

# Chargeurs Hold

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France | Support services

MCap: EUR223.6m

**Target Price:** EUR12.00  
**Current Price:** EUR9.24  
**Up/downside:** 29.9%  
**Market data:** 06 November 2024

Bloomberg: CRIP FP      Reuters: CRIP.PA  
Free float      32%  
Avg. daily volume (EURm)      0.1  
YTD abs performance      -20.9%  
52-week high/low (EUR)      13.30/7.70

## Q3 sales: a mixed bag

### Key points:

- Q3 sales up 11% YOY, 5% below our expectations.
- Novacel, the main contributor to group sales and profit, confirms solid momentum with a solid 11% sales increase.
- The difference versus our estimates comes from Museum Studio, which increased less than expected. The EUR150m sales target could be difficult to achieve.
- Mixed picture at PCC (weak European sales offset by dynamic US market).
- The group will present a strategic update in 2025. 2024 is presented as a year of transition for the group. Priority given to deleveraging. Notable M&A excluded at least in the short term.
- Our take: On a positive note, momentum at Novacel is being confirmed and the recent development on interest rates may be an indication that it could continue in the next quarters but one should remain prudent (activity with no visibility over two months). On a less positive note, YTD sales at Museum Studio leave possibility to fall short of the annual target.
- We are not seeing strong catalysts for a rerating of the shares at the moment but advise to hold the shares pending the presentation of the strategic plan in early 2025.

### Mixed bag in Q3

- Chargeurs reported sales of EUR165m in Q3, up 11% from last year, 5% below our estimates (KECH: EUR175m).

Table 1: Q3 sales

	Q3-24	Q3-23	Var %	9M-24	9M-23	Var %
Novacel	71.2	64.1	11.1%	229	211	9%
PCC	48.9	48.6	1%	150	149	1%
Luxury Fibers	15.8	13.2	20%	59	54	10%
Museum Studio	26.1	20.0	30%	92	72	28%
Personal Goods	3.3	2.7	22%	9.1	8	17%
<b>Group</b>	<b>165</b>	<b>149</b>	<b>11%</b>	<b>540</b>	<b>493</b>	<b>9%</b>

Source: Kepler Cheuvreux

- **Novacel** reported a robust 11% revenue increase in Q3 to EUR71m, confirming the recovery trajectory initiated since Q1. Volumes have continued to increase and the product mix kept improving. Novacel continued to take advantage of the increase in selling price initiated earlier in the year. Americas performed particularly well. Growth in Asia was tempered by a weak Chinese market though. Chargeurs describes a positive outlook for 2025 as the business is set to benefit from softer interest rates and its positive impact on key end markets like construction.
- **Chargeurs PCC** recorded EUR49m in sales in Q3, roughly stable from last year (+1% reported, -1% LFL). The business is negatively impacted by slower sales in European luxury sector. However, it is offset by strong performance in the US and Asia. Cilander was consolidated in the course of Q3 (EUR2.6m contribution).
- **Museum Studio's** revenue surged by 31% in Q3 reaching EUR26m driven by high-profile projects in the Middle East and in the U.S. (National Air and Space Museum, Cleveland Museum of Natural History, The People's House in Washington). After nine months, revenue amounted to EUR92m (+28%). To achieve the EUR150m target, Chargeurs would need to record EUR58m in Q4, which would be a level never reached previously. The group mentions the possibility of falling short of that target with a slight delay in revenue recognition at the start of 2025.
- **Luxury Fibers** reported a 20% revenue increase for the third quarter reaching EUR16m with significant volume growth as customers began restocking conventional wool and thanks to rising demand from fashion brands for natural, traceable fibers.

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- **Personal Goods** revenue reached EUR3m, up 19% as brands are benefiting from the repositioning and expansion work made on brands (Swain, Cambridge Satchel, Fournival Altesse).

**Appendix 1: Research framework**

Last model update: 27 August 2024

**Investment case**

- Chargeurs is an industrial conglomerate with world-leading positions in niche markets that are worth EUR0.5-1.0bn (e.g. protective films, interlinings, services to museums).
- Chargeurs' leadership in its respective markets is based on top-notch production facilities and a premium offering (high share of innovative/sustainable products and value-added services).
- CEO and reference shareholder Mickael Fribourg has the ambition to increase the group's footprint in the luxury/B2C segment. Talks are ongoing for a potential acquisition that could improve investors' visibility on the group's vision/strategy and act as a catalyst for a re-rating of shares.

**Catalysts**

- Ramp-up of Museum Studio.
- Volume recovery in Advanced materials as a driver for sales and profitability.
- Industrial optimisation, premiumisation, and innovation to maintain leadership.

