Equity Research from Kepler Cheuvreux
Release date: 26 May 2021
Market data as of: 25 May 2021

360

Chargeurs

France | Support services

MCap: EUR487.5m




Charging ahead

Buy (Not Rated)

Target Price:	EUR30.00 (none)
Current Price:	EUR20.88
Up/downside:	43.7%
Change in TP:	none
Change in Adj. EPS:	NM+ 21E/NM+ 22E

What's it all about?

Chargeurs is an industrial conglomerate with world-leading positions in niche markets that are worth EUR0.5-1.0bn a year (e.g. self-adhesive films for surface protection, interlinings and technical textiles, premium wool trading). It is firmly positioned at the high end of the markets in which it operates thanks to a premium offering and sustained capex/R&D investments. In just two years, Chargeurs has become a global leader in the fast-growing market of museum services, while its ability to rapidly adapt its industrial assets to mass produce face masks at the start of the pandemic led to record-high results in 2020. The ramp-up of these new ventures represents the cornerstone of Chargeurs' ambitious growth plan (implied 14% EBIT CAGR 2020-25E including its active acquisition strategy). The company's historical activities are also key, with the expected recovery of underlying end-markets post pandemic. We initiate coverage with a Buy and a TP of EUR30.

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Biographies at the end of this document

360 in 1 minute

Change in Sales:	none 21E/none 22E
Change in Adj EBIT:	NM+ 21E/NM+ 22E

Bloomberg: CRI FP	Reuters: CRIP.PA
Free float	53.9%
Avg. daily volume (EURm)	2.0
YTD abs performance	18.6%
52-week high/low (EUR)	24.78/13.14

FY to 31/12 (EUR)	12/21E	12/22E	12/23E
Sales (m)	662.4	784.3	843.7
EBITDA adj (m)	67.0	83.0	97.2
EBIT adj (m)	42.8	58.0	72.3
Net profit adj (m)	16.8	31.0	43.3
Net financial debt (m)	164.2	145.5	123.5
FCF (m)	28.5	42.6	53.0
EPS adj. and ful. dil.	0.72	1.33	1.86
Consensus EPS	0.74	1.35	1.65
Net dividend	0.37	0.68	0.95

FY to 31/12	12/21E	12/22E	12/23E
P/E adj and ful. dil.	29.0	15.7	11.2
EV/EBITDA	10.4	8.2	6.8
EV/EBIT	16.4	11.8	9.2
FCF yield	5.9%	8.7%	10.9%
Dividend yield	1.8%	3.2%	4.5%
ND(F+IFRS16)/EBITDA	3.0	2.2	1.7
Gearing	73.6%	59.2%	45.1%
ROIC	9.1%	12.2%	15.0%
EV/IC	1.7	1.6	1.6

Key findings

- Chargeurs' leadership in its respective markets is no coincidence, and is based on top-notch production facilities and a premium offering (high share of innovative/ sustainable products and value-added services).
- Michaël Fribourg, CEO and main shareholder, is here for the long term. His management style combines a sound, coherent, long-term vision and savvy entrepreneurship (as demonstrated by the swift reallocation of industrial assets to address the shortage of face masks at the start of the pandemic).
- Chargeurs has a strong track record when it comes to acquiring and integrating businesses. Its selective and stringent M&A process favours family-to-family deals. Targets are small, performing businesses that hold valuable assets and niche expertise. M&A is set to account for the bulk of the growth in Chargeurs' long-term guidance (annual sales of EUR1.5bn by 2025, implying a 13% CAGR).
- Based on its existing cash position and future cash flow generation, Chargeurs will be able to self-finance its growth while maintaining a sustainable dividend distribution policy (payout of over 50%) and keeping debt under control (maximum 2.5x net debt/EBITDA). The company has healthy fundamentals.
- Our estimates (based on organic growth) point to five-year sales and EBIT CAGRs of 3% versus the inflated levels of 2020 (+7% and +14% respectively vs. 2019). Growth is set to be mostly external and is not included in our estimates.
- Organic growth is likely to be partly market-driven (recovery of the businesses exposed to retail from the depressed levels of 2020) and partly derived from the untapped potential of existing assets such as the ramp-up of the one-stop-shop model in museum services, or the launch of a one-of-a-kind production unit for high-value adhesive films.
- Our TP is DCF-based. The recent share price weakness provides a good entry point into the story. Our estimates are short of the company's 2025 targets, thus leaving room for positive surprises.

Research Framework

Investment case

- Chargeurs is an industrial conglomerate with world-leading positions in niche markets that are worth EUR0.5-1.0bn (e.g. self-adhesive films for surface protection, interlinings and technical textiles, premium wool trading).
- CEO and reference shareholder Michael Fribourg took over the company in 2015 and reshaped it. The group's portfolio of assets has been strengthened (higher share of services, innovative/sustainable products, more productive industrial facility) making Chargeurs a more diversified, performing and premium business.
- Chargeurs's premiumization and build-up strategy is expected to deliver double digit earnings growth in the next years.

Catalysts

- Recovery of retail-exposed businesses from depressed 2020 levels
- Embedded performance of assets after a sustained investment period (2018-19)
- Selective and stringent M&A strategy

Valuation methodology

- Discounted Cash Flow (8% WACC, 2% g)

Risks to our rating

- Prolongation of COVID-linked restrictions beyond 2021
- Lower-than-expected activity at healthcare Solutions
- M&A execution (inadequate purchasing price, failure in the integration process)

Company description

Chargeurs is an industrial conglomerate that has established world-leading positions in niche markets (protective films, interlinings, premium wool trading, services to museums). In 2020, Chargeurs succesfully created Healthcare Solutions (CHS) to meet the booming demand for masks during the pandemic.

Management

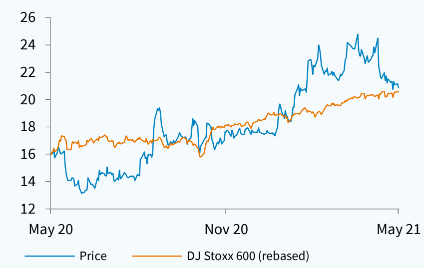
Michaël Fribourg, CEO
Olivier Buquen, CFO
Gustave Gauquelin, COO

Key shareholders

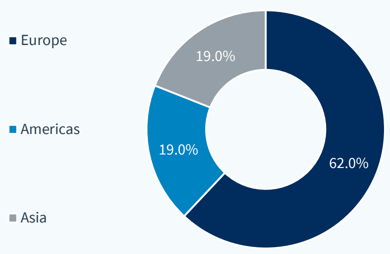
Colombus Holding SAS	27.10%
Sycomore Asset Management	8.70%
Amundi	5.70%
Treasury stock	4.60%

Key data charts

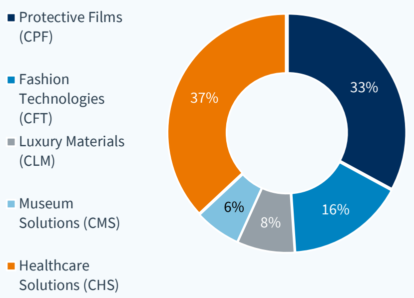
Price performance



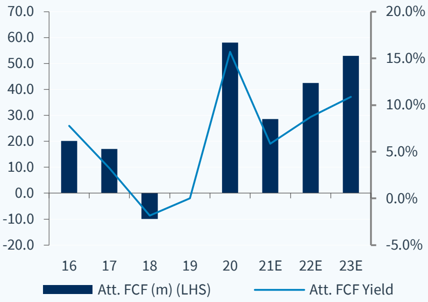
Sales by region



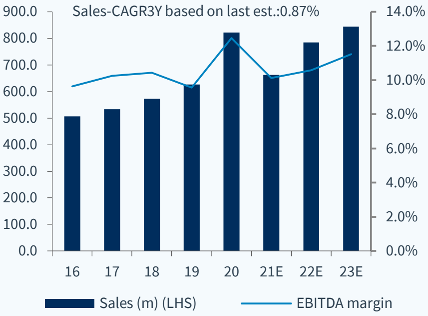
Sales by division



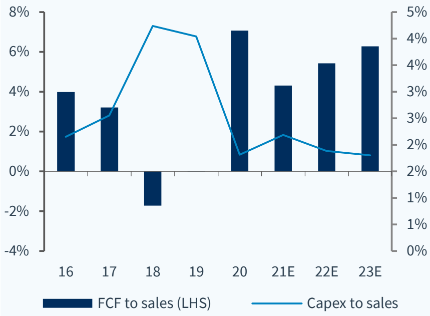
FCF



Sales and EBITDA margin



FCF and Capex to sales



SWOT analysis

Strengths

- Dominating position in niche markets (EUR0.5-1.0bn market size)
- Differentiated offering (premium products, high quality services)
- Management (long term vision, entrepreneurial approach)
- Self-financing ability

