



Chargeurs

Support Services / France

The worst is over as Chargeurs Advanced Materials is on the comeback trail

Earnings/sales releases - 13/11/2023

Chargeurs continued to be negatively impacted by a still-difficult environment for its various businesses in the Q3 23, with a 7.6% organic decline in revenues. However, the worst now seems to be over as the recovery in the Advanced Materials division is showing signs of picking up pace, with the monthly volumes in September and October higher than in 2022. Meanwhile, Chargeurs Museum Studio continues to assert itself as a new growth driver. The 2024 targets were reaffirmed.

Fact

- Chargeurs posted organic sales down 7.6% yoy to €150.8m in Q3 23, penalized by its Chargeurs Advanced Materials (ex-Protective film) and Chargeurs Luxury Fibers (CLF) businesses.
- The Technology and Luxury divisions posted organic declines of 6.1% and 12.3% respectively in the quarter, with sales of €112.7m and €38.1m.
- In Q3 23, Chargeurs Advanced Materials recorded a 13.9% organic yoy drop in revenues to €64.1m which, in addition to being penalized by a difficult market, experienced a seasonality effect in August.
- Chargeurs Luxury Fibers also recorded a sharp decline, -36.5% organic yoy, to €13.2m due to a negative price effect (strong drop in the conventional wool price (i.e.: micron 17 down -30% on Q3 and -21% for 9M 23), and a change in product mix (less conventional and rising certified Nativa wool), which Chargeurs does not expect to negatively impact the gross margin, as conventional sales have a lower margin compared with certified wool.
- On the other hand, the Museum Studio (CMS) business appeared robust, with 13.6% organic growth yoy and revenues of €22.8m for the quarter.
- Chargeurs reaffirmed its 2024 outlook of sales in excess of €800m, an EBITDA margin of between 9% and 10% and a Debt/Ebitda multiple of less than 3x.

€m	2023	2022	chg. 23 vs. 22	
Third quarter			reported	like-for-like
Technologies	112.7	132.7	-15.1%	-6.1%
Advanced Materials	64.1	76.8	-16.5%	-13.9%
PCC Fashion Technologies (incl. Healthcare Solutions)	48.6	55.9	-13.1%	+4.7%
PCC Fashion Technologies (excl. Healthcare Solutions)	48.6	55.8	-12.9%	+4.8%
Luxury	38.1	42.2	-9.7%	-12.3%
Museum Studio	22.8	20.4	+11.8%	+13.6%
Luxury Fibers	13.2	21.8	-39.4%	-36.5%
Personal Goods	2.1	-		
CHARGEURS	150.8	174.9	-13.8%	-7.6%

Analysis

Chargeurs continues to be hampered by a challenging environment in 2023, which translated into a 7.6% yoy organic sales decline to €150.8m in the Q3. As mentioned before, the biggest underminer of Chargeurs' performance is its macro proxy, Chargeurs Advanced Materials (CAM). Having enjoyed an exceptional 2021, boosted by an inventories build-up by clients, the business has had to contend with a destocking effect since 2022. That said, the division has now



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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: 119%
Target Price (6 months)	€ 16.9
Share Price	€ 7.70
Market Cap. €M	193
Price Momentum	UNFAVORABLE
Extremes 12Months	6.40 ▶ 15.2
Sustainability score	2.3 /10
Credit Risk	B ↗
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-4.47%	4.19%	-28.7%	-37.4%
Support Services	-0.50%	-6.94%	-12.0%	-11.9%
STOXX 600	-0.21%	-2.17%	-4.51%	2.64%

Last updated: 16/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	18.3	19.9	10.4	5.94
Dividend yield (%)	4.51	8.83	13.2	20.8
EV/EBITDA(R) (x)	8.72	7.21	5.99	4.57
Adjusted EPS (€)	0.92	0.39	0.74	1.30
Growth in EPS (%)	-29.2	-58.1	92.3	74.7
Dividend (€)	0.76	0.68	1.02	1.60
Sales (€M)	746	702	788	871
Underlying operat. profit ma...	6.08	4.99	6.16	8.00
Attributable net profit (€M)	22.1	9.27	17.9	30.7
ROE (after tax) (%)	8.08	3.38	6.52	10.5
Gearing (%)	53.5	71.8	75.3	71.8

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passed its nadir.

