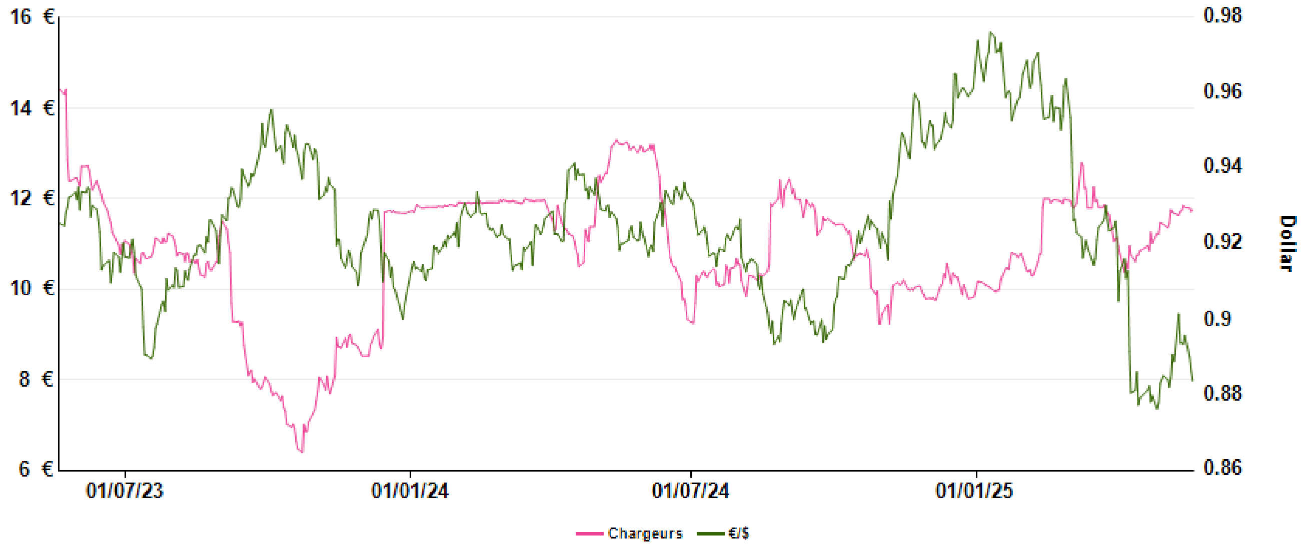
Moving Average MACD & Volume



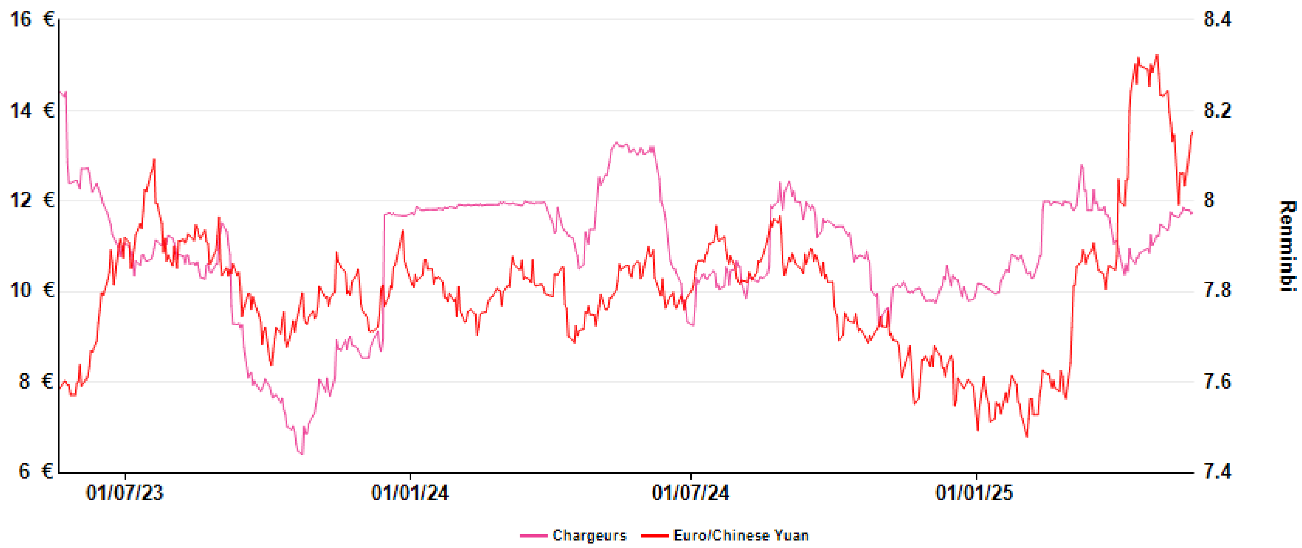




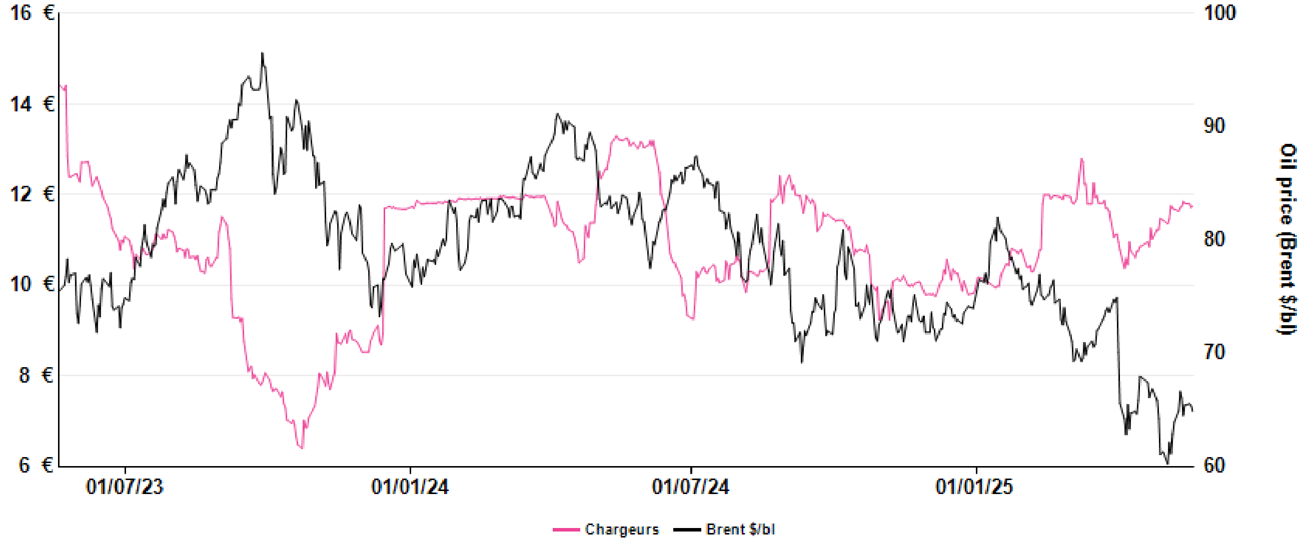
€/$ sensitivity



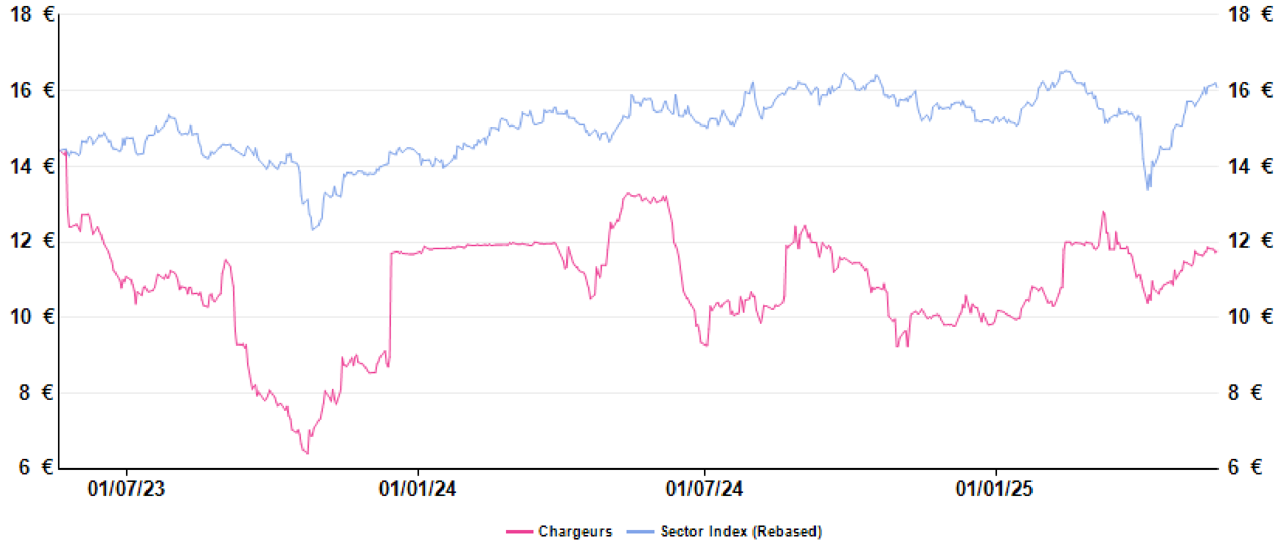
Euro/Chinese Yuan sensitivity



Brent $/bl sensitivity



Sector Support Services



Detailed Financials

Valuation Key Data		12/23A	12/24E	12/25E	12/26E
Adjusted P/E	**x**	**82.7**	**22.1**	**13.3**	**10.4**
Reported P/E	x	185	22.1	13.3	10.4
EV/EBITDA(R)	**x**	**11.1**	**9.41**	**8.11**	**6.95**
EV/EBIT	x	24.6	19.7	14.9	12.3
EV/Sales	x	0.80	0.72	0.67	0.61
P/Book	**x**	**1.10**	**1.00**	**0.98**	**0.91**
Dividend yield	**%**	**0.00**	**5.34**	**5.95**	**6.80**
Free cash flow yield	*%*	*-14.5*	*2.73*	*5.32*	*8.29*
Average stock price	€	11.8	11.2	11.8	11.8

Consolidated P&L

		12/23A	12/24E	12/25E	12/26E
Sales	€M	653	730	810	888
Sales growth	*%*	*-12.5*	*11.8*	*10.9*	*9.67*
Sales per employee	*€th*	*286*	*316*	*347*	*376*
Staff costs	€M	-127	-133	-138	-140
Operating lease payments	€M	0.00	0.00	0.00	0.00
Cost of sales/COGS (indicative)	€M	-483	-539	-598	-656