Weaknesses

- Sensitive to economic downturns (construction, apparel sector)

Opportunities

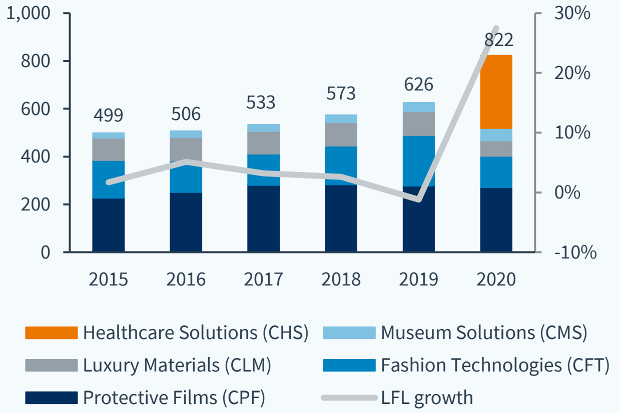
- Fast-growing museum services market
- Development of a platform around healthcare/beauty/hygiene/wellness
- M&A opportunities could arise as the crisis eases
- Growing demand for eco-friendly and sophisticated products

Threats

- Risks linked to the integration of newly-acquired companies
- Extension of the COVID-related restrictions and its impact on retail
- Volatility of raw material price (polyester, polyamides)
- Intensification of the competitive landscape

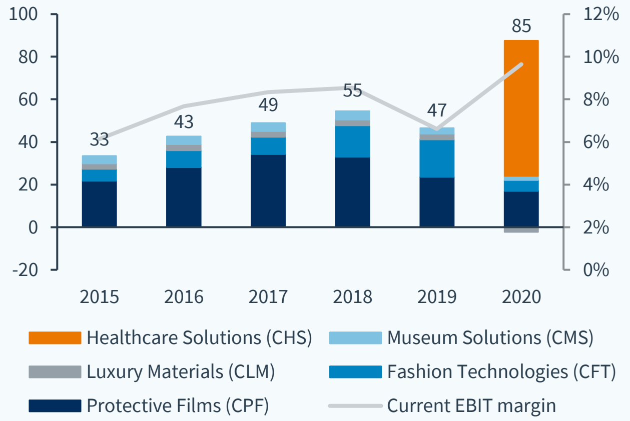
Investment case in six charts

Chart 1: Record sales in 2020 thanks to CHS contribution



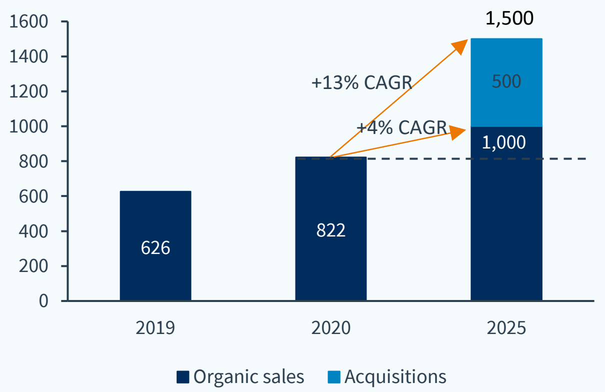
Source: Kepler Cheuvreux

Chart 2: Record EBIT in 2020 thanks to CHS contribution



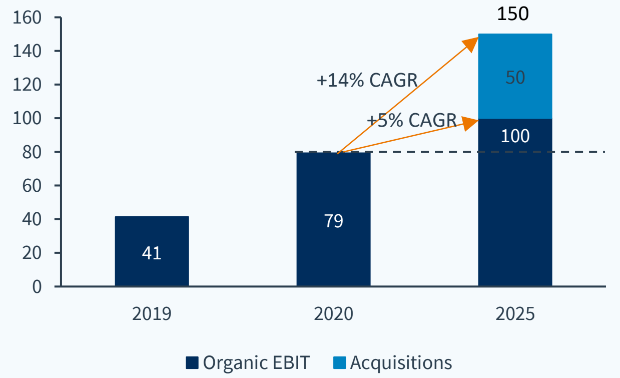
Source: Kepler Cheuvreux

Chart 3: Company's sales target 2025



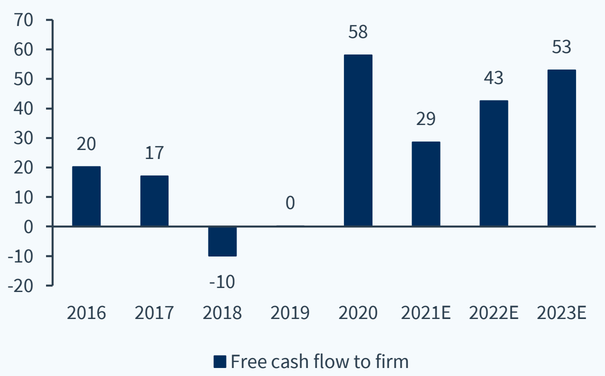
Source: Kepler Cheuvreux

Chart 4: Company's EBIT target 2025



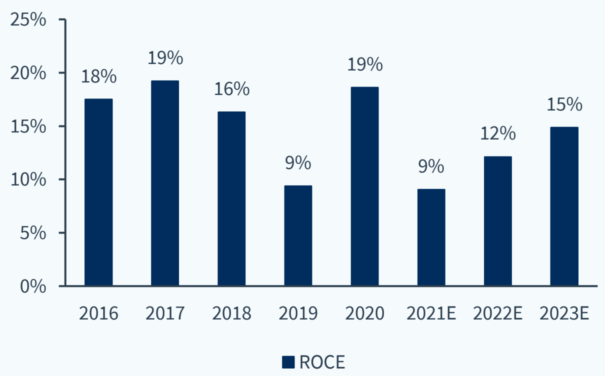
Source: Kepler Cheuvreux

Chart 5: FCF forecasts



Source: Kepler Cheuvreux

Chart 6: ROCE forecasts



Source: Kepler Cheuvreux

Contents

Charging ahead

Chargeurs is an industrial conglomerate that has established world-leading positions in niche markets. Its reference shareholder and CEO, Michaël Fribourg, took over the company in 2015 and has completely reshaped it since then. The group's portfolio of traditional businesses (protective films, interlinings, technical textiles, and premium wool trading) has been strengthened in the sense that it is now a more diversified, resilient, performing and premium business than it was during the years that followed the global financial crisis.

The entrepreneurial drive and agility of its management team have culminated in the creation and transformation of two businesses since 2018 (Healthcare Solutions and Museum Solutions). In a post-pandemic context that is set to improve, the embedded performance of its existing assets will be complemented by a series of acquisitions to meet its bullish long-term growth plan (sales and EBIT CAGRs of 13% and 14% respectively over 2020-25E).

Backed by a strong balance sheet and sound cash generation, the self-financing of future growth will be accompanied by sustained solid shareholder returns.

In this section, we provide an introduction to the company.

Industrial conglomerate with leadership in niche markets

Chargeurs operates five business units. In its traditional businesses (Protective Films, Fashion Technologies, and Luxury Materials), its expertise and leadership is backed by decades of industrial and market experience.

Museum Solutions is practically a new business following a series of transformative acquisitions since 2019 in the field of services to museums. Healthcare Solutions was created in 2020 to meet the surge in demand for face masks.

While the businesses are managed independently, they are connected by the same managerial vision. They are characterised by:

- **A leading global position in niche markets** (a 15-30% market share in niche markets worth EUR500m-1bn a year).
- **High-end positioning:** Some of Chargeurs' products are truly innovative, with features and performance properties that are unmatched by competitors. This is the result of a proactive investment programme led by Michaël Fribourg and his staff. Since 2015, Chargeurs has invested more than EUR100m to promote innovation and implement quality upgrades.
- **A key role in customers' processes:** Its products are a key component of customers' end products. They account for a small fraction of each customer's cost base and final product price and therefore benefit from low price elasticity.
- **Global presence:** In the legacy businesses, Chargeurs generates around 60% of its revenues outside Europe. The company has production plants, distribution centres, and offices all over the world.
- **An increasing share of services:** While Chargeurs has an industrial profile, a growing share of its revenues is derived from services.
- **A comprehensive range of sustainable products** featuring eco-friendly materials that create environmental and social value.
- **Highly automated production processes with a low level of labour intensity.**

Below is a brief introduction to the various businesses, with more details on each division further on.

- **Chargeurs Protective Films (CPF)** supplies self-adhesive films that protect and support the transformation of a large range of surfaces (glass, plastic sheets, stainless steel, aluminium, pre-coated metals, etc.) at every stage in the manufacturing process (bending, stamping, profiling, etc.) as well as during handling, transport, and fitting. The construction sector accounts for 60% of this segment's sales. The temporary surface protection market is estimated to be worth EUR1bn a year. Chargeurs is the world leader, with an estimated market share of c. 30%.