**Valuation Methodology**

- Discounted cash flow (9.5% WACC, 2% g, 5.0% long term EBIT margin).
- Sum-of-the-parts: 8x EV/EBIT multiple on traditional activities ("Technology") on 2024 estimates and 13x EV/EBIT multiple on luxury activities.

**Risk to our rating**

- Economic cycle.
- M&A execution.

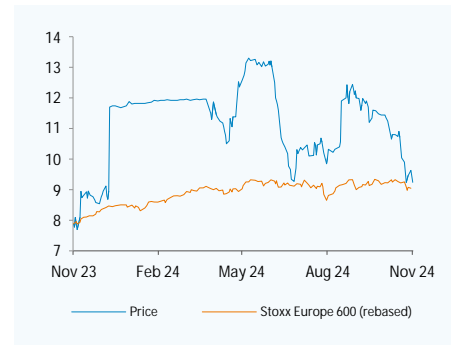
**Appendix 2: Company description**

Chargeurs is an industrial conglomerate that has established world-leading positions in niche markets (protective films, interlinings, premium wool trading, services to museums).

**Mgmt** Michaël Fribourg, CEO | Olivier Buquen, Deputy CEO | Jérôme Angin, CFO

**Ownership** Free float: 32.42% | Groupe Familial Fribourg: 67.58%

**Appendix 3: share price perf.**



**Appendix 4: SWOT analysis**

**Strengths**

- Leadership in niche markets on a global scale (four world leaders).
- Premium positioning and high-tech industrial assets.
- Management with long-term vision and entrepreneurial approach.
- Cashflow-generating businesses.

**Opportunities**

- New activities with growth potential (Museum Studio, Personal Goods).
- Growing demand for ecologically produced fibres (Nativa).
- Recovery of demand/volume for industrial films in early 2024.
- The acquisition of Cilander strengthens the offering in high-end textiles.

**Weaknesses**

- Exposed to economic downturns (construction, industry, retail).
- A portfolio of assets composed of various businesses with no synergies.
- Lack of scale and global brand awareness in quiet luxury.

**Threats**

- Cyclicity of traditional activities (films, textiles).
- Little room for innovation in protective films.
- High transaction prices for quality luxury assets (M&A).

