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Chargeurs Buy

France | Support services

MCap: EUR583.3m

Target Price: EUR 30.00
Current Price: EUR 24.98
Up/downside: 20.1%
Market data: 08 December 2021

Bloomberg: CRI FP	Reuters: CRIP.PA
Free float	54%
Avg. daily volume (EURm)	1.7
YTD abs performance	41.9%
52-week high/low (EUR)	28.94/17.34

Finalises small but high-quality acquisition

Key points:

- Chargeurs confirms it has acquired 100% of the shares in Events Communications, a highly regarded company specialised in design and project management for museums, involved in some of the most notable museum projects in the world.
- Chargeurs positions as the leading integrated player in the field of services to museums.
- We had factored in the expected contribution in our latest update. No changes to our estimates, TP, or rating.

Acquisition of Event Communications closed

- Event Communications is a company specialised in design and project management for museums.
- According to Chargeurs, Event Communications and its CEO Jamie Alexander enjoys strong reputation in the industry.
- The company is involved in multiple projects around the world (50% of revenues made in UK, Europe, the remaining in Middle-east and Asia) and has been awarded on many occasions.
- The integration of Event Communications, a highly-regarded company, will attract customers and talents says Chargeurs.
- Event Communications is a rather small, fast-growing and profitable company. It makes roughly EUR10m in sales at 10-15% EBIT margin.
- Current CEO James Alexander will continue to run the business which, according to Chargeurs, was a prerequisite for success.
- Chargeurs has created a global integrated leader in the provision of services to museums in only two years by building up a portfolio of assets (five acquisitions over 2018-20). With its newly formed network of subsidiaries, Chargeurs operates across the entire visitor experience value chain from project management to the turnkey delivery of exhibitions.
- The underlying market is supportive, generating structural growth of 10% per year, driven by the multiplication of new large-scale cultural projects around the world, the increasing sophistication of museums' offerings, and growing demand for living luxury experiences. In spite of the pandemic, CMS successfully won several tenders in 2020 and 2021, which we believe validates the relevance of its one-stop-shop model
- No change to our estimates as we already factored in a EUR10m sales contribution in 2022 in link with this acquisition.
- Investment case reiterated: Chargeurs is an attractive story. The company has resources to unlock more value through M&A and its existing assets amid recovering underlying markets, while it has sound fundamentals (skilled management, self-financing capabilities, sustained dividends).

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Appendix 1: Research framework

Last model update: 19 November 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 (7.9% WACC, 2% g).

Risks to our rating

- High price of polyethylene pressuring margins at CPF.
- 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 Free float: 53.90% | Columbus Holding SAS: 27.10% | Sycomore Asset Management: 8.70% | Amundi: 5.70%