EBITDA	€M	46.9	55.5	67.0	78.5
EBITDA(R)	€M	46.9	55.5	67.0	78.5
EBITDA(R) margin	*%*	*7.18*	*7.60*	*8.27*	*8.84*
EBITDA(R) per employee	*€th*	*20.5*	*24.0*	*28.7*	*33.2*
Depreciation	€M	-20.3	-22.9	-24.2	-27.1
Depreciations/Sales	*%*	*3.11*	*3.14*	*2.98*	*3.05*
Amortisation	€M	-5.40	-6.04	-6.36	-7.20
Underlying operating profit	€M	21.2	26.6	36.5	44.3
Underlying operating margin	*%*	*3.25*	*3.64*	*4.50*	*4.98*
Other income/expense (cash)	€M	0.80	0.80	0.80	0.80
Other inc./ exp. (non cash; incl. assets revaluation)	€M	0.00	0.00	0.00	0.00
Mark to market on various operation-related hedges	€M	0.00	0.00	0.00	0.00
Earnings from joint venture(s)	€M	0.00	0.00	0.00	0.00
Actual dividends from Jvs	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Actual accrued cash flows from JV	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Operating profit (EBIT)	€M	22.0	27.4	37.3	45.1
Interest expenses	€M	-21.7	-20.0	-18.0	-18.0
of which effectively paid cash interest expenses	*€M*	*-23.9*	*-20.0*	*-18.0*	*-18.0*
Financial income	€M	0.00	0.00	0.00	0.00
Other financial income (expense)	€M	-8.00	0.00	0.00	0.00
