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Chargeurs Buy

France | Support services

Beta Profile:  HIGH RISK
MCap: EUR383.6m

Target Price: EUR 30.00
Current Price: EUR 16.43
Up/downside: 82.6%
Market data: 11 May 2022

Bloomberg: CRI FP Reuters: CRIP.PA
Free float 54%
Avg. daily volume (EURm) 1.3
YTD abs performance -37.0%
52-week high/low (EUR) 28.94/16.25

Strong growth in Q1 driven by price increases...and volume

Key points:

- Solid activity in the first quarter of 2022 across all activities (excluding CHS).
- Q1 reported sales of EUR204m is the best performance recorded by Chargeurs for several decades (with the exception of the exceptional Q2-20, which had been boosted by face masks).
- Higher selling prices amid an inflationary context have largely contributed to that performance, while this underpinned Chargeurs' strong pricing power.
- Beyond prices, the trajectory in volume remained positive at Protective Films (single-digit growth rate) despite the high basis for comparison and came in very strong at CFT-PCC amid the recovery of the fashion and luxury sector.

Q1 wrap-up

- Q1 sales came at EUR204m, up 13% YOY, of which 8% like-for-like. Excluding CHS, like-for-like growth was 36%. It is above our estimates (+1% YOY including CHS and +24% excluding CHS) as we had underestimated the magnitude of the increase in selling prices.
- **Protective Films (CPF):** sales in Q1 were the highest in the business's history (EUR96m). The 25% growth reported is largely driven by strong price effects, as Chargeurs was able to pass on higher raw material prices, particularly the price of polyethylene. It's worth noting that the volumes were still on an upward trend (at a single-digit rate, according to management) despite a challenging comparison base (strong recovery in Q1-21). The short-term outlook for the division is good, as suggested by a solid backlog (two-month visibility).
- **Fashion Technologies (CFT*PCC):** the division is back to 2019 pre-pandemic levels. The very sharp acceleration in sales (+63% YOY) results from higher volume amid the recovery of the fashion and luxury sector and, to a lesser extent, higher prices amid the inflationary context (polyester, polyamide). Eco-responsible and innovative products ("sustainable 360" and "Fusion") are growing at a faster pace and contribute positively to the mix.
- **Museum Solutions (CMS):** satisfactory like-for-like growth of 25% supported an initial recovery in retail and events activities (Leach, Senfa) and the launch of several new long-term projects in the Museum business. The integration of the various recently-acquired entities under the umbrella brand, Museum Studio, is in progress with the aim of creating synergies as of this year.
- **Healthcare Solutions (CHS):** CHS reported more modest business levels given the improvement in the health crisis (EUR6m vs. EUR42m in Q1-21). It continues to benefit from multi-year contracts that should enable the rebuilding of strategic inventories over the course of 2022 (we have factored in EUR40m in sales this year).
- Chargeurs's exposure to Russia is extremely limited, with revenue representing less than 0.4% of the group's total revenue.

Table 1: Sales

EURm	Q1-22	Q1-21	Change 22 vs. 21		Change 22 vs. 20		Change 22 vs. 19	
			Reported	Like-for-like	Reported	Like-for-like	Reported	Like-for-like
Protective Films (CPF)	96	77	25%	22%	35%	35%	39%	38%
Fashion Technologies (CFT)	52	32	63%	58%	14%	19%	-3%	4%
Luxury Materials (CLM)	31	18	68%	66%	3%	1%	0%	0%
Museum Solutions (CMS)	19	13	50%	25%	67%	-12%	133%	-15%
Healthcare Solutions (CHS)	6	42	-85%	-85%				
Chargeurs	204	181	13%	8%	29%	25%	26%	20%
Chargeurs excluding CHS	197	139	42%	36%	25%	21%	23%	17%

Source: Kepler Cheuvreux

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Appendix 1: Research framework

Last model update: 22 February 2022

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.
- Selective and stringent M&A strategy

Valuation methodology

- Discounted Cash Flow (7.9% WACC, 2% g).
- Sum-Of-The-Parts (applying various EV/EBITDA and EV/EBIT multiples to each division).