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: 19 November 2021

Market data date: 08 December 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
Income Statement (EURm)										
Sales	na	498.7	506.4	533.0	573.3	626.2	822.0	718.5	775.4	824.5
% Change	na	na	1.5%	5.3%	7.6%	9.2%	31.3%	-12.6%	7.9%	6.3%
EBITDA adjusted	na	40.3	48.8	54.6	59.8	59.9	102.4	79.9	80.5	94.2
EBITDA adj. margin (%)	na	8.1%	9.6%	10.2%	10.4%	9.6%	12.5%	11.1%	10.4%	11.4%
EBIT adjusted	na	30.6	38.9	44.4	49.0	41.3	79.3	56.4	56.8	70.0
EBIT adj. margin (%)	na	6.1%	7.7%	8.3%	8.5%	6.6%	9.6%	7.9%	7.3%	8.5%
Net financial items & associates	na	-13.7	-2.5	-8.3	-8.7	-10.2	-6.6	-6.4	-12.5	-12.5
Others	na	-2.3	-1.5	-1.0	-1.8	-1.7	-4.6	-2.0	-2.0	-2.0
Tax	na	7.5	-4.9	-4.0	-5.1	-4.9	-4.3	-5.1	-4.7	-6.4
Net profit from continuing operations	na	15.5	25.0	25.2	26.6	15.0	40.3	34.0	31.6	43.1
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	34.0	31.6	43.1
Net profit reported	na	15.5	25.0	25.2	26.6	15.0	41.0	34.0	31.6	43.1
Net profit adjusted	na	15.5	25.0	25.2	26.6	15.0	41.0	34.0	31.6	43.1
Cash Flow Statement (EURm)										
Levered post tax CF before capex	na	32.4	31.1	30.7	14.4	25.4	73.0	63.8	54.9	67.3
Capex	na	-14.1	-10.9	-13.6	-24.3	-25.3	-14.9	-16.5	-17.8	-19.0
Free cash flow	na	18.3	20.2	17.1	-9.9	0.1	58.1	47.3	37.1	48.4
Acquisitions & divestments	na	1.2	-20.4	-4.3	-66.0	-9.4	-62.0	-20.0	0.0	0.0
Dividend paid	na	-3.2	-11.5	-6.6	-10.8	-8.6	-5.9	-30.2	-22.1	-20.5
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	14.1	-3.6	-16.2
Balance Sheet (EURm)										
Intangible assets	na	78.5	92.1	88.3	158.1	173.1	228.7	239.5	240.5	241.6
Tangible assets	na	55.9	61.8	63.2	80.7	113.1	121.2	124.6	129.2	134.5
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	240.4	249.9	272.5
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	625.7	641.3	654.9
Net debt	na	-8.7	13.5	7.5	109.6	167.2	202.0	210.5	211.0	198.8
Net financial debt	na	-23.3	-3.2	-8.9	92.2	122.5	147.1	154.5	153.9	140.6
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	54.0	58.5	62.5
Invested capital	na	174.7	197.6	196.1	303.5	359.2	405.9	418.1	428.2	438.6
Per share data (EUR)										
EPS adjusted	na	0.79	1.09	1.09	1.14	0.64	1.76	1.46	1.35	1.85
EPS adj and fully diluted	na	0.79	1.09	1.09	1.14	0.64	1.76	1.46	1.35	1.85
% Change	na	na	37.8%	-0.1%	4.7%	-43.6%	173.3%	-17.1%	-7.0%	36.5%
EPS reported	na	0.79	1.09	1.09	1.14	0.64	1.76	1.46	1.35	1.85
Cash flow per share	na	1.65	1.35	1.33	0.62	1.09	3.13	2.73	2.35	2.88
Book value per share	na	11.18	9.90	9.93	10.16	9.95	10.17	10.33	10.74	11.70
Dividend per share	na	0.30	0.55	0.60	0.67	0.40	1.32	0.97	0.90	1.23
Number of shares, YE (m)	na	19.62	22.96	23.16	23.35	23.35	23.35	23.35	23.35	23.35
Ratios										
ROE (%)	na	na	11.2%	11.0%	11.4%	6.4%	17.5%	14.2%	12.9%	16.5%
ROIC (%)	na	na	17.7%	19.5%	16.4%	9.5%	18.8%	11.9%	11.7%	14.1%
ND(F+IFRS16) / EBITDA (x)	na	-0.6	-0.1	-0.2	1.5	2.5	1.8	2.4	2.4	1.9
Gearing (%)	na	-10.5%	-1.4%	-3.9%	38.9%	52.7%	62.2%	64.3%	61.6%	51.6%
Valuation										
P/E adjusted	na	11.3	10.4	20.9	20.3	27.3	9.0	17.2	18.5	13.5
P/E adjusted and fully diluted	na	11.3	10.4	20.9	20.3	27.3	9.0	17.2	18.5	13.5
P/BV	na	0.8	1.1	2.3	2.3	1.8	1.6	2.4	2.3	2.1
P/CF	na	5.4	8.3	17.2	37.4	16.1	5.1	9.1	10.6	8.7
Dividend yield (%)	na	3.4%	4.9%	2.6%	2.9%	2.3%	8.3%	3.9%	3.6%	4.9%
FCF yield (%)	na	10.5%	7.8%	3.2%	-1.8%	0.0%	15.7%	8.1%	6.4%	8.3%
EV/Sales	na	0.3	0.5	1.0	1.1	0.9	0.7	1.1	1.0	0.9
EV/EBITDA adj.	na	3.8	5.3	9.6	10.6	9.4	5.5	9.8	9.8	8.2
EV/EBIT adj.	na	4.9	6.6	11.8	13.0	13.7	7.1	13.9	13.8	11.1

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Reduce	5%	0%
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Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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Chargeurs (EUR)	26/05/2021 06:10	Equity Research	Buy	30.00	20.88

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