**Appendix 5: Key financials**

Last model update: 27 August 2024

Market data date: 06 November 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
<b>Income Statement (EURm)</b>										
Sales	533.0	573.3	626.1	822.0	736.6	733.9	653.2	721.9	762.4	799.0
% Change	5.3%	7.6%	9.2%	31.3%	-10.4%	-0.4%	-11.0%	10.5%	5.6%	4.8%
EBITDA adjusted	54.6	59.8	59.9	102.4	73.8	67.8	46.9	56.0	63.8	69.9
EBITDA adj. margin (%)	10.2%	10.4%	9.6%	12.5%	10.0%	9.2%	7.2%	7.8%	8.4%	8.7%
EBIT adjusted	44.4	49.0	41.4	79.3	50.7	46.1	26.6	34.7	41.5	46.5
EBIT adj. margin (%)	8.3%	8.5%	6.6%	9.6%	6.9%	6.3%	4.1%	4.8%	5.4%	5.8%
Net financial items & associates	-8.3	-8.7	-10.2	-6.6	-7.9	-13.6	-22.0	-20.3	-20.3	-20.3
Others	-1.0	-1.8	-1.7	-4.6	-2.0	-5.2	-8.0	-8.0	-8.0	-8.0
Tax	-4.0	-5.1	-4.9	-4.3	-0.5	2.4	11.1	0.0	0.0	0.0
Net profit from continuing operations	25.2	26.6	15.0	38.4	31.7	23.1	3.1	1.4	8.2	13.2
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	25.2	26.6	15.0	38.4	31.7	23.1	3.1	1.4	8.2	13.2
Net profit reported	25.2	26.6	15.0	39.1	31.5	23.3	3.4	1.4	8.2	13.2
Net profit adjusted	25.2	26.6	15.0	39.1	31.5	23.3	3.4	1.4	8.2	13.2
<b>Cash Flow Statement (EURm)</b>										
Levered post tax CF before capex	30.7	14.4	25.4	71.1	65.8	-6.2	-13.8	26.8	26.8	33.2
Capex	-13.6	-24.3	-25.3	-14.9	-13.0	-10.8	-19.2	-14.4	-15.2	-16.0
Free cash flow	17.1	-9.9	0.1	56.2	52.8	-17.0	-33.0	12.3	11.5	17.2
Acquisitions & divestments	-4.3	-66.0	-9.4	-62.0	-3.9	-12.3	-9.8	0.0	0.0	0.0
Dividend paid	-6.6	-10.8	-8.6	-5.9	-17.7	-17.9	-8.6	0.0	0.0	-6.0
Others	-0.5	-14.4	-12.4	-14.8	-7.3	-20.9	-12.9	-9.2	-9.2	-9.2
Change in net financial debt	-5.7	101.1	30.3	26.5	-23.9	68.1	64.3	-3.1	-2.3	-2.0
<b>Balance Sheet (EURm)</b>										
Intangible assets	88.3	158.1	173.1	228.7	238.1	276.0	270.3	272.7	276.2	279.8
Tangible assets	63.2	80.7	113.1	121.2	116.7	113.9	105.0	104.9	104.5	103.8
Financial & other non-current assets	45.1	52.1	53.8	52.9	83.0	73.2	124.7	124.7	124.7	124.7
Total shareholders' equity	229.9	237.2	232.4	232.4	266.8	279.9	252.4	254.1	262.6	270.1
Pension provisions	16.4	17.4	18.3	16.8	14.6	12.6	12.4	12.4	12.4	12.4
Liabilities and provisions	400.8	371.5	413.3	631.0	650.9	592.7	592.4	584.2	594.2	603.3
Net debt	7.5	109.6	167.1	181.6	155.8	217.3	268.1	265.0	262.7	260.7
Net financial debt	-8.9	92.2	122.4	147.0	124.0	193.3	272.4	269.3	267.0	265.0
IFRS 16 debt	0.0	0.0	26.4	38.1	31.9	30.0	20.1	20.1	20.1	20.1
Net working capital	44.6	64.7	73.0	51.8	32.1	76.3	86.1	82.4	86.4	90.1
Invested capital	196.1	303.5	359.2	401.7	386.9	466.2	461.4	460.0	467.1	473.6
<b>Per share data (EUR)</b>										
EPS adjusted	1.09	1.14	0.66	1.71	1.34	0.97	0.14	0.06	0.34	0.55
EPS adj and fully diluted	1.09	1.14	0.66	1.71	1.32	0.96	0.14	0.06	0.34	0.55
% Change	-0.1%	4.7%	-42.4%	161.0%	-22.7%	-27.7%	-85.3%	-59.4%	494.3%	61.6%
EPS reported	1.09	1.14	0.66	1.71	1.34	0.97	0.14	0.06	0.34	0.55
Cash flow per share	1.33	0.62	1.11	3.11	2.79	-0.26	-0.57	1.11	1.11	1.37
Book value per share	9.93	10.16	10.16	10.21	11.34	11.61	10.44	10.50	10.86	11.17
Dividend per share	0.60	0.67	0.40	1.32	1.24	0.76	0.00	0.00	0.25	0.40
Number of shares, YE (m)	23.16	23.35	22.88	22.85	23.59	24.10	24.20	24.20	24.20	24.20
<b>Ratios</b>										
ROE (%)	11.0%	11.4%	6.4%	16.8%	12.6%	8.5%	1.3%	0.5%	3.2%	5.0%
ROIC (%)	19.5%	16.4%	9.5%	18.9%	12.6%	12.1%	-2.5%	7.5%	9.0%	9.9%
ND(F+IFRS16) / EBITDA (x)	-0.2	1.5	2.5	1.8	2.1	3.3	6.2	5.2	4.5	4.1
Gearing (%)	-3.9%	38.9%	52.7%	63.3%	46.5%	69.1%	107.9%	106.0%	101.7%	98.1%
<b>Valuation</b>										
P/E adjusted	20.9	20.3	26.7	9.3	17.3	17.4	84.0	na	27.3	16.9
P/E adjusted and fully diluted	21.0	20.3	26.7	9.3	17.5	17.6	84.0	na	27.3	16.9
P/BV	2.3	2.3	1.7	1.6	2.0	1.5	1.1	0.9	0.9	0.8
P/CF	17.2	37.4	15.8	5.1	8.3	na	na	8.4	8.4	6.7
Dividend yield (%)	2.6%	2.9%	2.3%	8.3%	5.4%	4.5%	0.0%	0.0%	2.7%	4.3%
FCF yield (%)	3.2%	-1.8%	0.0%	15.5%	9.7%	-4.2%	-11.6%	5.5%	5.2%	7.7%
EV/Sales	1.0	1.1	0.9	0.7	0.9	0.8	0.8	0.7	0.6	0.6
EV/EBITDA adj.	9.6	10.6	9.3	5.2	9.4	9.1	11.7	8.6	7.5	6.8
EV/EBIT adj.	11.8	13.0	13.4	6.8	13.6	13.4	20.6	13.9	11.6	10.3

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Reduce	8%	5%
Not Rated/Under Review/Accept Offer	3%	6%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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	15/02/2024 06:42	Equity Research	Accept Offer	12.00	11.90
	30/04/2024 12:21	Equity Research	Hold	12.00	11.38

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