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# Chargeurs Buy

France | Support services

MCap: EUR535.2m

**Target Price:** EUR 30.00  
**Current Price:** EUR 22.92  
**Up/downside:** 30.9%  
**Market data:** 08 September 2021

Bloomberg: CRI FP      Reuters: CRIP.PA  
Free float      54%  
Avg. daily volume (EURm)      1.0  
YTD abs performance      30.2%  
52-week high/low (EUR)      24.78/16.00

## Record results at CPF drives strong H1 performance

### Key points:

- The strong H1 results exceeded our expectations.
  - Strong acceleration of growth at CPF in Q2 is the key driver. The division recorded the best 6-month performance in its history.
  - Gradual recovery underway at CFT-PCC. Strong order backlog (above 2019 level at the end of August) is very encouraging.
  - We expect a positive reaction on the stock today, Buy confirmed.
- Summary of H1 results detailed in table 1. It is more relevant to compare H1 figures with 2019 (2020 results were inflated by the exceptional profits recorded at CHS at the peak of the first pandemic wave). In a nutshell, current EBIT is up 50% from H1 2019 and net profit has tripled. It exceeded our forecasts by a fair margin.
  - The robust performance of Chargeurs was primarily driven by Chargeurs Protective Films (45% of group's sales). Revenues at CPF were up 29% organically in H1 after to a marked acceleration in Q2 (+49% organic vs. 25% expected). We note that CPF revenues were above the pre-Covid levels of 2019 (+19%). The business experienced a strong rebound in demand from all operating regions and across sectors. The surge in polyethylene (PE) price was partly offset by automatic indexing of prices. The solid order backlog provides good visibility for H2 although the management warns that the pressure on margins due to the high PE price will increase in the second half.
  - The performance of Chargeurs Fashion technologies (CFT-PCC) improved in the second quarter on a year-on-year basis, but still remained at 2019 levels. The group is particularly confident that demand will return based on an order backlog that exceeds the level of 2019 at the end of August. Besides, Chargeurs mentioned very strong interest from end-customers and customers for sustainable products, a segment in which it is particularly well positioned.
  - Healthcare solutions reported sales of EUR71m in the first half along with a high operating margin level (25.4% vs. 21.4% in H1-20)). Chargeurs aims for the upper end of the guidance range provided earlier this year (EUR50-100m). The business is obviously dependent on the evolution of the pandemic and the compulsory usage of face masks. At this stage, governments and corporates continue to require the usage of protection face masks.

**Table 1: H1 2021 results vs. H1-20 (inflated by CHS) and H1 2019**

	H1-21	H1-20	Change 2021 vs. 2020	H1-19	Change 2021 vs. 2019
Revenue	372	519	-28%	326	+14%
EBITDA	46	71	-35%	33	+42%
EBITDA margin	12.4%	13.7%		10.0%	
EBIT, adj.	34	60	-43%	23	+50%
EBIT, adj. margin	9.1%	11.5%		7.0%	
Net profit	25	29	-15%	8	+198%

Source: Kepler Cheuvreux

**Table 2: H1 2021 results**

	H1-21 reported	H1-21 KECH est.	Reported vs. KECH estimates
Revenue	372	353	+5%
EBITDA	46	36	+30%
EBITDA margin	12.4%	10.1%	
EBIT, adj.	34	22	+53%
EBIT, adj. margin	9.1%	6.3%	
Net profit	25	12	+105%

Source: Kepler Cheuvreux

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**Appendix 1: Research framework**

Last model update: 26 May 2021

**Investment case**

- Chargeurs is an industrial conglomerate with world-leading positions in niche markets that are worth EUR0.5-1.0bn (e.g. self-adhesive films for surface protection, interlinings and technical textiles, premium wool trading).
- CEO and reference shareholder Michael Fribourg took over the company in 2015 and reshaped it. The group’s portfolio of assets has been strengthened (higher share of services, innovative/sustainable products, more productive industrial facility) making Chargeurs a more diversified, performing and premium business.
- Chargeurs's premiumization and build-up strategy is expected to deliver double digit earnings growth in the next years.