Net financial expenses	€M	-29.7	-20.0	-18.0	-18.0
of which related to pensions	*€M*		*-0.25*	*-0.87*	*-0.89*
Pre-tax profit before exceptional items	€M	-7.70	7.37	19.3	27.1
Exceptional items and other (before taxes)	€M				
Current tax	€M	-2.10	-1.90	-4.97	-6.99
Impact of tax loss carry forward	€M	13.2	5.50	5.50	5.50
Deferred tax	€M	0.00	0.00	0.00	0.00
Corporate tax	€M	11.1	3.60	0.53	-1.49
Tax rate	*%*	*ns*	*-48.8*	*-2.74*	*5.50*
Net margin	*%*	*0.52*	*1.50*	*2.44*	*2.88*
Equity associates	€M	-0.30	0.70	0.70	0.70
Actual dividends received from equity holdings	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Minority interests	€M	0.30	0.30	0.30	0.30
Actual dividends paid out to minorities	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Income from discontinued operations	€M	-1.90	0.00	0.00	0.00
Attributable net profit	€M	1.50	12.0	20.8	26.6
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Other adjustments	€M				
Adjusted attributable net profit	€M	3.40	12.0	20.8	26.6
Fully diluted adjusted attr. net profit	€M	3.40	12.0	20.8	26.6
NOPAT	€M	15.6	20.8	28.7	34.6

