

Holding Companies / France

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€16m 2012 loss; regaining room for manoeuvre

Earnings/sales releases - 24/01/2013

■ Fact

On 21 January 2013, Chargeurs released its 2012 sales down 5% to €525m (no surprise there) and a preliminary 2012 loss at €16m. This was unexpected as we had anticipated a €1.6m loss. Full details will be provided by 15 March.

The group also indicated that its 2012 net debt will be c. €33m, a sharp, unexpected and much welcomed decline from the €81m of the previous year. This is excellent news and reflects a commitment to rid the group of the constraints attached to its bank funding since its 2008-9 restructuring.

■ Analysis

Q4 12 sales highlight a degree of positive turnaround in an otherwise dismal year. The "Protection film" division is up 7% yoy and confirms steady gains in a weak macro environment. In parallel, the Interlining business which suffered in 2012 from weaker demand has been recording 10% volume growth over Q4, a complete reversal vs previous quarters. Wool revenues recorded a sharp drop (-35% yoy) accounted for by the sale of 50%, and therefore the deconsolidation of the LatAm subsidiaries (-20%), and business contraction for the balance. The sale and deconsolidation of part of the Wool business has a material impact in the contraction of the group's net debt.

The uptick in Q4 activity has not been enough to save the day on the earnings front. The unexpected €16m loss at the bottom line is derived from a €17m contraction of the 2012 EBIT to €7m. We had anticipated a drop to €9m. To the contraction of operating margins at the divisional level (mostly for Interlining suffering from lower volumes) is to be added one-offs such as additional restructuring costs and write-offs (€5m) of part of the tax assets that can be carried forward. This non-cash technicality is a reflection of French tighter constraints about the use of tax assets and the recognition that the foreseeable stream of profits is lower than expected a year ago. We will update our earnings accordingly.

Beyond this disappointing operating performance, the real piece of news is the drastic contraction of the net debt position. This is obviously an achievement to the extent that the operating context was rather less than helpful. A central plank of that debt contraction is the Wool division. Not only is deconsolidation mechanically helpful but just as well the business has been increasingly selective about business financing thereby cutting heavily into working capital needs. In addition, more work on simplification of the legal structure has allowed it to recover cash pockets in many subsidiaries.

The benefit is obviously to cut the future interest bill, a heavy one since the group resorted to a restructuring of its heavy debts in 2008. Say it can save about €2m pre-tax. It looks as if Chargeurs will in addition get more freedom to move its assets and implement a strategy in a context where bankers are reducing their financing. This may prove essential in the next few years.

■ Impact

2012 has to be downgraded sharply to allow for the poor 2012 operating performance made worse by exceptionals and restructuring costs. At first sight the 2013 and 2014 forecasts may not need to be trimmed much further as the pick up in business in Q4 12 is heralding a degree of improvement.

The crux of the issue is for Chargeurs to affirm loud and clear that, with a sound if modest asset base, it can now shift into growth mode.

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 : 167 %
Target Price (6 months)	€ 8.61
Share Price	€ 3.23
Market Capitalisation €M	43.5
Price Momentum	STRONG
Extremes 12Months	2.49 ▶ 4.23
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

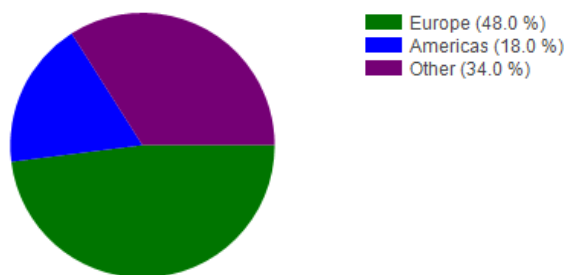

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PERF	1w	1m	3m	12m
Chargeurs	-1.82 %	11.4 %	12.9 %	-17.8 %
Other financials	0.59 %	4.48 %	17.7 %	19.7 %
STOXX 600	0.77 %	2.75 %	7.38 %	12.1 %

Last updated: 24/01/2013	12/10A	12/11A	12/12E	12/13E
Adjusted P/E (x)	6.16	10.1	-6.86	7.81
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.24	5.44	4.10	3.16
Adjusted EPS (€)	0.72	0.47	-0.46	0.41
Growth in EPS (%)		-35.2		
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	512	552	525	467
Operating margin (%)	4.16	4.29	1.30	3.97
Attributable net profit (€M)	12.9	10.5	-15.9	8.90
ROE (after tax) (%)	8.44	5.31	-7.17	4.57
Gearing (%)	42.0	35.9	28.9	14.2

