



Chargeurs

Support Services / France

From an industrialist to a luxury player?

Strategic Plan - 19/12/2022

The organisation of Chargeurs' businesses into two strategic operating divisions in July 2022, far from being merely symbolic reflects a strategic shift, in which the company is striving to be more of a luxury player in addition to its supreme competency in niche industries. Ahead of a yet-to-happen significant acquisition, Chargeurs' management creates optionality value that we see positively as per the strong track record to date. Chargeurs moves fast with a clear drive to extract value where it can.

Fact

- Chargeurs has communicated its strategic ambition to 'premiumize its businesses'
- For the record, Chargeurs acquired the British luxury brand Swaine in 2021.
- In July 2022, Chargeurs acquired an 80% stake in Skira, a renowned publisher of classical and modern art, and design books.
- In August 2022, Chargeurs acquired the Cambridge Satchel Company, a company producing luxury leather goods at affordable prices.
- In September 2022, Chargeurs Luxury Fibers signed a long-term, renewable four-year partnership to supply its responsible wool (Nativa) to Gucci.

Analysis

A change of tack to be expected

After more than 7 years at the helm of the group, Michaël Fribourg has lately been advertising a strategic pivot at Chargeurs: the group is now looking to be more of a luxury player than an industrialist. This shift has already been flagged through the presentation of the group's divisions as two operating entities, technology and luxury, that took place in July 2022. In the past few years, the group has not only renamed its businesses, it has also expanded its business portfolio and evolved its offering. For example, at Chargeurs PCC (technical components to the textile industries), as the end of formal wear became apparent, changing macro-trends increased demand for athleisure, digital native brands and the luxury market, enabling the division to redefine its offering. The same is true of Chargeurs Advanced Materials, which has moved from simple protective films to more sophisticated products and high-end solutions associated with the environmental transition. The division is now positioned in higher value-added surface solutions.

A rapidly forming luxury division

Let's move on to what interests us most, a soon-to-materialize substantial luxury division. Over the last few years, the luxury division has been a work in progress aggregating unconventional offerings. The best example is Chargeurs Museum Solutions (CMS), which has grown from a very small segment to one that is expected to generate €200m in revenue by 2025. Through multiple acquisitions, Chargeurs has developed a leading and unique one-stop-shop offering in a very fragmented market of multiple small players. Another intriguing example is the development of Chargeurs Luxury Fibers which, through its Nativa label, has capitalized on the trend towards stricter ESG standards. In September, the



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Buy	Upside: 104%
Target Price (6 months)	€ 26.3
Share Price	€ 12.9
Market Cap. €M	319
Price Momentum	UNFAVORABLE
Extremes 12Months	11.4 ▶ 24.7
Sustainability score	4.9 /10
Credit Risk	BB ↗
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	0.08%	2.46%	4.11%	-45.2%
Support Services	-2.15%	-3.64%	2.61%	-18.5%
STOXX 600	-3.28%	-1.26%	4.04%	-10.9%

Last updated: 15/11/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	17.7	14.9	10.4	7.76
Dividend yield (%)	5.37	6.51	8.37	11.3
EV/EBITDA(R) (x)	9.03	7.21	5.76	4.76
Adjusted EPS (€)	1.30	0.86	1.24	1.66
Growth in EPS (%)	-14.9	-33.7	43.1	34.6
Dividend (€)	1.24	0.84	1.08	1.46
Sales (€M)	737	752	827	892
Underlying operat. profit ma...	6.88	5.27	6.45	7.64
Attributable net profit (€M)	30.6	20.6	29.4	39.8
ROE (after tax) (%)	12.1	7.57	10.1	12.4
Gearing (%)	45.6	45.6	43.9	38.7

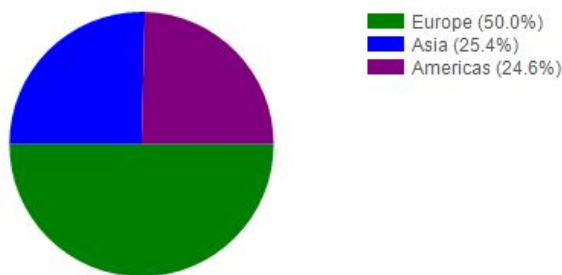
[Company Valuation](#) - [Company Financials](#)

division signed a strategic partnership with Gucci to supply its responsible wool. Lastly, the acquisitions of Swaine (UK, luxury leather) in 2021 and the Cambridge Satchel Company in August 2022 are more conventional evidence of the luxury shift on which Chargeurs plans to embark.

Next step?

