



Chargeurs

Holding Companies / France

FY19 sets a sound foundation for growth in 2020

Earnings/sales releases - 03/02/2020

Following a challenging first half of the year, Chargeurs has closed a satisfactory FY19 in terms of revenue growth and sustained operational profitability. The sizeable investments carried out through 2019 and the revamp of the now-called Museum Solutions division set the stage for a strong 2020 for the group.

Fact

Chargeurs has released its FY19 trading statement, with revenues coming in at €626m, a +9.2% increase over FY18. The successful integration of PCC Interlining helped support the group's revenue growth as the market environment remained challenging, particularly in the Protective Films division's end markets.

En millions d'euros	Twelve months			Change 19 / 18			Fourth quarter			Change 19 / 18		
	2019	2018	2017	reported	like-for-like *	Change 19 / 17	2019	2018	2017	reported	like-for-like *	Change 19 / 17
Protective Films	278.1	283.3	281.0	-1.8%	-3.4%	-1.0%	66.2	65.6	70.0	+0.9%	-0.2%	-5.4%
PCC Fashion Technologies	210.7	161.1	131.2	+30.8%	+0.7%	60.6%	54.5	53.3	32.5	+2.3%	-1.9%	67.7%
Museum Solutions	37.2	30.7	25.8	+21.2%	+2.3%	44.2%	12.5	10.3	7.5	+21.4%	-1.0%	66.7%
Luxury Materials	100.2	98.2	95.0	+2.0%	+1.0%	5.5%	20.5	22.8	20.2	-10.1%	-10.1%	1.5%
Chargeurs	626.2	573.3	533.0	+9.2%	-1.2%	+17.5%	153.7	152.0	130.2	+1.1%	-2.3%	+18.0%

* Based on a comparable scope of consolidation and at constant exchange rates

The group's resilience has also been reflected in its sustained operational performance, with preliminary figures pointing to a €41m recurring operating profit. The full-year results will be announced on 5 March.

Analysis

The FY19 results highlight Chargeurs' capability to weather the challenging times, including tensions in the context of the Sino-American trade war and the economic slowdown in Germany. The group's turnover (€626m) came in slightly below our estimates. The divergence is mainly explained by the deceleration in PCC Fashion Technologies presented in Q4. This is not concerning, as it simply reflects a normalisation of the trading activity following the completion of the integration of PCC, and it also takes into account an elevated comparison basis in Q4 2018.

Chargeurs' key business (Protective Films) posted a slight decline in revenues (-1.8% reported, -3.4% lfl to €278m), coming as a result of the weak market environment in H1. This was counterbalanced by a recovery in China over the course of H2, settled further by the signing of the first trade deal between China and the US. Regarding other key markets, the sustained demand in other European countries helped offset the sluggish dynamic in Germany, which dragged on through all of 2019. Finally, after sizeable investments in extra capacity, the premium production enabled by the new smart production line inaugurated in Q3 is expected to boost the division's growth come 2020.

The formerly-named Technical Substrates division went through a broad transformation over 2019, with the acquisitions of Design PM and MET Studio. The two companies joined Leach to constitute an integrated solution for museum services under the banner Chargeurs Creative Collection. The commercial dynamic in this segment was satisfactory, with revenues increasing +2.3% lfl



Jorge VELANDIA

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 86.2%

Target Price (6 months) € 31.7

Share Price € 17.0

Market Cap. €M 394

Price Momentum **STRONG**

Extremes 12Months 14.9 ▶ 21.0

Bloomberg CRI FP Equity

Reuters CRIP.PA



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PERF	1w	1m	3m	12m
Chargeurs	-3.18%	-1.39%	12.0%	-8.94%
Other financials	-2.29%	0.46%	4.57%	29.4%
STOXX 600	-3.05%	-1.23%	3.52%	14.5%

Last updated: 28/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	16.9	22.3	13.3	10.6
Dividend yield (%)	3.46	4.14	4.99	5.28
EV/EBITDA(R) (x)	9.11	10.4	7.48	6.26
Adjusted EPS (€)	1.15	0.81	1.28	1.61
Growth in EPS (%)	5.33	-29.1	57.9	25.5
Dividend (€)	0.67	0.75	0.85	0.90
Sales (€M)	573	631	776	973
Underlying operat. profit ma...	8.55	7.03	8.39	8.89
Attributable net profit (€M)	26.6	18.7	32.0	43.4
ROE (after tax) (%)	11.4	7.63	10.2	11.0
Gearing (%)	17.6	52.7	40.4	36.4

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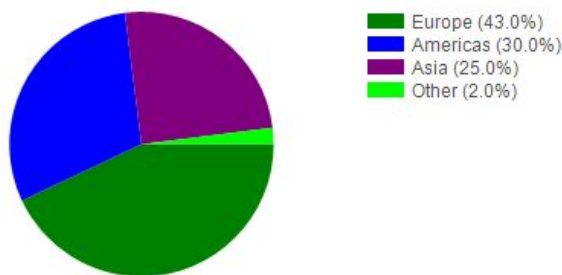
(+21.2% reported) to €37m. The strategic pivot towards museum servicing was fully confirmed earlier this week by the renaming of the division to Museum Solutions, and the announcement of the acquisition of D&P Incorporated, the largest US player in this space.

