



# Chargeurs

Support Services / France

## H1 22: an encouraging start to FY 2022 demonstrating the group's resilience

Earnings/sales releases - 12/09/2022

Chargeurs has once again demonstrated its adaptability and flexibility in an uncertain and challenging environment. Although less heady than H1 21, the group showed its resilience with solid operating results marked by revenue and profitability growth compared to pre-pandemic levels across all businesses. While H2 and FY 2022 will certainly be less impressive than in FY 21, Chargeurs displays an encouraging long-term outlook despite record inflation, the war in Ukraine and recessions in key geographies.

### Fact

- Chargeurs posted total sales of €398.7m over H1, up +7.1% yoy and 22.3% vs the pre-pandemic H1 19 level. Like-for-like growth stood at 15.6% vs the pre-pandemic H1 19, driven by non-health-related activities and the Technologies divisions.
- Chargeurs' EBITDA amounts to €37m (9.3% margin), while the recurring operating profit came in at €25m (6.4% margin).
- Cash generation was below the pre-pandemic level at €0.3m (against €58m in H1 21 and €0.5m in H1 19), increasing net debt to €135.8m against €89m in H1 21.
- The decided interim dividend is much lower than last year's dividend of €0.48 at €0.22.
- Despite the lower results than H1 21 and the ongoing challenging environment, the FY22 outlook is still promising based on: 1) the group's ability to pass on price increases to customers, and 2) its strong order-book.

	H1 2022	H1 2021	Change
<b>Revenue</b>	<b>398,7</b>	372,4	7,06%
<b>EBITDA</b>	<b>37</b>	46,3	-20,09%
<i>As a % of revenue</i>	9,3%	12,4%	
<b>Recurring operating profit</b>	<b>25,4</b>	34	-25,29%
<i>As a % of revenue</i>	6,4%	9,1%	
<b>Attributable net profit</b>	<b>10,2</b>	24,7	-58,70%

Source: Company report

### Analysis

First, as a quick reminder, the group has restructured its activities around three strategic business areas: Technologies, Luxury Goods and Diversification.

- The Technologies division now includes Chargeurs Advanced Materials (formerly Chargeurs Protective Films) and the Chargeurs PCC Fashion Technologies business lines.
- Chargeurs Luxury includes Chargeurs Luxury Fibers, Chargeurs Museum Studio and Chargeurs Personal Care as well as the Swaine and The Cambridge Satchel Company brands. This new division is somewhat work in progress as the group adds assets and the health side is experiencing wild swings in business.
- Diversification comprises the group's varied minority interests.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

### Buy Upside: 121%

Target Price (6 months)	€ 32.2
Share Price	€ 14.5
Market Cap. €M	360
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	13.6 ▶ 27.8
Sustainability score	4.9 /10
Credit Risk	BBB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-3.07%	-14.0%	-17.0%	-41.9%
Support Services	5.96%	-2.45%	3.27%	-18.9%
STOXX 600	3.47%	-2.98%	1.19%	-8.28%

Last updated: 13/05/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	17.7	11.0	9.80	7.23
Dividend yield (%)	5.37	5.23	5.91	7.57
EV/EBITDA(R) (x)	9.03	5.73	5.16	4.15
Adjusted EPS (€)	1.30	1.32	1.48	2.01
Growth in EPS (%)	-14.9	1.32	12.5	35.5
Dividend (€)	1.24	0.76	0.86	1.10
Sales (€M)	737	797	854	926
Underlying operat. profit ma...	6.88	7.15	7.55	8.91
Attributable net profit (€M)	30.6	31.4	35.3	48.1
ROE (after tax) (%)	12.1	11.4	11.7	14.2
Gearing (%)	45.6	41.8	37.3	29.9

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

Chargeurs consolidated revenues totalled €398.7m, up by 7.1% versus the €372.4m level in H1 21. However, the group's profitability declined with EBITDA at €37m compared to €46.3m in H1 21 and an EBITDA margin down 310bp.

### **Resilient performance of the Technologies division**

In H1, Chargeurs Technologies' revenue amounted to €301.8m against €238.8m in 2021, corresponding to 21.9% lfl growth. This growth is driven by both Chargeurs Advanced Materials and Chargeurs PCC Technologies. Chargeurs Advanced Materials reported a 9.3% increase in sales, mostly price-driven, and a relatively stable EBITDA margin of 11%. This performance reflects the group's agility and pricing power in the inflationary environment. Chargeurs PCC Fashion Technologies reported a 52.3% lfl increase in revenue and an 80bp rise in the EBITDA margin to 10.2% in H1 driven by the rebound in the fashion market on the one hand and a gain in market share on the other.