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

Sales by Geography



Consolidated P&L Account

		12/11A	12/12E	12/13E
Sales	€M	552	525	467
Change in sales	%	7.83	-4.96	-11.1
Change in staff costs	%	4.87	-0.53	-1.99
EBITDA	€M	30.9	23.8	30.0
EBITDA(R) margin	%	6.65	5.64	7.75
Depreciation	€M	-9.00	-10.0	-10.0
Underlying operating profit	€M	20.8	11.8	18.5
Operating profit (EBIT)	€M	23.7	6.80	18.0
Net financial expense	€M	-10.4	-11.8	-8.50
of which related to pensions	€M	0.00	-0.46	-0.61
Exceptional items & other	€M		-4.00	
Corporate tax	€M	-4.50	-6.12	-2.00
Equity associates	€M	1.20	1.20	1.40
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	10.5	-11.9	8.90
NOPAT	€M	17.8	6.28	14.4

Cashflow Statement

		12/11A	12/12E	12/13E
EBITDA	€M	30.9	23.8	30.0
Change in WCR	€M	-30.0	21.5	-2.10
Actual div. received from equity holdi...	€M	0.70	0.70	0.70
Paid taxes	€M	-4.00	-6.12	-2.00
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	1.35	-5.00	-5.00
Total operating cash flows	€M	-1.05	34.9	21.6
Capital expenditure	€M	-4.50	-3.00	-5.00
Total investment flows	€M	-4.40	2.60	-5.00
Net interest expense	€M	-10.4	-11.8	-8.50
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	0.50	0.00	0.00
Total financial flows	€M	-9.90	-11.3	-7.89
Change in cash position	€M	-14.7	46.1	8.66
Free cash flow (pre div.)	€M	-16.0	20.1	8.05

Per Share Data

		12/11A	12/12E	12/13E
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	€	0.47	-0.46	0.41
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€12.8	55 %	● Akzo Nobel
Dividend Yield	€0.00	20 %	● Solvay
DCF	€8.81	10 %	● Wendel
P/E	€3.83	10 %	● Bolloré
P/Book	€6.46	5 %	● Groupe Bruxelles L...
TARGET PRICE	€8.61	100 %	● Sonae
			● Hal Trust
			● Eurazeo

NAV/SOTP Calculation

Balance Sheet

		12/11A	12/12E	12/13E
Goodwill	€M	66.8	60.0	60.0
Total intangible	€M	71.6	64.8	64.8
Tangible fixed assets	€M	56.9	49.6	44.3
Financial fixed assets	€M	19.6	19.0	19.0
WCR	€M	83.4	61.9	64.0
Other assets	€M	41.6	37.0	38.0
Total assets (net of short term liab.)	€M	288	244	241
Ordinary shareholders' equity	€M	196	192	197
Quasi Equity & Preferred	€M			
Minority interests	€M	7.20	6.70	6.70
Provisions for pensions	€M	10.7	12.0	12.1
Other provisions for risks and liabilities	€M	6.00	6.00	6.00
Total provisions for risks and liabilities	€M	16.7	18.0	18.1
Tax liabilities	€M	-17.8	-13.0	-13.0
Other liabilities	€M	6.70	8.00	8.00
Net debt (cash)	€M	78.6	32.5	23.8
Total liab. and shareholders' equity	€M	288	244	241

Capital Employed

		12/11A	12/12E	12/13E
Capital employed after depreciation	€M	247	210	207

Profits & Risks Ratios

		12/11A	12/12E	12/13E
ROE (after tax)	%	5.31	-7.17	4.57
ROCE	%	8.85	4.92	9.06
Gearing (at book value)	%	35.9	28.9	14.2
Adj. Net debt/EBITDA(R)	x	2.56	1.60	1.07
Interest cover (x)	x	2.00	1.04	2.35

Valuation Ratios

		12/11A	12/12E	12/13E
Reference P/E (benchmark)	x	10.1	-6.86	7.81
Free cash flow yield	%	-15.7	29.5	11.6
P/Book	x	0.52	0.35	0.35
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/11A	12/12E	12/13E
Market cap	€M	101	68.1	69.5
+ Provisions	€M	16.7	18.0	18.1
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	78.6	32.5	23.8
+ Leases debt equivalent	€M	15.4	15.0	15.0
- Financial fixed assets (fair value)	€M	19.6	19.0	19.0
+ Minority interests (fair value)	€M	7.20	6.70	6.70
= EV	€M	200	121	114
EV/EBITDA(R)	x	5.44	4.10	3.16
EV/Sales	x	0.36	0.23	0.24