Chargeurs

Les objectifs du groupe à l'horizon 2025 renforcent les ambitions en termes de croissance organique

Opinion	**Buy**
Upside (%)	59.0
Price (€)	21.52
Target Price (€)	34.2
Bloomberg Code	CRI FP
Market Cap (€M)	524
Enterprise Value (€M)	696

Momentum	GOOD
Sustainability	3/10
Credit Risk	BB➔

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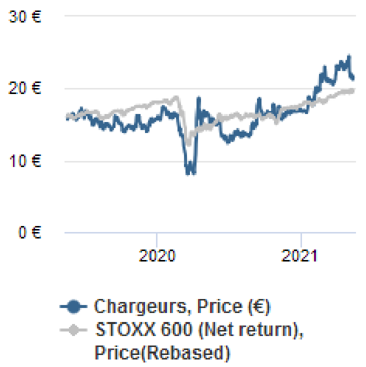

Conflicts of interest

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

PROS

- Chargeurs is focusing on no-nonsense profitable growth "à la Danaher", i.e. the small holding company is akin to a small industrial conglomerate
- The creation of Healthcare Solutions is proof of astute and effective management, becoming a fantastic asset that has helped the group leapfrog its diversification ambitions
- The main business, Protective Films, has a remarkable FCF potential as the need for quality in industrial processes is so ubiquitous

CONS

- The firm is small in absolute terms and may fall below most investors' radars
- Challenging market conditions in the fashion industry will continue weighing on the activities of CFT-PCC in FY21, with a material recovery expected not until FY22
- While Chargeurs' CEO has gained a large majority control of Columbus (30% controlling shareholder) in early 2019, which is good news for minorities, the detailed ownership of Columbus remains unknown

KEY DATA	12/19A	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	**26.6**	**9.00**	**19.1**	**16.6**	**13.8**
Dividend yield (%)	*2.28*	*8.34*	*2.79*	*3.02*	*3.35*
EV/EBITDA(R) (x)	9.10	5.48	9.55	8.71	6.95
Adjusted EPS (€)	**0.66**	**1.76**	**1.13**	**1.30**	**1.56**
Growth in EPS (%)	*-42.6*	*167*	*-35.9*	*15.0*	*20.5*
Dividend (€)	0.40	1.32	0.60	0.65	0.72
Sales (€M)	626	822	711	761	846
Underlying operat. profit margin (%)	*6.61*	*9.65*	*7.47*	*8.27*	*8.95*
Attributable net profit (€M)	15.1	41.0	26.2	30.3	36.8
ROE (after tax) (%)	**6.42**	**17.5**	**11.4**	**12.7**	**13.4**
Gearing (%)	*51.9*	*75.7*	*93.8*	*79.1*	*61.4*

Chargeurs (Buy)

Detailed financials at the end of this report

Key Ratios

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	9.00	19.1	16.6	13.8
EV/EBITDA	x	5.48	9.55	8.71	6.95
P/Book	x	1.54	2.25	1.99	1.72
Dividend yield	%	8.34	2.79	3.02	3.35
Free Cash Flow Yield	%	16.3	6.87	7.16	9.19
ROE (after tax)	%	17.5	11.4	12.7	13.4
ROCE	%	14.3	8.92	9.75	11.6
Net debt/EBITDA	x	2.43	3.39	2.96	2.19

Consolidated P&L

		12/20A	12/21E	12/22E	12/23E
Sales	€M	822	711	761	846
EBITDA	€M	102	72.8	78.7	95.6
Underlying operating profit	€M	79.3	48.7	55.3	68.2
Operating profit (EBIT)	€M	55.8	40.7	47.3	58.2
Net financial expenses	€M	-9.50	-10.5	-11.0	-12.0
Pre-tax profit before exceptional items	€M	46.3	30.2	36.3	46.2
Corporate tax	€M	-4.30	-4.56	-6.43	-9.94
Attributable net profit	€M	41.0	26.2	30.3	36.8
Adjusted attributable net profit	€M	40.3	26.2	30.3	36.8

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
Total operating cash flows	€M	84.0	61.5	64.5	76.7
Capital expenditure	€M	-14.9	-16.5	-17.3	-18.0
Total investment flows	€M	-76.9	-26.5	-27.3	-28.0
Dividends (parent company)	€M	-5.90	-18.8	-8.93	-10.2
New shareholders' equity	€M	-0.10	0.00	0.00	0.00
Total financial flows	€M	111	-50.4	-48.9	-59.6
Change in net debt position	€M	-20.8	2.87	14.5	23.8
Free cash flow (pre div.)	€M	59.6	34.5	36.2	46.7

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	€M	191	197	204	211
Total intangible	€M	229	235	242	249
Tangible fixed assets	€M	83.1	90.1	97.1	104
Right-of-use	€M	38.1	38.9	39.6	40.4
WCR	€M	19.6	18.4	18.1	19.1
Total assets (net of short term liabilities)	€M	456	433	449	467
Ordinary shareholders' equity (group share)	€M	237	223	254	295
Provisions for pensions	€M	16.8	18.2	18.4	18.7
Net debt / (cash)	€M	211	208	193	169
Total liabilities and shareholders' equity	€M	456	433	449	467

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**1.76**	**1.13**	**1.30**	**1.56**
Net dividend per share	**€**	**1.32**	**0.60**	**0.65**	**0.72**
Free cash flow per share	€	2.60	1.49	1.55	1.98
Book value per share	€	10.3	9.57	10.8	12.5
Number of diluted shares (average)	**Mio**	**22.9**	**23.2**	**23.4**	**23.5**

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Businesses & Trends

Chargeurs, under the aegis of a new owner-manager since the end of 2015, has quietly shifted from a status of a holding company essentially striving to pay back its bankers to that of an industrial conglomerate investing in profitable growth. So far this successful re-energising has been achieved with the same business lines, though they have also undergone a transformation following the management revamp.

As with any holding company/conglomerate type business, the key is the extent of the parent company's involvement in the daily operations. Strategy is obviously the remit of the owner while active management is rather unusual with holding companies but more with conglomerates. That is why Chargeurs falls into that category.

Active management goes with one motto: growth in high-value niche markets with a world scope. Unsurprisingly, "niche but world reach" is the common feature of the existing four business lines.

Chargeurs' 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.

The existing businesses are all profitable. After a first phase of relaunch/strategy redefinition, Chargeurs' management team invested in younger management and an acquisition team. After accumulating financial ammunition in 2017, Chargeurs fired its first significant shots in 2018, both acquisition-wise and by speeding capex and opex where returns were near-term realisations.

By mid-2019, Chargeurs had four business lines, while its growth ambitions (doubling of revenues by 2021) meant that a biggish acquisition was in the pipeline, possibly in a fifth business.

It may also be stressed that the new management team has displayed an inordinate ability to capture major society trends and turn them to its benefits. This is encapsulated in words such as going all digital, going for "premiumisation" & upmarket, embarking ESG best practices and playing with the ever more intricate supply chains. There is nothing here that other companies will not do, but Chargeurs seems particularly nimble at extracting more from such shifts.

Protective-Films, Chargeurs' staying cash machine

Protective Films 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.

2018 sales slowed down sharply after a firework 2017 when clients had both a good year and built up inventories. 2018 were flat on an organic basis. This included the 2016 acquisition of US Main Tape that presumably did well as it was brought to Chargeurs standards. This essentially added manufacturing capacity in the US, a much-needed step to reduce currency mismatches and to meet strong local demand.

Protective Films is still the most visible part of Chargeurs and where industrial performance matters most. The completion of new top notch capacity by H2 19 should be fairly effective in expanding the high value added part of the business

Fashion Technologies, made noble again

From 2015, Chargeurs split its “old” Interlining business into a “new” Interlining, now dubbed Fashion Technologies, and a speciality business called Technical Substrates (please see below).

Plugging a new name on an old business tends to misfire rapidly. Not here as the plans were clearly to steer the old business of supplying interlining for traditional garments to one of servicing fast-fashion with interlining being a starting point. The big move happened in 2018 when Chargeurs bought a business PCC with its entrepreneurial boss immediately promoted to the head of the revamped Fashion Technologies. PCC is no longer about a product but about servicing the fashion industry. The significance of the move is highlighted by the fact that the business has been rebranded PCC Fashion Technologies.

PCC started as a coating business which expanded in interlining that can be hot-fused in garments. Its geographical reach is very complementary to Chargeurs as it adds the US and Asia from which it derives 90% of its revenues. PCC clearly brings to Chargeurs an access to the fashion brands in these two territories. PCC appears to complement the original interlining business of Fashion Technologies by adding new territories but, above all, adding 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 lot). Brand designers indeed rely on subcontractors with frequent issues of quality consistency.

Fashion Technologies’ sales should overtake the €200m revenue mark as soon as 2019. EBIT margins may not be far from 9% once the integration of this €66m acquisition (7.5x Ebitda) is completed.

The 2018 regime change at Fashion Technologies is a big signal that this division, which employs half of the group’s staff but accounts for a quarter of sales, sees itself as capable of moving the needle.

Museum Solutions (ex-Technical Substrates): a growth story in unexpected ways

As soon as 2014, it appeared that non-apparel end-markets for interlining (which is essentially a sophisticated non-woven robust textile) had gained substance. This has been the case in the advertising industry where technical textile bases (although different from interlinings') appear to have found fresh usages. The principle is to endow technical textiles with the right substrate to give them ad hoc features (say capture only a certain type of light). In 2015, Chargeurs segregated these activities into a new business called Technical Substrates.

The growth potential from an admittedly low base is high and seems to be a case of discovering it as one walks. The acquisition of a small UK firm, Leach, has been a catalyst with the technical substrate being framed on a “lightbook”, thereby opening a vast market of high quality pictures used in fashion shops and museums alike. The latter quickly became the focus for the division through a series of acquisitions made in 2019. The addition of three companies (Design PM, MET Studio and Hypsos) to the Chargeurs roster of niche-focused businesses resulted in the creation of a market leader in the business of museum servicing. In early 2020, the strategic redirection of the business was fully established, through the acquisition of the market leader in the US-based museum services market, D&P Incorporated and the subsequent renaming of the division to Museum Solutions. Going beyond the original technical substrate offering provided by Leach, to now encompass the entire value chain in exhibit production and museum projects. The business ambitions are clearly set with a target tripling of 2018 sales to €100m by 2021, which is expected to be reached quite ahead of schedule thanks to the acquisition of D&P.

Luxury Materials (ex Chargeurs-Wool)

Chargeurs has long been a leading world player in the “top making” and sale of combed, top of the range wool (6% est. market share). It knows the wool industry inside-out but essentially withdrew from the risk side (industrial processing, market making) back in 2012. It is about servicing with a turnover highly dependent on wool prices, though no risk at the operating profit level, which is stable at around 2.5% of the turnover.

Its knowledge has been put at work when Chargeurs launched its plan to act as a quality guarantor over the full wool manufacturing process. Blockchain based end-to-end quality control for top quality wools is the objective so as to capitalise on the demand for ever-higher-quality natural fibres and ever-thinner materials. This is an ambitious plan (encapsulated under the Organica branding) as it will take time and considerable energy to convince the worldwide wool supply chain that this is a winning strategy. In 2018 and presumably to make the point, the wool business rebranded Luxury Materials launched a luxury wool brand: Amédée 1851 selling scarves. All very classy and useful to show that blockchain works in the wool industry.

Human assets

In all, in less than four years, Chargeurs has successfully given a new life to its four business lines through tight management and the conviction that any niche is worth exploring further. 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 about every observer.

Divisional Breakdown Of Revenues

	Sector	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
						€M	of % total	€M	of % total
Total sales		**822**	**711**	**761**	**846**	**-111**	**100%**	**50**	**100%**
Protective Films	Chemicals-Specialty	270	318	327	339	48	-43%	9	18%
PCC Fashion Technologies	Apparel,Textile,Fashion	132	146	167	196	14	-13%	21	42%
Museum Solutions (ex Techni...	Advanced Materials	51.6	61.9	75.5	92.2	10	-9%	14	27%
Luxury Materials	Apparel,Textile,Fashion	64.6	65.9	76.1	85.2	1	-1%	10	20%
Healthcare Solutions	Other Health Services	304	120	114	133	-184	166%	-6	-12%
Other		0.00 (1)	0.00 (1)	0.00	0.00	0	0%	0	0%

1. Acquired revenues. AV estimate. Possibly as part of a fifth business line

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	62.3%
Of which France	39.1%
Of which Italy	6.7%
Of which Germany	4.5%
Americas	19.1%
Of which United States	15.3%
Asia	18.7%
Of which China	7.0%

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

After a brilliant 2017, 2018 earnings slowed down on a combination of slowing global growth and well-flagged opex efforts to ramp up the long-term growth potential. 2018 managed a commendable lfl top-line growth of +2.6% and underlying operating profit up 6.5% and thus slightly improving margins, propped up by a rising mix.

Year after year, the Chargeurs mantra of doing better through staff training, premiumisation and branding appears to be paying off.

Defining a business model for a holding company/conglomerate is primarily making a case about a management philosophy. Chargeurs' is about keeping a firm hand on growth plans devised by imaginative younger managers. It seems to be about investing in human beings rather than flipping assets with a bunch of private equity style asset managers. Genuine no-nonsense value creation has its benefits: a build -up of real, palpable assets that minority shareholders can hope to share through a rising stream of dividends.