Chargeurs Advanced Materials set for a rebound

In Q3 23, CAM reported a 13.9% yoy organic decline in revenues to €64.1m. While at first sight such a contraction may appear negative, it is actually positive when set against the 27% yoy lfl decline in the Q1 23 and the 19.2% yoy lfl decline in Q2-23. In spite of the complex market conditions and a seasonal August, volumes picked up in October for the fifth consecutive month, exceeding those recorded in the same period in 2022. The volume upturn in all regions – Asia, EMEA and the Americas – bears witness to an upswing.

No decline yet for the Fashion business

While Chargeurs PCC Fashion Technologies (CFT PCC) reported a 12.9% yoy decline in absolute revenues in Q3 23 to €48.6m, the division recorded a 4.8% organic increase in revenues. CFT PCC enjoyed a positive price effect stemming partly from the hyperinflationary situation in Argentina, together with a favourable volume effect in Asia. Chargeurs does not seem concerned by the slight decline in European sales in Q3, as CFT PCC is planning to expand its global network across all apparel segments with an increasing market share.

Museums further established themselves as the Group's new growth lever

Following on from the H1 23, Chargeurs Museum Studio (CMS) further asserted itself as the Group's new growth lever, with revenues up 13.6% yoy to €22.8m, taking 9-month yoy organic growth to 35.9% with revenues of €84m. The division's momentum continues to be positive with worldwide projects in the pipeline. Quite an impressive performance, bearing in mind the fact that the business was built from scratch, which led to the reiteration of the revenue guidance of €120m in 2023 and €150m in 2024.

Chargeurs Luxury Fibers' sales in the red, although profitability should remain unaffected

Chargeurs Luxury Fibers (CLF) reported an organic yoy decrease of 36.5% with sales of €13.2m in the Q3 23 compared with €21.8m last year, due to lower conventional wool prices. Having said that, Chargeurs intends to pursue the premiumization of its business with growing sales linked to sustainable wool, Nativa, now accounting for 20% of sales versus 10% last year, a trend that is expected to enable CLF to maintain its operating margin.

Positive initial results for Chargeurs Personal Goods

The Chargeurs Personal Goods division recorded a sound first set of 9-month figures, with revenues of around €6.2m. We don't have a reference year, since the Cambridge Satchel and Altesse Studio brands were consolidated in December 2022, but we can however assert that the outlook for the division is good, with new partnerships expected for the Cambridge Satchel and new distributors, including Galeries Lafayette, for Altesse Studio.

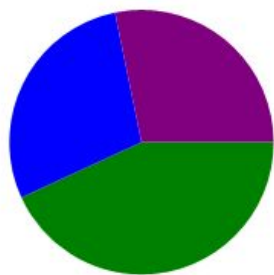
2024 outlook reaffirmed

Recent developments in terms of volumes suggest that CAM's gradual recovery scenario is materializing, which we regard as a clear positive. Chargeurs thus confirmed its 2024 objectives of sales in excess of €800m, with an EBITDA margin of 9-10% and a debt/EBITDA multiple of less than 3x.

■ Impact

Our estimates are likely to remain broadly unchanged, although we are likely to revise downwards our revenue estimates for Chargeurs Luxury Fibers.