Cashflow Statement

Cashflow Statement		12/23A	12/24E	12/25E	12/26E
EBITDA	€M	46.9	55.5	67.0	78.5
Change in WCR	€M	-17.0	-12.5	-13.2	-12.1
of which (increases)/decr. in receivables	€M	-5.70	-7.53	-8.73	-8.58
of which (increases)/decr. in inventories	€M	22.3	-16.6	-18.8	-19.0
of which increases/(decr.) in payables	€M	-33.4	12.5	15.2	16.4
of which increases/(decr.) in other curr. liab.	€M	-0.20	-0.84	-0.91	-1.02
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	-5.60	3.60	0.53	-1.49
Exceptional items	€M				
Other operating cash flows	€M	-15.6			
Total operating cash flows	€M	8.70	46.7	54.3	64.9
Capital expenditure	€M	-19.2	-19.4	-21.5	-24.0
Capex as a % of depreciation & amort.	%	74.7	67.1	70.6	70.0
Net investments in shares	€M	-2.10	-10.0	-10.0	-10.0
Other investment flows	€M	-7.70	0.00	0.00	0.00
Total investment flows	€M	-29.0	-29.4	-31.5	-34.0
Net interest expense	€M	-29.7	-20.0	-18.0	-18.0
of which cash interest expense	€M	-23.9	-19.8	-17.1	-17.1
Dividends (parent company)	€M	-8.60	0.00	-14.1	-16.5
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	-4.20	0.00	0.00	0.00
of which (acquisition) release of treasury shares	€M	-4.20	0.00	0.00	0.00
Change in gross debt	€M	40.1	0.00	0.00	0.00
Other financial flows	€M	0.80			
Total financial flows	€M	4.20	-19.8	-31.2	-33.6
Change in scope of consolidation, exchange rates & other	€M		0.00	0.00	0.00
Change in cash position	€M	-16.1	-2.53	-8.52	-2.64
Change in net debt position	€M	-56.2	-2.53	-8.52	-2.64
Free cash flow (pre div.)	€M	-40.2	7.22	14.7	22.9
Operating cash flow (clean)	€M	8.70	46.7	54.3	64.9
Reinvestment rate (capex/tangible fixed assets)	%	22.6	21.1	21.8	22.6