- **Chargeurs Fashion Technologies (CFT-PCC)** is the world leader in interlinings for the fashion industry. Interlinings are technical fabrics that are used between two outer layers of shell fabric to give clothing its shape and structure. Chargeurs is the global number one player with an estimated 25% share of a market that is estimated to be worth EUR800m a year.
- **Chargeurs Luxury materials (CLM)** is the world leader in premium wool trading. Chargeurs is positioned in the distinctive premium wool markets with a focus on high-value products for luxury brands.
- **Chargeurs Museum Solutions (CMS)** is the global leader in museography. Chargeurs operates across the entire value chain (project management, procurement, creative design, production, installation) through a network of subsidiaries acquired between 2018 and 2020. Chargeurs claims a 15-20% share of a market whose value is estimated at EUR500m a year.
- **Chargeurs healthcare Solutions (CHS)** was created in 2020 in response to the pandemic. Chargeurs swiftly pivoted, redirecting its production assets and network of subcontractors to produce and sell reusable and disposable face masks. Chargeurs capitalised on the massive shortage and rocketing demand for face masks. The company aims to build an upscale offering in the healthcare/wellness segments.

Table 1: Business lines

	Protective films (CPF)	Fashion Technologies (CFT-PCC)	Luxury Materials (CLM)	Museum Solutions (CMS)	Healthcare Solutions (CHS)
Business description	Highly technical films that protect the quality of fragile surfaces	Interlining to provide structure and flexibility to garments	Global trading of premium wool products	- Full-integrated turnkey solutions for museums. - Specialty technical textiles	Personal protective equipment (masks, gowns, gloves), hygiene and wellness products and services
Share of 2020 results	33% of sales, 20% of current EBIT	16% of sales, 6% of current EBIT	8% of sales, -3% of current EBIT	6% of sales, 2% of current EBIT	37% of sales, 75% of current EBIT
Market position	World leader in surface protection	World leader in technical textile for luxury clothes and fashion	World leader in high-end, certified and traceable wool	World leader in interior design and exhibition design for new and redeveloped museums	Benchmark player in high-end personal protective equipment
Geographical sales breakdown	48% Europe, 34% Americas, 18% Asia	28% Europe, 63% Asia, 9% Americas	46% Europe, 33% Americas, 21% Asia	37% Europe, 52% Americas, 11% Asia	98% Europe, 1.5% Americas, 0.5% Asia
End markets	Construction, household appliances, furniture, transportation and electronics	Luxury goods, apparel, fast-fashion, sportswear, casualwear, uniforms, outwear	Luxury, fashion, sportswear	Museums, cultural institutions	Local & central government, health organisations, private individuals, businesses
Drivers	• Growth in the construction and household appliances sector • Growing sophistication of industrial surfaces	• Growth in the fashion, sportswear and luxury goods sector • Sophistication of clothing require more and more innovative interlinings and opens up new markets	• Growth in the fashion, sportswear and luxury goods sector • Growing demand for certified, traceable, sustainable products	• Structural growth in cultural leisure; • Increased investments in countries leveraging the visitor experience to boost regional and international appeal;	• Changes in behaviour in public and private spaces, triggered by the health crisis; • Vigorous growth in demand for domestic supplies
Industrial, R&D and commercial footprint	Seven industrial sites, four R&D and quality labs, >ten service centres, 720 employees	Seven industrial sites, seven R&D and quality labs, >20 commercial subsidiaries, 1,080 employees	Four industrial partnerships with combing mills, four R&D and quality labs, >20 commercial subsidiaries	Global network of subsidiaries, four industrial sites, one R&D and quality lab, 380 employees	Rollout of 16 production lines, R&D synergies with CFT-PCC, CMS and CHS , multichannel B2B and B2C distribution
Competitors	Nitto, Polifilm, Bischoff + Klein	Freudenberg, Wendler, Kufner, QST	Fragmented	Fragmented	Fragmented

Source: Kepler Cheuvreux

Michaël Fribourg: Chargeurs' CEO and reference shareholder

Since 2015, the reference shareholder of Chargeurs has been Columbus Holding SAS, an investment company that was founded by French entrepreneur and current CEO Michaël Fribourg alongside French institutional investors (Crédit Mutuel Equity SCR, BNP Paribas Development and Groupama) and several French family offices. Since then, Michaël Fribourg has steadily increased his direct and indirect personal investment in the group, notably by becoming Columbus Holding's main shareholder in 2019 with a substantial controlling interest via his holding Groupe Familial Fribourg (GFF).

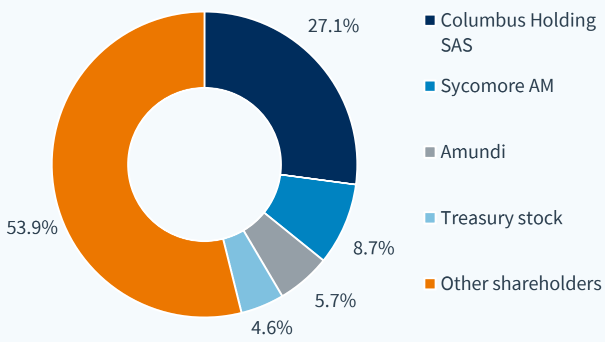
Before entering the world of business at an early age (he was only 33 when he took control of Chargeurs), Michaël Fribourg was a high-ranking official in the French administration.

Columbus Holding acquired a 27.8% stake from a French captain of industry, Jerôme Seydoux, and former Chargeurs' CEO Eduardo Malone in 2015 for a price of EUR8 per share, which valued the company at EUR184m at that time.

Chart 7: Michaël Fribourg, CEO and reference shareholder

Source: Company

Chart 8: Shareholding structure (as of 31 December 2020)



Source: Company

A rich heritage

The history of Chargeurs is entwined with the history of French and international capitalism. Created in 1872 by French banker and businessman Jules Vignal, Compagnie des Chargeurs Réunis was originally a transatlantic shipping line, operating the first regular services between France and Latin America. After WW2, Chargeurs created the UTA airline and Causse-Walon, a leading specialty overland transport company. The conglomerate gradually diversified by investing in non-industrial businesses, such as tourism, chemicals, finance, and insurance. Subsequently, these interests were gradually sold off.

The profile of Chargeurs, as we know it today, took shape in the early 1980s when Jerôme Seydoux acquired a controlling stake in Chargeurs Réunis. Seydoux was the largest shareholder in Pricel, one of Europe's leading groups in textiles and adhesive films. He contributed Pricel's assets and acquired a controlling stake in the Prouvost textile empire. Until the mid-1990s, Chargeurs gradually diversified into media investing in TV (BSKYB, CanalSatellite, La Cinq), movies (Pathé) and a newspaper (Libération). At the same time, Chargeurs disposed of its assets in maritime shipping, air transport, and overland transport.

In 1996, Jerome Seydoux separated the manufacturing businesses from the media empire, in what would become France's first spin-off transaction. The two separate entities become two new publicly traded companies (Chargeurs and Pathé). Chargeurs then strategically refocused on high value-added technical businesses, where it now holds global leadership positions. The businesses became global.

The 2008-10 financial crisis was a very difficult period for Chargeurs. The company was on the brink of bankruptcy, but eventually recovered thanks to the support from several banks and a series of measures (restructuring of the wool and interlinings businesses, debt deleveraging, repositioning in high-end products, etc.). When Michaël Fribourg took over in 2015, Chargeurs was profitable, net-cash-positive, and generated cash flows.

A solid track record since its change in ownership

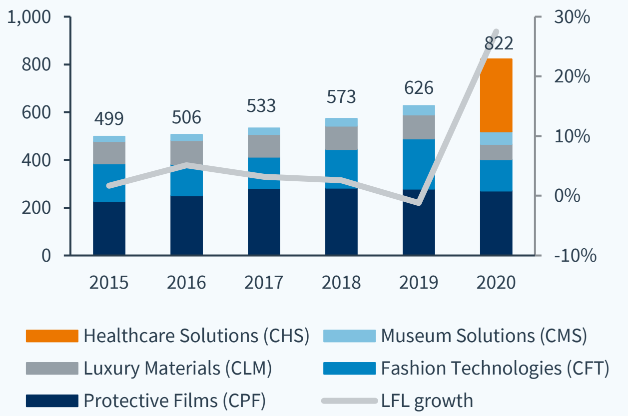
Since the change in ownership in late 2015, Chargeurs has steadily improved its performance metrics. Over 2015-18, Chargeurs generated double-digit annual EBIT growth thanks to supportive underlying market conditions and the rollout of the group's strategy (premiumisation of its offering, investment in innovation and technology, and acquisitions).