**Catalysts**

- Recovery of retail-exposed businesses from depressed 2020 levels
- Embedded performance of assets after a sustained investment period (2018-19)
- Selective and stringent M&A strategy

**Valuation methodology**

- Discounted Cash Flow (8% WACC, 2% g)

**Risks to our rating**

- Prolongation of COVID-linked restrictions beyond 2021
- Lower-than-expected activity at healthcare Solutions
- M&A execution (inadequate purchasing price, failure in the integration process)

**Appendix 2: Company description**

Chargeurs is an industrial conglomerate that has established world-leading positions in niche markets (protective films, interlinings, premium wool trading, services to museums). In 2020, Chargeurs successfully created Healthcare Solutions (CHS) to meet the booming demand for masks during the pandemic.

**Management** Michaël Fribourg, CEO | Olivier Buquen, CFO | Gustave Gauquelin, COO

**Key shareholders** Columbus Holding SAS: 27.10% | Sycomore Asset Management: 8.70% | Amundi: 5.70% | Treasury stock: 4.60%

**Appendix 3: share price perf.**



**Appendix 4: SWOT analysis**

**Strengths**

- Dominating position in niche markets (EUR0.5-1.0bn market size)
- Differentiated offering (premium products, high quality services)
- Management (long term vision, entrepreneurial approach)
- Self-financing ability

**Opportunities**

- Fast-growing museum services market
- Development of a platform around healthcare/beauty/hygiene/wellness
- M&A opportunities could arise as the crisis eases
- Growing demand for eco-friendly and sophisticated products

**Weaknesses**

- Sensitive to economic downturns (construction, apparel sector)

**Threats**

- Risks linked to the integration of newly-acquired companies
- Extension of the COVID-related restrictions and its impact on retail
- Volatility of raw material price (polyester, polyamides)
- Intensification of the competitive landscape