Balance Sheet

Balance Sheet		12/23A	12/24E	12/25E	12/26E
Goodwill	€M	205	212	218	225
Other intangible assets	€M	66.0	66.0	66.0	66.0
Total intangible	€M	271	278	284	291
Tangible fixed assets	€M	85.0	92.0	99.0	106
Right-of-use	€M	20.0	20.4	20.8	21.2
Financial fixed assets (part of group strategy)	€M	5.60	5.60	5.60	5.60
Other financial assets (investment purpose mainly)	€M	40.2	40.2	40.2	40.2
WCR	€M	23.6	36.1	49.3	61.4
of which trade & receivables (+)	*€M*	*72.5*	*80.0*	*88.8*	*97.3*
of which inventories (+)	*€M*	*136*	*152*	*171*	*190*
of which payables (+)	*€M*	*168*	*180*	*195*	*212*
of which other current liabilities (+)	*€M*	*16.8*	*16.0*	*15.0*	*14.0*
Other current assets	€M	57.5	57.5	57.5	57.5
of which tax assets (+)	*€M*				
Total assets (net of short term liabilities)	€M	503	529	557	583
Ordinary shareholders' equity (group share)	€M	252	264	282	305
Minority interests	€M	-0.10	0.00	0.00	0.00
Provisions for pensions	€M	12.4	25.1	25.4	25.8
Other provisions for risks and liabilities	€M	6.40	6.40	6.40	6.40
Deferred tax liabilities	€M	-53.1	-53.1	-53.1	-53.1
Other liabilities	€M	14.6	14.6	14.6	14.6
Net debt / (cash)	€M	270	273	281	284
Total liabilities and shareholders' equity	€M	503	529	557	583
Gross Cash	€M	89.9	87.4	78.9	76.2
Average net debt / (cash)	€M	226	272	277	283
Adjusted net debt	€M	289	304	313	316

EV Calculations

EV Calculations		12/23A	12/24E	12/25E	12/26E
EV/EBITDA(R)	**x**	**11.1**	**9.41**	**8.11**	**6.95**
EV/EBIT	**x**	**24.6**	**19.7**	**14.9**	**12.3**
EV/Sales	**x**	**0.80**	**0.72**	**0.67**	**0.61**
EV/Invested capital	x	1.29	1.21	1.19	1.13
Market cap	€M	278	264	276	276
+ Provisions (including pensions)	€M	18.8	31.5	31.8	32.2
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€M	250	252	261	263
+ Right-of-use (from 2019)/Leases debt equivalent	€M	20.0	20.0	20.0	20.0
- Financial fixed assets (fair value) & Others	€M	45.8	45.8	45.8	45.8
+ Minority interests (fair value)	€M	0.00	0.00	0.00	0.00
= Enterprise Value	**€M**	**521**	**522**	**543**	**546**

Per Share Data

Per Share Data		12/23A	12/24E	12/25E	12/26E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**0.14**	**0.51**	**0.88**	**1.13**
Growth in EPS	*%*	*-84.5*	*256*	*73.6*	*27.8*
Reported EPS	€	0.06	0.51	0.88	1.13
Net dividend per share	**€**	**0.00**	**0.60**	**0.70**	**0.80**
Free cash flow per share	€	-1.69	0.31	0.63	0.98
Operating cash flow per share	€	0.37	1.98	2.31	2.76
Book value per share	€	10.7	11.2	12.0	13.0
Number of ordinary shares	**Mio**	**24.9**	**24.9**	**24.9**	**24.9**
Number of equivalent ordinary shares (year end)	Mio	24.9	24.9	24.9	24.9
Number of shares market cap.	Mio	24.9	24.9	24.9	24.9
Treasury stock (year end)	Mio	1.36	1.36	1.36	1.36
Number of shares net of treasury stock (year end)	Mio	23.5	23.5	23.5	23.5
Number of common shares (average)	**Mio**	**23.8**	**23.5**	**23.5**	**23.5**
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio	0.00	0.00	0.00	0.00
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Mio**	**23.8**	**23.5**	**23.5**	**23.5**
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	0.14	0.51	0.88	1.13
EPS before goodwill amortisation (non-diluted)	€	0.06	0.51	0.88	1.13
Payout ratio	**%**	**0.00**	**118**	**79.2**	**70.8**
Capital payout ratio (div +share buy back/net income)	**%**	**124**	**118**	**79.2**	