The lower earnings in 2019 were attributable to the global industrial recession from Q4 2018 and the trade tensions between China and the US (negative organic growth that year). In parallel, Chargeurs faced a sharp increase in opex to cover the start-up costs for a new production line at Protective Films.

The newly created Healthcare Solutions division was the key driver behind the company's remarkable performance in 2020, accounting for 37% of sales and 80% of current EBIT. Chargeurs successfully weathered the pandemic by adapting its assets and network of subcontractors and seizing the business opportunities created by the widespread shortage of face masks. As a result, Chargeurs generated record sales and earnings in 2020.

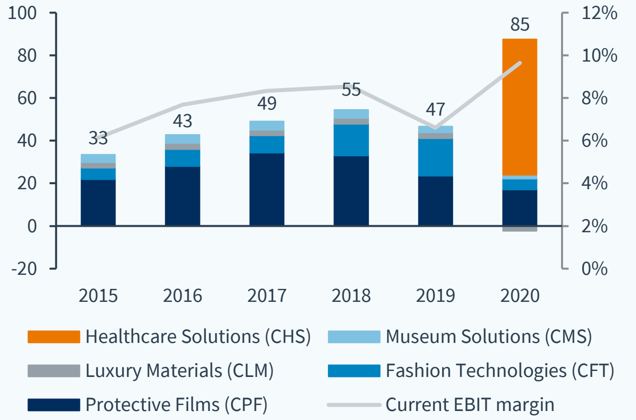
While the traditional activities have suffered (sales -17% YOY, current EBIT -38% YOY), they have remained profitable overall.

Chart 9: Sales



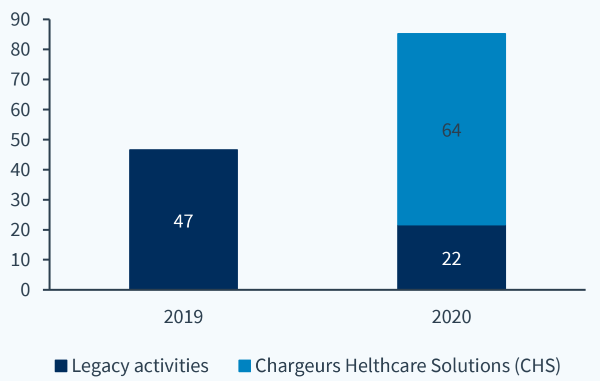
Source: Kepler Cheuvreux

Chart 10: Current EBIT (before intragroup)



Source: Kepler Cheuvreux

Chart 11: Current EBIT (before intragroup)



Source: Kepler Cheuvreux

Chart 12: Net profit

Source: Kepler Cheuvreux

Stronger than ever before

High-end positioning

Chargeurs is a more robust company than it was years ago. Management has placed greater emphasis on the premiumisation offering through sustained investments in innovation and technology. Chargeurs is firmly positioned at the high end of the markets in which it operates. The company constantly adds value to its offering (new applications, properties and functionalities), and some of its products have even set a new benchmark for the industry.

This premiumisation strategy has been beneficial for Chargeurs, by making its products even more essential to clients and by enhancing its overall pricing power.

The following table summarises some of the company's recent innovations.

Table 2: Innovation at Chargeurs

	Protective Films	Fashion Technologies
Innovation	▪ Patented low noise technology drastically reduces the noise level during the unwinding compared to standard protective films ▪ Its Clean Touch transparent adhesive and anti-microbial film prevents all contact contamination of surfaces. Silver ions stored in the film act to disrupt the cellular functions of bacterial virus proteins, ensuring 99.9% elimination. The film can be used on lift buttons and door handles in public areas. ▪ *Oxygen*: New range of 100% recyclable and 92% bio-sourced surface protection films	▪ Commercial launch of 40 gauge ultra-thin interlinings: the thinnest interlinings on the market, which adapt perfectly to the satins and lace used in women's fashions today. ▪ Eco-friendly interlining range: *Sustainable 360* ▪ Lainière Performance Silver range uses silver yarn technology to ensure products are anti-microbial and odour-free
Technology	4.0 Techno-Smart production line in Italy, the most advanced in the world	Ultra-thin technical knitting machine (40-gauge)

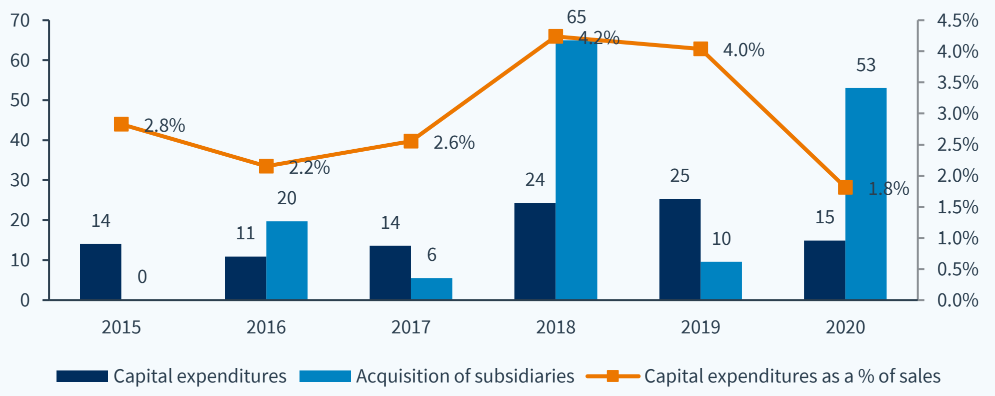
Source: Kepler Cheuvreux

Untapped value creation potential

Since 2015, Chargeurs has invested nearly EUR100m in capex (3% of sales on average) and spent over EUR150m on acquisitions. Interestingly, some investments have yet to unleash their full value potential due to the market disruption caused by the pandemic and because they were made only recently. This means there is still a reservoir that has yet to be tapped, with no additional investments required. A good example is the Museum Solutions business, as the synergies from newly-acquired companies have not had a chance to emerge yet due to the effects of the pandemic.

In addition to the embedded performance that still has to be unleashed by its current assets, Chargeurs has identified several areas to enhance its performance that include marketing (cross-selling, driver of product & service packages), distribution (systematic multi-channel rollout), and product development (environmentally responsible product and solution offering).

Chart 13: Investments



Source: Kepler Cheuvreux

A selective approach to acquisitions

M&A pace set to accelerate

Since the change in ownership in 2015, Chargeurs has carried out ten notable acquisitions as a way to: 1) add new expertise: 2) expand or consolidate its presence in new territories; and 3) expand vertically in the value chain (e.g. one-stop shop model in Museum Solutions, film + machines model in Protective films).

M&A will play a central role in the near future. Chargeurs intends to boost annual sales by EUR500m through external growth by 2025, as part of its *Leap Forward* strategic plan. On the basis of a 7x EV/EBIT transaction multiple, the corresponding figure would amount to EUR350m, considerably higher than the EUR150m spent on acquisitions since 2015.

Future acquisitions will most likely prioritise targets related to its Healthcare Solutions business, as Chargeurs is looking to develop its platform of wellness/beauty/hygiene products. Indeed, its latest acquisition in April was Fournival Altesse, the specialist in high-end Made in France hairbrushes. This family-to-family acquisition was the first stage in CHS's product extension strategy into healthcare, wellness and hygiene products.

In Museum Solutions, Chargeurs is focusing on digesting its recent acquisitions, but it could be tempted to make deals to strengthen its offering in the content/creative segment. Moreover, potential acquisitions in Protective Films and Fashion Technologies must not be ruled out, as Chargeurs could be interested in acquiring smaller, high-end players to increase the scale of these core businesses.

M&A philosophy

Chargeurs intends to apply the same philosophy it has used for past acquisitions. Favourite targets are family-owned businesses in developed economies with a good cultural and entrepreneurial fit. Chargeurs targets profitable businesses that have a value-accretive impact (it thus excludes turnaround stories) and which provide tangible upside in terms of value creation. We understand that future targets will preferably be consumer-oriented (B2C or B2B2C) and low capital-intensive, as management aims to integrate more services.

Chargeurs expects opportunities to arise as the pandemic eases. The nature of its potential targets (SMEs, family-owned) make Chargeurs relatively immune to the inflation seen in transaction prices, which are being driven up by private equity firms. The CEO has mentioned transaction multiples that could exceed 10x EBITDA in fashion technology, 14-15x EBITDA in Surface Protection, and 20x in Museum Services. In this context, Chargeurs is determined not to overpay. Indeed, the company has a strong track record when it comes to acquiring companies at a fair price (maximum 8x EV/EBITDA).

Asset rotation

Chargeurs does not rule out the disposal of one or more assets in the future if it thinks the value creation potential is limited or has been reached, and if it identifies better opportunities elsewhere. Since the change of ownership in 2015, no meaningful disposals have been made.