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: 22 February 2022

Market data date: 11 May 2022

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E	na
Income Statement (EURm)										
Sales	498.7	506.4	533.0	573.3	626.2	822.0	736.6	781.1	816.1	na
% Change	na	1.5%	5.3%	7.6%	9.2%	31.3%	-10.4%	6.0%	4.5%	na
EBITDA adjusted	40.3	48.8	54.6	59.8	59.9	102.4	73.8	80.1	88.7	na
EBITDA adj. margin (%)	8.1%	9.6%	10.2%	10.4%	9.6%	12.5%	10.0%	10.3%	10.9%	na
EBIT adjusted	30.6	38.9	44.4	49.0	41.3	79.3	50.7	56.3	64.7	na
EBIT adj. margin (%)	6.1%	7.7%	8.3%	8.5%	6.6%	9.6%	6.9%	7.2%	7.9%	na
Net financial items & associates	-13.7	-2.5	-8.3	-8.7	-10.2	-6.6	-9.9	-9.9	-9.9	na
Others	-2.3	-1.5	-1.0	-1.8	-1.7	-4.6	0.0	0.0	0.0	na
Tax	7.5	-4.9	-4.0	-5.1	-4.9	-4.3	-0.5	-6.0	-7.2	na
Net profit from continuing operations	15.5	25.0	25.2	26.6	15.0	40.3	30.8	34.5	41.5	na
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na
Net profit before minorities	15.5	25.0	25.2	26.6	15.0	40.3	30.8	34.5	41.5	na
Net profit reported	15.5	25.0	25.2	26.6	15.0	41.0	30.6	34.3	41.3	na
Net profit adjusted	15.5	25.0	25.2	26.6	15.0	41.0	30.6	34.3	41.3	na
Cash Flow Statement (EURm)										
Levered post tax CF before capex	32.4	31.1	30.7	14.4	25.4	73.0	65.1	56.7	63.8	na
Capex	-14.1	-10.9	-13.6	-24.3	-25.3	-14.9	-13.4	-14.2	-14.8	na
Free cash flow	18.3	20.2	17.1	-9.9	0.1	58.1	51.8	42.6	49.0	na
Acquisitions & divestments	1.2	-20.4	-4.3	-66.0	-9.4	-62.0	-20.4	0.0	0.0	na
Dividend paid	-3.2	-11.5	-6.6	-10.8	-8.6	-5.9	-30.2	-20.0	-22.4	na
Others	-2.2	-6.0	0.0	-10.2	-19.5	-12.4	0.1	-10.3	-10.5	na
Change in net financial debt	-14.1	17.7	-6.2	96.9	37.4	22.2	-1.3	-12.3	-16.1	na
Balance Sheet (EURm)										
Intangible assets	78.5	92.1	88.3	158.1	173.1	228.7	249.1	249.2	249.4	na
Tangible assets	55.9	61.8	63.2	80.7	113.1	121.2	111.3	111.9	113.1	na
Financial & other non-current assets	47.8	46.8	45.1	52.1	53.8	52.9	52.9	52.9	52.9	na
Total shareholders' equity	222.4	227.3	229.9	237.2	232.4	236.6	236.5	250.2	268.7	na
Pension provisions	14.6	16.7	16.4	17.4	18.3	16.8	16.8	16.8	16.8	na
Liabilities and provisions	263.4	347.3	400.8	371.5	413.3	631.0	550.8	555.5	561.1	na
Net debt	-8.7	13.5	7.5	109.6	167.2	202.0	190.7	179.2	163.8	na
Net financial debt	-23.3	-3.2	-8.9	92.2	122.5	147.1	146.0	134.5	119.1	na
IFRS 16 debt	0.0	0.0	0.0	0.0	26.4	38.1	27.9	27.9	27.9	na
Net working capital	40.3	43.7	44.6	64.7	73.0	56.0	34.1	35.6	37.3	na
Invested capital	174.7	197.6	196.1	303.5	359.2	405.9	394.5	396.7	399.7	na
Per share data (EUR)										
EPS adjusted	0.79	1.09	1.09	1.14	0.64	1.76	1.31	1.47	1.77	na
EPS adj and fully diluted	0.79	1.09	1.09	1.14	0.64	1.76	1.31	1.47	1.77	na
% Change	na	37.8%	-0.1%	4.7%	-43.6%	173.3%	-25.4%	12.0%	20.7%	na
EPS reported	0.79	1.09	1.09	1.14	0.64	1.76	1.31	1.47	1.77	na
Cash flow per share	1.65	1.35	1.33	0.62	1.09	3.13	2.79	2.43	2.73	na
Book value per share	11.18	9.90	9.93	10.16	9.95	10.17	10.16	10.75	11.54	na
Dividend per share	0.30	0.55	0.60	0.67	0.40	1.32	0.87	0.98	1.18	na
Number of shares, YE (m)	19.62	22.96	23.16	23.35	23.35	23.35	23.35	23.35	23.35	na
Ratios										
ROE (%)	na	11.2%	11.0%	11.4%	6.4%	17.5%	12.9%	14.0%	15.9%	na
ROIC (%)	na	17.7%	19.5%	16.4%	9.5%	18.8%	12.5%	12.1%	13.8%	na
ND(F+IFRS16) / EBITDA (x)	-0.6	-0.1	-0.2	1.5	2.5	1.8	2.4	2.0	1.7	na
Gearing (%)	-10.5%	-1.4%	-3.9%	38.9%	52.7%	62.2%	61.7%	53.7%	44.3%	na
Valuation										
P/E adjusted	11.3	10.4	20.9	20.3	27.3	9.0	12.5	11.2	9.3	na
P/E adjusted and fully diluted	11.3	10.4	20.9	20.3	27.3	9.0	12.5	11.2	9.3	na
P/BV	0.8	1.1	2.3	2.3	1.8	1.6	1.6	1.5	1.4	na
P/CF	5.4	8.3	17.2	37.4	16.1	5.1	5.9	6.8	6.0	na
Dividend yield (%)	3.4%	4.9%	2.6%	2.9%	2.3%	8.3%	5.3%	6.0%	7.2%	na
FCF yield (%)	10.5%	7.8%	3.2%	-1.8%	0.0%	15.7%	13.5%	11.1%	12.8%	na
EV/Sales	0.3	0.5	1.0	1.1	0.9	0.7	0.8	0.7	0.7	na
EV/EBITDA adj.	3.8	5.3	9.6	10.6	9.4	5.5	7.7	6.9	6.1	na
EV/EBIT adj.	4.9	6.6	11.8	13.0	13.7	7.1	11.2	9.9	8.3	na

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Hold	29%	22%
Reduce	6%	0%
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Total	100%	100%

Source: Kepler Cheuvreux

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