The above has produced convincing growth and earnings growth over the last four years. It may be tested further by the stated ambition to hit a €1bn target in revenues by 2021, i.e. through acquisitions. The foundations are here but the build -up will be an interesting one nevertheless.

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

Protective Films: hopefully less cyclical

Protective Films has been working hard to make itself a must in 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.

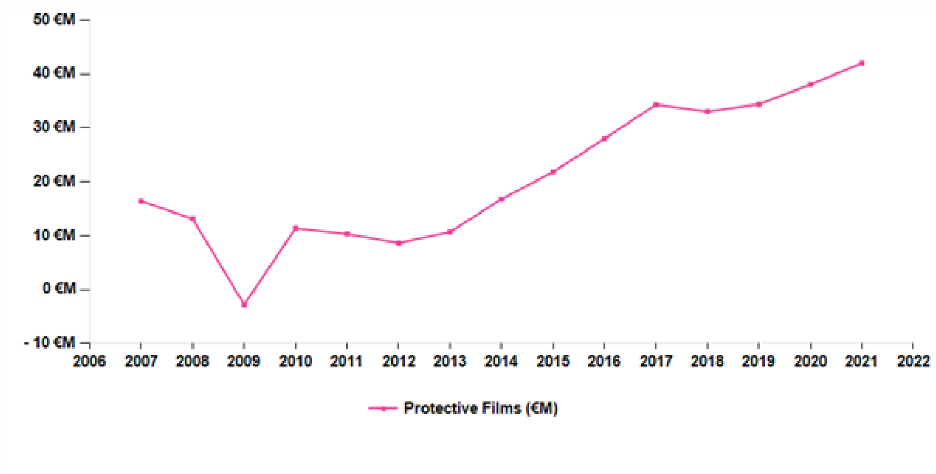
Adding capacity in the right geographies also helps smooth cycles. As a de facto speciality chemicals business (polyethylene is the main base input), Protective Films is all about capacity usage, productivity gains, passing on higher input costs through ad hoc price revisions and pass-through contracts,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

Like so many industrial firms, Protective Films has been making a dash for more with the acquisition of three small firms supplying thin-film application machines. This not only captures an extra turnover on must-have equipment but also offers an eye on the actual ways clients are using protective films. Providing extra insight into consumption will permit Protective Films to expand its service content, so far limited to delivery timeliness. This higher service component is a slow build-up process but creates the conditions for improved client stickiness and securing lasting high margins.

The near-term earnings outlook for Protective Films is one when new capacity will come on stream, then ramped up and marketed as part of a holistic effort to raise the value proposition. This means EBIT margins gaining a few blips.

Where the upper limits stand for EBIT margins is rather hard to gauge as the business is concentrated on a small number of players but faces no serious barrier to entry for a chemical group willing to have a go. That has not really happened so far. Growth and subsequent margins are more determined by the flow of acquisitions aimed at locking market share here and there, and organic growth through innovation, quality and services.

We see the Ebit developing as follows:



Source: Company reports, AlphaValue estimates.

Fashion Technologies

Fashion Technologies is driven by the apparel market and its inclination for boom-bust economics. Recovering historic 5% peak margins looked an aggressive target. Well, 2016 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) and 2018 shot through the roof to 9.2%, only partly helped by the booking over four months of the excellent margins at PCC.

The hunch that structural pressure due to competition from low-cost countries and fast-changing tastes could be dealt with a close collaboration with fast-fashion and strong-fashion brands proved correct. Designing the right type of high tech interlinings, helping clients, setting up capacity next to client plants and, above all, move into 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 extra short turnaround times. So that beyond the fact that price competition is bound to remain, there is a case in believing that margins may be partly defended by the higher level of service that Fashion Technologies is cultivating.

2018 showed a pickup in recurring EBIT margin that does not look sustainable in the near term as the business integrates PCC and invests in moving further upmarket. However, the clear message is that margins should no longer see the volatility of the old “interlining” business.

Museum Solutions (ex-Technical Substrates)

In its fourth year as a separate operation, the previously named Technical

Substrates' business model has shifted with the integration of Leach. What was an industrial act – producing technical substrates in the right quality – has now moved onto a final product (image displayed on a box) but with new unexpected markets such as museums. The growth ambitions with €100m planned by 2021 presumably mean acquisitions and most likely changing business models so that our 16% EBIT margin is more a stab in the dark than a substantiated guess. The recent acquisition of US market leader D&P Incorporated sheds some light on the profitability of the business, expecting a c.10% recurrent operating margin, although potential synergies unlocked from Chargeurs' roster of museum servicing companies may allow for improving margins in the mid-term.

Luxury Materials (ex. Wool)

The wool industry is a world apart to which the group is applying its recipes of raised 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.

As a reminder market risks associated with the wool markets have been capped to the equity held (50% stakes worth about €11m as close 2018) in the wool-transforming associates with no additional commitment. The business thus no longer ties up any significant capital so that ROCEs are actually not bad at c.10%. The risks have fallen but significant growth will hinge on a combination of demand shifts in favour of natural fibres and the ability of the division to charge for its effort to structure the industry along quality obligations with the help of modern tracking technologies.

Divisional Underlying operat. profit

	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€M	of % total	€M	of % total
Total	**79.3**	**53.1**	**62.9**	**75.7**	**-26**	**100%**	**10**	**100%**
Protective Films	17.0	28.9	34.4	36.9	12	-45%	6	56%
PCC Fashion Technologies	5.10	8.16	10.9	15.1	3	-12%	3	28%
Museum Solutions (ex Technical Substrates)	1.90	3.84	5.97	8.39	2	-7%	2	22%
Luxury Materials	-2.30	0.33	1.45	2.22	3	-10%	1	11%
Healthcare Solutions	63.5	17.4	15.4	18.3	-46	176%	-2	-20%
Other/cancellations	-5.90 (2)	-5.50 (2)	-5.20	-5.20	0	-2%	0	3%

2. Combines central costs at c.€8m a year and operating contribution for newly-acquired businesses

Divisional Underlying operat. profit margin

	12/20A	12/21E	12/22E	12/23E
Total	**9.65%**	**7.47%**	**8.27%**	**8.95%**
Protective Films	6.29%	9.10%	10.5%	10.9%
PCC Fashion Technologies	3.87%	5.60%	6.50%	7.70%
Museum Solutions (ex Technical Su...	3.68%	6.20%	7.90%	9.10%
Luxury Materials	-3.56%	0.50%	1.90%	2.60%
Healthcare Solutions	20.9%	14.5%	13.5%	13.7%

Valuation

We regard Chargeurs SA as an industrial conglomerate with a holding company profile as its activities are clearly independent and do not complement each other beyond sharing common central costs and resources despite the fact that they all address high value niche markets. It is for the parent holding company to make sure that the world reach of its subsidiaries is better shared on an ad hoc basis. Recent experience has shown that these industrial businesses, while unrelated, tend to move in synch in rapidly-deteriorating market conditions. There is little prospect of mutually offsetting business cycles in the current spread of assets.

Peer metrics are therefore mostly found within the holding company sector plus the odd reference to specialist chemicals as Protective Films are the dominant business of the small group with half of the sales and 67% of the EBITDA/recurring profits. We used to apply a discount to the peer-based reference P/E to account for the fact that Chargeurs' businesses are primarily B2B operations but the strong top-line growth combined with considerable agility no longer warrants this.

The DCF is based on fairly modest EBITDA growth of 3.2%, in line with industry expectations. We assume that the well managed net debt situation of the group would warrant a tight spread now at 300bp. This reflects the fact that the firm seems determined to keep a substantial financing buffer. The DCF-based valuation is allowing for an acquisition stream before 2021 to match sales target by that date. It also allows for a necessary rights issue at €100m, assuming it will add 4m shares at a price of €25. We make no allowance for the net present value of the tax assets (see below) beyond what stems from the relatively low tax rate projected from 2020 on (16%).

For the NAV, we stopped using 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 which leads to the Protective Films business accounting for c. 67% of the gross assets. The €165m net debt position expected by year-end assumes €70m in acquisitions in 2019.

Finally, there is the vexing issue of what to do with the huge tax loss carry forwards resulting from the historical losses. The previous view, that they were unlikely to be used up by operations over the next few years and the French tax rule tightening so that the open-ended portion was unlikely ever to materialise, is probably too cautious now that the earnings delivery of the group has been confirmed for the fourth year in a row. The "evergreen" tax loss carry forwards stand at €200m for the group at the closing of 2018, of which the bulk (€192m) in France. That matters, as Chargeurs will need French profits to make use of tax losses carry forwards. Assuming that post 2021 earnings growth at 3% a year and a 25% tax rate, the NPV of the tax loss carry forward would be c.€40m.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
NAV/SOTP per share		38.9	81%	55%
Dividend Yield	*Peers*	28.2	31%	20%
DCF		38.3	78%	10%
P/E	*Peers*	25.8	20%	10%
P/Book	*Peers*	15.9	-26%	5%
Target Price		**34.2**	**59%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	P/Book (x)	Yield(%)
Peers ratios	21.4	1.43	2.46
Chargeurs's ratios	17.9	2.13	2.89
Premium	0.00%	10.0%	10.0%
Default comparison based valuation (€)	**25.8**	**15.9**	**28.2**
AkzoNobel	27.6	3.71	1.99
GBL	21.4	0.69	3.15
Bolloré	10.9	1.01	1.42
Hal Trust	41.8	1.71	3.69
Solvay	43.6	2.33	2.48
Wacker Chemie	26.6	3.62	1.41
Ackermans & van Haaren	13.6	1.38	1.80
Sonae	6.96	0.68	6.17

DCF Valuation Per Share

WACC	%	7.72
PV of cashflow FY1-FY11	€M	443
FY11CF	€M	80.4
Normalised long-term growth"g"	%	2.00
Sustainability "g"	%	1.80
Terminal value	€M	1,357
PV terminal value	€M	645
PV terminal value in % of total value	*%*	*59.3*
Total PV	€M	1,088

Avg net debt (cash) at book value	€M	201
Provisions	€M	18.6
Unrecognised actuarial losses (gains)	€M	0.00
Financial assets at market price	€M	32.3
Minorities interests (fair value)	€M	0.00
Equity value	€M	901
Number of shares	Mio	23.5
Implied equity value per share	**€**	**38.3**
Sustainability impact on DCF	%	-2.44

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50
Target equity risk premium	%	5.00
Tax advantage of debt finance (normalised)	%	30.0
Average debt maturity	Year	5
Sector asset beta	x	0.86
Debt beta	x	0.56
Market capitalisation	€M	502
Net debt (cash) at book value	€M	208
Net debt (cash) at market value	€M	180

Company debt spread	bp	280
Marginal Company cost of debt	%	6.30
Company beta (leveraged)	**x**	**1.08**
Company gearing at market value	%	41.4
Company market gearing	%	29.3
Required return on geared equity	**%**	**8.91**
Cost of debt	%	4.41
Cost of ungeared equity	**%**	**7.82**
WACC	%	7.72

