



# Chargeurs

Holding Companies / France

## FY20 ends on a high note as Protective Films bounces back

Earnings/sales releases - 28/01/2021

While the FY revenues were clearly driven by the success of Chargeurs' venture into personal protective equipment under the Healthcare Solutions banner, the Q4 figures held a welcome surprise as the Protective Films business bounced back to organic growth.

### Fact

Chargeurs reported group revenues of €822m in FY20, a solid +27.5% lfl increase, led by the remarkable results from the Healthcare Solutions division (€304m contribution). Yet Q4 was led by the sales recovery at the Protective Films division (+8.2% lfl), nearly offsetting the COVID-19 hit, and putting Chargeurs' cash cow back on the path to profitable growth.

in millions of euros	Twelve months				H2 20				Q4 20			
	2019	reported	Change	organic	2019	reported	Change	organic	2019	reported	Change	organic
Protective Films	270.4	278.1	-2.8%	-1.8%	136.7	136.0	+0.5%	+3.0%	69.6	66.2	+5.1%	+8.2%
Fashion Technologies (CFT-PCC)	131.8	210.6	-37.4%	-35.3%	66.3	102.9	-35.6%	-32.0%	33.4	54.4	-38.6%	-34.2%
Museum Solutions	51.6	37.3	+38.3%	-47.5%	26.6	19.2	+38.3%	-48.2%	13.4	12.6	+6.3%	-61.2%
Luxury Materials	64.6	100.2	-35.5%	-34.6%	24.2	42.0	-42.4%	-41.3%	14.4	20.5	-29.8%	-27.8%
Chargeurs excl. Healthcare Solutions	518.4	626.2	-17.2%	-21%	253.8	300.1	-15.4%	-18.4%	130.8	153.7	-14.9%	-17.3%
Healthcare Solutions	303.6	-	-	-	49.7	-	-	-	3.0	-	-	-
<b>Chargeurs</b>	<b>822.0</b>	<b>626.2</b>	<b>+31.3%</b>	<b>+27.5%</b>	<b>303.5</b>	<b>300.1</b>	<b>+1.1%</b>	<b>-1.9%</b>	<b>133.0</b>	<b>153.7</b>	<b>-12.9%</b>	<b>-15.4%</b>

The company also upgraded its FY20 recurring operating profit guidance to over €75m (versus >€70m previously), while sticking to a cautious 2021 outlook as it prepares for the the new 2025 strategic plan to be presented in February.

### Analysis

The trading performance of the Protective Films division saw a clear turnaround in H2, with growth accelerating in Q4 on the back of rising demand from construction and household appliances, which utilise the division's high quality films. The company was able to meet this demand, at least in part, due to the successful ramp-up from its newest production line in Italy.

The strong organic growth seen in Q4 almost fully offset the COVID-19 hit for the FY, closing only -1.8% lfl below the 2019 level, which was explained by unfavourable pricing for polyethylene. The +8.2% lfl growth from what has been Chargeurs' historical cash cow was likely the main driver behind the recurring operating income guidance upgrade announced by management.

While the group's other core businesses remain affected by the pandemic and the impact from lockdown and social distancing restrictions, Chargeurs was able to leverage its expertise and industrial assets from the CFT-PCC division and technical substrates (under the Museum Solutions banner) for the development of Healthcare Solutions, which became the main driver for the group's revenue growth in 2020.

The €304m contribution from CHS and the commercial success of its line of personal protective equipment serves as proof of the remarkable execution by management to adapt and seize the opportunities brought by the sanitary crisis. Although the breakthrough performance seen in FY20 is not likely to be replicated in FY21, as the pandemic is brought under control through the current vaccination efforts, Chargeurs' confidence in CHS reaching €50-100m in turnover this year shows that the company has been able to build a strategic asset that will support



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### Buy

Upside: 55.1%

Target Price (6 months)	€ 29.2
Share Price	€ 18.8
Market Cap. €M	457
Price Momentum	<b>STRONG</b>
Extremes 12Months	8.48 ▶ 19.7
Bloomberg	CRI FP Equity
Reuters	CRIP.PA


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PERF	1w	1m	3m	12m
Chargeurs	-4.37%	6.70%	12.3%	7.83%
Other financials	-3.30%	-2.92%	10.4%	10.4%
STOXX 600	-1.91%	1.10%	14.3%	-2.68%

Last updated: 06/01/2021	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	26.6	8.15	25.1	20.0
Dividend yield (%)	2.28	4.29	3.46	3.72
EV/EBITDA(R) (x)	9.10	5.48	9.23	7.91
Adjusted EPS (€)	0.66	1.94	0.75	0.94
Growth in EPS (%)	-42.6	194	-61.4	25.2
Dividend (€)	0.40	0.68	0.65	0.70
Sales (€M)	626	841	648	706
Underlying operat. profit ma...	6.61	8.54	5.88	7.09
Attributable net profit (€M)	15.1	44.4	17.3	21.8
ROE (after tax) (%)	6.42	16.4	5.29	5.94
Gearing (%)	51.9	51.8	49.0	43.4

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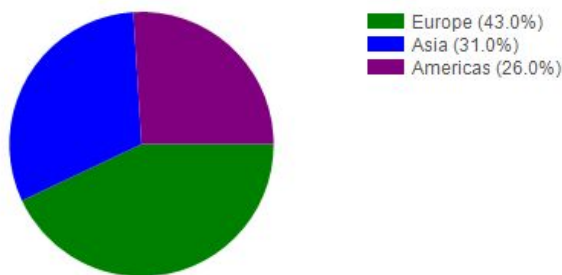
the group's growth ambitions.

