



# Chargeurs

Support Services / France

## Solace in museums

Earnings/sales releases - 12/09/2023

Chargeurs reported results well below our expectations and aligned with consensus regarding both the top-line and profitability for H1 23, solely due to the cyclical weakness of the industrial protection film business. On the other hand, the Museum Studio division is firmly establishing itself as a group's new growth lever within the Luxury division. Also worth noting is the good momentum of the group's new growth drivers, which now account for nearly 60% of group revenue. The drop in profitability, compounded by a significant increase in financial expenses (net debt reaching €194.4m secured by ample credit lines), led to a sharp fall in the group's net profit to €3.3m (vs. €10.2m).

### Fact

- Chargeurs posted H1 total sales of €352.8m, down 12% organically yoy, driven by a 23.1% organic decline in Advanced Materials (new name for industrial protection film) sales to €146.7m and the pullback of Healthcare Solutions, now irrelevant.
- The Chargeurs Museum Studio division reported a strong increase in sales (+48.5% organic growth yoy) to €61.2m.
- In H1 23, Chargeurs reported a 44.5% fall in operating profit to €14.1m, against a consensus of €15.8m.
- Chargeurs recorded an increase in CFO to €4m versus €0.3m due to lower working capital requirements than in H1 22.
- After capital expenditures and dividends paid for FY-22, cash flow was down by €18m, bringing net debt to €194.4m at the close, corresponding to a leverage ratio of 3.5x.
- Despite these disappointing results, Chargeurs cautiously expects a gradual rebound in its Advanced Materials division, which should enable it to achieve group global sales of €800m by 2024 and an EBITDA margin in the range of 9-10%.

€m	H1 2023	H1 2022	Change
Revenue	352.8	398.7	-11.5%
Gross profit	88.9	105.3	-15.6%
as a % of revenue	25.2%	26.4%	-1.2 pt
EBITDA	24.9	37.0	-32.7%
As a % of revenue	7.1%	9.3%	-2.2 pts
Recurring operating profit	14.1	25.4	-44.5%
as a % of revenue	4.0%	6.4%	-2.4 pts
Amort. Intangible assets linked to acq.	-3.1	-3.2	
Non-recurring	-1.8	-0.9	
Operating profit	9.2	21.3	-56.8%
Net financial expense	-12.4	-8.8	
Tax	6.5	-2.6	
Net profit	3.1	10.0	-69.0%
Attributable net profit	3.3	10.2	-67.6%
Earnings per share	0.14	0.44	-68.2%



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### Buy Upside: 160%

Target Price (6 months)	€ 24.1
Share Price	€ 9.28
Market Cap. €M	233
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	9.28 ▶ 15.2
Sustainability score	3.4 / 10
Credit Risk	BB →
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-18.2%	-12.6%	-23.9%	-30.0%
Support Services	-1.81%	-3.39%	-1.63%	1.71%
STOXX 600	-0.38%	-0.64%	-0.83%	8.53%

Last updated: 26/05/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	18.3	11.6	7.72	5.07
Dividend yield (%)	4.51	7.33	11.0	17.2
EV/EBITDA(R) (x)	8.72	6.21	5.01	3.72
Adjusted EPS (€)	0.92	0.80	1.20	1.83
Growth in EPS (%)	-29.2	-13.1	50.1	52.2
Dividend (€)	0.76	0.68	1.02	1.60
Sales (€M)	746	789	872	960
Underlying operat. profit ma...	6.08	6.08	7.55	9.45
Attributable net profit (€M)	22.1	19.2	29.0	43.3
ROE (after tax) (%)	8.08	6.88	9.90	13.2
Gearing (%)	53.5	67.5	64.3	54.9

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

## ■ Analysis

Let's start by prefacing that Chargeurs Advanced Materials (CAM) division is a macro proxy. In 2021, the division had an exceptional year, with inventories built up by customers wishing to manage supply-chain disruptions in a post-COVID environment. CAM has since faced a significant destocking effect. Although the destocking trend seems to be over, industrial customers remain cautious about the near-term outlook with two pain points: construction at large and Germany. Group sales down 12% organically led to a 44.5% yoy fall in operating profit to €14.1m in H1 23.