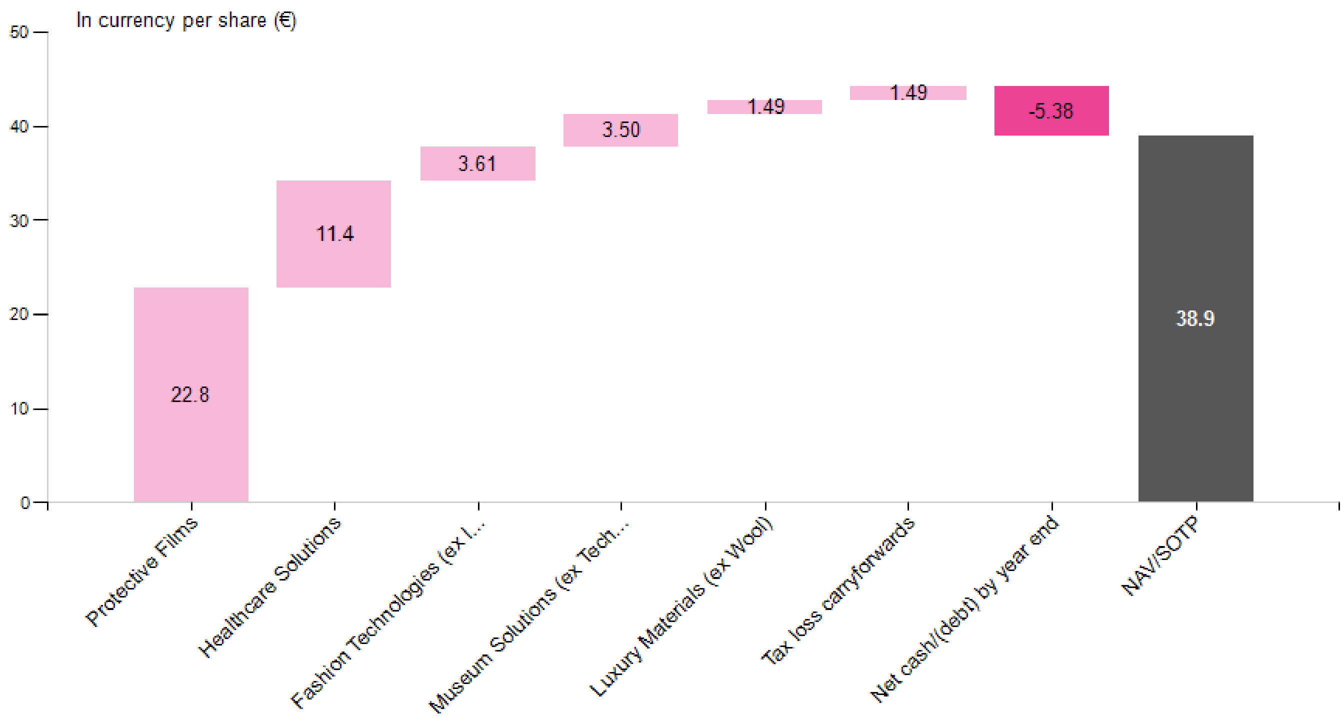
DCF Calculation

		12/20A	12/21E	12/22E	12/23E	Growth	12/24E	12/31E
Sales	€M	822	711	761	846	**3.00%**	871	1,071
EBITDA	€M	102	72.8	78.7	95.6	**3.00%**	98.5	121
EBITDA Margin	*%*	*12.5*	*10.2*	*10.3*	*11.3*		*11.3*	*11.3*
Change in WCR	€M	2.60	1.22	0.26	-0.99	**2.50%**	-1.02	-1.21
Total operating cash flows (pre tax)	€M	88.3	66.1	70.9	86.6		97.5	120
Corporate tax	€M	-4.30	-4.56	-6.43	-9.94	**2.50%**	-10.2	-12.1
Net tax shield	**€M**	**-2.85**	**-3.15**	**-3.30**	**-3.60**	**2.50%**	**-3.69**	**-4.39**
Capital expenditure	€M	-14.9	-16.5	-17.3	-18.0	**4.00%**	-18.7	-24.6
Capex/Sales	*%*	*-1.81*	*-2.32*	*-2.27*	*-2.13*		*-2.15*	*-2.30*
Pre financing costs FCF (for DCF purposes)	€M	66.3	41.8	43.9	55.1		64.9	78.8
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**	**66.3**	**41.8**	**43.9**	**55.1**		**64.9**	**78.8**
Discounted free cash flows	**€M**	**66.3**	**41.8**	**40.7**	**47.5**		**51.9**	**37.5**
Invested capital	€	377	390	404	419		436	574

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	14.5	537	537 [1]	22.8	51.5%
Healthcare Solutions	100%	EV/EBITDA	12	268	268	11.4	25.7%
Fashion Technologie...	100%	EV/EBIT	9	85.1	85.1 [2]	3.61	8.16%
Museum Solutions (e...	100%	EV/EBITDA	11	82.5	82.5	3.50	7.92%
Luxury Materials (ex ...	100%	Adj. historical price		35.0	35.0	1.49	3.36%
Tax loss carryforwards	100%	AlphaValue valuation		35.0	35.0 [3]	1.49	3.36%
Other							
Total gross assets					**1,042**	**44.2**	**100%**
Net cash/(debt) by year end					-127 [4]	-5.38	-12.2%
Commitments to pay							
Commitments received							
NAV/SOTP					915	38.9	87.8%
Number of shares net of treasury shares - year end (Mio)					**23.5**		
NAV/SOTP per share (€)					**38.9**		
Current discount to NAV/SOTP (%)					**44.6**		

1. Based on Speciality Chemicals multiples
2. Including PCC acquired in June 2018
3. NPV to 2018 of tax savings over the next 12 years through the use of tax loss carry forwards
4. Year-end expected group net cash position



Debt

From 2014, Chargeurs has been running a net cash position down to c.€9m in 2017 and shifting to a €92m net debt as a result of the 2017 and 2018 acquisitions.

Funding has not been an issue as Chargeurs' management wisely accumulated excess resources to that effect through a combination of private debt placings (Euro PP) between 2016 and 2017 and various credit lines. Most notably, Chargeurs syndicated a bank loan of €230m at the close of 2018. While the group is left with significant dry powder to go and purchase its growth, its 2021 objective of reaching €1bn in sales cannot be exclusively debt funded, with the company feeling comfortable with a net debt/EBITDA ratio below 2.5x. On a funding scenario used in AlphaValue modelling where Chargeurs raises €100m in new equity by 2020, its net debt/EBITDA ratio would remain below 1.5x.

Detailed financials at the end of this report

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	102	72.8	78.7	95.6
Funds from operations (FFO)	€M	70.4	50.0	53.5	66.0
Ordinary shareholders' equity	**€M**	**237**	**223**	**254**	**295**
Gross debt	€M	348	330	303	269
+ Gross Cash	€M	137	122	110	99.0
= Net debt / (cash)	**€M**	**211**	**208**	**193**	**169**
Gearing (at book value)	%	75.7	93.8	79.1	61.4
Adj. Net debt/EBITDA(R)	*x*	*2.43*	*3.39*	*2.96*	*2.19*
Adjusted Gross Debt/EBITDA(R)	*x*	*3.56*	*4.78*	*4.09*	*3.01*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*60.6*	*60.9*	*56.0*	*49.3*
Ebit cover	*x*	*8.62*	*4.73*	*5.16*	*5.84*
FFO/Gross Debt	*%*	*19.3*	*14.4*	*16.6*	*22.9*
FFO/Net debt	*%*	*33.4*	*24.0*	*27.7*	*38.9*
FCF/Adj. gross debt (%)	*%*	*16.3*	*9.91*	*11.2*	*16.2*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*5.14*	*5.94*	*2.26*	*4.15*
"Cash" FCF/ST debt	*x*	*1.52*	*1.32*	*0.56*	*1.34*

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 an active 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 three 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 2021 target at €1bn, which requires acquired growth and a rights issue according to our projections. It is unknown whether such acquired growth may end up adding a fifth business line.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Columbus Holding SAS	27.8%	29.8%	0.00%
Sycomore Asset Mgt	10.4%	10.2%	10.4%
Apparent free float			**72.2%**

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	**6/10**	25%
Board geographic diversity	**3/10**	20%
Chairman vs. Executive split	✗	5%
Environment		
CO^2 Emission	**1/10**	25%
Water withdrawal	**2/10**	10%
Social		
Wage dispersion trend	**3/10**	5%
Job satisfaction	**0/10**	5%
Internal communication	**10/10**	5%
Sustainability score	**3.1/10**	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 six 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, Ms Maria Varciu 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.

So far, so impressive, with presumably more to come in the shape of add-on acquisitions.

Governance score

Company (Sector)	Independent board
6.1 (5.3)	Yes

Parameters	Company	Sector	Score	Weight
Number of board members	7	10	9/10	5.0%
Board feminization	42	35	8/10	5.0%
Board domestic Density	85	68	3/10	10.0%
Average age of board's members	54	60	8/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	57	39	6/10	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			**6.1/10**	**100.0%**

Chargeurs (Buy)

Management

Name			Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Michaël FRIBOURG	M		CEO	1982	2015		1,325 (2019)	
Olivier BUQUEN	M		CFO		2016		(2019)	
Matthieu BALESCUT	M		Member of the management board	1976	2018			
Joelle FABRE-HOFFMEISTER	F		Member of the management board		2016			
Angela CHAN	F		Executive Officer	1967	2017			
Laurent DEROLEZ	M		Executive Officer	1958				
Sampiero LANFRANCHI	M		Executive Officer	1983	2017		(2019)	
Federico PAULLIER	M		Executive Officer	1960	2013			

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...	2018	1982	2015		0.00 (2019)	
Emmanuel COQUOIN	M		✗	Member	2020	1961	2015		64.6 (2019)	
Isabelle GUICHOT	F		✓	Member	2019	1966	2016		51.7 (2019)	
Cecilia RAGUENEAU	F		✓	Member	2020	1973	2017		64.6 (2019)	
Nicolas URBAIN	M		✗	Member	2019	1960	2015		64.6 (2019)	
Maria VARCIU	F		✓	Member	2021	1973	2019		38.8 (2019)	
Georges RALLI	M		✓	Secretary	2019	1948	2013		51.7 (2019)	

Environment

Environmental Score

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

Parameters	Score	Sector	Weight
Energy	2/10	4/10	25%
CO² Emission	1/10	3/10	30%
Waste	1/10	2/10	15%
Water withdrawal	2/10	4/10	30%

Company (Sector)

1.55 (3.38)

Environmental metrics

	Company 2018	Sector 2018
Energy (GJ) per €m in capital employed	3,001	394

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
GBL		2/10	n/a	n/a	n/a	n/a
Ackermans & van Haaren		2/10	n/a	n/a	811	n/a
Chargeurs		2/10	881,186	n/a	n/a	n/a
EdenRed		3/10	49,795	7,434	36,970	717
Vivendi		8/10	573,783	49,396	n/a	3,766
Bouygues		4/10	30,772,800	17,400,000	1,000,000	n/a
Eurazeo		3/10	10,373,748	806,754	37,979,804	44,377
Bolloré		4/10	5,627,624	346,672	1,731,283	188,942
Wendel		2/10	n/a	28,641	n/a	7,846
VIEL & Cie		2/10	n/a	n/a	n/a	n/a
Amundi		9/10	85,187	11,754	36,573	289
Worldline		10/10	320,571	6,857	22,437	549
DWS		4/10	n/a	11,982	n/a	n/a
Deutsche Boerse		10/10	245,171	6,736	74,633	32
Porsche		2/10	n/a	n/a	n/a	n/a
Nexi		9/10	64,977	79,694	49,927	621
Exor		2/10	110,106	n/a	n/a	7
Adyen		4/10	n/a	2,565	n/a	n/a
Hal Trust		2/10	n/a	n/a	n/a	n/a
Heineken Holding		4/10	25,604,800	1,529,000	93,100,000	4,443,250
Euronext NV		4/10	41,151	n/a	253,892	n/a
Sonae		3/10	3,470,999	198,540	2,938,251	125,433
Corporacion Financiera Alba		2/10	1,503	111	11	n/a
Investor		2/10	n/a	449,170	n/a	n/a
Industrivärden		2/10	n/a	18	n/a	n/a
Kinnevik Investment		2/10	n/a	602	n/a	n/a
London Stock Exchange Group		7/10	247,635	8,546	98,077	822

Social

Company (Sector)

6.0 (5.7)

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	7/10	15%
Average wage trend	3/10	30%
Share of added value taken up by staff cost	7/10	20%
Share of added value taken up by taxes	4/10	15%
Wage dispersion trend	3/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	4.6/10	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%

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 2018, Chargeurs employed 2,000 staff, a big jump from the c.1,600 of 2017. Obviously, this is due to acquisitions. About half is European based with the bulk (600) in France mainly driven by the Protective Films and Fashion Technologies operations. Chargeurs is keen both to rebalance its geography of production assets (i.e. new plants out of France) and the need to rejuvenate the French staff after many years of cost cutting.

Pension risks with a c.€17m deficit (mostly European unfunded plans) remain under control with the group using low discount rates to assess its obligations cautiously at least as far as Europe is concerned. The US discount rate at 4.3% seems correspondingly high.

Detailed financials at the end of this report

Summary Of Pension Risks

		12/20A	12/21E	12/22E	12/23E
Pension ratio	**%**	**8.56**	**7.54**	**6.78**	**5.96**
Ordinary shareholders' equity	€M	237	223	254	295
Total benefits provisions	**€M**	**22.2**	**18.2**	**18.4**	**18.7**
of which funded pensions	*€M*	*4.20*	*3.90*	*3.72*	*3.55*
of which unfunded pensions	*€M*	*17.6*	*13.9*	*14.3*	*14.8*
of which benefits / health care	*€M*	*0.40*	*0.41*	*0.42*	*0.42*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00

Geographic Breakdown Of Pension Liabilities

		12/20A	12/21E	12/22E	12/23E
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

Recent updates

05/05/2021
Minor EPS adjustments following Q1 top-line publication

Change in Target Price	€ 33.9 vs 34.0	-0.32%

The adjustments made to our FY21-22 EPS estimates have a negligible effect on our target price. We remain convinced on Chargeurs' solid business models and operational strengths, which are set to benefit from supportive demand trends including the progressive recovery of sectors such as construction and the lifting of lockdown restrictions in Western markets. The latter should also lead to an improvement in market conditions in the retail and fashion industries, ameliorating the outlook for CFT-PCC, CLM and the technical substrates business under CMS, all of which were most affected by the COVID-19 pandemic.

Change in EPS	2021 : € 1.13 vs 1.21	-6.73%
	2022 : € 1.30 vs 1.33	-2.84%

Following the publication of the record Q1 revenues, we have adjusted our FY21-22 EPS slightly; notably we have rectified our forecasts for the Protective Films division which overestimated the effect on revenues from the strong demand recovery seen across sectors such as construction due to a "restocking effect".

This results in CPF's FY21e revenues reaching €317m instead of €385m. We have also adjusted our profitability assumptions for the division in 2021, rising more in line with the 2019 performance. These changes have only a minor impact on our FY21e EPS.

