

Holding Companies / France

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Increasing profitability in a challenging context

Earnings/sales releases - 19/03/2012

■ Fact

For FY11, management fine-tuned its reported revenues to €552.1m instead of €552.3m previously, representing a 7.8% increase with a price effect of +10.2% and volume of -2.4%.

Operating income came to €23.7m, +11.3% (+15% in H1), driven mainly by mix and pricing power (the group succeeded in passing on price increases to compensate for the rise in the price of raw materials).

Net income was €10.5m which represented an 18.6% decrease compared to the same period last year (including €0.9m related to financial restructuring initiated in H1 10 and a tax impact of €4.5m).

As a consequence of the WCR requirement linked to the huge increase in raw material prices (no information provided at this stage), net debt was €80.6m, up €12.2m compared to end-June. Gearing stood at 44% compared to 38% at end-2010.

For FY12, Chargeurs remains cautious given the current economic environment and thus did not provide any financial targets but expects a "satisfactory level of profitability".

■ Analysis

As expected the second part of the year was difficult, especially in Q4.

The group succeeded in passing on price increases but volumes were negatively impacted by customers' lack of confidence primarily in the Chargeurs Protective films and Interlining divisions.

The Wool division performed well both on top-line (growth reach +23.5%) and profitability (€6.7m which represents about 5.6x 2010's level) driven by the wool price and selectivity in contracts.

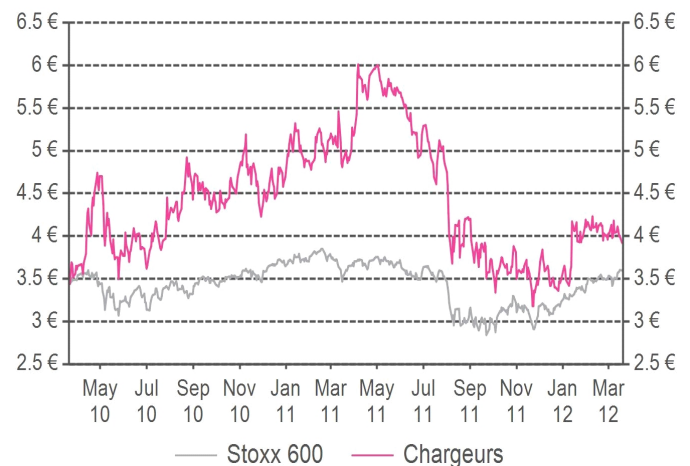
We assume that the global deterioration in consumption in Europe since the summer (customers' lack of confidence in this "troubled" environment), the increasing pressure on prices as well as the time lag between cost increases and the rise in selling prices and the fluctuations in costs will weigh on Chargeurs' profitability for 2012.

■ Impact

We will review our figures with the much more detailed figures expected mid-April.

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 : 115 %
Target Price (6 months)	€ 8.41
Share Price	€ 3.92
Market Capitalisation €M	53.7
Price Momentum	STRONG
Extremes 12Months	3.18 ▶ 6.01
Newsflow	Neutral
Bloomberg	CRI FP Equity
Reuters	CRIP.PA

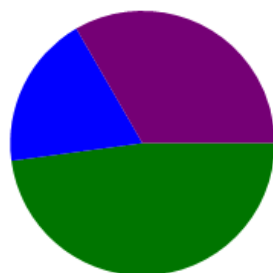

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PERF	1w	1m	3m	12m
Chargeurs	-3.21 %	-4.85 %	11.7 %	-20.2 %
Other financials	1.58 %	1.59 %	17.7 %	-8.92 %
STOXX 600	2.72 %	2.31 %	16.4 %	1.66 %

Last updated: 23/11/2011	12/09A	12/10A	12/11E	12/12E
Adjusted P/E (x)	-1.56	6.16	10.1	7.90
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	6.62	4.50	4.37	4.01
Adjusted EPS (€)	-3.41	0.72	0.47	0.50
Growth in EPS (%)			-34.9	6.00
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	452	512	551	559
Operating margin (%)	-4.34	4.16	4.14	4.13
Attributable net profit (€M)	-45.9	12.9	10.1	10.8
ROE (after tax) (%)	-28.6	8.80	6.00	6.40
Gearing (%)	67.2	49.0	46.9	48.4

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

Sales by Geography



■ Europe (47.9 %)
 ■ Americas (18.8 %)
 ■ Other (33.3 %)