Sales by Geography



■ Europe (43.2%)
■ Americas (28.6%)
■ Asia (28.2%)

Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€M	746	702	788
Change in sales	%	1.33	-5.95	12.2
Change in staff costs	%	6.99	5.45	5.40
EBITDA	€M	67.9	56.5	71.1
EBITDA(R) margin	%	9.10	8.05	9.02
Depreciation	€M	-22.5	-22.0	-24.7
Underlying operating profit	€M	38.9	28.4	39.5
Operating profit (EBIT)	€M	38.5	23.4	34.5
Net financial expense	€M	-19.1	-20.5	-16.2
of which related to pensions	€M		-0.23	-0.96
Exceptional items & other	€M			
Corporate tax	€M	2.50	5.69	-1.13
Equity associates	€M	0.00	0.70	0.70
Minority interests	€M	0.20	0.00	0.00
Adjusted attributable net profit	€M	22.1	9.27	17.9
NOPAT	€M	29.2	22.1	31.0

Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	€M	67.9	56.5	71.1
Change in WCR	€M	-40.5	-10.7	-14.6
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-4.00	5.69	-1.13
Exceptional items	€M			
Other operating cash flows	€M	-15.9	-8.00	-8.00
Total operating cash flows	€M	7.50	43.5	47.4
Capital expenditure	€M	-10.8	-18.7	-21.0
Total investment flows	€M	-23.1	-28.7	-31.0
Net interest expense	€M	-19.1	-20.5	-16.2
Dividends (parent company)	€M	-17.9	-13.2	-13.3
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-3.90	0.00	0.00
Total financial flows	€M	-81.7	-8.09	-31.5
Change in cash position	€M	-97.3	6.73	-15.1
Free cash flow (pre div.)	€M	-22.4	4.34	10.2

Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...	Mio	24.0	24.0	24.2
Number of diluted shares (average)	Mio	24.0	24.0	24.1
Benchmark EPS	€	0.92	0.39	0.74
Restated NAV per share	€			
Net dividend per share	€	0.76	0.68	1.02

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 16.9	35%	● AkzoNobel
NAV/SOTP per share	€ 32.2	20%	● Rentokil Initial
EV/Ebitda	€ 7.39	20%	● Quadiant
P/E	€ 7.31	10%	● Teleperformance
Dividend Yield	€ 15.4	10%	● Bureau Veritas
P/Book	€ 15.4	5%	
TARGET PRICE	€ 16.9	100%	

NAV/SOTP Calculation

Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	€M	217	224	230
Total intangible	€M	276	283	289
Tangible fixed assets	€M	84.4	91.4	98.4
Financial fixed assets	€M	8.10	8.10	8.10
WCR	€M	15.4	26.1	40.6
Other assets	€M	49.0	49.0	49.0
Total assets (net of short term liab.)	€M	475	500	529
Ordinary shareholders' equity	€M	280	268	280
Quasi Equity & Preferred	€M			
Minority interests	€M	0.20	0.20	0.20
Provisions for pensions	€M	12.6	27.3	28.7
Other provisions for risks and liabilities	€M	13.1	13.1	13.1
Total provisions for risks and liabilities	€M	25.7	40.4	41.8
Tax liabilities	€M	-42.8	-42.8	-42.8
Other liabilities	€M	30.4	30.4	30.4
Net debt (cash)	€M	182	203	219
Total liab. and shareholders' equity	€M	475	500	529

Capital Employed

		12/22A	12/23E	12/24E
Capital employed after depreciation	€M	413	438	466

Profits & Risks Ratios

		12/22A	12/23E	12/24E
ROE (after tax)	%	8.08	3.38	6.52
ROCE	%	7.06	5.06	6.65
Gearing (at book value)	%	53.5	71.8	75.3
Adj. Net debt/EBITDA(R)	x	3.11	4.12	3.50
Interest cover (x)	x	2.04	1.40	2.60

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	18.3	19.9	10.4
Free cash flow yield	%	-5.53	2.35	5.50
P/Book	x	1.45	0.69	0.66
Dividend yield	%	4.51	8.83	13.2

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€M	405	185	186
+ Provisions	€M	25.7	40.4	41.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	152	173	188
+ Leases debt equivalent	€M	29.5	29.5	30.1
- Financial fixed assets (fair value)	€M	20.7	20.7	20.7
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	592	408	425
EV/EBITDA(R)	x	8.72	7.21	5.99
EV/Sales	x	0.79	0.58	0.54

Analyst : Saïma Hussain, Changes to Forecasts : 16/09/2023.