05/05/2021
Protective Films and Healthcare Solutions lead to record Q1 results
Earnings/sales releases

Leveraging the strong demand from the construction sector, Chargeurs' Protective Films recorded robust sales growth, which, in combination with the top-line contribution of the group's novel division, Healthcare Solutions, allowed the group to record its best quarterly result in Q1. As the business lines most impacted by the pandemic continue on their progressive recovery, the solid momentum shown by CPF and CHS point to a very encouraging FY performance.

Fact
Chargeurs reported group revenues of €181m in Q1 21, corresponding to +15.9% lfl growth, mainly driven by the Protective Films division, which recorded +10.9% organic growth to €77m, and by Healthcare Solutions which contributed €42m to the group's top line. Still weighed down by the effects of lockdown restrictions and weak end markets, CFT-PCC and Luxury Materials posted revenue declines of 24.6% and 38.5%, respectively. Museum Solutions (+11.5% reported) benefited from a scope effect following the acquisition of D&P and Hypsos.

Revenue break-down by division

	First quarter			chg. 2021 vs. 2020		chg. 2021 vs. 2019	
(in €m)	**2021**	**2020**	2019	**reported**	**like-for-like**	reported	like-for-like
Protective Films	**76.5**	70.9	69.2	+7.9%	+10.9%	+10.5%	+12.7%
PCC Fashion Technologies	**31.6**	45.2	53.0	-30.1%	-24.6%	-40.4%	-34.9%
Museum Solutions	**12.6**	11.3	8.1	+11.5%	-19.5%	+55.6%	-50.6%
Luxury Materials	**18.4**	30.1	30.9	-38.9%	-38.5%	-40.5%	-39.8%
Chargeurs excl. Healthcare Solutions	***139.1***	*157.5*	*161.2*	*-11.7%*	*-10.9%*	*-13.7%*	*-16.2%*
Healthcare Solutions	**41.7**	-	-				
Chargeurs	**180.8**	**157.5**	**161.2**	**+14.8%**	**+15.6%**	**+12.2%**	**+9.7%**

Source: Company reports

The company made no changes to its FY outlook, and reaffirmed its target revenue for CHS of €50-100m in 2021.

Analysis

CPF: An impressive quarterly performance

Carried by rising demand coming from sectors such as construction, Protective Films was able to record its best quarterly result to date, after an already strong Q4 20, cementing the strong momentum that led us to upgrade significantly our FY21 outlook. The group's new-fangled Italian production plan allowed the division to meet this demand, helping support this upbeat scenario.

With a +10.9% lfl growth recorded in Q1 21, we have grounds to believe that the FY21 performance will be impressive. The Q1 20 comparison base was not particularly easy to one-up, as the division was spared from the effects of the pandemic at the time, which makes the Q1 21 beat all the more notable.

While the company did not share any profitability figures, the current high raw material prices such as polyethylene may lead to softer margins over H1 considering the solid volume growth, even if Chargeurs will be able gradually to pass on these higher prices to customers. Overall, we expect the division to return back to its 2019 profitability levels in 2021.

Reality check

Supportive trends stemming from the rapid recovery of the industrial activity and low inventory levels post-pandemic led us to increase substantially our top-line estimates for the division ahead of the publication of the Q1 results. We saw the current pressures on global supply chains, rising raw material prices and limited transport and freight capacity worldwide as signals of a strong trading environment that would allow CPF to outperform significantly.

While this is still the case, as analysts we are bound to the realm of what is possible, and have thus recognised a fault in our revenue estimates for FY21, which were far too optimistic at €385m, and has thus been adjusted to, a still record, €317m.

Another strong quarterly showing from Healthcare Solutions

Benefiting from a strong order book as CHS secured major tender bids with governments and municipalities including the sale of PPE and a new activity in biosecurity (disinfection of Rouen's mass transit network), the division is well on the way to achieve the €50-100m FY21 sales guidance, an objective that we deem quite conservative as our current forecasts stand at €120m.

Already expanding the scope and niches of this novel division, CHS has entered into the “wellness” space with the acquisition of the French-based hairbrush company, Fournival Altesse. While small in scale, this acquisition shows promise as management develops a genuine fourth growth pillar that enhances the group’s diversification efforts. Taking this into account, through organic expansion and follow-up acquisitions, we expect CHS to attain €133m in revenues by 2023.

CFT-PCC and Luxury Materials still under pressure

Standing as the hardest hit divisions due to the effects of the pandemic and lockdown restrictions on the fashion sector, the two divisions remain on a path of gradual recovery, with management noting market conditions improving in some geographies.

These tensions should ease over the course of the year, particularly in Western markets, which are now lifting restrictions as vaccination efforts advance. Nonetheless, we expect 2021 to be a transition year, with material recovery arriving by 2022.

Museum Solutions, strong order book but technical substrates still weak

The division saw its top line lifted by the contribution of D&P and Hypsos, the newest additions that lead Chargeurs’ museum servicing ambitions, a market that was less impacted by the pandemic than one would be led to believe, with many museums taking advantage of the several months’ closures imposed by lockdown restrictions to carry out major renovation projects.

On the other hand, the historical activities in technical substrates were still much affected by the lack of demand from key end markets such as retail and trade shows. Much like for the fashion-related activities, the gradual reopening of economies will see the trading environment improving over the course of 2021.

Impact

We adjust our FY21-22 estimates, including the rectification of CPF’s top-line figures. These changes have a marginal effect on our target price and we maintain our positive stance on the stock.

29/04/2021

Restocking effect uplifts our FY21-22 view on CPF

Change in Target Price € 34.2 vs 30.0 +14.0%

The valuation increases across the different valuation metrics result in a 14.0% higher target price, pushing us further in our Buy recommendation. Chargeurs Protective Films' strategic positioning and operational strengths stands to benefit from the supportive trading environment as global supply chains are subjected to the inventory rebuilding trend, as demonstrated by high raw material prices and limited transport and freight capacity worldwide. Moreover, based on the still challenging pandemic situation, 2021 is proving to be another exceptional year for the PPE market and thus for CHS, which contributes to our bullish scenario.

Change in EPS

2021 : € 1.21 vs 0.68	+78.9%
2022 : € 1.33 vs 1.07	+25.1%

The significant upgrade in our FY21-22 EPS forecasts is driven by: 1) improved revenue and margin expectations for the Protective Films division, from €285m previously to €385m and a recurring operating margin of 11.0% versus 7.9% in our previous estimates. We see a very supportive trading environment as the rapid recovery of the industrial activity and low inventory levels post-pandemic put CPF in a prime position to leverage the strong demand of industrial goods and construction materials, with margins benefiting from the division's high-end product portfolio and state-of-the-art production capacity.

2) Higher top-line expectations for CHS, reaching €120m in FY21 versus €85m previously, as demand for PPE may be stronger than anticipated through Q2-Q3 in response to the recrudescence of the sanitary crisis in India, which puts the global efforts in curbing the pandemic under threat.

Based on these changes, we see our group recurring operating income forecast increasing from €40.2m to €66.61m in FY21, which puts us 61% above consensus estimates, and our FY21 EPS increasing from €0.68 per share to €1.21. For FY22, the gradual cool-down of this "restocking effect" should see CPF's revenues and margins normalising, but still coming above our previous forecasts.

Change in NAV

€ 39.6 vs 34.4 +15.0%

We have updated our estimated NAV by increasing the forward-looking EBITDA used in the valuation of the CPF division, which fully explains the increase in our estimated NAV.

Change in DCF

€ 38.4 vs 34.6 +11.1%

The rise in our DCF-based valuation is driven by the higher earnings expectations in FY21-22, with EBITDA reaching €77.7m in FY21 and rising to €95.6m by 2023 (compared to €90.9m in our previous scenario). We have maintained the rest of our assumptions stable.

20/04/2021
Update

Change in EPS

2021 : € 0.68 vs 0.78	-13.1%
2022 : € 1.07 vs 1.04	+2.91%

We have revised our earnings expectations after incorporating the FY20 figures and rolling forward our estimates through to 2023. The FY21 EPS forecast sees a slight decline due to a more gradual recovery at CFT-PCC, with the fast-fashion market still in a weakened state due to the sanitary and economic crisis. Based on this, the FY21 margin stands at 5.5% versus 6.2% previously. Meanwhile, Protective Films should bounce back to 2019 margin levels by H1 22, and reach 10.0% by 2023, driven by strong pricing and improved mix towards higher-end products.

For Healthcare Solutions, we expect revenues to decline to a normalised level of c.€85m in FY21-22 as the demand for PPE tapers off with no 'shortage scenarios' in sight as the pandemic is brought under control by the current vaccination efforts. With the available offer, pricing should also normalise which leads to a lower recurring operating income margin of 12.7% compared to 20.9% in FY20. CHS is still a remarkable asset that has helped the group leapfrog its diversification ambitions; organic expansion and potential acquisitions in the "Wellness" space should help the division reach €113m in revenues by 2023, with a strong 13.9% recurring operating margin.

Change in NAV

€ 34.4 vs 31.9 +7.90%

The valuation of Chargeurs' business lines have been updated based on the revised forward-looking EBIT and EBITDA figures, aligned with the profitability targets presented in the new "Leap Forward 2025" strategic plan.

This is mainly led by Protective Films (accounting for 51% of gross assets), with a 7.7% value increase to €481m, based on higher forward looking EBITDA. The decrease in the group's net debt position used for the computation of our NAV/SOTP also contributed to the valuation upgrade, falling from €166m to €126.7m at the close of December 2020.

24/02/2021

CHS leads FY20 record result as Chargeurs embarks on new strategic plan

Earnings/sales releases

In a display of astute and agile management to face the difficult market context brought about by the pandemic, Chargeurs closed a successful FY20 with record profitability. This was driven by the group's new personal protective equipment venture, in addition to a solid rebound at its core Protective Films division. Parting from an improved scenario in 2021, the group now looks forward to its ambitious 2025 objectives which put a bigger focus on nurturing lfl growth.

Fact

Chargeurs had already released its group revenues for FY20 in January, figures that came in slightly below our forecasts (-2.3%). Meanwhile, the recurring operating result came in 4.5% above our forecast, reaching €79.3m, a historical high. The outperformance was driven by a stronger than anticipated profitability for Chargeurs Healthcare Solutions (CHS), which achieved an operating margin of 20.9% versus our 19.1% estimate. The operating performance for the group's historical businesses fell in line with our expectations.

The descriptive P&L provided by the company, shown in the table below, clearly displays the different drivers behind the FY20 record result.

In millions of euros	12/31/2020	12/31/2019	Change	
Revenue	822.0	626.2	31.3%	Very strong business at CHS and remarkable performance of CPF
Gross profit	219.0	167.0	31.1%	Accretive effect of CHS offsetting the temporary declines in the othe businesses
As a % of revenue	26.6%	26.7%		
EBITDA	102.4	60.0	70.7%	Strong contribution of CHS
As a % of revenue	12.5%	9.6%		
Recurring operating profit	79.3	41.4	91.5%	Record profitability linked to the performance of CHS and overall positive recurring operating profit for the historic businesses
As a % of revenue	9.6%	6.6%		
Amort. intangible assets linked to acq.	-5.3	-2.5		Increase in PPA linked to the acquisition of D&P
Non-recurring	-18.2	-7.0		Allocation to "Chargeurs Philanthropy" fund, acquisition costs and acceleration of some adaptations and reorganizations
Operating profit/(loss)	55.8	31.9	74.9%	
Net financial expense	-9.5	-11.5		Tight control of financial costs
Tax	-4.3	-4.9		Further capitalization of a part of tax loss carryforward, in particular linked to the acquisition of D&P in the US
Associates	-1.7	-0.4		
Net profit	40.3	15.1	166.9%	
Attributable net profit	41.0	15.1	171.5%	

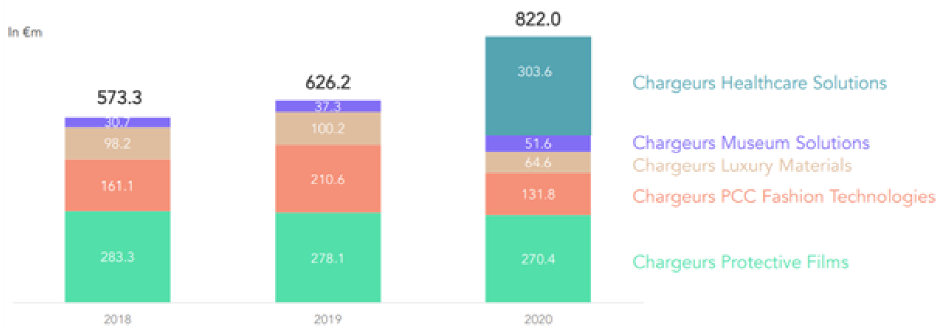
With regards to the group's net debt position, there was little change as it increased just slightly from €122.4m in 2019 to €126.7m at the close of FY20. This coupled with a record EBITDA of €102.4m, driven by the strong operating results, led to a 1.2x net debt/EBITDA ratio, putting the group on a solid stance to execute its new strategic plan with a 2025 horizon.

The notable results have been accompanied by a notable dividend, jumping from €0.40 per share last year to €1.32 per share on the FY20 earnings (of which €0.28 has already been paid as an interim dividend).