Table 3: Track record of acquisitions

Target	Year	Country	Business line	Revenues (EURm)	Target description
Fournival Altesse	2021	France	Healthcare solutions	2	Specialist in high-end Made in France hairbrushes
D&P	2020	US	Museum Solutions	40	US's largest integrated solutions platform for museums
Hypsos	2020	Netherlands	Museum Solutions	25 (combined)	Fit out contractor
Design PM	2019	UK	Museum Solutions		Expert in the management of technical intensive large-scale projects
MET Studio	2019	UK	Museum Solutions		Designer specialising in museums, exhibits and visitor experiences
Leach	2018	UK	Museum Solutions	11	UK market leader in visual communication light box
PCC Interlinings	2018	US	Fashion Technologies	70	Technical interlinings manufacturer (top five worldwide)
Somerra	2017	France	Protective Films	1	France-based manufacturer of application machines
Walco	2017	US	Protective Films	1	US-based manufacturer of application machines
Omma	2017	Italy	Protective Films	6	Italy-based manufacturer of application machines
Main Tape	2016	US	Protective Films	22	Leading US-based manufacturer of self-adhesive films

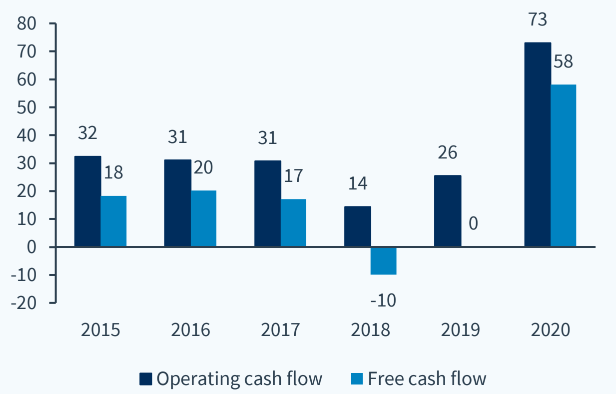
Source: Kepler Cheuvreux

Sound fundamentals

Chargeurs consistently generated positive operating cash flow over 2015-20. Free cash flow turned negative in 2018 and was flat in 2019 (due to a combination of lower results and capex acceleration). Last year, on the back of its record-high profit levels, it also generated record cash flows.

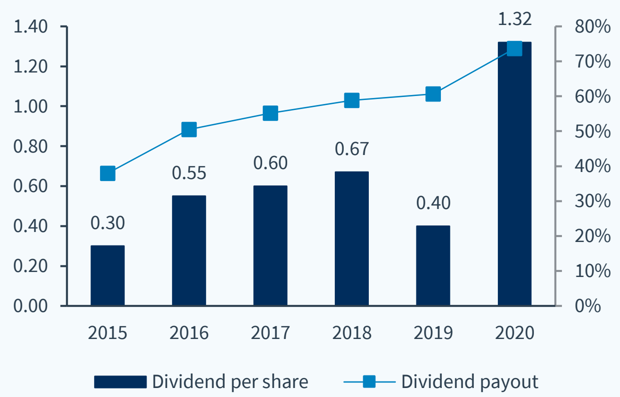
Chargeurs maintains an active dividend policy. The dividend payout to shareholders has risen steadily from 38% in 2015 to 74% in 2020. With the exception of 2019, the dividend has increased constantly in absolute terms. A record dividend of EUR1.32 per share was paid out in 2020.

Chart 14: Operating cash flow/free cash flow



Source: Company, Kepler Cheuvreux

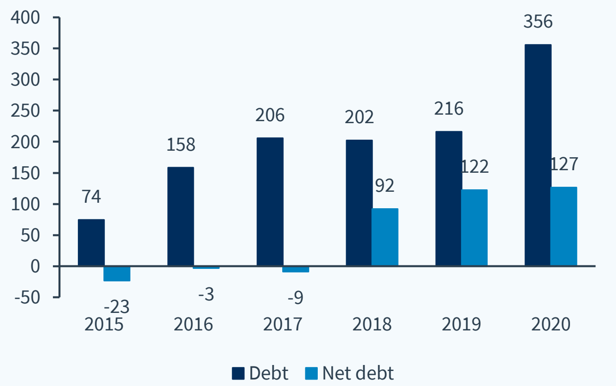
Chart 15: Dividend per share/dividend payout



Source: Company, Kepler Cheuvreux

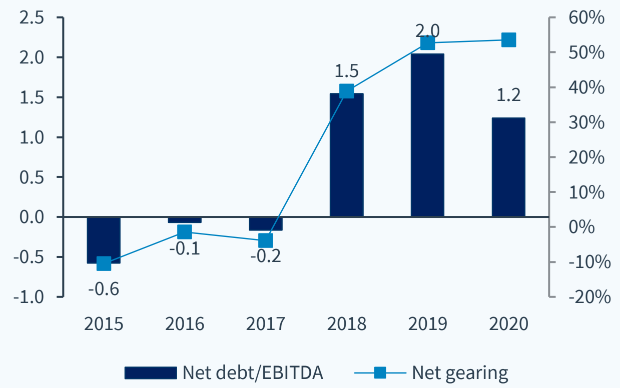
Chargeurs increased its debt level to a record high of EUR356m in 2020. Thanks to high cash generation, net debt remained practically unchanged, and debt ratios remained healthy (1.2x net debt to EBITDA, 54% gearing). Around 62% of debt is subject to a gearing covenant of 120%, which raises no particular concerns. Management aims to keep the leverage ratio (net debt to EBITDA) below 2.5x in the future.

Chart 16: Debt



Source: Company, Kepler Cheuvreux

Chart 17: Debt ratios



Source: Company, Kepler Cheuvreux

Ambitious 2025 targets

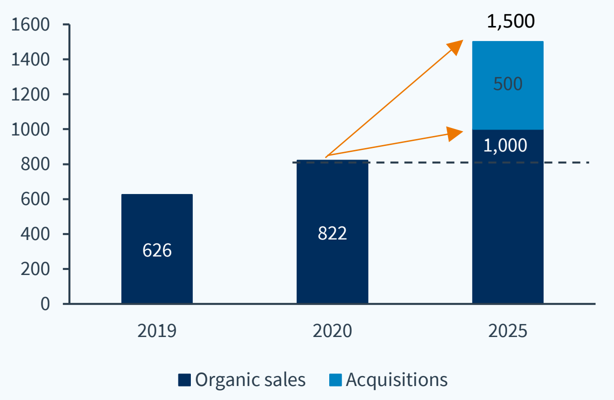
Clear roadmap

As part of its long-term strategic plan presented in March (*Leap Forward 2025*), Chargeurs aims to generate sales of EUR1.5bn and EBIT of EUR150m, driven by a blend of organic and external growth. Chargeurs thinks it can grow annual sales organically to EUR1bn, implying a 4% sales CAGR until 2025 (an 8% CAGR based on 2019 to exclude the extraordinary sales at CHS in 2020), and EBIT organically to EUR100m, suggesting a 5% CAGR (a 16% CAGR based on 2019 to exclude the extraordinary results at CHS in 2020). Including external growth, the sales and EBIT targets would correspond to CAGRs of 13% and 14%, respectively.

Self-funded programme

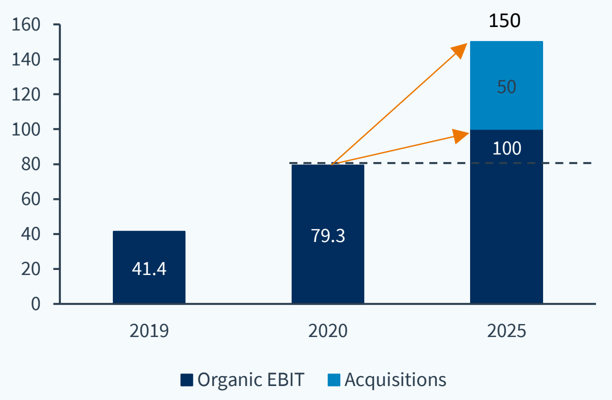
No extra debt burden will be needed to execute the plan. With a cash pile of EUR229m (undrawn facilities of EUR141m) at the end of 2020 and accounting for the future cash flow generation, Chargeurs will need no fresh debt/equity to match the required investments (EUR350m on 7x EV/EBIT transaction multiple). At the same time, Chargeurs intends to pursue an active dividend policy in the coming years.