**Appendix 5: Key financials**

Last model update: 26 May 2021

Market data date: 08 September 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
<b>Income Statement (EURm)</b>										
Sales	na	498.7	506.4	533.0	573.3	626.2	822.0	662.4	784.3	843.7
% Change	na	na	1.5%	5.3%	7.6%	9.2%	31.3%	-19.4%	18.4%	7.6%
EBITDA adjusted	na	40.3	48.8	54.6	59.8	59.9	102.4	67.0	83.0	97.2
EBITDA adj. margin (%)	na	8.1%	9.6%	10.2%	10.4%	9.6%	12.5%	10.1%	10.6%	11.5%
EBIT adjusted	na	30.6	38.9	44.4	49.0	41.3	79.3	42.8	58.0	72.3
EBIT adj. margin (%)	na	6.1%	7.7%	8.3%	8.5%	6.6%	9.6%	6.5%	7.4%	8.6%
Net financial items & associates	na	-13.7	-2.5	-8.3	-8.7	-10.2	-6.6	-12.5	-12.5	-12.5
Others	na	-2.3	-1.5	-1.0	-1.8	-1.7	-4.6	-3.0	-3.0	-3.0
Tax	na	7.5	-4.9	-4.0	-5.1	-4.9	-4.3	-2.5	-4.6	-6.5
Net profit from continuing operations	na	15.5	25.0	25.2	26.6	15.0	40.3	16.8	31.0	43.3
Net profit from discontinuing activities	na	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	na	15.5	25.0	25.2	26.6	15.0	40.3	16.8	31.0	43.3
Net profit reported	na	15.5	25.0	25.2	26.6	15.0	41.0	16.8	31.0	43.3
Net profit adjusted	na	15.5	25.0	25.2	26.6	15.0	41.0	16.8	31.0	43.3
<b>Cash Flow Statement (EURm)</b>										
Levered post tax CF before capex	na	32.4	31.1	30.7	14.4	25.4	73.0	43.0	57.3	68.2
Capex	na	-14.1	-10.9	-13.6	-24.3	-25.3	-14.9	-14.5	-14.8	-15.2
Free cash flow	na	18.3	20.2	17.1	-9.9	0.1	58.1	28.5	42.6	53.0
Acquisitions & divestments	na	1.2	-20.4	-4.3	-66.0	-9.4	-62.0	0.0	0.0	0.0
Dividend paid	na	-3.2	-11.5	-6.6	-10.8	-8.6	-5.9	-30.2	-8.4	-15.5
Others	na	-2.2	-6.0	0.0	-10.2	-19.5	-12.4	-11.2	-11.4	-11.6
Change in net financial debt	na	-14.1	17.7	-6.2	96.9	37.4	22.2	12.9	-22.7	-25.9
<b>Balance Sheet (EURm)</b>										
Intangible assets	na	78.5	92.1	88.3	158.1	173.1	228.7	228.5	228.5	229.5
Tangible assets	na	55.9	61.8	63.2	80.7	113.1	121.2	122.8	124.1	124.8
Financial & other non-current assets	na	47.8	46.8	45.1	52.1	53.8	52.9	52.9	52.9	52.9
Total shareholders' equity	na	222.4	227.3	229.9	237.2	232.4	236.6	223.2	245.8	273.6
Pension provisions	na	14.6	16.7	16.4	17.4	18.3	16.8	16.8	16.8	16.8
Liabilities and provisions	na	263.4	347.3	400.8	371.5	413.3	631.0	643.0	656.1	673.3
Net debt	na	-8.7	13.5	7.5	109.6	167.2	202.0	220.2	202.6	181.7
Net financial debt	na	-23.3	-3.2	-8.9	92.2	122.5	147.1	164.2	145.5	123.5
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	26.4	38.1	39.2	40.3	41.4
Net working capital	na	40.3	43.7	44.6	64.7	73.0	56.0	59.4	63.2	68.2
Invested capital	na	174.7	197.6	196.1	303.5	359.2	405.9	410.7	415.7	422.6
<b>Per share data (EUR)</b>										
EPS adjusted	na	0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
EPS adj and fully diluted	na	0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
% Change	na	na	37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS reported	na	0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
Cash flow per share	na	1.65	1.35	1.33	0.62	1.09	3.13	1.84	2.45	2.92
Book value per share	na	11.18	9.90	9.93	10.16	9.95	10.17	9.59	10.56	11.75
Dividend per share	na	0.30	0.55	0.60	0.67	0.40	1.32	0.37	0.68	0.95
Number of shares, YE (m)	na	19.62	22.96	23.16	23.35	23.35	23.35	23.35	23.35	23.35
<b>Ratios</b>										
ROE (%)	na	na	11.2%	11.0%	11.4%	6.4%	17.5%	7.3%	13.2%	16.6%
ROIC (%)	na	na	17.7%	19.5%	16.4%	9.5%	18.8%	9.1%	12.2%	15.0%
ND(F+IFRS16) / EBITDA (x)	na	-0.6	-0.1	-0.2	1.5	2.5	1.8	3.0	2.2	1.7
Gearing (%)	na	-10.5%	-1.4%	-3.9%	38.9%	52.7%	62.2%	73.6%	59.2%	45.1%
<b>Valuation</b>										
P/E adjusted	na	11.3	10.4	20.9	20.3	27.3	9.0	31.8	17.3	12.3
P/E adjusted and fully diluted	na	11.3	10.4	20.9	20.3	27.3	9.0	31.8	17.3	12.3
P/BV	na	0.8	1.1	2.3	2.3	1.8	1.6	2.4	2.2	2.0
P/CF	na	5.4	8.3	17.2	37.4	16.1	5.1	12.4	9.3	7.8
Dividend yield (%)	na	3.4%	4.9%	2.6%	2.9%	2.3%	8.3%	1.6%	3.0%	4.1%
FCF yield (%)	na	10.5%	7.8%	3.2%	-1.8%	0.0%	15.7%	5.3%	8.0%	9.9%
EV/Sales	na	0.3	0.5	1.0	1.1	0.9	0.7	1.1	0.9	0.8
EV/EBITDA adj.	na	3.8	5.3	9.6	10.6	9.4	5.5	11.2	8.8	7.3
EV/EBIT adj.	na	4.9	6.6	11.8	13.0	13.7	7.1	17.5	12.6	9.8

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