



Chargeurs

Holding Companies / France

Technical Substrates sprouting through acquired growth

M&A /Corp. Action - 05/07/2019

Staying loyal to its investment strategy of targeting niche markets, Chargeurs props up its Technical Substrates business through three minor, but strategic, acquisitions focused on museum services. This brings the division closer to the €100m in sales milestone before 2021.

Fact

- Chargeurs signed on 4 July the terms for the acquisition of majority stakes in three companies to be grouped under the “Technical Substrates” umbrella.
- The companies are Design PM (UK), MET Studio (UK) and Hyspos (Netherlands), joining Leach which was acquired back in April 2018.
- Combined, the three entities should represent €25m in revenues over the full year.
- No acquisition price was mentioned by the group.

Analysis

The recent venture focused on the (very) niche market of museum visual communication solutions and visitor experience which started with the acquisition of UK-based Leach, has taken off with the announcement of three minor, but strategic, acquisitions in this space. The three companies, which will maintain their respective services and organisation processes, will team up under the brand name “Chargeurs Creative Collections” to offer combined solutions catered mainly to museums, but will also serve retail outlets and brands.

With this move, Chargeurs brings closer its Technical Substrates division to the €100m sales milestone set in the strategic plan. Revenues are expected to represent €60m in 2019 on a full-year basis, and reach €100m in 2020 mainly thanks to additional external growth, a year ahead of schedule. Since the acquisition price has not been disclosed, it is not possible for us to make a deeper assessment on the group’s active external growth strategy.

Although the entities acquired don’t stray far from the market already served by Leach, we eagerly wait for aggregate figures and the growth potential in this seemingly narrow corner. Chargeurs’ management made it clear that the museum niche is actually a large and fast-growing one and, above all, that the top-end know-how for such clients finds even bigger clients in exhibitions and retail businesses. Call that the “visitor experience”. As a reminder, the Technical Substrates business can record big quarterly swings depending on deliveries. Hopefully the acquisitions will contribute to smoother sales growth.

Impact

In all, we will maintain our current estimates but will tweak those figures if and when Chargeurs communicates on profitability targets different from the odd 14% underlying margins plugged into our forecasts.



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AlphaValue is contracted by Chargeurs to provide equity research on Chargeurs, using AlphaValue’s unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy **Upside: 69.9%**

Target Price (6 months) € 30.8

Share Price € 18.1

Market Cap. €M 418

Price Momentum **GOOD**

Extremes 12Months 14.7 ▶ 24.7

Bloomberg CRI FP Equity

Reuters CRIP.PA



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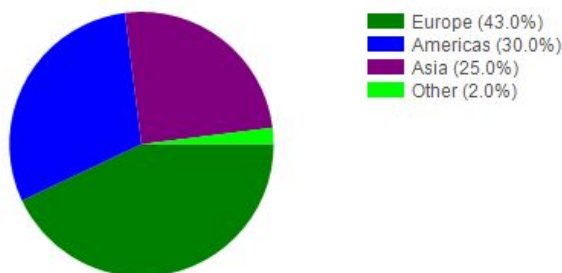


PERF	1w	1m	3m	12m
Chargeurs	5.47%	3.90%	-1.41%	-26.6%
Other financials	3.87%	5.79%	5.75%	13.8%
STOXX 600	2.81%	5.44%	1.31%	3.39%

Last updated: 22/05/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	19.4	15.0	10.8	9.47
Dividend yield (%)	3.01	4.14	4.69	4.97
EV/EBITDA(R) (x)	10.2	8.80	6.93	6.04
Adjusted EPS (€)	1.15	1.21	1.68	1.91
Growth in EPS (%)	5.33	5.31	39.0	14.0
Dividend (€)	0.67	0.75	0.85	0.90
Sales (€M)	573	656	833	1,007
Underlying operat. profit ma...	8.55	8.27	8.91	9.22
Attributable net profit (€M)	26.6	27.8	41.9	51.6
ROE (after tax) (%)	11.4	11.2	13.0	12.7
Gearing (%)	17.6	50.7	37.4	32.6

