



# Chargeurs

Support Services / France

## Heading for a Chargeurs Advanced Materials rebound?

Earnings/sales releases - 25/05/2023

Despite Chargeurs' somewhat expected 18% lfl yoy revenue contraction in Q1 '23 due to the record 2022 Q1, Chargeurs Advanced Materials showed signs of a volume recovery with 21% qoq volume growth. This business line is responding to the wait-and-see attitude in particular in China by expanding geographically and premiumizing. The Q1-23 confirmed the Group's new growth drivers, with Chargeurs PCC Fashion Technologies' business holding at high levels and Chargeurs Museum Studio posting a solid 30.2% lfl yoy growth. Following these results, Chargeurs confirmed its scenario of positive trends in the H2 23.

### Fact

- Chargeurs reported total revenue of €169.7m in Q1-23, down 16.6% yoy (18% organically). Over the quarter, revenues were down slightly by 2% but grew organically by 0.6%.
- The decline in sales compared with Q1-22 was attributable to Chargeurs Advanced Materials (-27% organic growth yoy to €70.7m) due to an unfavorable basis of comparison with a post-Covid catch-up effect. CAM's revenues, however, highlighted an inflection point with a positive volume effect of 21% over the quarter and revenue growth of 8.6% on a quarterly basis.
- Although down by 6% yoy, the Fashion Technologies business line maintained high levels at €51.3m (-0.2% organically).
- In the Luxury division, Chargeurs Museum Studio activity continued to expand, with organic growth of 30.2% yoy to €24m.
- Lastly, Chargeurs Luxury Fibers was down 30% yoy on an organic basis to €21.7m but up 17.3% qoq.

### Revenue break-down by division

€m	2023	2022	chg. 23 vs. 22	
First quarter			reported like-for-like	
<b>Technologies</b>	<b>122.0</b>	<b>156.6</b>	<b>-22.1%</b>	<b>-20.5%</b>
Advanced Materials	70.7	95.9	-26.3%	-27.0%
PCC Fashion technologies	51.3	54.6	-6.0%	-0.2%
Healthcare Solutions	0.0	6.1		
<b>Luxury</b>	<b>47.7</b>	<b>46.9</b>	<b>+1.7%</b>	<b>-9.5%</b>
Museum Studio	24.0	15.9	+50.9%	+30.2%
Luxury Fibers	21.7	31.0	-30.0%	-30.0%
Personal Goods	2.0	-		
<b>CHARGEURS</b>	<b>169.7</b>	<b>203.5</b>	<b>-16.6%</b>	<b>-18.0%</b>

### Analysis

Chargeurs posted a revenue down 16.6% yoy or 18% organically to €169.7m. The Group's business was weighed down by Advanced Materials and Luxury Fibers, which had a record base of comparison. On a quarterly basis, however, Chargeurs posted organic growth of 0.6%, boosted by these same businesses.

### An inflection point for Advanced Materials?



Saïma HUSSAIN

supportservices@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.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: 113%
Target Price (6 months)	€ 27.3
Share Price	€ 12.9
Market Cap. €M	320
Price Momentum	<b>GOOD</b>
Extremes 12Months	11.0 ▶ 17.9
Sustainability score	3.4 / 10
Credit Risk	BBB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-10.8%	-9.22%	-4.62%	-23.0%
Support Services	1.05%	-2.90%	-2.10%	-0.65%
STOXX 600	-1.36%	-2.41%	-0.01%	6.04%

Last updated: 03/01/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	17.7	19.5	10.4	7.73
Dividend yield (%)	5.37	4.98	8.40	11.4
EV/EBITDA(R) (x)	9.03	8.67	5.75	4.75
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	5.28	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](#)

Despite a 27% organic decline in sales yoy to €70.7m, Chargeurs Advanced Materials (CAM) recorded qoq growth of 8.6%. The Q1-22 comparison was unfavorable, as it had benefited from the strong demand driven by post-Covid inventory rebuilding. While volumes have naturally declined over the last three quarters on the back of inventory normalization and customer de-stocking, the 21% volume increase experienced in Q1-23 suggests that this process has now bottomed out. Although the prospects for a recovery in China have yet to be confirmed, the division has been able to recover by diversifying geographically, notably in India and Australia, and by extending its offering to the premium segment. Based on these results, Chargeurs confirmed its forecast for a rebound in CAM's business in H2-23.

### **Chargeurs PCC Fashion Technologies holds its own in today's challenging environment**

Chargeurs PCC Fashion Technologies held its own in Q1 23 with a slight organic decline of 0.2% yoy to €51.3m. This performance was underpinned by the business line's pricing power and a volume effect resulting from diversification, along with market share gains, despite a lagging recovery in Asia. Europe and South America continue to lead the way, and the Group remains optimistic barring a collapse in global consumption.