### **Turbulent environment weighs on Chargeurs Advanced Materials**

Chargeurs Advanced Materials reported a 23.1% yoy organic decline in sales to €146.7m. The contraction in sales, in H1 23, was due to lower industrial volumes from customers in the context of energy and inflationary shocks. The division was also penalised by the crisis in the real estate and new construction markets (which account for 25% of its sales). As a result, CAM recorded a 74.4% fall in operating profit to €4.1m, although it successfully remained positive thanks to a flexible organisation and a breakeven point lowered during recent years. Nevertheless, Chargeurs remains confident that business will inevitably pick up again, as the structural demand for industrial film protection is high and will be driven by i) the end of customer destocking, and ii) growth levers such as industrial equipment, renovation, mobility equipment, high-end household appliance and industrial building markets. It looks as if CAM has not pushed prices beyond the mix effects.

### **Fashion Technologies margin picks up again**

While Chargeurs Fashion Technologies (CFT-PCC) excluding Healthcare Solutions recorded a slight decline in sales 1.3% lfl to €100.5m, the division posted a slight improvement in margin of 0.4ppt to 7.2%. CFT PCC benefited from a favourable customer/product mix coupled with pricing power that enabled it to pass on raw material and energy costs to customers. The division is clearly being pulled by technical textiles for the garment industry among the end-markets and pulled by profitability gains in the organisation.

### **Museum Studio gains ground as new growth driver**

Chargeurs Museum Studio (CMS) achieved a clear beat on our expectations, with organic sales growth of 48.5% to €61.2m against €50.5m expected (€51.9m consensus). Top-line growth was driven by the gradual start-up of projects won in 2021 and 2022. The division's operating income doubled in H1 23 (vs. H1 22) to €3.8m (vs. €1.8m), bringing the operating margin to 6.2% (up 1.2 ppt). The outlook is promising for the division, which should feel the full effect of the projects won in late 2021 and 2022, with deliveries by late 2023, 2024 and 2025. Chargeurs has confirmed its sales outlook of €120m for 2023 and €150m for 2024. This is an impressive achievement for a business started from scratch.

### **Chargeurs Personal Goods on the rise**

Chargeurs Personal Goods, Chargeurs' new division representing its ambition towards Quiet Luxury through Altesse Studio and Cambridge Satchel, got off to a good start with H1 23 sales of €4.1m and an operating margin of 4.9%. Chargeurs expects the group's visibility to increase with i) the opening of Swaine's flagship store on New Bond Street, London, in June, ii) the use of its products by the film industry, notably Indiana Jones' Stetson for Swaine, and iii) the visibility linked to the coronation of King Charles III.

### **Luxury Fibers top-line affected by cyclone**

All is not rosy for the Luxury division, however, with a 25.2% yoy organic decline for Chargeurs Luxury Fibers (CLF) which was negatively impacted by the cyclone

that struck New Zealand in February 2023. Despite the decline in top-line growth, CLF nonetheless reported an increase in operating profit to €1.2m, corresponding to margin growth of 1.2 ppt. The division continues to be driven by the roll-out of NATIVA, its blockchain based tracking tools and associated confidence about origins, which is increasingly relied upon by major brands.

#### **A growing level of net debt**

Despite the 32.7% drop in EBITDA to €24.9m, the reduction in working capital requirement to €3.2m (vs. €17.8m) led to cash flow generation from operations of €4m, compared with €0.3m in H1 22. However, after capex and the dividend paid for 2022, the net debt position deteriorated from €174.7m in FY-22 to €194.4m in H1 23, increasing the leverage ratio to 3.5x. In addition, the environment of rising interest rates coupled with hyperinflation in Argentina resulted in an increase in financial expenses from €8.8m to €12.4m. Chargeurs' average interest rate on its debt might end up being a significant 10% for 2023 (Chargeurs, on the other hand, expects it to be 5%), presumably as the price to pay for ample credit lines.

In line with higher financial expenses and lower profitability, Chargeurs posted net income down 69% yoy in H1 23 to €3.3m.

#### **A solid 2024 outlook**

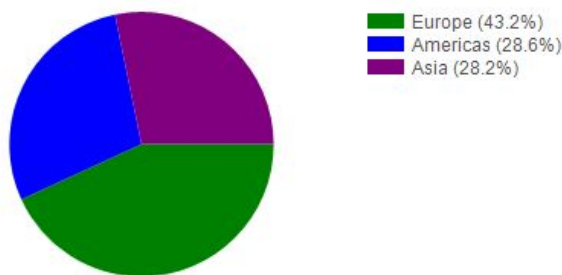
Assuming a gradual recovery in CAM, Chargeurs aims to achieve sales in excess of €800m in 2024 with an EBITDA margin of 9-10%.