Chart 18: 2025 sales target



Source: Kepler Cheuvreux

Chart 19: 2025 EBIT target



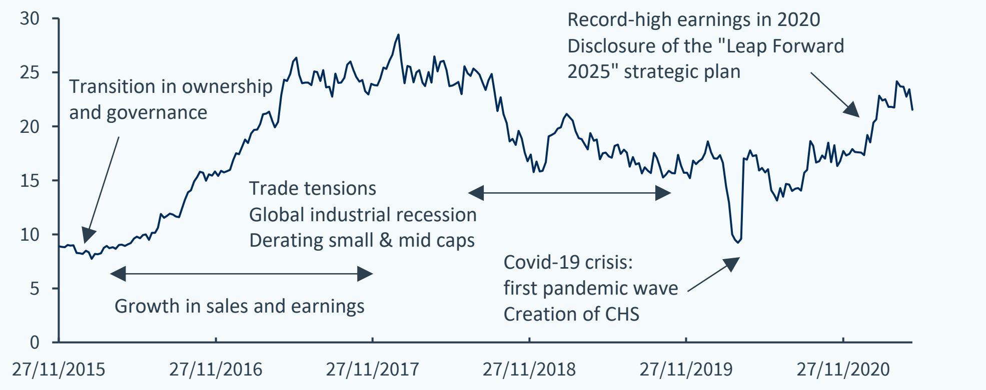
Source: Kepler Cheuvreux

Share price performance

The change in ownership and governance in late 2015 coincided with a rerating of Chargeurs' share price. In a supportive environment for the financial markets, investors responded positively to the new management's strategy (premiumisation, and acquisitions) and the better performance that ensued.

The share price consolidated from H2 2018 on the back of the Industrial recession, trade tensions between China and the US, and the derating of small and mid-caps in the equity market. The deterioration in market conditions was detrimental to Protective Films. The division experienced a settling of organic growth and higher costs for the new production line. The share price quickly recovered from the Covid-led trough in March 2020 thanks to the ramp-up of CHS and the company's subsequent record earnings performance.

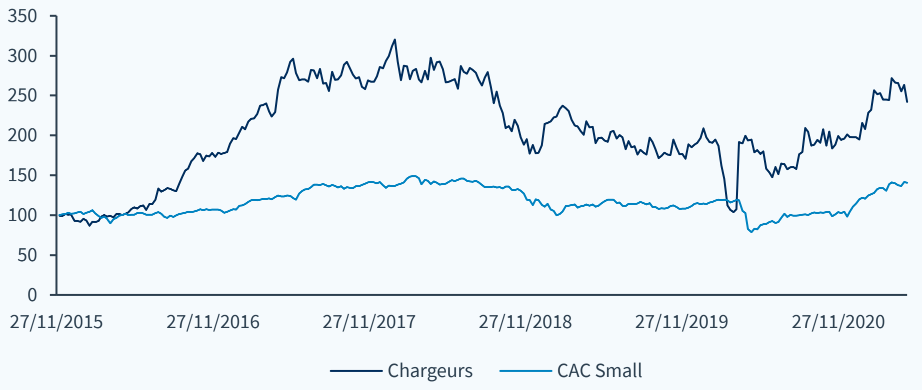
Chart 20: Share price



Source: Kepler Cheuvreux

Since the management transition in late 2015, Chargeurs has outperformed its benchmark.

Chart 21: Chargeurs versus CAC Small



Source: Thomson Reuters

The opening of new chapters

Healthcare Solutions (CHS) and Museum Solutions (CMS) are striking examples of Chargeurs' entrepreneurial drive and agility. These two businesses were set up over a short timespan, either by leveraging the assets and expertise of the traditional businesses (CHS) or through external growth (CMS). These new ventures show the greatest potential for growth in the Chargeurs group.

- **Healthcare Solutions (CHS): Chargeurs displayed outstanding agility at the start of the pandemic, quickly intervening to address the shortage of face masks. It is now increasing its output capacity to meet structurally higher demand for protective personal equipment in a post-COVID world. While the barriers to entry are low, Chargeurs is building a differentiated offering compared to the mass market (high-quality and locally-produced masks, dynamic inventory management for key accounts, traceability and recycling solutions).**

  We would argue that the public and private sector is likely to prioritise domestic suppliers like Chargeurs that offer the best level of quality and service, especially for such critical products. After a volatile, panic-fuelled period, we expect the market for masks to become more balanced.

  Chargeurs targets annual revenues of EUR50-100m at a 10-15% operating margin in 2021, which suggests an outstanding return in view of the limited investments made in the business (EUR10m capex programme). The scope of CHS will expand significantly as Chargeurs aims to diversify further into hygiene, beauty and wellness products. We expect this to be driven by sustained M&A in this division.

- **Museum Solutions (CMS): Chargeurs has created a global integrated leader in the provision of services to museums in only two years by building up a portfolio of assets (five acquisitions over 2018-20). With its newly formed network of subsidiaries, Chargeurs operates across the entire visitor experience value chain from project management to the turnkey delivery of exhibitions.**

  The underlying market is supportive, generating structural growth of 10% per year, driven by the multiplication of new large-scale cultural projects around the world, the increasing sophistication of museums' offerings, and growing demand for living luxury experiences. In spite of the pandemic, CMS successfully won several tenders in 2020 and early 2021, which we believe validates the relevance of its one-stop-shop model.

Chargeurs Healthcare Solutions

Reactivity rewarded

In the face of a global shortage of face masks in H1 2020, Chargeurs quickly redeployed some of its production assets to manufacture reusable masks, leveraging on the shared expertise of CFT-PCC, CPF and CMS in specialty/technical textiles. At the same time, Chargeurs outsourced the production of disposable face masks to PCC's subcontractors in China.

Within a very short time, Chargeurs was able to identify solutions and overcome challenges in the fields of: 1) production (prototyping, certification, quality control, etc.); 2) logistics (air bridges throughout Europe and from Asia to Europe and the US); 3) distribution (creation of dedicated B2B and B2C distribution channels); and 4) marketing (creation of the Lainière Santé brand).

Chargeurs took full advantage of the boom in demand for face masks and protective equipment at the start of the pandemic, going from zero to revenues of EUR254m in a single quarter. Sales ultimately amounted to EUR303m for the year, along with a comfortable 20% EBIT margin. This outstanding profitability was attributable to the company's high pricing power amid the massive shortage and its high operating leverage, as Chargeurs was able to leverage on its existing production, logistics, and distribution assets to address the shortfall in protective equipment.

Chargeurs supplies a wide range of customers including public state and regional administrations, corporate accounts and medium-sized companies, the medical sector and private individuals. On top of face masks, which currently make up the vast majority of its sales, CHS also supplies gowns and clothing, gloves, disinfectants, and other specialised products. The marketing model is based on a multichannel approach adapted to B2B and B2C customers via the website www.lainiere-sante.com.

Demand revival

Prior to the pandemic, the production of face masks for western Europe had been largely outsourced to low-cost Asian countries (China, Vietnam). France had only three local producers left when the pandemic broke out. The largest production line in France was closed in 2018.

Following the outbreak, France boosted its production capacity thirtyfold, going from 3.5m units produced weekly pre-Covid to 100m at the start of 2021. At the peak of the first wave, more than 1,000 companies were contributing to the global effort to produce face masks, either by adapting their production facilities or by investing in new production lines.

From now on, the market is expected to gradually reach a balance:

- On the **supply** side, huge players have now entered the market. The French state has selected ten projects that it will support up to 30%, with the aim of making the country self-sufficient.
- On the **demand** side, the use of face masks by public and private organisations, SMEs, and private individuals in western economies is expected to be widespread even after the pandemic in both private and public spaces. This will give rise to sustainable demand for face masks and, in turn, a recurring revenue stream.

Chargeurs is well equipped to meet this demand. The company invested less than EUR10m to set up 16 production lines (in France, the US, the UK, and Switzerland) and one new production line for "melt blown" (the key filtration component in surgical/FFP2 masks). The melt-blown production line will be operational this summer. The production of disposable face masks will then be fully brought in-house. Chargeurs aims to reach a total monthly output of 20m disposable face masks. In addition, Chargeurs will continue to manufacture reusable face masks using assets from its other business lines (CFT-PCC and CMS).

Chart 22: Reusable mask Lainière Santé

Source: Chargeurs – Lainière Santé

Chart 23: FFP2 mask Lainière Santé

Source: Chargeurs – Lainière Santé

Offering ramp-up

In a market that is characterised by very low barriers to entry, Chargeurs has developed a differentiated offering in terms of both the quality of its products and customer service.

- For key accounts, permanent and secure access to face masks, at predetermined financial conditions, through a dynamic inventory management model.
- High-quality masks featuring a high level of comfort, strength, filtration, and breathability.
- Locally-produced masks, implying a faster delivery time and no customs or logistics risks.
- Traceability of products through RFID tagging.