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

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	573	656	833
Change in sales	%	7.56	14.4	27.0
Change in staff costs	%	33.9	11.5	20.4
EBITDA	€M	59.8	67.3	89.2
EBITDA(R) margin	%	10.4	10.3	10.7
Depreciation	€M	-10.8	-13.0	-15.0
Underlying operating profit	€M	48.1	51.6	70.7
Operating profit (EBIT)	€M	42.2	45.6	63.7
Net financial expense	€M	-10.6	-12.5	-15.3
of which related to pensions	€M	-0.30	-0.14	-0.22
Exceptional items & other	€M			
Corporate tax	€M	-5.08	-5.74	-7.02
Equity associates	€M	0.10	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	26.6	27.8	41.9
NOPAT	€M	34.0	36.7	50.2

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	59.8	67.3	89.2
Change in WCR	€M	-22.5	-13.3	-5.00
Actual div. received from equity holdi...	€M	0.00	0.50	0.50
Paid taxes	€M	-6.00	-5.74	-7.02
Exceptional items	€M			
Other operating cash flows	€M	-8.40	-5.00	-5.00
Total operating cash flows	€M	22.9	43.7	72.7
Capital expenditure	€M	-24.3	-20.0	-17.0
Total investment flows	€M	-90.3	-90.0	-87.0
Net interest expense	€M	-10.6	-12.5	-15.3
Dividends (parent company)	€M	-10.8	-15.6	-17.5
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-10.2	0.00	100
Total financial flows	€M	-42.6	-38.3	62.4
Change in cash position	€M	-110	-84.6	48.1
Free cash flow (pre div.)	€M	-12.0	11.2	40.4

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	23.1	23.0	27.0
Number of diluted shares (average)	Mio	23.2	23.0	25.0
Benchmark EPS	€	1.15	1.21	1.68
Restated NAV per share	€			
Net dividend per share	€	0.67	0.75	0.85

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 29.7	55%	● Ackermans & van H...
Dividend Yield	€ 30.7	20%	● Wacker Chemie
DCF	€ 41.1	10%	● Akzo Nobel
P/E	€ 33.0	10%	● Solvay
P/Book	€ 17.8	5%	● Bolloré
TARGET PRICE	€ 30.8	100%	● GBL
			● Sonae
			● Hal Trust

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	128	202	248
Total intangible	€M	158	204	250
Tangible fixed assets	€M	80.7	113	136
Financial fixed assets	€M	13.1	15.0	20.0
WCR	€M	41.7	55.0	60.0
Other assets	€M	23.0	30.0	32.0
Total assets (net of short term liab.)	€M	324	421	504
Ordinary shareholders' equity	€M	237	258	386
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	17.4	17.6	17.8
Other provisions for risks and liabilities	€M	0.50	1.00	5.00
Total provisions for risks and liabilities	€M	17.9	18.6	22.8
Tax liabilities	€M	-27.2	-30.0	-30.0
Other liabilities	€M	3.50	5.00	5.00
Net debt (cash)	€M	92.2	169	119
Total liab. and shareholders' equity	€M	324	421	504

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	294	387	467

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	11.4	11.2	13.0
ROCE	%	11.6	9.47	10.7
Gearing (at book value)	%	17.6	50.7	37.4
Adj. Net debt/EBITDA(R)	x	1.54	2.52	1.34
Interest cover (x)	x	4.67	4.21	4.72

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	19.4	15.0	10.8
Free cash flow yield	%	-2.34	2.70	8.27
P/Book	x	2.17	1.61	1.26
Dividend yield	%	3.01	4.14	4.69

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	514	416	488
+ Provisions	€M	17.9	18.6	22.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	92.2	169	119
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	16.0	16.0	16.0
+ Minority interests (fair value)	€M	4.00	4.00	4.00
= EV	€M	612	592	618
EV/EBITDA(R)	x	10.2	8.80	6.93
EV/Sales	x	1.07	0.90	0.74

Analyst : Jorge Velandia, Changes to Forecasts : 22/05/2019.