### **Chargeurs Museum Studio affirms its status as the new growth driver**

Chargeurs Museum Studio confirmed its momentum with a 30.2% organic increase in revenue to €24m. Going forward, the division is maintaining its target of €120m in revenues by 2023. Chargeurs reaffirmed its outlook for higher margins in H2 23/24 and 24/25 due to the phasing of large projects won in 2021 and 2022. The growth outlook remains good for the business line, which is currently in discussions in India and Central Asia to round out its exposure in Europe and North America.

### **Solid quarterly momentum for Chargeurs Luxury Fibers**

Despite a 30% organic decline in revenue to €21.7m, Chargeurs Luxury Fibers (CLF) got the year off to a good start with growth of 17.3% qoq and the healthy dynamic for its premium wool label, NATIVA. Looking ahead, CLF aims to position itself as the market leader in eco-fibers (currently wool and, in the coming months, cashmere and cotton) and intends to expand its partnerships, as it did with Gucci at the end of 2022.

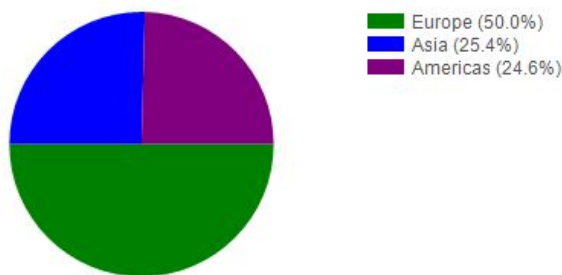
### **Outlook for the coming years**

While no new information was provided, Chargeurs confirmed its ambition to make a major acquisition in the Luxury division in 2023 to rebalance the revenue contributions of its Technologies and Luxury businesses. Chargeurs reiterated its outlook for a strong 2023 and revenues of more than €1bn with EBIT of €100m excluding acquisitions by 2025.

### **■ Impact**

Our model is currently being revised to incorporate these results. We will adjust downward our revenue and margin estimates for FY23-24 because we were overly optimistic. We are, however, maintaining our positive stance on the stock.

## 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
<b>EBITDA(R) margin</b>	<b>% 10.0</b>	<b>8.53</b>	<b>9.68</b>
Depreciation	€M -23.1	-23.3	-23.8
Underlying operating profit	€M 45.2	35.3	50.8
<b>Operating profit (EBIT)</b>	<b>€M 41.2</b>	<b>31.3</b>	<b>44.8</b>
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
<b>Adjusted attributable net profit</b>	<b>€M 30.6</b>	<b>20.6</b>	<b>29.4</b>
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
<b>Free cash flow (pre div.)</b>	<b>€M 54.3</b>	<b>19.0</b>	<b>29.6</b>

## 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
<b>Benchmark EPS</b>	<b>€ 1.30</b>	<b>0.86</b>	<b>1.24</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 1.24</b>	<b>0.84</b>	<b>1.08</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 28.7	35%	● AkzoNobel
NAV/SOTP per share	€ 38.0	20%	● Rentokil Initial
EV/Ebitda	€ 19.9	20%	● Quadiant
P/E	€ 18.6	10%	● Teleperformance
Dividend Yield	€ 25.7	10%	● Bureau Veritas
P/Book	€ 25.7	5%	
TARGET PRICE	€ 27.3	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
<b>Ordinary shareholders' equity</b>	<b>€M 267</b>	<b>276</b>	<b>305</b>
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
<b>Net debt (cash)</b>	<b>€M 117</b>	<b>135</b>	<b>133</b>
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
<b>ROE (after tax)</b>	<b>% 12.1</b>	<b>7.57</b>	<b>10.1</b>
ROCE	% 10.0	7.29	9.78
<b>Gearing (at book value)</b>	<b>% 45.6</b>	<b>45.6</b>	<b>43.9</b>
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
<b>Reference P/E (benchmark)</b>	<b>x 17.7</b>	<b>19.5</b>	<b>10.4</b>
Free cash flow yield	% 9.82	4.76	9.65
P/Book	x 2.07	1.45	1.00
<b>Dividend yield</b>	<b>% 5.37</b>	<b>4.98</b>	<b>8.40</b>

## EV Calculation

	12/21A	12/22E	12/23E
Market cap	€M 553	400	307
+ 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	556	460
<b>EV/EBITDA(R)</b>	<b>x 9.03</b>	<b>8.67</b>	<b>5.75</b>
EV/Sales	x 0.90	0.74	0.56

Analyst : Saïma Hussain, Changes to Forecasts : 03/01/2023.