

Holding Companies / France

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Steady going over Q3

Significant news - 25/11/2013

■ Fact

Pro-forma Q3 revenues of Chargeurs were down 3.9% with Protective Films up to €47.6m vs. €45.9m on positive volume effects, Interlining down to €43.1m vs €43.9m on currency negative impacts and Wool down to €20m from €35m on perimeter changes, sharp drop in volumes and deteriorating prices.

■ Analysis

The Q3 figures are good in the general context of a weak macro environment. Protective Films have done an excellent job by managing volume growth. The Interlining division, by seeing sales down only marginally, is also impressive in this cut-throat industry. To improve its profitability, this division will close one loss-making line of business at a €4m cost and save €1.5m a year.

Beyond the perimeter changes, the further decline in volume and prices in the wool segment confirms that trimming down the exposure to this industry was wise.

Chargeurs went one step further by selling 26.4% of a combing unit in China to a local partner, keeping only a 50% shareholding. The group has essentially exited the industrial side of wool, to focus on servicing its customers through its global sales network, thus tying up very little capital.

■ Impact

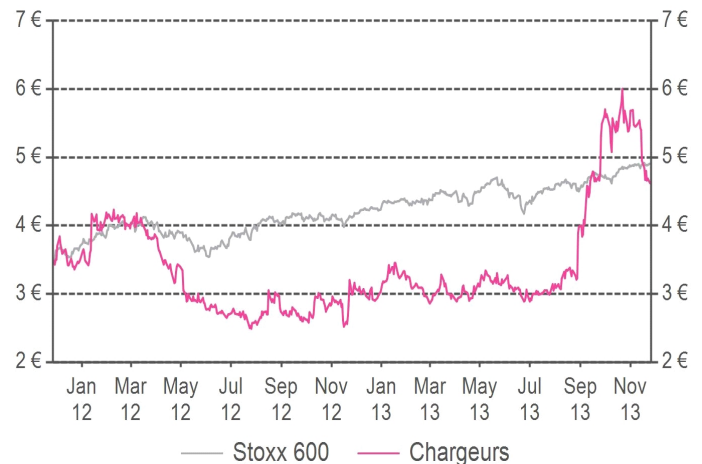
Q3 figures and actions confirm that Chargeurs is well on its way to exiting the dark years of restructuring with then little financial resources to see it through. What emerges is a group with decent prospects and essentially no debts. The latest FY 2013 earnings guidance, confirmed at €14m at least vs. €7m in 2012, is below our own estimates at €17.5m but clearly verges on the side of caution. We will nevertheless trim our forecasts a bit for the ongoing year.

AlphaValue is contracted by Chargeurs to provide equity research on Chargeurs, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy

Upside : 112 %

Target Price (6 months)	€ 9.81
Share Price	€ 4.62
Market Capitalisation €M	62.5
Price Momentum	GOOD
Extremes 12Months	2.86 ▶ 6.00
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

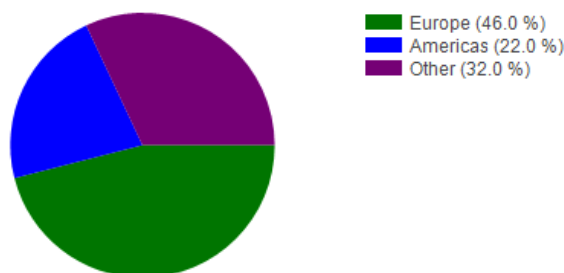

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PERF	1w	1m	3m	12m
Chargeurs	-4.55 %	-18.7 %	38.7 %	44.4 %
Other financials	0.06 %	1.66 %	8.65 %	37.7 %
STOXX 600	-0.16 %	1.28 %	6.39 %	18.6 %

Last updated: 02/09/2013	12/11A	12/12A	12/13E	12/14E
Adjusted P/E (x)	10.1	-8.57	15.9	8.91
Dividend yield (%)	0.00	0.00	0.00	4.33
EV/EBITDA(R) (x)	6.00	6.19	4.65	4.16
Adjusted EPS (€)	0.47	-0.37	0.29	0.52
Growth in EPS (%)	-35.2			78.4
Dividend (€)	0.00	0.00	0.00	0.20
Sales (€M)	552	525	467	485
Operating margin (%)	4.29	1.33	3.75	4.23
Attributable net profit (€M)	10.5	-15.1	5.60	10.5
ROE (after tax) (%)	5.31	-6.86	3.11	5.71
Gearing (%)	35.9	30.9	12.6	6.03