Analysis

Looking at Chargeurs' FY20 release, we have to recognise the feat achieved by the group's management, which was capable of turning an adverse context into an opportunity to create a novel business line that will now stand as the fifth pillar behind the group's newfound organic growth ambitions, as it turns the page from the previous Game Changers strategic plan. It is also an accomplishment that Chargeurs exits a turbulent 2020 with a more solid financial standing, while funding two tactical acquisitions adding the final flourish to complete the group's "one-stop-shop" Museum Solutions division.

Divisional revenue breakdown



Source: Company reports

Protective Films' strong Q4 20 bounce-back boosts 2021 outlook

Taking into account the very challenging trading environment in the CPF's main markets for a better part of last year, the division was able to recoup most of the ground lost, closing the year with revenues of €270.4m, only -1.8% lfl below the 2019 level.

Profitability was also relatively resistant, as CPF's products are an essential part of industrial supply chains worldwide, while its high-end market positioning helps diminish margin erosion. The decline was modest with the recurring operating profit margin falling from 8.5% in 2019 to 6.3% (€17.0m) in 2020. The resilient operating result should lead to a material improvement in 2021 as volumes recover to their pre-pandemic levels.

Fashion Technologies: fashion sector woes weigh on results and near term scenario
Due to its exposure to the fashion sector, which was hard-hit by the pandemic and the lockdown restrictions that have significantly curtailed the activities of fashion retailers, the division could not escape the drag on revenues and earnings that stand out as the "chip on the shoulder" of an otherwise positive end to the year. CFT-PCC saw its revenues fall by 35.3% lfl in FY20 to €131.8m, and recurring operating profit shrunk from €17.5m (8.3% margin) to €5.1m (3.9% margin).

Unlike CPF, the 2021 outlook for Fashion Technologies remains challenging, with management being transparent in that we will not see a return to the pre-pandemic levels in the near term. The focus this year should be in safeguarding profitability in the context of structurally-lower volumes, hence we see profitability improving to a 6.2% recurring operating margin in 2021.

Museum Solutions: New additions offset technical substrates weakness
The division's FY20 results were a contrast of the serious impact of the sanitary crisis on the activities of the legacy business and the good performance of the newest additions serving the niche of museum servicing and solutions. Regarding the former, the poor retail environment provoked by lockdowns and social distancing measures led to a decline in demand for publicity and posters in retail stores, while the complete lack of expo shows meant a double-blow to the main end-markets for the technical substrates business.

Meanwhile, Chargeurs roster of museum-focused businesses continued securing important contracts that should bring good visibility for the near team. Overall, this resulted in revenues falling 47.5% organically but increasing +38.3% reported to €51.6m. Recurring operating profit came in at €1.9m (3.7% margin).

Healthcare Solutions: Remarkable profitability was a welcome surprise
While we had already recognised the accomplishment of the €303.6m revenue contribution from Chargeurs' newest division. The real cherry on the cake was the exceptional profitability shown by a division that did not exist at the beginning of last year.

The 20.9% recurring operating margin stood above our already bullish (in our view) forecast. While the commercial success of its line of PPE products was facilitated by the unprecedented sanitary context, the fact that management was able to draw significant cash generation (recurring EBIT of €63.5m) out of existing assets should be applauded. Moreover, the division was built up with a minimal need of capital employed, as the latter remained basically stable compared to the group's 2019 level.

Although the breakthrough performance seen in FY20 is not likely to be replicated in FY21, as the pandemic is brought under control through the current vaccination efforts, Chargeurs' confidence in CHS reaching €50-100m in turnover this year shows that the company has been able to build a strategic asset that will support the group's growth ambitions, as outlined by the targets in its new strategic plan.

New strategic plan shares acquired growth and lfl growth ambitions
The publication of the 2020 results also marked the occasion for Chargeurs CEO, Mr Michael Fribourg, to present the roadmap that is set to guide the group over the next five years, dubbed "Leap Forward 2025". While the pursuit of acquired growth characterised the previous strategic plan, now that the group has been able to forge five divisions anchored in five distinct niches with solid growth potential prospects, the role that organic (embedded in Chargeurs' lingo) growth will be ever more important for it to reach is 2025 targets.

The group aims for €1.5bn in revenues by 2025, with a target profitability of 10%, corresponding to €150m in recurring operating profit, compared to a "normalised" 2019 level of €49m. The roughly €100m in additional recurring profitability is to come in equal parts from lfl growth and acquisitions. Debt should remain relatively stable (currently standing at a 0.5x equity gearing ratio). We see these objectives as a reassuring continuation of a strategy that has served the group well, as evidenced by the satisfactory performance in the midst of a sanitary and economic crisis.

Impact
Our model is currently under revision as we incorporate the FY20 figures and we roll forward our forecasts until 2023. We maintain our positive stance on the stock.

28/01/2021
Upgraded FY20 EBIT guidance improves earnings outlook

Change in EPS		
	2020 : € 2.07 vs 1.94	+6.40%
	2021 : € 0.78 vs 0.75	+3.66%

We have raised our EPS estimates for FY20 and FY21 on the back of an upgraded recurring operating profit guidance, from >€70m to over €75m. As a result, we have increased our underlying EBIT estimates from €71.8m to €76.1m in FY20, also increasing our operating result forecast for the Protective Films division (from €16.6m previously to €17.6m) driven by the division's FY20 reported revenues of €270m, which came in above our forecast of €256m.

28/01/2021
FY20 ends on a high note as Protective Films bounces back
Earnings/sales releases

While the FY revenues were clearly driven by the success of Chargeurs' venture into personal protective equipment under the Healthcare Solutions

banner, the Q4 figures held a welcome surprise as the Protective Films business bounced back to organic growth.

Fact

Chargeurs reported group revenues of €822m in FY20, a solid +27.5% lfl increase, led by the remarkable results from the Healthcare Solutions division (€304m contribution). Yet Q4 was led by the sales recovery at the Protective Films division (+8.2% lfl), nearly offsetting the COVID-19 hit, and putting Chargeurs' cash cow back on the path to profitable growth.

	Twelve months		Change		H2 20		Change		Q4 20		Change	
in millions of euros	2020	2019	reported	organic	2020	2019	reported	organic	2020	2019	reported	organic
Protective Films	**270.4**	278.1	-2.8%	-1.8%	**136,7**	136,0	+0.5%	+3.0%	**69.6**	66.2	+5.1%	+8.2%
Fashion Technologies (CFT-PCC)	**131.8**	210.6	-37.4%	-35.3%	**66,3**	102,9	-35.6%	-32.0%	**33.4**	54.4	-38.6%	-34.2%
Museum Solutions	**51.6**	37.3	+38.3%	-47.5%	**26,6**	19,2	+38.3%	-48.2%	**13.4**	12.6	+6.3%	-61.2%
Luxury Materials	**64.6**	100.2	-35.5%	-34.6%	**24,2**	42,0	-42.4%	-41.3%	**14.4**	20.5	-29.8%	-27.8%
Chargeurs excl. Healthcare Solutions	**518.4**	*626.2*	*-17.2%*	*-21%*	**253,8**	300,1	-15.4%	-18.4%	***130.8***	*153.7*	*-14.9%*	*-17.3%*
Healthcare Solutions	**303.6**	-			**49,7**	-			**3.0**	-		
Chargeurs	**822.0**	**626.2**	**+31.3%**	**+27.5%**	**303,5**	**300,1**	**+1.1%**	**-1.9%**	**133.8**	**153.7**	**-12.9%**	**-15.4%**

The company also upgraded its FY20 recurring operating profit guidance to over €75m (versus >€70m previously), while sticking to a cautious 2021 outlook as it prepares for the the new 2025 strategic plan to be presented in February.

Analysis

The trading performance of the Protective Films division saw a clear turnaround in H2, with growth accelerating in Q4 on the back of rising demand from construction and household appliances, which utilise the division's high quality films. The company was able to meet this demand, at least in part, due to the successful ramp -up from its newest production line in Italy.

The strong organic growth seen in Q4 almost fully offset the COVID-19 hit for the FY, closing only -1.8% lfl below the 2019 level, which was explained by unfavourable pricing for polyethylene. The +8.2% lfl growth from what has been Chargeurs' historical cash cow was likely the main driver behind the recurring operating income guidance upgrade announced by management.

While the group's other core businesses remain affected by the pandemic and the impact from lockdown and social distancing restrictions, Chargeurs was able to leverage its expertise and industrial assets from the CFT-PCC division and technical substrates (under the Museum Solutions banner) for the development of Healthcare Solutions, which became the main driver for the group's revenue growth in 2020.

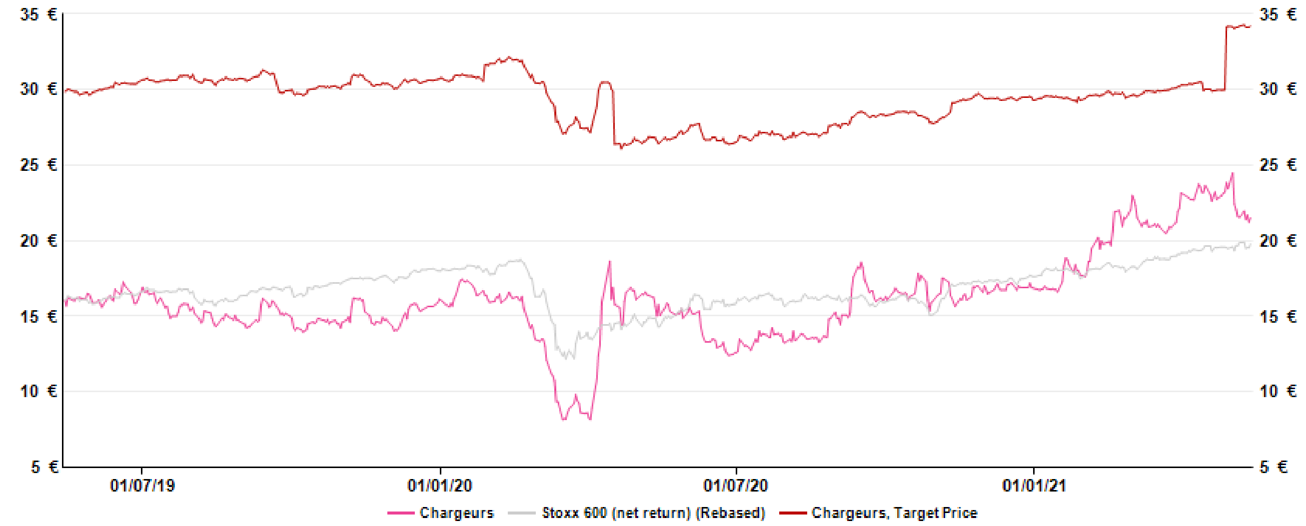
The €304m contribution from CHS and the commercial success of its line of personal protective equipment serves as proof of the remarkable execution by management to adapt and seize the opportunities brought by the sanitary crisis. Although the breakthrough performance seen in FY20 is not likely to be replicated in FY21, as the pandemic is brought under control through the current vaccination efforts, Chargeurs' confidence in CHS reaching €50-100m in turnover this year shows that the company has been able to build a strategic asset that will support the group's growth ambitions.

Impact

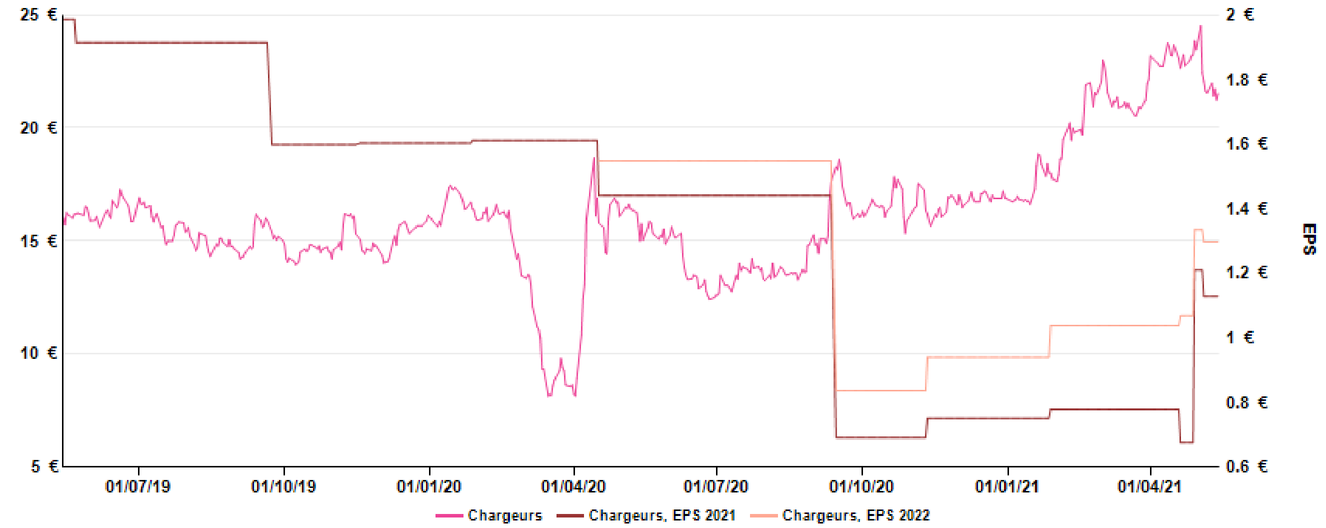
The FY20 revenues came in slightly below (-2.3%) our €841m forecast as we overestimated the sales performance of CHS over Q4. On the other hand, the sales activity from the Protective Films division significantly outperformed our estimates (€270m reported versus €256m expected).