All in all, notwithstanding the decline in CAM and in the group's industrial activities, we regard Chargeurs' paradigm shift and premiumisation in a very positive light, as demand and margin shocks on CAM activities such as the one recorded in H1 23 would have been of much greater stress less than 10 years ago.

#### **■ Impact**

We will be trimming our FY23 estimates, particularly for CAM, following this release.

## Sales by Geography



## Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€M 746	789	872
Change in sales	% 1.33	5.66	10.6
Change in staff costs	% 6.99	5.45	5.40
EBITDA	€M 67.9	70.4	88.3
<b>EBITDA(R) margin</b>	<b>% 9.10</b>	<b>8.93</b>	<b>10.1</b>
Depreciation	€M -22.5	-24.7	-27.4
Underlying operating profit	€M 38.9	38.8	53.4
<b>Operating profit (EBIT)</b>	<b>€M 38.5</b>	<b>33.8</b>	<b>48.4</b>
Net financial expense	€M -19.1	-13.7	-14.7
of which related to pensions	€M	-0.23	-0.96
Exceptional items & other	€M		
Corporate tax	€M 2.50	-1.65	-5.43
Equity associates	€M 0.00	0.70	0.70
Minority interests	€M 0.20	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M 22.1</b>	<b>19.2</b>	<b>29.0</b>
NOPAT	€M 29.2	30.0	41.4

## Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€M 67.9	70.4	88.3
Change in WCR	€M -40.5	-13.9	-15.7
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M -4.00	-1.65	-5.43
Exceptional items	€M		
Other operating cash flows	€M -15.9	-8.00	-8.00
Total operating cash flows	€M 7.50	46.9	59.2
Capital expenditure	€M -10.8	-21.0	-23.2
Total investment flows	€M -23.1	-31.0	-33.2
Net interest expense	€M -19.1	-13.7	-14.7
Dividends (parent company)	€M -17.9	-13.2	-11.3
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	-28.7	-28.0
Change in cash position	€M -97.3	-12.8	-2.06
<b>Free cash flow (pre div.)</b>	<b>€M -22.4</b>	<b>12.2</b>	<b>21.3</b>

## 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
<b>Benchmark EPS</b>	<b>€ 0.92</b>	<b>0.80</b>	<b>1.20</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 0.76</b>	<b>0.68</b>	<b>1.02</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 26.5	35%	● Teleperformance
NAV/SOTP per share	€ 41.1	20%	● Bureau Veritas
EV/Ebitda	€ 13.0	20%	● Rentokil Initial
P/E	€ 12.3	10%	● Quadient
Dividend Yield	€ 18.6	10%	● AkzoNobel
P/Book	€ 18.6	5%	
TARGET PRICE	€ 24.1	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	29.3	45.0
Other assets	€M 49.0	49.0	49.0
Total assets (net of short term liab.)	€M 475	503	533
<b>Ordinary shareholders' equity</b>	<b>€M 280</b>	<b>279</b>	<b>306</b>
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
<b>Net debt (cash)</b>	<b>€M 182</b>	<b>196</b>	<b>198</b>
Total liab. and shareholders' equity	€M 475	503	533

## Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 413	441	471

## Profits & Risks Ratios

	12/22A	12/23E	12/24E
<b>ROE (after tax)</b>	<b>% 8.08</b>	<b>6.88</b>	<b>9.90</b>
ROCE	% 7.06	6.80	8.80
<b>Gearing (at book value)</b>	<b>% 53.5</b>	<b>67.5</b>	<b>64.3</b>
Adj. Net debt/EBITDA(R)	x 3.11	3.20	2.58
Interest cover (x)	x 2.04	2.89	3.89

## Valuation Ratios

	12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x 18.3</b>	<b>11.6</b>	<b>7.72</b>
Free cash flow yield	% -5.53	5.49	9.50
P/Book	x 1.45	0.80	0.73
<b>Dividend yield</b>	<b>% 4.51</b>	<b>7.33</b>	<b>11.0</b>

## EV Calculation

	12/22A	12/23E	12/24E
Market cap	€M 405	223	224
+ 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	165	167
+ 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	438	443
<b>EV/EBITDA(R)</b>	<b>x 8.72</b>	<b>6.21</b>	<b>5.01</b>
EV/Sales	x 0.79	0.55	0.51

Analyst : Saïma Hussain, Changes to Forecasts : 26/05/2023.