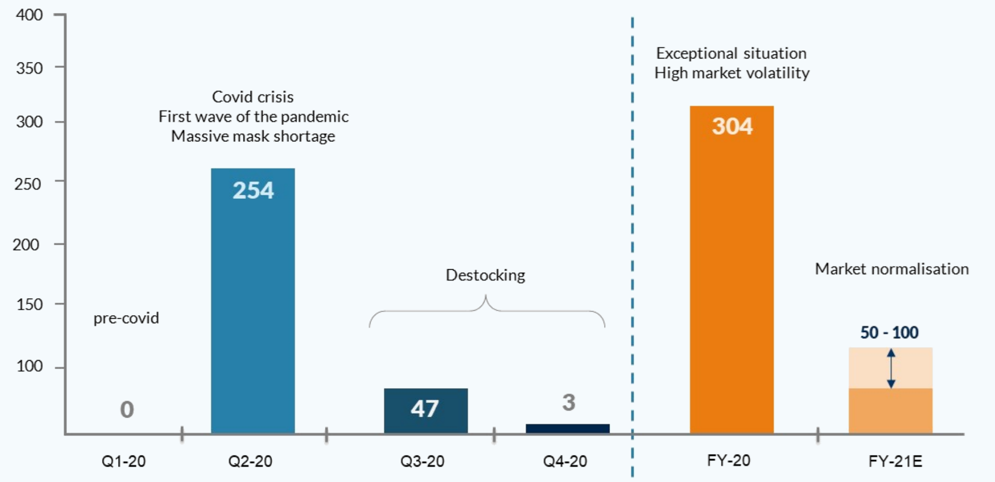
- Collection and recycling services through third-party partners.

We assume that the public and private sectors will give priority to domestic suppliers over international suppliers. We believe that customers would pay a premium to secure easy access to locally produced, quality masks and benefit from additional services.

Chargeurs will maintain a premium pricing strategy based on a selective marketing approach (large corporates, travel retail, executives, fashionistas) rather than chasing more volumes in the mass market. The selling price of Chargeurs' face masks is significantly higher than the mass market price (i.e. EUR.020 vs. EUR0.05 for disposable masks). The selling prices and margins of reusable masks for the B2C market are substantially higher (selling price up to EUR18 on the Lainière-Santé B2C platform).

High-return business
In 2021, Chargeurs aims to generate sales of EUR50-100m at operating margins of 10-15%. The cost required to enter the business is extremely low (EUR10m, but actually closer to EUR8m after state subsidies) compared to the profit generated by CHS last year (current EBIT of EUR63.5m) and versus future expected profits (EBIT of EUR5-15m according to guidance). The investments at CHS virtually paid for themselves from day one.

Chart 24: CHS sales (EURm)



Source: Kepler Cheuvreux

Further diversification in beauty/hygiene/wellness products
Chargeurs' initial foray into the personal protective equipment market will lay the foundations for a broader vision to build up a platform of upscale healthcare and wellness products. Accordingly, in January Chargeurs acquired Fournival Altesse, a specialist in high-end Made in France hairbrushes. The creation of a comprehensive, high-end offering focused on beauty and hygiene products will require further acquisitions in the coming years.

Chargeurs Museum Solutions

A global benchmark for services to museums
CMS is a two-branch business comprised of a historical manufacturing arm (Senfa Technologies in specialty technical textiles) and a service arm (Chargeurs Creative Collection in services to museums) created through a series of acquisitions between 2018 and 2020.

- **Senfa Technologies** functionalises technical textiles for specific applications in advertising, decoration, and interior architecture, retail shops and venue display. The business draws on the company's expertise in coating: the application of a paste to the surface of the textile to create added functionality and value. For example, the company offers opacifier, fire-retardant, light diffusion, electromagnetic wave filtering and acoustic coatings. These features can be combined to create various end products, including large advertising panels on which the fabric can diffuse light, be fireproofed, and printed at very high resolutions.

- **Chargeurs Creative Collection** provides end-to-end services to cultural institutions in the creation of experiential environments. CCC is involved in every stage of the process (project management, design, layout, creation and exhibit installations) through a network of subsidiaries, all acquired since 2018 (Table 4). CMS's subsidiaries are involved in iconic museum projects around the world.

Efficient build-up

In 2018, Chargeurs acquired Leach, a UK-based company operating in visual communications specialised in the creation of large advertising displays compatible with Senfa's technical textiles. Chargeurs then identified solid potential in the cultural/museums market and completed a series of acquisitions in both Europe and the US, which enabled it to move up the value chain and build up an integrated offering in the field of services to museums.

Its largest acquisition, D&P, allowed Chargeurs to enter the vast US museum industry with a portfolio of iconic clients and tier-1 projects. D&P accounted for half of the division's sales in 2020.

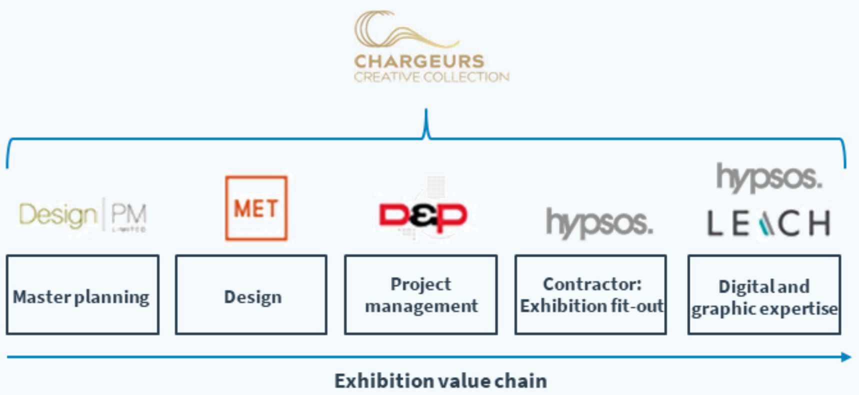
Table 4: Acquisitions

Target	Date	Country	Revenues (EURm)	Business description
D&P	February 2020	US	26	America's largest integrated solutions platform for museums
Hypsos	April 2020	Netherlands	3	Fit-out design contractor for corporates, the cultural and retail sectors
Met Studios	December 2019	UK	3	Designer specialising in museums, exhibits, and visitor experiences
Design PM	July 2019	UK	2	Management of technical intensive large-scale projects in the cultural and heritage sector
Leach	April 2018	UK		Supplier of large-format graphics and graphic display structures to retailer and museums

Source: Kepler Cheuvreux

Together, CMS's subsidiaries have the most comprehensive offer in the museum heritage and visitor experience market in a very fragmented competitive landscape, both geographically and in terms of expertise (mostly local/single-disciplinary companies).

Chart 25: End-to-end offering



Source: Company

Overleaf, we provide two examples of projects in which CMS is involved. For the large display of a masterpiece at the Louvre glass pyramid venue in Paris, Senfa Technologies and Leach combined their respective expertise. Senfa supplied the coated lifted fabric, and Leach provided the double-sided, freestanding light walls. For the Grammy Museum in Los Angeles, D&P engineered, fabricated, and installed exhibitory, large-scale graphics, and an array of interactive media programmes.

Dynamic museum services market

The addressable market (interior design and exhibition design for new and redeveloped museum) is estimated to be worth EUR500m a year, generating structural annual growth in excess of 10%. There are currently 200 projects underway that are to set be completed within the next ten years, representing a budget of over EUR20bn, which includes the outside architecture and buildings.

Chart 26: French masterpiece at the Louvre in Paris

Source: Chargeurs Creative Collection

Chart 27: Grammy Museum in Los Angeles

Source: Chargeurs Creative Collection

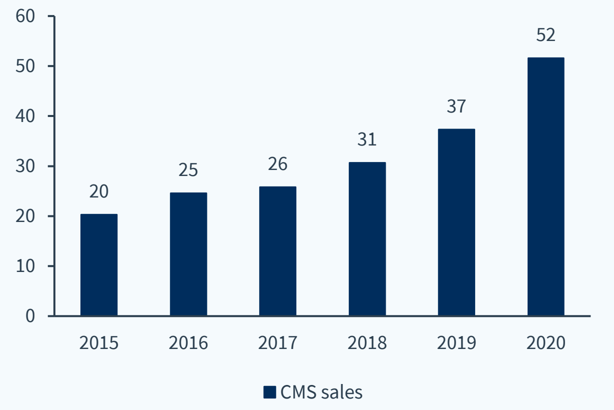
The market is fuelled by:

- The emergence of innovative museum structures alongside conventional art galleries, dedicated to science, technology, history, environment, health, and the environment. Innovative museum structures drive a continuous increase in the number of visitors.
- The growth in new tourist destinations that are home to many new cultural projects. Countries in the Middle East and Asia are expanding their cultural offering as a way to boost their regional and international appeal (e.g. The Louvre in Abu Dhabi).
- The exacerbation of competition among museums in a globalised world. Museums are seeking ways to incorporate more creativity, inspiration, service and technology into their offering. World-class execution is required in the fields of marketing and visual communication, interior design, upscale furnishing, event hosting, and exhibition design.
- The growing appetite of consumers (especially the younger generation) for life experiences rather than material goods. Museums need to meet the new aspirations of visitors in search of inspiration and experiential luxury.