## ■ Impact

The FY20 revenues came in slightly below (-2.3%) our €841m forecast as we overestimated the sales performance of CHS over Q4. On the other hand, the sales activity from the Protective Films division significantly outperformed our estimates (€270m reported versus €256m expected).

Given the improved cash generation prospects due to the high-margin contribution from CPF, we will raise our adjusted EBIT forecast for FY20 which should have a slight positive impact on our valuation. We maintain our positive stance on the stock.

## Sales by Geography



## Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	626	841	648
Change in sales	%	9.23	34.3	-23.0
Change in staff costs	%	7.15	6.23	9.74
EBITDA	€M	60.0	95.0	63.9
<b>EBITDA(R) margin</b>	<b>%</b>	<b>9.58</b>	<b>11.3</b>	<b>9.87</b>
Depreciation	€M	-18.6	-19.7	-20.8
Underlying operating profit	€M	38.9	71.8	38.1
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>31.9</b>	<b>64.8</b>	<b>30.1</b>
Net financial expense	€M	-11.5	-12.8	-16.8
of which related to pensions	€M	-0.30	-0.14	-0.21
Exceptional items & other	€M			
Corporate tax	€M	-4.92	-8.10	3.50
Equity associates	€M	-0.40	0.50	0.50
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>15.1</b>	<b>44.4</b>	<b>17.3</b>
NOPAT	€M	27.0	50.9	27.3

## Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	60.0	95.0	63.9
Change in WCR	€M	-13.3	13.3	5.12
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-3.30	-8.10	3.50
Exceptional items	€M			
Other operating cash flows	€M	-8.10	-8.00	-8.00
Total operating cash flows	€M	35.3	92.2	64.5
Capital expenditure	€M	-25.3	-23.0	-18.0
Total investment flows	€M	-34.7	-81.6	-28.0
Net interest expense	€M	-11.5	-12.8	-16.8
Dividends (parent company)	€M	-8.60	-16.4	-15.8
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-9.80	0.00	0.00
Total financial flows	€M	-15.2	97.1	-75.7
Change in cash position	€M	-16.1	108	-39.1
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-1.50</b>	<b>56.4</b>	<b>29.7</b>

## Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	22.7	23.0	23.2
Number of diluted shares (average)	Mio	22.8	22.9	23.1
<b>Benchmark EPS</b>	<b>€</b>	<b>0.66</b>	<b>1.94</b>	<b>0.75</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.40</b>	<b>0.68</b>	<b>0.65</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 31.7	55%	● Ackermans & van H...
Dividend Yield	€ 28.3	20%	● Wacker Chemie
DCF	€ 31.9	10%	● AkzoNobel
P/E	€ 18.2	10%	● Solvay
P/Book	€ 20.4	5%	● Bolloré
TARGET PRICE	€ 29.2	100%	● GBL
			● Sonae
			● Hal Trust

### NAV/SOTP Calculation

## Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	136	206	213
Total intangible	€M	173	244	251
Tangible fixed assets	€M	87.3	110	134
Financial fixed assets	€M	12.6	20.0	25.0
WCR	€M	48.5	35.2	30.1
Other assets	€M	31.6	32.0	35.0
Total assets (net of short term liab.)	€M	386	479	516
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>232</b>	<b>308</b>	<b>347</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	18.3	16.2	16.5
Other provisions for risks and liabilities	€M	0.40	0.50	0.50
Total provisions for risks and liabilities	€M	18.7	16.7	17.0
Tax liabilities	€M	-27.7	-30.0	-30.0
Other liabilities	€M	13.4	13.4	13.4
<b>Net debt (cash)</b>	<b>€M</b>	<b>149</b>	<b>170</b>	<b>169</b>
Total liab. and shareholders' equity	€M	386	479	516

## Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	347	440	474

## Profits & Risks Ratios

		12/19A	12/20E	12/21E
<b>ROE (after tax)</b>	<b>%</b>	<b>6.42</b>	<b>16.4</b>	<b>5.29</b>
ROCE	%	7.79	11.6	5.76
<b>Gearing (at book value)</b>	<b>%</b>	<b>51.9</b>	<b>51.8</b>	<b>49.0</b>
Adj. Net debt/EBITDA(R)	x	2.91	2.11	3.19
Interest cover (x)	x	3.47	5.67	2.30

## Valuation Ratios

		12/19A	12/20E	12/21E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>26.6</b>	<b>8.15</b>	<b>25.1</b>
Free cash flow yield	%	-0.38	15.5	6.83
P/Book	x	1.71	1.18	1.26
<b>Dividend yield</b>	<b>%</b>	<b>2.28</b>	<b>4.29</b>	<b>3.46</b>

## EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	398	364	435
+ Provisions	€M	18.7	16.7	17.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	123	140	134
+ Leases debt equivalent	€M	25.8	30.0	35.0
- Financial fixed assets (fair value)	€M	19.3	31.3	31.3
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	546	520	590
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>9.10</b>	<b>5.48</b>	<b>9.23</b>
EV/Sales	x	0.87	0.62	0.91

Analyst : Jorge Velandia, Changes to Forecasts : 06/01/2021.