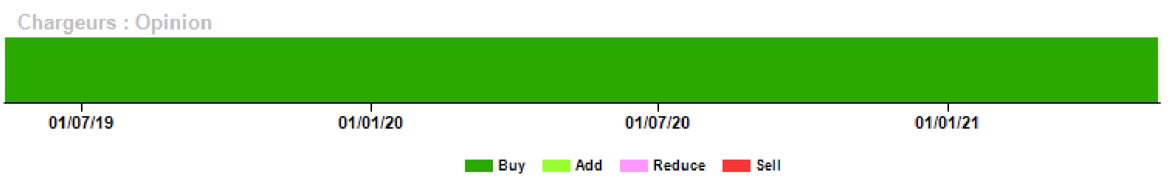
Given the improved cash generation prospects due to the high-margin contribution from CPF, we will raise our adjusted EBIT forecast for FY20 which should have a slight positive impact on our valuation. We maintain our positive stance on the stock.

Stock Price and Target Price

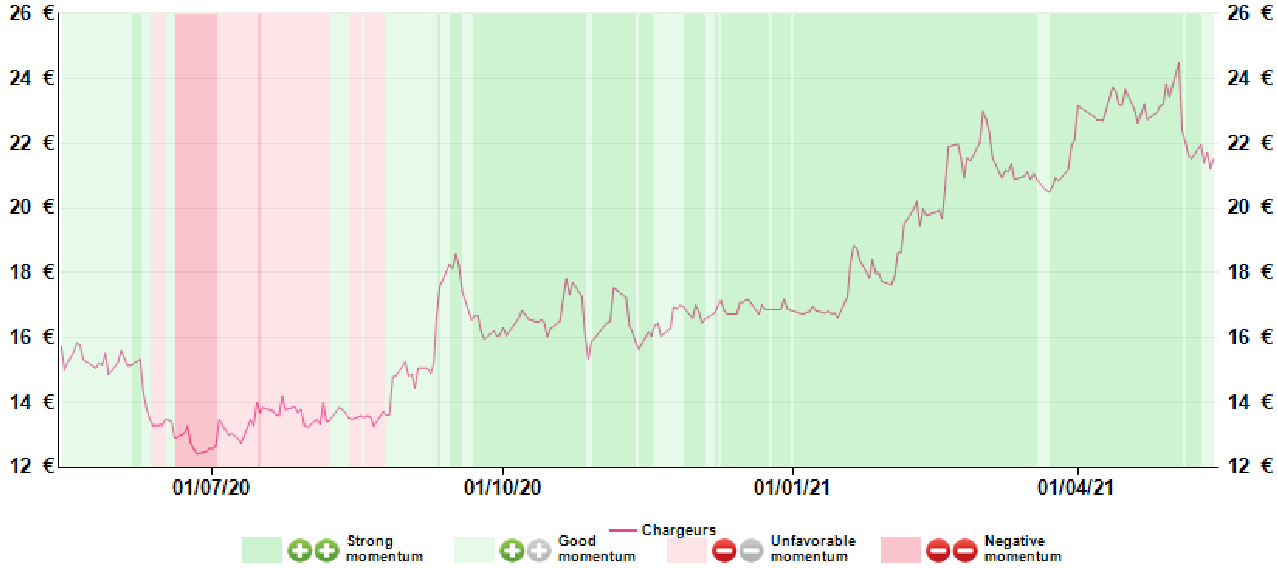


Earnings Per Share & Opinion





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.

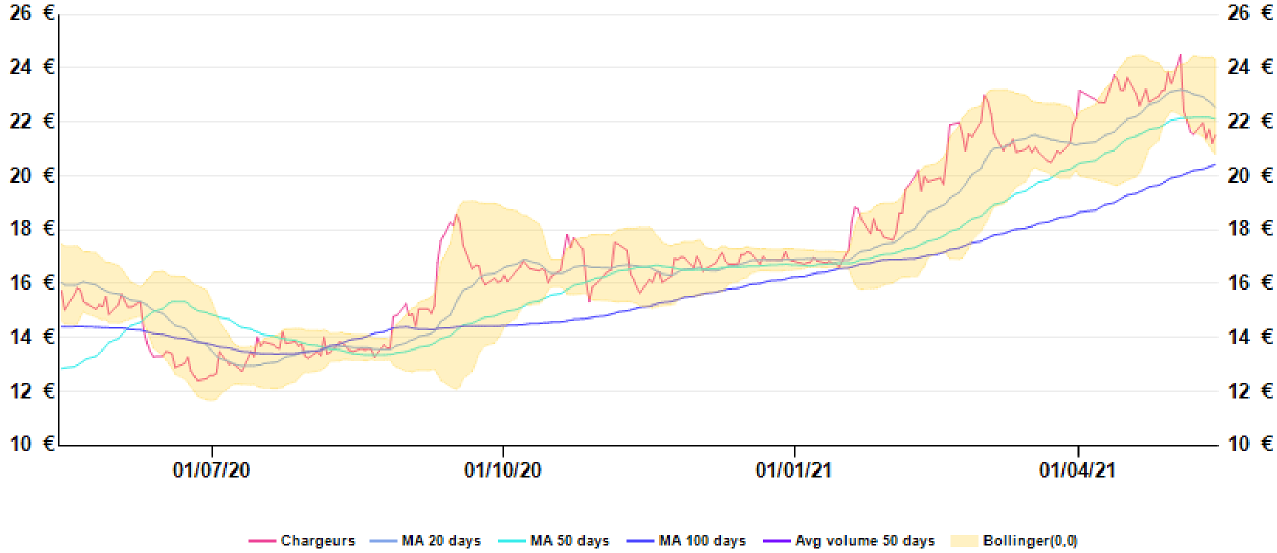
: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

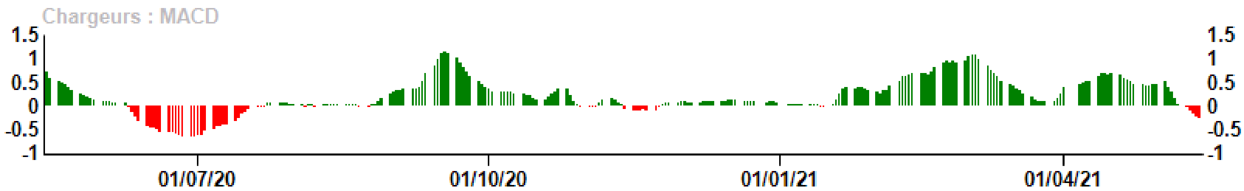
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

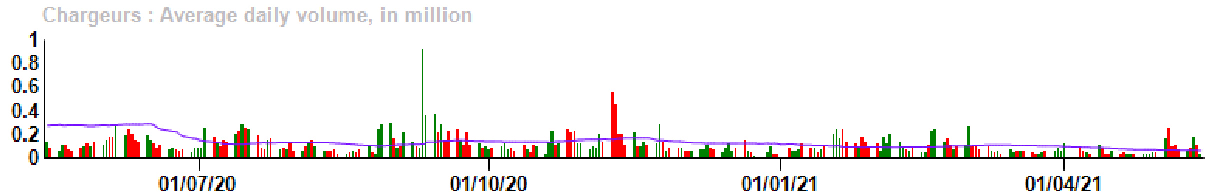
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