Funding - Liquidity

Funding - Liquidity		12/23A	12/24E	12/25E	12/26E
EBITDA	€M	46.9	55.5	67.0	78.5
Funds from operations (FFO)	€M	1.80	39.4	50.4	59.9
Ordinary shareholders' equity	**€M**	**252**	**264**	**282**	**305**
Gross debt	€M	360	360	360	360
o/w Less than 1 year - Gross debt	€M	45.6	45.6	45.6	45.6
o/w 1 to 5 year - Gross debt	€M	313	313	313	313
of which Y+2	€M	88.3	88.3	88.3	88.3
of which Y+3	€M	65.1	65.1	65.1	65.1
of which Y+4	€M	37.5	37.5	37.5	37.5
of which Y+5	€M	123	123	123	123
o/w Beyond 5 years - Gross debt	€M	1.20	1.20	1.20	1.20
+ Gross Cash	€M	89.9	87.4	78.9	76.2
= Net debt / (cash)	**€M**	**270**	**273**	**281**	**284**
Bank borrowings	€M	360	360	360	360
Financial leases liabilities	€M	0.00	0.00	0.00	0.00
Other financing	€M	0.00	0.00	0.00	0.00
Gearing (at book value)	%	89.6	103	98.3	92.7
Equity/Total asset (%)	%	50.2	49.8	50.7	52.4
Adj. Net debt/EBITDA(R)	*x*	*6.16*	*5.48*	*4.68*	*4.03*
Adjusted Gross Debt/EBITDA(R)	*x*	*8.08*	*7.06*	*5.85*	*5.00*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*60.0*	*59.8*	*58.2*	*56.3*
Ebit cover	*x*	*0.71*	*1.35*	*2.13*	*2.59*
FFO/Gross Debt	*%*	*0.47*	*10.0*	*12.9*	*15.3*
FFO/Net debt	*%*	*0.67*	*14.4*	*17.9*	*21.1*
FCF/Adj. gross debt (%)	*%*	*-10.6*	*1.84*	*3.75*	*5.84*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*1.09*	*2.07*	*2.05*	*2.17*
"Cash" FCF/ST debt	*x*	*-0.75*	*0.16*	*0.34*	*0.52*

ROE Analysis (Dupont's Breakdown)

ROE Analysis (Dupont's Breakdown)		12/23A	12/24E	12/25E	12/26E
Tax burden (Net income/pretax pre excp income)	x	-0.19	1.62	1.08	0.98
EBIT margin (EBIT/sales)	%	3.37	3.75	4.60	5.07
Assets rotation (Sales/Avg assets)	%	134	141	149	156
Financial leverage (Avg assets /Avg equity)	x	1.84	2.00	1.99	1.94
ROE	**%**	**0.56**	**4.64**	**7.62**	**9.05**
ROA	%	5.80	6.75	8.61	9.83

Shareholder's Equity Review (Group Share)

Shareholder's Equity Review (Group Share)		12/23A	12/24E	12/25E	12/26E
Y-1 shareholders' equity	€M	280	252	264	282
+ Net profit of year	€M	1.50	12.0	20.8	26.6
- Dividends (parent cy)	€M	-8.60	0.00	-14.1	-16.5
+ Additions to equity	€M	-4.20	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	*€M*	*-4.20*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M	-16.0	-0.80	11.7	13.0
= Year end shareholders' equity	**€M**	**252**	**264**	**282**	**305**

Staffing Analytics

Staffing Analytics		12/23A	12/24E	12/25E	12/26E
Sales per staff	€th	286	316	347	376
Staff costs per employee	€th	-55.7	-57.5	-58.9	-59.3
Change in staff costs	*%*	*-3.34*	*4.39*	*3.47*	*1.98*
Change in unit cost of staff	*%*	*-0.59*	*3.22*	*2.31*	*0.84*
Staff costs/(EBITDA+Staff costs)	*%*	*73.1*	*70.5*	*67.2*	*64.1*
Average workforce	**unit**	**2,284**	**2,310**	**2,336**	**2,363**
Europe	unit	1,239	1,255	1,270	1,286
North America	unit	382	386	390	394
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	663	670	676	683
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	**€M**	**-127**	**-133**	**-138**	**-140**
Wages and salaries	€M	-127	-132	-136	-139
of which social security contributions	*€M*	*-28.1*	*-29.7*	*-29.7*	*-29.7*
Pension related costs	€M		-1.14	-1.14	-1.14