Chargeurs has effectively made it clear that its next step is a quantum leap into Luxury or something close. We conclude that this about-face may come in the next few years. Since 2015, Chargeurs, with Michaël Fribourg at its head, has already made five acquisitions in its technology division and 10 in its luxury division, but the group is now thinking big. Chargeurs has its sights set on larger acquisitions that would recategorize it as a luxury player. As the group has no specific constraints from its leading shareholder, Columbus Holding, an acquisition of a target with above €150m in sales, entirely debt financed starting from existing drawing rights could 'overnight' help build a NAV with a clear luxury tilt. As stated in Chargeurs' communication back in July 2022, such a move would help to achieve balanced contributions in terms of ROP from the Technologies and Luxury Activities by 2025. This acquisition is unlikely to change the breakdown of sales as a ball park measure of additional luxury sales, according to our calculation. In essence, Chargeurs is letting the market know that it is on the verge of a radical strategic shift, from a holding company and support services to a luxury player, with a pool of management talent to back a fairly rapid pivot. Why not.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€M 737	752	827
Change in sales	% -10.4	2.08	10.0
Change in staff costs	% 8.75	11.6	3.12
EBITDA	€M 73.8	64.1	80.1
EBITDA(R) margin	% 10.0	8.53	9.68
Depreciation	€M -23.1	-23.3	-23.8
Underlying operating profit	€M 45.2	35.3	50.8
Operating profit (EBIT)	€M 41.2	31.3	44.8
Net financial expense	€M -10.6	-11.6	-10.5
of which related to pensions	€M	-0.36	-0.77
Exceptional items & other	€M		
Corporate tax	€M -0.50	0.16	-5.59
Equity associates	€M 0.70	0.70	0.70
Minority interests	€M -0.20	0.00	0.00
Adjusted attributable net profit	€M 30.6	20.6	29.4
NOPAT	€M 34.6	27.5	39.4

Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€M 73.8	64.1	80.1
Change in WCR	€M 21.9	-17.5	-12.4
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -6.10	0.16	-5.59
Exceptional items	€M		
Other operating cash flows	€M -11.7	-8.00	-8.00
Total operating cash flows	€M 77.9	38.8	54.1
Capital expenditure	€M -13.0	-8.20	-14.0
Total investment flows	€M -16.9	-18.2	-24.0
Net interest expense	€M -10.6	-11.6	-10.5
Dividends (parent company)	€M -17.7	-24.1	-15.0
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 0.00	0.00	0.00
Total financial flows	€M -54.0	-39.1	-75.4
Change in cash position	€M 10.2	-18.5	-45.3
Free cash flow (pre div.)	€M 54.3	19.0	29.6

Per Share Data

	12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...)	Mio 24.0	23.7	23.8
Number of diluted shares (average)	Mio 23.5	23.8	23.8
Benchmark EPS	€ 1.30	0.86	1.24
Restated NAV per share	€		
Net dividend per share	€ 1.24	0.84	1.08

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 28.5	35%	● AkzoNobel
NAV/SOTP per share	€ 37.8	20%	● Rentokil Initial
EV/Ebitda	€ 17.6	20%	● Quadiant
P/E	€ 15.5	10%	● Teleperformance
Dividend Yield	€ 25.8	10%	● Bureau Veritas
P/Book	€ 22.6	5%	
TARGET PRICE	€ 26.3	100%	

NAV/SOTP Calculation

Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€M 189	195	202
Total intangible	€M 238	245	251
Tangible fixed assets	€M 85.3	92.3	99.3
Financial fixed assets	€M 7.90	7.90	7.90
WCR	€M -18.0	-0.50	11.9
Other assets	€M 42.4	45.5	45.5
Total assets (net of short term liab.)	€M 418	453	479
Ordinary shareholders' equity	€M 267	276	305
Quasi Equity & Preferred	€M		
Minority interests	€M -0.60	-0.60	-0.60
Provisions for pensions	€M 14.6	22.6	22.8
Other provisions for risks and liabilities	€M 13.8	13.8	13.8
Total provisions for risks and liabilities	€M 28.4	36.4	36.6
Tax liabilities	€M -36.9	-36.9	-36.9
Other liabilities	€M 42.4	42.4	42.4
Net debt (cash)	€M 117	135	133
Total liab. and shareholders' equity	€M 418	453	479

Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€M 345	376	402

Profits & Risks Ratios

	12/21A	12/22E	12/23E
ROE (after tax)	% 12.1	7.57	10.1
ROCE	% 10.0	7.29	9.78
Gearing (at book value)	% 45.6	45.6	43.9
Adj. Net debt/EBITDA(R)	x 2.01	2.60	2.06
Interest cover (x)	x 4.26	3.14	5.22

Valuation Ratios

	12/21A	12/22E	12/23E
Reference P/E (benchmark)	x 17.7	14.9	10.4
Free cash flow yield	% 9.82	6.21	9.61
P/Book	x 2.07	1.11	1.01
Dividend yield	% 5.37	6.51	8.37

EV Calculation

	12/21A	12/22E	12/23E
Market cap	€M 553	306	308
+ Provisions	€M 28.4	36.4	36.6
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00
+ Net debt at year end	€M 85.9	103	100
+ Leases debt equivalent	€M 31.4	32.0	32.0
- Financial fixed assets (fair value)	€M 32.3	15.0	15.0
+ Minority interests (fair value)	€M 0.00	0.00	0.00
= EV	€M 666	462	462
EV/EBITDA(R)	x 9.03	7.21	5.76
EV/Sales	x 0.90	0.61	0.56

Analyst : Saïma Hussain, Changes to Forecasts : 15/11/2022.