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

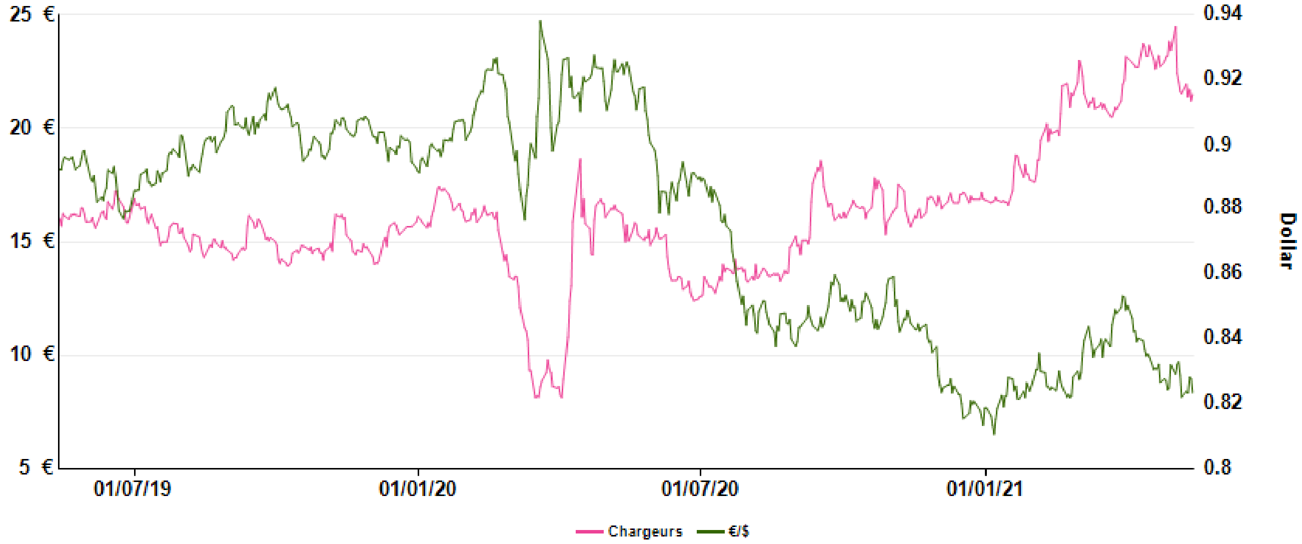
Moving Average MACD & Volume



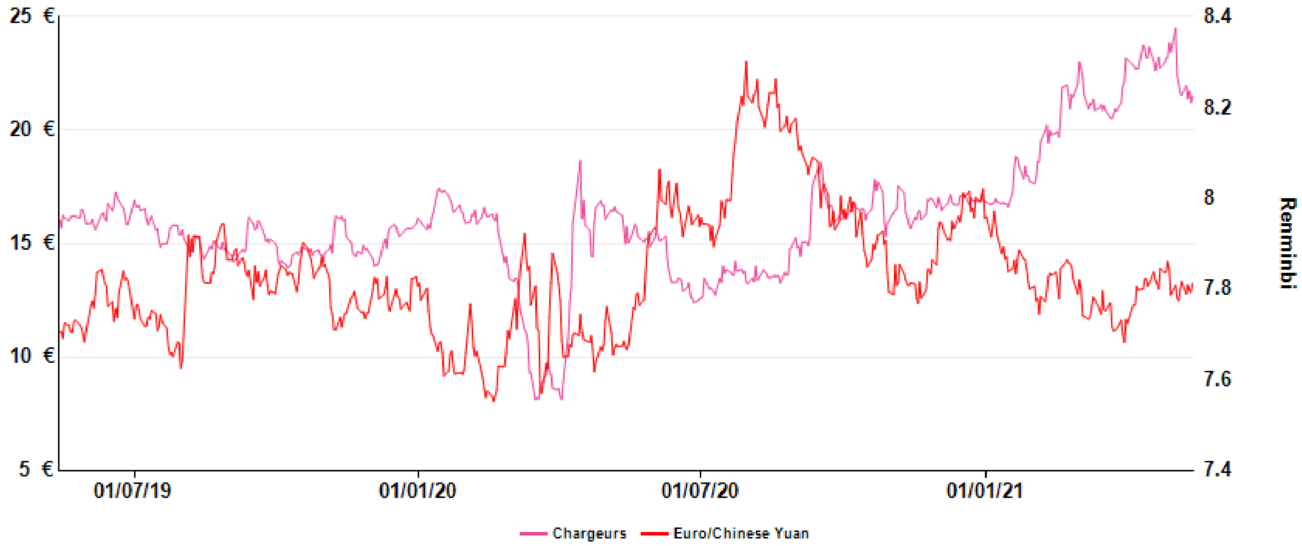




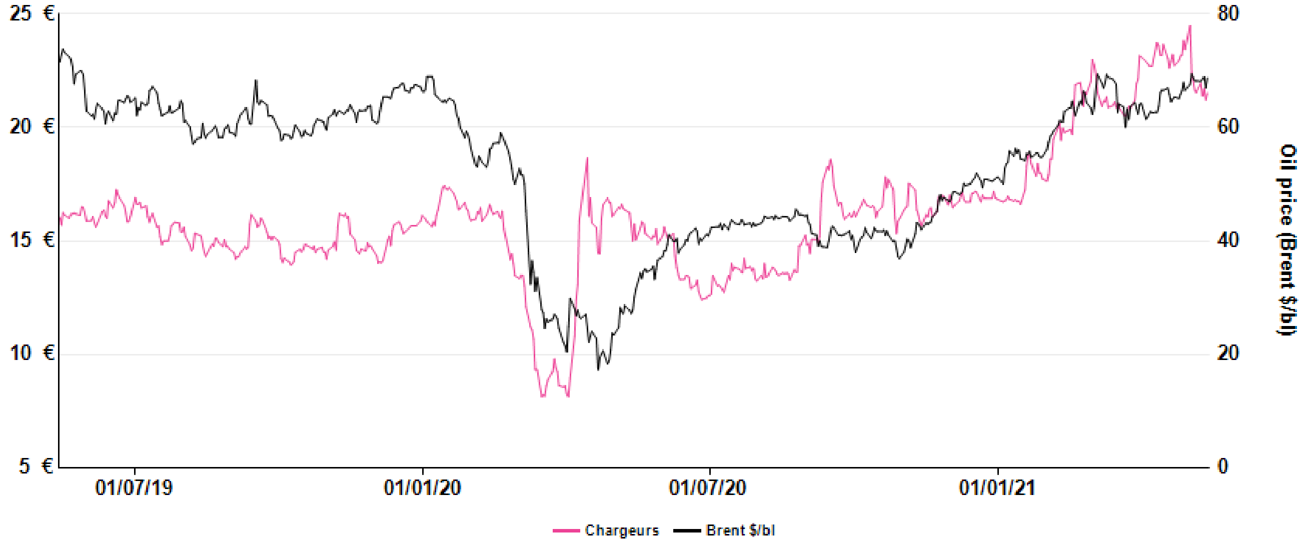
€/$ sensitivity



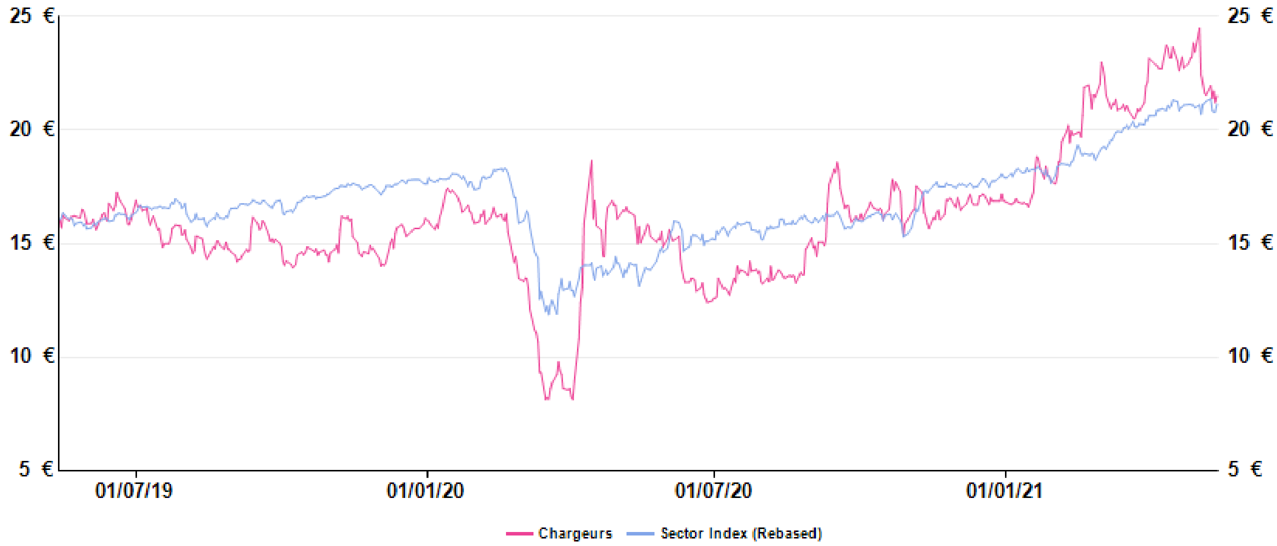
Euro/Chinese Yuan sensitivity



Brent $/bl sensitivity



Sector Other financials



Detailed Financials

Valuation Key Data

Valuation Key Data		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	**x**	**9.00**	**19.1**	**16.6**	**13.8**
Reported P/E	x	8.93	19.2	16.7	13.8
EV/EBITDA(R)	**x**	**5.48**	**9.55**	**8.71**	**6.95**
P/Book	**x**	**1.54**	**2.25**	**1.99**	**1.72**
Dividend yield	**%**	**8.34**	**2.79**	**3.02**	**3.35**
Free cash flow yield	*%*	*16.3*	*6.87*	*7.16*	*9.19*
Average stock price	€	15.8	21.5	21.5	21.5

Consolidated P&L

Consolidated P&L		12/20A	12/21E	12/22E	12/23E
Sales	€M	822	711	761	846
Sales growth	*%*	*31.3*	*-13.5*	*6.92*	*11.2*
Sales per employee	*€th*	*345*	*233*	*234*	*245*
Organic change in sales	*%*				
Purchases and external costs (incl. IT)	€M				
Staff costs	€M	-104	-114	-123	-132
Operating lease payments	€M	0.00	0.00	0.00	0.00
Cost of sales/COGS (indicative)	€M				
EBITDA	€M	102	72.8	78.7	95.6
EBITDA(R)	€M	102	72.8	78.7	95.6
EBITDA(R) margin	*%*	*12.5*	*10.2*	*10.3*	*11.3*
EBITDA(R) per employee	*€th*	*43.0*	*23.9*	*24.2*	*27.7*
Depreciation	€M	-20.6	-20.8	-19.9	-22.9
Depreciations/Sales	*%*	*2.51*	*2.92*	*2.62*	*2.71*
Amortisation	€M	-2.50 (3)	-3.30 (3)	-3.50	-4.50
Underlying operating profit	€M	79.3	48.7	55.3	68.2
Underlying operating margin	*%*	*9.65*	*6.85*	*7.26*	*8.07*
Other income/expense (cash)	€M	-18.2	-8.00	-8.00	-10.0
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	-5.30	0.00	0.00	0.00
Operating profit (EBIT)	€M	55.8	40.7	47.3	58.2
Interest expenses	€M	-11.0	-11.0	-11.5	-12.5
of which effectively paid cash interest expenses	*€M*	*-11.0*	*-11.0*	*-11.5*	*-12.5*
Financial income	€M	6.10	3.50	3.50	3.50
Other financial income (expense)	€M	-4.60	-3.00	-3.00	-3.00
Net financial expenses	€M	-9.50	-10.5	-11.0	-12.0
of which related to pensions	*€M*	*-0.30*	*-0.20*	*-0.28*	*-0.31*
Pre-tax profit before exceptional items	€M	46.3	30.2	36.3	46.2
Exceptional items and other (before taxes)	€M				
of which cash (cost) from exceptionals	*€M*				
Current tax	€M	-11.7	-7.56	-9.43	-12.9
Impact of tax loss carry forward	€M	6.40	3.00	3.00	3.00
Deferred tax	€M	1.00	0.00	0.00	0.00
Corporate tax	€M	-4.30	-4.56	-6.43	-9.94
Tax rate	*%*	*8.33*	*15.1*	*17.7*	*21.5*
Net margin	*%*	*5.11*	*3.61*	*3.92*	*4.29*
Equity associates	€M	-1.70	0.50	0.50	0.50
Actual dividends received from equity holdings	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Minority interests	€M	0.70	0.00	0.00	0.00

3. Depreciation of acquired intangible assets

Actual dividends paid out to minorities	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Income from discontinued operations	€M	0.00	0.00	0.00	0.00
Attributable net profit	€M	41.0	26.2	30.3	36.8
Impairment charges/goodwill amortisation	€M	5.30	0.00	0.00	0.00
Other adjustments	€M	-6.00			
Adjusted attributable net profit	€M	40.3	26.2	30.3	36.8
Interest expense savings	€M				
Fully diluted adjusted attr. net profit	€M	40.3	26.2	30.3	36.8
NOPAT	€M	54.0	34.8	39.4	48.5

Cashflow Statement

Cashflow Statement		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	102	72.8	78.7	95.6
Change in WCR	€M	2.60	1.22	0.26	-0.99
of which (increases)/decr. in receivables	*€M*	*-4.10*	*8.08*	*-4.48*	*-7.43*
of which (increases)/decr. in inventories	*€M*	*-18.7*	*15.5*	*-9.88*	*-17.1*
of which increases/(decr.) in payables	*€M*	*27.1*	*-22.3*	*14.6*	*22.6*
of which increases/(decr.) in other curr. liab.	*€M*	*-1.70*	*0.00*	*0.00*	*1.00*
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	-6.40	-4.56	-6.43	-9.94
Exceptional items	€M				
Other operating cash flows	€M	-14.6	-8.00	-8.00	-8.00
Total operating cash flows	€M	84.0	61.5	64.5	76.7
Capital expenditure	€M	-14.9	-16.5	-17.3	-18.0
Capex as a % of depreciation & amort.	*%*	*64.5*	*68.5*	*73.9*	*65.7*
Net investments in shares	€M	-53.0 (4)	-10.0 (4)	-10.0	-10.0
Other investment flows	€M	-9.00	0.00	0.00	0.00
Total investment flows	€M	-76.9	-26.5	-27.3	-28.0
Net interest expense	€M	-9.50	-10.5	-11.0	-12.0
of which cash interest expense	*€M*	*-11.0*	*-10.3*	*-10.7*	*-11.7*
Dividends (parent company)	€M	-5.90	-18.8	-8.93	-10.2
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	-0.10 (5)	0.00	0.00	0.00
of which (acquisition) release of treasury shares	*€M*	*-0.10*	*0.00*	*0.00*	*0.00*
(Increase)/decrease in net debt position	€M	136	-18.3	-26.3	-34.7
Other financial flows	€M	-7.80	-3.00	-3.00	-3.00
Total financial flows	€M	111	-50.4	-48.9	-59.6
Change in scope of consolidation, exchange rates & other	€M	-3.10	0.00	0.00	0.00
Change in cash position	€M	115	-15.4	-11.8	-10.9
Change in net debt position	€M	-20.8	2.87	14.5	23.8
Free cash flow (pre div.)	€M	59.6	34.5	36.2	46.7
Operating cash flow (clean)	€M	84.0	61.5	64.5	76.7
Reinvestment rate (capex/tangible fixed assets)	*%*	*17.9*	*18.3*	*17.8*	*17.3*

4. Normalised acquisition spending assumed to be at EV=1.5x sales

5. Rights issue or equivalent assumed to add 4m shares at €25 to keep borrowings at acceptable levels (debt/EBITDA <2x)

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	€M	191	197	204	211
Other intangible assets	€M	38.0	38.0	38.0	38.0
Total intangible	€M	229	235	242	249
Tangible fixed assets	€M	83.1	90.1	97.1	104
Right-of-use	€M	38.1	38.9	39.6	40.4
Financial fixed assets (part of group strategy)	€M	7.00	7.00	7.00	8.00
Other financial assets (investment purpose mainly)	€M	8.30	8.30	8.30	8.30
of which available for sale	*€M*	*0.00*			
WCR	€M	19.6	18.4	18.1	19.1
of which trade & receivables (+)	*€M*	*64.1*	*56.0*	*60.5*	*67.9*
of which inventories (+)	*€M*	*139*	*124*	*133*	*151*
of which payables (+)	*€M*	*184*	*161*	*176*	*198*
of which other current liabilities (+)	*€M*	*0.00*	*0.00*	*0.00*	*1.00*
Other current assets	€M	71.4	35.0	37.0	39.0
of which tax assets (+)	*€M*				
Total assets (net of short term liabilities)	€M	456	433	449	467
Ordinary shareholders' equity (group share)	€M	237	223	254	295
Minority interests	€M	-0.80	0.00	0.00	0.00
Provisions for pensions	€M	16.8	18.2	18.4	18.7
Other provisions for risks and liabilities	€M	0.40	0.40	0.40	0.40
Deferred tax liabilities	€M	-30.5	-30.0	-30.0	-30.0
Other liabilities	€M	22.2	13.4	13.4	13.4
Net debt / (cash)	€M	211	208	193	169
Total liabilities and shareholders' equity	€M	456	433	449	467
Average net debt / (cash)	€M	180	209	201	181

EV Calculations

		12/20A	12/21E	12/22E	12/23E
EV/EBITDA(R)	**x**	**5.48**	**9.55**	**8.71**	**6.95**
EV/EBIT (underlying profit)	**x**	**7.08**	**14.3**	**12.4**	**9.74**
EV/Sales	**x**	**0.68**	**0.98**	**0.90**	**0.79**
EV/Invested capital	x	1.49	1.79	1.70	1.59
Market cap	€M	366	502	505	508
+ Provisions (including pensions)	€M	17.2	18.6	18.8	19.1
+ 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	173	169	154	129
+ Right-of-use (from 2019)/Leases debt equivalent	€M	38.1	38.9	39.6	39.6
- Financial fixed assets (fair value) & Others	€M	32.3	32.3	32.3	32.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00	1.00
= Enterprise Value	**€M**	**562**	**696**	**685**	**665**