As in previous quarters, the Luxury Materials division's turnover growth (+1% lfl) remains of marginal importance given its modest contribution to the bottom line. Nonetheless, the value proposition (focusing on traceable, high quality wool fibers for luxury and sportswear brands) is enticing.

■ Impact

Since only turnover and preliminary recurring operating profit figures were announced, we await the publication of the 2019 full-year results to adjust our estimates. We maintain our positive view on the stock and confirm our Buy recommendation.

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	573	631	776
Change in sales	%	7.56	10.1	23.0
Change in staff costs	%	33.9	11.5	20.4
EBITDA	€M	59.8	57.2	80.1
EBITDA(R) margin	%	10.4	9.06	10.3
Depreciation	€M	-10.8	-12.8	-15.0
Underlying operating profit	€M	48.1	42.4	61.6
Operating profit (EBIT)	€M	42.2	31.5	49.6
Net financial expense	€M	-10.6	-12.2	-15.3
of which related to pensions	€M	-0.30	-0.14	-0.22
Exceptional items & other	€M			
Corporate tax	€M	-5.08	-1.05	-2.80
Equity associates	€M	0.10	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	26.6	18.7	32.0
NOPAT	€M	34.0	30.3	43.8

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	59.8	57.2	80.1
Change in WCR	€M	-22.5	-13.3	-5.00
Actual div. received from equity holdi...	€M	0.00	0.50	0.50
Paid taxes	€M	-6.00	-1.05	-2.80
Exceptional items	€M			
Other operating cash flows	€M	-8.40	-5.00	-5.00
Total operating cash flows	€M	22.9	38.3	67.8
Capital expenditure	€M	-24.3	-20.0	-17.0
Total investment flows	€M	-90.3	-90.0	-87.0
Net interest expense	€M	-10.6	-12.2	-15.3
Dividends (parent company)	€M	-10.8	-15.6	-17.5
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-10.2	0.00	100
Total financial flows	€M	-42.6	-38.0	62.4
Change in cash position	€M	-110	-89.7	43.3
Free cash flow (pre div.)	€M	-12.0	6.11	35.5

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	23.1	23.0	27.0
Number of diluted shares (average)	Mio	23.2	23.0	25.0
Benchmark EPS	€	1.15	0.81	1.28
Restated NAV per share	€			
Net dividend per share	€	0.67	0.75	0.85

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 31.1	55%	■ Ackermans & van H...
Dividend Yield	€ 34.0	20%	● Wacker Chemie
DCF	€ 39.7	10%	● AkzoNobel
P/E	€ 28.3	10%	■ Solvay
P/Book	€ 20.3	5%	■ Bolloré
TARGET PRICE	€ 31.7	100%	● GBL
			● Sonae
			■ Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	128	202	248
Total intangible	€M	158	204	250
Tangible fixed assets	€M	80.7	113	136
Financial fixed assets	€M	13.1	15.0	20.0
WCR	€M	41.7	55.0	60.0
Other assets	€M	23.0	30.0	32.0
Total assets (net of short term liab.)	€M	324	421	504
Ordinary shareholders' equity	€M	237	253	376
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	17.4	17.6	17.8
Other provisions for risks and liabilities	€M	0.50	1.00	5.00
Total provisions for risks and liabilities	€M	17.9	18.6	22.8
Tax liabilities	€M	-27.2	-30.0	-30.0
Other liabilities	€M	3.50	5.00	5.00
Net debt (cash)	€M	92.2	175	129
Total liab. and shareholders' equity	€M	324	421	504

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	294	387	467

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	11.4	7.63	10.2
ROCE	%	11.6	7.81	9.39
Gearing (at book value)	%	17.6	52.7	40.4
Adj. Net debt/EBITDA(R)	x	1.54	3.05	1.61
Interest cover (x)	x	4.67	3.55	4.12

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	16.9	22.3	13.3
Free cash flow yield	%	-2.69	1.47	7.74
P/Book	x	1.88	1.64	1.22
Dividend yield	%	3.46	4.14	4.99

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	447	416	459
+ Provisions	€M	17.9	18.6	22.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	92.2	175	129
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	16.0	16.0	16.0
+ Minority interests (fair value)	€M	4.00	4.00	4.00
= EV	€M	545	597	599
EV/EBITDA(R)	x	9.11	10.4	7.48
EV/Sales	x	0.95	0.95	0.77

Analyst : Jorge Velandia, Changes to Forecasts : 28/01/2020.