Divisional Breakdown Of Revenues

Divisional Breakdown Of Revenues		12/23A	12/24E	12/25E	12/26E
Total sales	**€M**	**653**	**730**	**810**	**888**
Advanced Materials (ex Protective Films)	€M	272	292	310	329
PCC Fashion Technologies	€M	193	193	203	213
Personal Care (ex Healthcare Solutions)	€M	0.00	0.00	0.00	0.00
Museum Solutions (ex Technical Substrates)	€M	106	150	190	225
Luxury Fibers (ex Luxury Materials)	€M	73.3	79.9	87.9	96.7
Personal Goods	€M	9.00	14.9	19.3	25.1
Other	€M	0.00	0.00	0.00	0.00

Divisional Breakdown Of Earnings

Divisional Breakdown Of Earnings		12/23A	12/24E	12/25E	12/26E
Underlying operat. profit Analysis					
Advanced Materials (ex Protective Films)	€M	10.1	14.6	18.6	23.0
PCC Fashion Technologies	€M	13.8	14.5	16.2	17.0
Personal Care (ex Healthcare Solutions)	€M	0.00	0.00	0.00	0.00
Museum Solutions (ex Technical Substrates)	€M	8.50	12.0	17.1	22.5
Luxury Fibers (ex Luxury Materials)	€M	2.20	2.80	3.34	3.67
Personal Goods	€M	-0.90	-1.19	-0.58	0.00
Other/cancellations	€M	-7.10	-7.10	-7.10	-7.10
Total	**€M**	**26.6**	**35.6**	**47.6**	**59.1**
Underlying operat. profit margin	%	4.07	4.88	5.87	6.65

Revenue Breakdown By Country

Revenue Breakdown By Country		12/23A	12/24E	12/25E	12/26E
Europe	%	42.1	42.1		
Of Which Italy	%	11.7	11.7		
Of Which Germany	%	6.10	6.10		
Of Which France	%	6.50	6.50		
Americas	%	25.0	25.0		
Of Which United States	%	20.6	20.6		
Asia	%	32.9	32.9		
Of Which China	%	9.50	9.50		
Other	%	0.00	0.00		

ROCE

ROCE		12/23A	12/24E	12/25E	12/26E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*3.85*	*4.83*	*6.26*	*7.14*
CFROIC	*%*	*-9.92*	*1.68*	*3.21*	*4.74*
Goodwill	€M	205	212	218	225
Accumulated goodwill amortisation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
All intangible assets	€M	66.0	66.0	66.0	66.0
Accumulated intangible amortisation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	€M	20.0	20.0	20.0	20.0
Other fixed assets	€M	85.0	92.0	99.0	106
Accumulated depreciation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€M	23.6	36.1	49.3	61.4
Other assets	€M	5.60	5.60	5.60	5.60
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€M**	**405**	**431**	**458**	**484**
Capital employed before depreciation	€M	405	431	458	484

Divisional Breakdown Of Capital Employed

Divisional Breakdown Of Capital Employed		12/23A	12/24E	12/25E	12/26E
Advanced Materials (ex Protective Films)	€M				
PCC Fashion Technologies	€M				
Personal Care (ex Healthcare Solutions)	€M				
Museum Solutions (ex Technical Substrates)	€M				
Luxury Fibers (ex Luxury Materials)	€M				
Personal Goods	€M				
Other	€M	405	431	458	484
Total capital employed	**€M**	**405**	**431**	**458**	**484**

Pension Risks

Summary Of Pension Risks

		12/23A	12/24E	12/25E	12/26E
Pension ratio	**%**	**4.59**	**8.68**	**8.26**	**7.78**
Ordinary shareholders' equity	€M	252	264	282	305
Total benefits provisions	**€M**	**12.1**	**25.1**	**25.4**	**25.8**
of which funded pensions	*€M*	*-0.90*	*7.08*	*6.57*	*6.08*
of which unfunded pensions	*€M*	*12.6*	*17.6*	*18.4*	*19.2*
of which benefits / health care	*€M*	*0.40*	*0.42*	*0.43*	*0.45*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
Company discount rate	*%*	*4.21*	*4.21*	*4.21*	*4.21*
Normalised recomputed discount rate	%		3.00		
Company future salary increase	*%*	*2.00*	*2.00*	*2.00*	*2.00*
Normalised recomputed future salary increase	%		4.33		
Company expected rate of return on plan assets	*%*	*3.50*	*3.50*	*3.50*	*3.50*
Normalised recomputed expd rate of return on plan assets	%		2.49		
Funded : Impact of actuarial assumptions	**€M**		**10.7**		
Unfunded : Impact of actuarial assumptions	**€M**		**9.63**		