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

Sales by Geography



Consolidated P&L Account

	12/12A	12/13E	12/14E
Sales	€M 525	467	485
Change in sales	% -4.96	-11.0	3.85
Change in staff costs	% 1.46	-8.61	0.93
EBITDA	€M 17.6	27.5	30.5
EBITDA(R) margin	% 4.46	7.28	7.63
Depreciation	€M -9.80	-10.0	-10.5
Underlying operating profit	€M 6.60	17.5	20.0
Operating profit (EBIT)	€M 7.00	17.5	20.0
Net financial expense	€M -10.2	-8.00	-6.00
of which related to pensions	€M	-0.72	-0.77
Exceptional items & other	€M 1.30		
Corporate tax	€M -9.20	-2.90	-3.50
Equity associates	€M -1.20	-1.00	0.00
Minority interests	€M -0.60	0.00	0.00
Adjusted attributable net profit	€M -10.8	5.60	10.5
NOPAT	€M 4.68	11.8	14.5

Cashflow Statement

	12/12A	12/13E	12/14E
EBITDA	€M 17.6	27.5	30.5
Change in WCR	€M 23.1	6.60	-7.00
Actual div. received from equity holdi...	€M 0.90	0.90	0.90
Paid taxes	€M -3.70	-2.90	-3.50
Exceptional items	€M 0.00	0.00	0.00
Other operating cash flows	€M -5.00	-5.00	-5.00
Total operating cash flows	€M 32.9	27.1	15.9
Capital expenditure	€M -2.20	-3.00	-5.50
Total investment flows	€M -2.20	0.00	-7.50
Net interest expense	€M -10.2	-8.00	-6.00
Dividends (parent company)	€M 0.00	0.00	0.00
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 0.80	0.00	0.00
Total financial flows	€M -48.7	-38.7	-15.2
Change in cash position	€M 2.00	-11.6	-6.83
Free cash flow (pre div.)	€M 20.5	16.1	4.40

Per Share Data

		12/12A	12/13E	12/14E
No. of shares net of treas. stock (year...)	Mio	21.5	21.5	21.5
Number of diluted shares (average)	Mio	21.5	21.5	21.5
Benchmark EPS	€	-0.37	0.29	0.52
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.20

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€13.0	55 %	● Akzo Nobel
Dividend Yield	€4.75	20 %	● Solvay
DCF	€6.60	10 %	● Wendel
P/E	€6.14	10 %	● Bolloré
P/Book	€8.45	5 %	● GBL
TARGET PRICE	€9.81	100 %	● Sonae
			● Hal Trust
			● Eurazeo

NAV/SOTP Calculation

Balance Sheet

	12/12A	12/13E	12/14E
Goodwill	€M 65.9	64.0	64.0
Total intangible	€M 69.9	70.0	70.0
Tangible fixed assets	€M 47.5	44.0	38.6
Financial fixed assets	€M 24.6	23.0	25.0
WCR	€M 49.6	43.0	50.0
Other assets	€M 28.2	29.0	30.0
Total assets (net of short term liab.)	€M 232	212	218
Ordinary shareholders' equity	€M 180	181	187
Quasi Equity & Preferred	€M		
Minority interests	€M 6.60	6.00	7.00
Provisions for pensions	€M 10.6	11.4	11.4
Other provisions for risks and liabilities	€M 6.00	6.00	6.00
Total provisions for risks and liabilities	€M 16.6	17.4	17.4
Tax liabilities	€M -11.9	-11.9	-11.9
Other liabilities	€M 8.00	7.00	8.00
Net debt (cash)	€M 32.7	12.9	9.71
Total liab. and shareholders' equity	€M 232	212	218

Capital Employed

	12/12A	12/13E	12/14E
Capital employed after depreciation	€M 237	226	229

Profits & Risks Ratios

		12/12A	12/13E	12/14E
ROE (after tax)	%	-6.86	3.11	5.71
ROCE	%	3.69	7.23	8.33
Gearing (at book value)	%	30.9	12.6	6.03
Adj. Net debt/EBITDA(R)	x	3.34	1.72	1.49
Interest cover (x)	x	0.65	2.40	3.82

Valuation Ratios

		12/12A	12/13E	12/14E
Reference P/E (benchmark)	x	-8.57	15.9	8.91
Free cash flow yield	%	30.1	16.2	4.43
P/Book	x	0.38	0.55	0.53
Dividend yield	%	0.00	0.00	4.33

EV Calculation

	12/12A	12/13E	12/14E	
Market cap	€M 68.1	99.4	99.4	
+ Provisions	€M 16.6	17.4	17.4	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M 32.7	12.9	9.71	
+ Leases debt equivalent	€M 45.5	45.5	45.5	
- Financial fixed assets (fair value)	€M 24.6	23.0	25.0	
+ Minority interests (fair value)	€M 6.60	6.00	7.00	
= EV	€M 145	158	154	
EV/EBITDA(R)	x	6.19	4.65	4.16
EV/Sales	x	0.28	0.34	0.32

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 02/09/2013.