



Chargeurs

Holding Companies / France

Updated outlook emphasises organic growth ambitions

Now pursuing organic growth ambitions - 14/09/2020

Change in Target Price

€ 28.5 vs 28.2 **+1.15%**

Our target price is virtually unchanged following the review of our assumptions post the H1 results. The valuation boost from our estimated NAV, thanks to the inclusion of a fifth division (CHS), was counterbalanced by the slightly lower DCF and multiple-based valuation due to lower earnings expectations in FY21-22.

Nonetheless, we are encouraged by the strategic shift, prioritising organic growth above bolt-on acquisitions. As a result, we have removed our assumption for a future capital increase of €100m, as we believe Chargeurs' organic growth ambitions will be primarily funded by internal resources. We see this change, made viable (at least in part) by the accomplishments made in H1, as a clear positive for shareholders.

Change in EPS

2020 : € 1.70 vs 0.81 **+110%**
2021 : € 0.69 vs 1.44 **-52.0%**

Our FY20 EPS estimate sees a major upgrade after the inclusion of the superb H1 results led by Chargeurs Healthcare Solutions. We expect H2 2020 and FY21 to be challenging for the group's historical businesses, CFT-PCC and CLM in particular due to their exposure to the weakened fashion and luxury sectors. In spite of this cautious scenario (in our view), we stand clearly above the €750m in revenues and €60m in operating profit guidance provided by management for 2020. We also see potential upside on a relatively stronger H2 for CPF, which proved quite resilient in H1.

Change in NAV

€ 31.2 vs 26.6 **+17.5%**

Our NAV/SOTP valuation is mainly impacted by the inclusion of Chargeurs Healthcare Solutions, a division that was entirely built-up with internal resources, explaining the significant valuation boost. In addition, the removal of an expected capital increase resulted in a mechanical increase to our NAV per share due to the decreased equity dilution. We still expect equity capital to increase by c.150k shares per year on account of dividends that can be electively paid in shares.

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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy

Upside : 53.0%

Target Price (6 months)	€ 28.5
Share Price	€ 18.6
Market Cap. €M	450
Price Momentum	STRONG
Extremes 12Months	8.61 ▶ 19.8
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

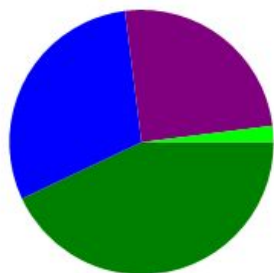
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PERF	1w	1m	3m	12m
Chargeurs	16.8%	28.6%	30.3%	19.6%
Other financials	2.18%	0.20%	8.95%	3.97%
SXXR Index	1.67%	-1.68%	4.78%	-3.51%

Last updated: 14/09/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	27.5	11.0	27.0	22.3
Dividend yield (%)	2.21	3.65	3.49	3.76
EV/EBITDA(R) (x)	9.32	6.71	9.22	7.48
Adjusted EPS (€)	0.66	1.70	0.69	0.84
Growth in EPS (%)	-42.6	157	-59.3	21.0
Dividend (€)	0.40	0.68	0.65	0.70
Sales (€M)	626	812	637	695
Underlying operat. profit ma...	6.61	8.29	6.46	7.79
Attributable net profit (€M)	15.1	38.8	15.9	19.4
ROE (after tax) (%)	6.42	14.3	4.83	5.21
Gearing (%)	51.9	51.2	48.5	42.6

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Sales by Geography



Europe	(43.0%)
Americas	(30.0%)
Asia	(25.0%)
Other	(2.0%)

Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	626	812	637
Change in sales	%	9.23	29.6	-21.5
Change in staff costs	%	7.15	6.23	9.74
EBITDA	€M	60.0	87.0	63.6
EBITDA(R) margin	%	9.58	10.7	9.98
Depreciation	€M	-18.6	-19.7	-22.5
Underlying operating profit	€M	38.9	63.8	36.2
Operating profit (EBIT)	€M	31.9	56.8	28.2
Net financial expense	€M	-11.5	-12.8	-16.8
of which related to pensions	€M	-0.30	-0.14	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.92	-5.70	4.09
Equity associates	€M	-0.40	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	15.1	38.8	15.9
NOPAT	€M	27.0	45.3	26.0

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	60.0	87.0	63.6
Change in WCR	€M	-13.3	11.9	3.48
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-3.30	-5.70	4.09
Exceptional items	€M			
Other operating cash flows	€M	-8.10	-8.00	-8.00
Total operating cash flows	€M	35.3	85.2	63.2
Capital expenditure	€M	-25.3	-15.0	-18.0
Total investment flows	€M	-34.7	-73.6	-28.0
Net interest expense	€M	-11.5	-12.8	-16.8
Dividends (parent company)	€M	-8.60	-16.4	-15.8
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-9.80	0.00	0.00
Total financial flows	€M	-15.2	97.1	-75.7
Change in cash position	€M	-16.1	109	-40.5
Free cash flow (pre div.)	€M	-1.50	57.4	28.4

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	22.7	23.0	23.2
Number of diluted shares (average)	Mio	22.8	22.9	23.1
Benchmark EPS	€	0.66	1.70	0.69
Restated NAV per share	€			
Net dividend per share	€	0.40	0.68	0.65

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 31.2	55%	● Ackermans & van H...
Dividend Yield	€ 25.5	20%	● Wacker Chemie
DCF	€ 32.8	10%	● AkzoNobel
P/E	€ 20.3	10%	● Solvay
P/Book	€ 18.8	5%	● Bolloré
TARGET PRICE	€ 28.5	100%	● GBL
			● Sonae
			● Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	136	206	213
Total intangible	€M	173	244	251
Tangible fixed assets	€M	87.3	110	134
Financial fixed assets	€M	12.6	20.0	25.0
WCR	€M	48.5	36.6	33.1
Other assets	€M	31.6	32.0	35.0
Total assets (net of short term liab.)	€M	386	480	519
Ordinary shareholders' equity	€M	232	311	349
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	18.3	16.2	16.5
Other provisions for risks and liabilities	€M	0.40	0.50	0.50
Total provisions for risks and liabilities	€M	18.7	16.7	17.0
Tax liabilities	€M	-27.7	-30.0	-30.0
Other liabilities	€M	13.4	13.4	13.4
Net debt (cash)	€M	149	169	169
Total liab. and shareholders' equity	€M	386	480	519

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	322	411	442

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	6.42	14.3	4.83
ROCE	%	8.41	11.0	5.87
Gearing (at book value)	%	51.9	51.2	48.5
Adj. Net debt/EBITDA(R)	x	2.48	1.95	2.66
Interest cover (x)	x	3.47	5.04	2.18

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	27.5	11.0	27.0
Free cash flow yield	%	-0.36	13.4	6.58
P/Book	x	1.77	1.38	1.24
Dividend yield	%	2.21	3.65	3.49

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	411	429	432
+ Provisions	€M	18.7	16.7	17.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	149	169	169
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	19.3	31.3	31.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	559	584	587
EV/EBITDA(R)	x	9.32	6.71	9.22
EV/Sales	x	0.89	0.72	0.92

Analyst : Jorge Velandia, Changes to Forecasts : 14/09/2020.