Geographic Breakdown Of Pension Liabilities

		12/23A	12/24E	12/25E	12/26E
US exposure	%	33.0	33.0	33.0	33.0
UK exposure	%				
Euro exposure	%	67.0	67.0	67.0	67.0
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Balance Sheet Implications

		12/23A	12/24E	12/25E	12/26E
Funded status surplus / (deficit)	€M	0.90	-9.44	-8.76	-8.10
Unfunded status surplus / (deficit)	€M	-11.5	-21.9	-23.0	-24.2
Total surplus / (deficit)	€M	-10.6	-31.4	-31.8	-32.3
Total unrecognised actuarial (gains)/losses	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Provision (B/S) on funded pension	€M	-0.90	7.08	6.57	6.08
Provision (B/S) on unfunded pension	€M	12.6	17.6	18.4	19.2
Other benefits (health care) provision	€M	0.40	0.42	0.43	0.45
Total benefit provisions	**€M**	**12.1**	**25.1**	**25.4**	**25.8**

P&L Implications

		12/23A	12/24E	12/25E	12/26E
Funded obligations periodic costs	€M	0.00	0.10	-0.22	-0.20
Unfunded obligations periodic costs	€M	-1.20	-1.48	-1.80	-1.83
Total periodic costs	**€M**	**-1.20**	**-1.39**	**-2.01**	**-2.03**
of which incl. in labour costs	*€M*	*-0.90*	*-1.14*	*-1.14*	*-1.14*
of which incl. in interest expenses	*€M*	*-0.30*	*-0.25*	*-0.87*	*-0.89*

Funded Obligations		12/23A	12/24E	12/25E	12/26E
Balance beginning of period	**€M**	**13.7**	**13.2**	**22.6**	**21.6**
Current service cost	€M	0.00	0.00	0.00	0.00
Interest expense	€M	0.70	0.40	0.68	0.65
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	0.50	10.7	0.00	0.00
of which impact of change in discount rate	*€M*		*3.38*		
of which impact of change in salary increase	*€M*		*7.31*		
Changes to scope of consolidation	**€M**				
Currency translation effects	€M	-0.40	-0.40	-0.40	-0.40
Pension payments	€M	-1.30	-1.30	-1.30	-1.30
Other	€M	0.00	0.00	0.00	0.00
Year end obligation	**€M**	**13.2**	**22.6**	**21.6**	**20.5**

Plan Assets		12/23A	12/24E	12/25E	12/26E
Value at beginning	**€M**	**15.3**	**14.1**	**13.2**	**12.8**
Company expected return on plan assets	€M	0.70	0.49	0.46	0.45
Actuarial gain /(loss)	€M	0.00	-0.14	-0.13	-0.13
Employer's contribution	€M	0.00	0.00	0.63	0.58
Employees' contributions	€M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€M				
Currency translation effects	€M	-0.60	0.00	0.00	0.00
Pension payments	€M	-1.30	-1.30	-1.30	-1.30
Other	€M				
Value end of period	**€M**	**14.1**	**13.2**	**12.8**	**12.4**
Actual and normalised future return on plan assets	€M	0.70	0.35	0.33	0.32

Unfunded Obligations		12/23A	12/24E	12/25E	12/26E
Balance beginning of period	**€M**	**11.8**	**11.5**	**21.9**	**23.0**
Current service cost	€M	0.90	1.14	1.14	1.14
Interest expense	€M	0.30	0.35	0.66	0.69
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	0.00	9.63	0.00	0.00
of which Impact of change in discount rate	*€M*		*3.05*		
of which Impact of change in salary increase	*€M*		*6.58*		
Changes to scope of consolidation	€M		0.00	0.00	0.00
Currency translation effects	€M	-0.20	0.00	0.00	0.00
Pension payments	€M	-0.80	-0.70	-0.70	-0.70
Other	€M	-0.50	0.00	0.00	0.00
Year end obligation	**€M**	**11.5**	**21.9**	**23.0**	**24.2**

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a "**value**" approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' instrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%