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**1.76**	**1.13**	**1.30**	**1.56**
Growth in EPS	*%*	*167*	*-35.9*	*15.0*	*20.5*
Reported EPS	€	1.77	1.12	1.29	1.56
Net dividend per share	**€**	**1.32**	**0.60**	**0.65**	**0.72**
Free cash flow per share	€	2.60	1.49	1.55	1.98
Operating cash flow per share	€	3.67	2.65	2.76	3.26
Book value per share	€	10.3	9.57	10.8	12.5
Number of ordinary shares	**Mio**	**24.2**	**24.4**	**24.5**	**24.7**
Number of equivalent ordinary shares (year end)	Mio	24.2	24.4	24.5	24.7
Number of shares market cap.	Mio	24.2	24.4	24.5	24.7
Treasury stock (year end)	Mio	1.04	1.04	1.04	1.04
Number of shares net of treasury stock (year end)	Mio	23.1	23.3	23.5	23.6
Number of common shares (average)	**Mio**	**22.9**	**23.2**	**23.4**	**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**	**22.9**	**23.2**	**23.4**	**23.5**
Goodwill per share (diluted)	€	0.23	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	1.53	1.13	1.30	1.56
EPS before goodwill amortisation (non-diluted)	€	1.79	1.13	1.30	1.56
Actual payment	€				
	%	**74.4**	**53.4**	**50.3**	**46.2**
Capital payout ratio (div +share buy back/net income)	**%**	**47.0**	**34.1**	**33.6**	

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	102	72.8	78.7	95.6
Funds from operations (FFO)	€M	70.4	50.0	53.5	66.0
Ordinary shareholders' equity	**€M**	**237**	**223**	**254**	**295**
Gross debt	€M	348	330	303	269
o/w Less than 1 year - Gross debt	€M	38.3	26.3	64.7	35.1
o/w 1 to 5 year - Gross debt	€M	168	163	139	138
of which Y+2	€M	26.3	64.7	35.1	41.7
of which Y+3	€M	64.7	35.1	41.7	21.7
of which Y+4	€M	35.1	41.7	21.7	40.0
of which Y+5	€M	41.7	21.7	40.0	35.0
o/w Beyond 5 years - Gross debt	€M	142	140	100	95.0
+ Gross Cash	€M	137	122	110	99.0
= Net debt / (cash)	**€M**	**211**	**208**	**193**	**169**
Bank borrowings	€M	120	108	103	98.2
Issued bonds	€M	81.0	81.0	81.0	82.0
Financial leases liabilities	€M	0.00	0.00	0.00	1.00
Other financing	€M	147	140	119	87.3
Gearing (at book value)	%	75.7	93.8	79.1	61.4
Adj. Net debt/EBITDA(R)	*x*	*2.43*	*3.39*	*2.96*	*2.19*
Adjusted Gross Debt/EBITDA(R)	*x*	*3.56*	*4.78*	*4.09*	*3.01*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*60.6*	*60.9*	*56.0*	*49.3*
Ebit cover	*x*	*8.62*	*4.73*	*5.16*	*5.84*
FFO/Gross Debt	*%*	*19.3*	*14.4*	*16.6*	*22.9*
FFO/Net debt	*%*	*33.4*	*24.0*	*27.7*	*38.9*
FCF/Adj. gross debt (%)	*%*	*16.3*	*9.91*	*11.2*	*16.2*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*5.14*	*5.94*	*2.26*	*4.15*
"Cash" FCF/ST debt	*x*	*1.52*	*1.32*	*0.56*	*1.34*

ROE Analysis (Dupont's Breakdown)

		12/20A	12/21E	12/22E	12/23E
Tax burden (Net income/pretax pre excp income)	x	0.89	0.87	0.84	0.80
EBIT margin (EBIT/sales)	%	6.79	5.73	6.21	6.89
Assets rotation (Sales/Avg assets)	%	195	160	172	185
Financial leverage (Avg assets /Avg equity)	x	1.79	1.93	1.85	1.67
ROE	**%**	**17.5**	**11.4**	**12.7**	**13.4**
ROA	%	16.8	11.8	13.2	15.7

Shareholder's Equity Review (Group Share)

		12/20A	12/21E	12/22E	12/23E
Y-1 shareholders' equity	€M	232	237	223	254
+ Net profit of year	€M	41.0	26.2	30.3	36.8
- Dividends (parent cy)	€M	-5.90	-18.8	-8.93	-10.2
+ Additions to equity	€M	-0.10	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	*€M*	*-0.10*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M	-30.8	-20.8	9.00	15.3
= Year end shareholders' equity	**€M**	**237**	**223**	**254**	**295**

Staffing Analytics

		12/20A	12/21E	12/22E	12/23E
Sales per staff	€th	345	233	234	245
Staff costs per employee	€th	-43.8	-37.5	-37.8	-38.2
Change in staff costs	*%*	*5.36*	*9.75*	*7.31*	*7.25*
Change in unit cost of staff	*%*	*-15.0*	*-14.4*	*0.70*	*1.04*
Staff costs/(EBITDA+Staff costs)	*%*	*50.4*	*61.1*	*60.9*	*57.9*
Average workforce	**unit**	**2,380**	**3,050**	**3,250**	**3,450**
Europe	unit	865	920	1,000	1,050
North America	unit	315	330	350	400
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	900	1,000	1,000	1,000
Other key countries	unit	300	800	900	1,000
Total staff costs	**€M**	**-104**	**-114**	**-123**	**-132**
Wages and salaries	€M	-104	-114	-122	-131
of which social security contributions	*€M*	*-24.7*	*-25.2*	*-25.7*	*-26.2*
Equity linked payments	€M				
Pension related costs	€M		-0.86	-0.86	-0.86

Divisional Breakdown Of Revenues

		12/20A	12/21E	12/22E	12/23E
Total sales	**€M**	**822**	**711**	**761**	**846**
Protective Films	€M	270	318	327	339
PCC Fashion Technologies	€M	132	146	167	196
Museum Solutions (ex Technical Substrates)	€M	51.6	61.9	75.5	92.2
Luxury Materials	€M	64.6	65.9	76.1	85.2
Healthcare Solutions	€M	304	120	114	133
Other	€M	0.00 (1)	0.00 (1)	0.00	0.00

1. Acquired revenues. AV estimate. Possibly as part of a fifth business line

Divisional Breakdown Of Earnings

		12/20A	12/21E	12/22E	12/23E
Underlying operat. profit Analysis					
Protective Films	€M	17.0	28.9	34.4	36.9
PCC Fashion Technologies	€M	5.10	8.16	10.9	15.1
Museum Solutions (ex Technical Substrates)	€M	1.90	3.84	5.97	8.39
Luxury Materials	€M	-2.30	0.33	1.45	2.22
Healthcare Solutions	€M	63.5	17.4	15.4	18.3
Other/cancellations	€M	-5.90 (2)	-5.50 (2)	-5.20	-5.20
Total	**€M**	**79.3**	**53.1**	**62.9**	**75.7**
Underlying operat. profit margin	%	9.65	7.47	8.27	8.95

2. Combines central costs at c.€8m a year and operating contribution for newly-acquired businesses

Revenue Breakdown By Country

		12/20A	12/21E	12/22E	12/23E
Europe	%	62.3	62.3		
Of Which Italy	%	6.70	6.70		
Of Which Germany	%	4.50	4.50		
Of Which France	%	39.1	39.1		
Americas	%	19.1	19.1		
Of Which United States	%	15.3	15.3		
Asia	%	18.7	18.7		
Of Which China	%	7.00	7.00		
Other	%	0.00	0.00		

ROCE

		12/20A	12/21E	12/22E	12/23E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*14.3*	*8.92*	*9.75*	*11.6*
CFROIC	*%*	*15.8*	*8.85*	*8.96*	*11.1*
Goodwill	€M	191	197	204	211
Accumulated goodwill amortisation	*€M*	*16.0*	*16.0*	*17.0*	*18.0*
All intangible assets	€M	38.0	38.0	38.0	38.0
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	38.1	38.9	39.6	39.6
Other fixed assets	€M	83.1	90.1	97.1	104
Accumulated depreciation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€M	19.6	18.4	18.1	19.1
Other assets	€M	7.00	7.00	7.00	8.00
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€M**	**377**	**390**	**404**	**419**
Capital employed before depreciation	€M	393	406	421	437

Divisional Breakdown Of Capital Employed

		12/20A	12/21E	12/22E	12/23E
Protective Films	€M				
PCC Fashion Technologies	€M				
Museum Solutions (ex Technical Substrates)	€M				
Luxury Materials	€M				
Healthcare Solutions	€M				
Other	€M	377	390	404	419
Total capital employed	**€M**	**377**	**390**	**404**	**419**

Pension Risks

Summary Of Pension Risks

		12/20A	12/21E	12/22E	12/23E
Pension ratio	**%**	**8.56**	**7.54**	**6.78**	**5.96**
Ordinary shareholders' equity	€M	237	223	254	295
Total benefits provisions	**€M**	**22.2**	**18.2**	**18.4**	**18.7**
of which funded pensions	*€M*	*4.20*	*3.90*	*3.72*	*3.55*
of which unfunded pensions	*€M*	*17.6*	*13.9*	*14.3*	*14.8*
of which benefits / health care	*€M*	*0.40*	*0.41*	*0.42*	*0.42*
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
Company discount rate	*%*	*2.34*	*2.34*	*2.34*	*2.34*
Normalised recomputed discount rate	%		2.00		
Company future salary increase	*%*	*2.00*	*2.00*	*2.00*	*2.00*
Normalised recomputed future salary increase	%		2.00		
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	%		2.82		
Funded : Impact of actuarial assumptions	**€M**		**1.30**		
Unfunded : Impact of actuarial assumptions	**€M**		**1.15**		

Geographic Breakdown Of Pension Liabilities

		12/20A	12/21E	12/22E	12/23E
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

		12/20A	12/21E	12/22E	12/23E
Funded status surplus / (deficit)	€M	-4.20	-5.57	-5.31	-5.08
Unfunded status surplus / (deficit)	€M	-16.5	-18.3	-18.9	-19.5
Total surplus / (deficit)	€M	-20.7	-23.8	-24.2	-24.6
Total unrecognised actuarial (gains)/losses	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Provision (B/S) on funded pension	€M	4.20	3.90	3.72	3.55
Provision (B/S) on unfunded pension	€M	17.6	13.9	14.3	14.8
Other benefits (health care) provision	€M	0.40	0.41	0.42	0.42
Total benefit provisions	**€M**	**22.2**	**18.2**	**18.4**	**18.7**

P&L Implications

		12/20A	12/21E	12/22E	12/23E
Funded obligations periodic costs	€M	-0.20	0.03	-0.03	-0.04
Unfunded obligations periodic costs	€M	-0.90	-1.08	-1.11	-1.13
Total periodic costs	**€M**	**-1.10**	**-1.05**	**-1.14**	**-1.16**
of which incl. in labour costs	*€M*	*-0.80*	*-0.86*	*-0.86*	*-0.86*
of which incl. in interest expenses	*€M*	*-0.30*	*-0.20*	*-0.28*	*-0.31*

Funded Obligations

		12/20A	12/21E	12/22E	12/23E
Balance beginning of period	**€M**	**18.4**	**18.6**	**18.4**	**16.9**
Current service cost	€M	0.10	0.11	0.11	0.11
Interest expense	€M	0.70	0.37	0.37	0.34
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	1.40	1.30	0.00	0.00
of which impact of change in discount rate	*€M*		*1.30*		
of which impact of change in salary increase	*€M*		*0.00*		
Changes to scope of consolidation	**€M**				
Currency translation effects	€M	0.00	0.00	0.00	0.00
Pension payments	€M	-2.00	-2.00	-2.00	-2.00
Other	€M	0.00	0.00	0.00	0.00
Year end obligation	**€M**	**18.6**	**18.4**	**16.9**	**15.3**

Plan Assets

		12/20A	12/21E	12/22E	12/23E
Value at beginning	**€M**	**13.8**	**14.4**	**12.8**	**11.5**
Company expected return on plan assets	€M	0.60	0.50	0.45	0.40
Actuarial gain /(loss)	€M	1.70	-0.10	-0.09	-0.08
Employer's contribution	€M	0.30	0.00	0.37	0.35
Employees' contributions	€M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€M				
Currency translation effects	€M	0.00	0.00	0.00	0.00
Pension payments	€M	-2.00	-2.00	-2.00	-2.00
Other	€M				
Value end of period	**€M**	**14.4**	**12.8**	**11.5**	**10.2**
Actual and normalised future return on plan assets	€M	2.30	0.41	0.36	0.33

Unfunded Obligations

		12/20A	12/21E	12/22E	12/23E
Balance beginning of period	**€M**	**15.1**	**16.5**	**18.3**	**18.9**
Current service cost	€M	0.70	0.75	0.75	0.75
Interest expense	€M	0.20	0.33	0.36	0.38
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M	1.00	1.15	0.00	0.00
of which Impact of change in discount rate	*€M*		*1.15*		
of which Impact of change in salary increase	*€M*		*0.00*		
Changes to scope of consolidation	€M	0.00	0.00	0.00	0.00
Currency translation effects	€M	0.00	0.00	0.00	0.00
Pension payments	€M	-0.50	-0.50	-0.50	-0.50
Other	€M	0.00	0.00	0.00	0.00
Year end obligation	**€M**	**16.5**	**18.3**	**18.9**	**19.5**

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%