Consolidated P&L Account

		12/10A	12/11E	12/12E
Sales	€M	512	551	559
Change in sales	%	13.3	7.62	1.47
Change in staff costs	%	-1.37	3.58	3.47
EBITDA	€M	28.9	34.1	35.6
EBITDA(R) margin	%	6.78	7.24	7.40
Depreciation	€M	-9.10	-9.40	-9.65
Underlying operating profit	€M	18.8	23.6	24.6
Operating profit (EBIT)	€M	21.3	22.8	23.1
Net financial expense	€M	-9.90	-10.2	-9.90
of which related to pensions	€M		-0.16	-0.31
Exceptional items & other	€M			
Corporate tax	€M	1.60	-2.55	-2.60
Equity associates	€M	0.20	0.25	0.45
Minority interests	€M	-0.10	-0.25	-0.25
Adjusted attributable net profit	€M	11.2	10.1	10.8
NOPAT	€M	13.9	16.3	16.8

Cashflow Statement

		12/10A	12/11E	12/12E
EBITDA	€M	28.9	34.1	35.6
Change in WCR	€M	-6.90	-12.7	-7.60
Actual div. received from equity holdi...	€M	0.30	0.70	0.50
Paid taxes	€M		-2.55	-2.60
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	-21.5	-17.0	-15.0
Total operating cash flows	€M	0.80	2.55	10.9
Capital expenditure	€M	-5.80	-6.00	-6.00
Total investment flows	€M	-7.20	-6.00	-6.00
Net interest expense	€M	-9.90	-10.2	-9.90
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	5.10	0.60	1.20
Total financial flows	€M	20.3	-12.9	-6.39
Change in cash position	€M	18.1	-15.7	-1.54
Free cash flow (pre div.)	€M	-14.9	-13.7	-5.05

Per Share Data

		12/10A	12/11E	12/12E
No. of shares net of treas. stock (year...)	Mio	12.8	13.0	13.6
Number of diluted shares (average)	Mio	15.9	21.5	21.8
Benchmark EPS	€	0.72	0.47	0.50
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	€12.7	55 %	● Akzo Nobel
Dividend Yield	€0.00	20 %	● Solvay
DCF	€6.34	10 %	● Wendel
P/E	€4.14	10 %	● Bolloré
P/Book	€7.47	5 %	● Eurazeo
TARGET PRICE	€8.41	100 %	● Groupe Bruxelles L...
			● Sonae

NAV/SOTP Calculation

Balance Sheet

		12/10A	12/11E	12/12E
Goodwill	€M	65.8	61.7	61.7
Total intangible	€M	70.9	66.8	66.8
Tangible fixed assets	€M	59.4	55.4	51.2
Financial fixed assets	€M	18.3	16.9	16.9
WCR	€M	61.9	74.6	82.2
Other assets	€M	34.3	44.0	40.0
Total assets (net of short term liab.)	€M	260	268	267
Ordinary shareholders' equity	€M	168	168	170
Quasi Equity & Preferred	€M			
Minority interests	€M	6.70	6.70	6.70
Provisions for pensions	€M	10.0	10.8	10.8
Other provisions for risks and liabilities	€M	8.40	10.0	10.0
Total provisions for risks and liabilities	€M	18.4	20.8	20.8
Tax liabilities	€M	-17.7	-20.0	-22.0
Other liabilities	€M	10.0	10.2	10.0
Net debt (cash)	€M	75.1	82.3	81.9
Total liab. and shareholders' equity	€M	260	268	267

Capital Employed

		12/10A	12/11E	12/12E
Capital employed after depreciation	€M	228	234	237

Profits & Risks Ratios

		12/10A	12/11E	12/12E
ROE (after tax)	%	8.80	6.00	6.40
ROCE	%	7.88	8.72	8.82
Gearing (at book value)	%	49.0	46.9	48.4
Adj. Net debt/EBITDA(R)	x	2.67	2.56	2.46
Interest cover (x)	x	1.90	2.35	2.57

Valuation Ratios

		12/10A	12/11E	12/12E
Reference P/E (benchmark)	x	6.16	10.1	7.90
Free cash flow yield	%	-26.4	-22.3	-9.49
P/Book	x	0.34	0.37	0.31
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/10A	12/11E	12/12E
Market cap	€M	56.5	61.3	53.2
+ Provisions	€M	18.4	20.8	20.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	75.1	82.3	81.9
+ Leases debt equivalent	€M	17.7	20.0	20.0
- Financial fixed assets (fair value)	€M	18.3	16.9	16.9
+ Minority interests (fair value)	€M	6.70	6.70	6.70
= EV	€M	156	174	166
EV/EBITDA(R)	x	4.50	4.37	4.01
EV/Sales	x	0.30	0.32	0.30

Analyst : Véronique Colas, Changes to Forecasts : 23/11/2011.