### **A declining profitability driven by the Luxury division**

The Luxury division experienced a 33.1% drop in revenues yoy, from €133.6m to €96.9m. This decrease in revenues is driven by the decline in the personal care activity which recorded -91.3% lfl growth compared to the 2021 level, a performance that can be explained by the improvement of the health situation in Europe.

The other activities of the Luxury Division saw an increase in revenues. Chargeurs Luxury Fibers posted organic growth of 35.5% yoy in H1 from €39.4m to €54.4m. This growth was mainly due to a volume effect. The division is also expanding the Nativa label, a label that guarantees the traceability of wool and the use of regenerative agriculture. However, despite the increase in revenues, the profitability of the business remains low and amounts to an EBITDA of €1.1m or an EBITDA margin of 2%.

Lastly, Chargeurs Museum Studio recorded a 30% organic increase in revenues on average, from €22.9m to €36.3m. In this activity, as well, profitability has not kept pace with revenue growth and the EBITDA margin was down from 16.6% to 8.9%.

### **A luxury pole in development**

Chargeurs is in the process of restructuring its luxury division. The personal care activity is deepening its business from its former focus on mask production. The 2020 COVID revenues will not be recovered any time soon. Through its museum activity, Chargeurs aims to become a leading player in all fields of museum services and has been widening its expertise through acquisitions. In July 2022, Chargeurs acquired an 80% stake in Skira, a renowned publisher of classical and modern art and design books. Lastly, Chargeurs intends to become a luxury player with its latest acquisition in August 2022, the Cambridge Satchel Company, a company producing luxury leather goods at affordable prices. Management sees operational leverage through the manufacturing capacity of Cambridge Satchel to be used by other brands.

### **Deteriorating liquidity position**

Overall, the group's recurring operating result reached €25.4m, corresponding to a 6.4% margin, a decrease of 25% in absolute terms and -270bp in margin. This is primarily due to the health business at a standstill.

The decrease in operating performance and the increase in working capital requirements (+€17.8m) led to a decrease in cash flow during the first half of the year with cash flows from operations at €0.3m compared to €58m in H1 21. The level of debt has therefore increased with net debt at €135.8m compared to

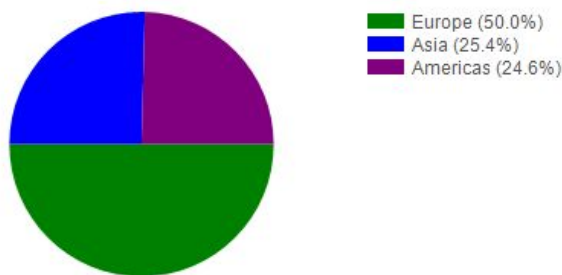
€80.6m in H1 21 bringing the leverage ratio to 2.1x. Nevertheless, it is worth mentioning that the group's cash position remains strong at €313.5m and the group has recently obtained new bilateral lines of credit of €105m.

Long story short, a less promising start to the year than 2021's, but still encouraging given the toughening context. Management remains confident in its ability to keep up profitability and to face the challenging environment in FY 2022 given 1) its full order books, 2) its pricing power, 3) its geographical diversification, and 4) its leadership position in niche markets. We remain positive on the stock and believe that the current valuation leaves plenty of potential for upside.

#### ■ Impact

Our view on the stock remains positive, we will slightly adjust downwards our estimates for the rest of the year.

## Sales by Geography



## Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€M 737	797	854
Change in sales	% -10.4	8.21	7.08
Change in staff costs	% 8.75	3.28	3.26
EBITDA	€M 73.8	80.5	88.5
<b>EBITDA(R) margin</b>	<b>% 10.0</b>	<b>10.1</b>	<b>10.4</b>
Depreciation	€M -23.1	-23.6	-24.0
Underlying operating profit	€M 45.2	51.5	59.0
<b>Operating profit (EBIT)</b>	<b>€M 41.2</b>	<b>45.5</b>	<b>53.0</b>
Net financial expense	€M -10.6	-10.0	-10.5
of which related to pensions	€M	-0.06	-0.11
Exceptional items & other	€M		
Corporate tax	€M -0.50	-4.72	-7.89
Equity associates	€M 0.70	0.70	0.70
Minority interests	€M -0.20	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M 30.6</b>	<b>31.4</b>	<b>35.3</b>
NOPAT	€M 32.3	36.8	42.1

## Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€M 73.8	80.5	88.5
Change in WCR	€M 21.9	-8.18	-11.3
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -6.10	-4.72	-7.89
Exceptional items	€M		
Other operating cash flows	€M -11.7	-8.00	-8.00
Total operating cash flows	€M 77.9	59.6	61.3
Capital expenditure	€M -13.0	-17.3	-18.0
Total investment flows	€M -16.9	-27.3	-28.0
Net interest expense	€M -10.6	-10.0	-10.5
Dividends (parent company)	€M -17.7	-24.1	-13.1
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 0.00	0.00	0.00
Total financial flows	€M -54.0	-37.8	-74.1
Change in cash position	€M 10.2	-5.47	-40.8
<b>Free cash flow (pre div.)</b>	<b>€M 54.3</b>	<b>32.3</b>	<b>32.8</b>

## Per Share Data

	12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...)	Mio 24.0	23.7	23.8
Number of diluted shares (average)	Mio 23.5	23.8	23.8
<b>Benchmark EPS</b>	<b>€ 1.30</b>	<b>1.32</b>	<b>1.48</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 1.24</b>	<b>0.76</b>	<b>0.86</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 38.2	35%	● AkzoNobel
NAV/SOTP per share	€ 38.4	20%	● Rentokil Initial
EV/Ebitda	€ 24.3	20%	● Quadiant
P/E	€ 20.2	10%	● Teleperformance
Dividend Yield	€ 29.1	10%	● Bureau Veritas
P/Book	€ 25.9	5%	
<b>TARGET PRICE</b>	<b>€ 32.2</b>	<b>100%</b>	

### NAV/SOTP Calculation

## Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€M 189	195	202
Total intangible	€M 238	245	251
Tangible fixed assets	€M 85.3	92.3	99.3
Financial fixed assets	€M 7.90	7.90	7.90
WCR	€M -18.0	-9.82	1.49
Other assets	€M 42.4	42.4	42.4
Total assets (net of short term liab.)	€M 418	440	466
<b>Ordinary shareholders' equity</b>	<b>€M 267</b>	<b>286</b>	<b>319</b>
Quasi Equity & Preferred	€M		
Minority interests	€M -0.60	-0.60	-0.60
Provisions for pensions	€M 14.6	13.1	13.4
Other provisions for risks and liabilities	€M 13.8	13.8	13.8
Total provisions for risks and liabilities	€M 28.4	26.9	27.2
Tax liabilities	€M -36.9	-36.9	-36.9
Other liabilities	€M 42.4	42.4	42.4
<b>Net debt (cash)</b>	<b>€M 117</b>	<b>122</b>	<b>115</b>
Total liab. and shareholders' equity	€M 418	440	466

## Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€M 345	367	392

## Profits & Risks Ratios

	12/21A	12/22E	12/23E
<b>ROE (after tax)</b>	<b>% 12.1</b>	<b>11.4</b>	<b>11.7</b>
ROCE	% 9.38	10.0	10.7
<b>Gearing (at book value)</b>	<b>% 45.6</b>	<b>41.8</b>	<b>37.3</b>
Adj. Net debt/EBITDA(R)	x 2.01	1.91	1.66
Interest cover (x)	x 4.26	5.17	5.68

## Valuation Ratios

	12/21A	12/22E	12/23E
<b>Reference P/E (benchmark)</b>	<b>x 17.7</b>	<b>11.0</b>	<b>9.80</b>
Free cash flow yield	% 9.82	9.38	9.46
P/Book	x 2.07	1.20	1.09
<b>Dividend yield</b>	<b>% 5.37</b>	<b>5.23</b>	<b>5.91</b>

## EV Calculation

	12/21A	12/22E	12/23E
Market cap	€M 553	345	347
+ Provisions	€M 28.4	26.9	27.2
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00
+ Net debt at year end	€M 85.9	90.0	82.6
+ Leases debt equivalent	€M 31.4	32.0	32.0
- Financial fixed assets (fair value)	€M 32.3	32.3	32.3
+ Minority interests (fair value)	€M 0.00	0.00	0.00
= EV	€M 666	461	456
<b>EV/EBITDA(R)</b>	<b>x 9.03</b>	<b>5.73</b>	<b>5.16</b>
EV/Sales	x 0.90	0.58	0.53

Analyst : Saïma Hussain, Changes to Forecasts : 13/05/2022.