Performance profile

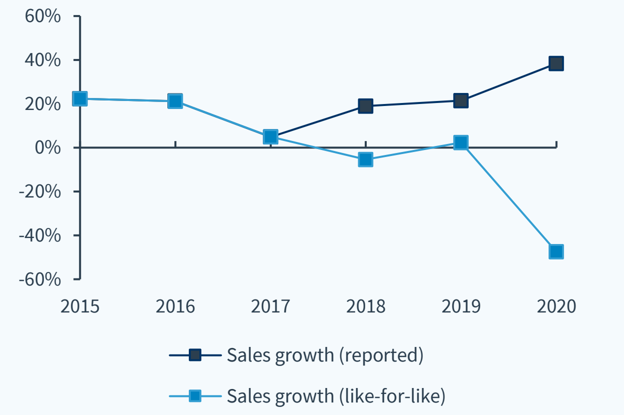
Acquisitions propelled revenues at CMS to EUR52m in 2020, twice the level of 2017. However, the pandemic had a very negative impact on CMS's traditional activities, with a 47% YOY decline in LFL sales. On a reported basis, revenues are up thanks to the consolidation of D&P, Hypsos, MET, and Design PM. The historical activities (Senfa technologies, about one-third of sales) have suffered from lower demand for specialised textiles as a result of the closure of retail outlets and the cancellation of conferences and professional trade shows. However, Museum Services (about two-thirds of sales) showed resilience and continued to win tenders and grow its backlog.

Chart 28: CMS - Revenue



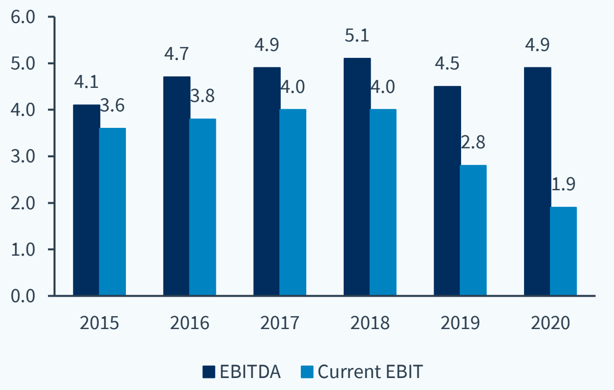
Source: Kepler Cheuvreux

Chart 29: CMS - Revenue growth



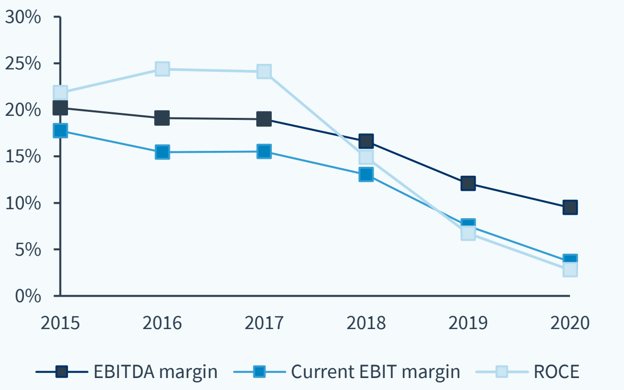
Source: Kepler Cheuvreux

Chart 30: CMS - EBITDA and EBIT



Source: Kepler Cheuvreux

Chart 31: CMS - Profitability[1]



Source: Kepler Cheuvreux

[1] ROCE pretax defined as: current EBIT / (capital employed N + capital employed N-1)/2)

A champion in niche markets

We now discuss Chargeurs' traditional businesses.

Protective Films (CPF) and Fashion Technologies (CFT-PCC) have historically been Chargeurs' largest businesses, accounting for more than 80% of the group's EBIT combined. In the niche underlying markets of protective films and interlinings (each with a market size of c. EUR1bn), Chargeurs has built up a leading position, which management was able to consolidate thanks to product premiumisation, value-added acquisitions, and its sustained investment policy.

The company's products, (which range from films for the appliances industry to interlinings for luxury clothing) are essential to customers, and account for only a small share of their cost base and final product price. Chargeurs can therefore leverage on its differentiated level of quality and service (highly-efficient logistics, upstream integration in customers' manufacturing process, etc.). It also benefits from relatively solid pricing power.

Luxury Materials (CLM) is in the business of premium wool trading, where Chargeurs holds a global leading market position. The business is a rather small and stable contributor to the group's overall performance (c. 6% of EBIT historically). By nature, trading is not very capital-intensive, making CLM the only asset-light business in the Chargeurs group.

The traditional businesses have been hit by the pandemic, albeit to varying degrees. CFT-PCC and CLM have been severely affected by the closure of clothing retail shops. On the other hand, CPF has shown greater resilience thanks to its more favourable sector exposure (e.g. construction). In the medium term, the embedded performance inherent to the CPF and CFT-PCC assets looks particularly promising against the backdrop of a general return to economic growth. Chargeurs has completed a multi-year investment cycle, which has considerably improved its industrial competitiveness.

Chargeurs Protective Films

World-leading supplier of self-adhesive protective films

Chargeurs is the world leader in the temporary surface protection market (30% market share, EUR1bn market size). The market is driven by the volume output in construction and other industries and the development of new uses and new types of protectable surfaces.

CPF operates four production plants (two in the US, one in France, and one in Italy), four R&D sites, and 16 distribution networks. The customer base is balanced, comprised of more than 3,000 companies (including major clients like Saint-Gobain and ThyssenKrupp) with none of them exceeding 2% of total sales. Chargeurs operates several brands under the umbrella brand Novacel. The acquisition of Main Tape in 2016 in the US has consolidated Chargeurs' global leadership.

Chargeurs' self-adhesive films are used for the temporary protection of fragile surfaces at every stage in the manufacturing process (folding, stamping, bending, pressing, etc.) as well as during handling, transport, and fitting. The film is applied early in the production process, protecting products from smudging and scratching while improving their heat and stress resistance during production.

Films are applied to a vast range of materials such as glass, plastic sheets, stainless steel, aluminium, pre-coated metals, and PVC. The range of self-adhesive films engineered by Chargeurs features hundreds of references and covers a vast range of applications. The construction sector accounts for 60% of CPF's sales, where films are used to protect many products (insulated panels, architectural facades, windows, doors, floors, carpets, roofing, ornament, and rainwater systems). Other important end markets include household appliances, furniture, public transport, and electronics.

A key role in the customer process
Protective films are key to expand a product's lifespan and achieve high-quality standards. They help reduce non-quality related costs, as the cost of repairing/replacing a product can have a big impact on the customer's profit margin. The cost of protective films accounts for only a small fraction of the end-product price (typically EUR0.50/EUR1 for a fridge that is worth several hundred euros), which makes quality and associated services determining factors over price. CPF is involved early in the customer process, which makes it an important partner for industrial clients and brand owners.

Cutting-edge technology, high barriers to entry
The protectable surfaces feature a vast variety of physical and chemical characteristics, which are constantly changing as technology advances. Each new material requires a different type of film and it takes several years to develop a new standard. Chargeurs' self-adhesive films associate a polyethylene film and a specific proprietary adhesive, the quality of which is decisive for the quality of the finished product.

The adhesive must be deposited using a coating process in a very thin, even layer, ensuring that the film is absolutely flat and distortion-free, so as not to damage the protected surface. This process requires high-tech expertise, and the barriers to entry are high in this business. The added value resides in the proprietary adhesive component and the coating process. While the polyethylene film does not offer meaningful value on a standalone basis, it still needs to be produced by third-party partners according to CPF specifications to match its proprietary adhesive.

High-end positioning and innovation
CPF is positioned at the high end of the product spectrum. A significant share of its products feature innovative properties. Its R&D labs are committed to continuously improving products (in terms of their performance, durability, quality, and recyclability). CPF's innovation capabilities are illustrated by two technologies that the company has developed recently:

- **Low noise technology:** A lot of high-adhesion protective films are used in the metal industry. The drawback is the high noise level created during their unwinding, which can exceed 100dB (equivalent to the noise generated during a concert). This is critical, as operators are exposed to this noise level during a full work shift. The technology developed by Chargeurs drastically reduces the noise level and offers greater hearing comfort for operators. In addition, it requires less force to complete the unwinding and avoids the risk of inflicting pain during the unwinding process.
- **Deep Blue technology** enables metal to reach the plastic deformation capacity of a plasticised PVC during pressing operations. The backing of the film, made of polyolefin, can be easily recycled in specialised centres and is free from dangerous products (unlike PVC, which contains chlorine). That makes it a reliable substitute for PVC.

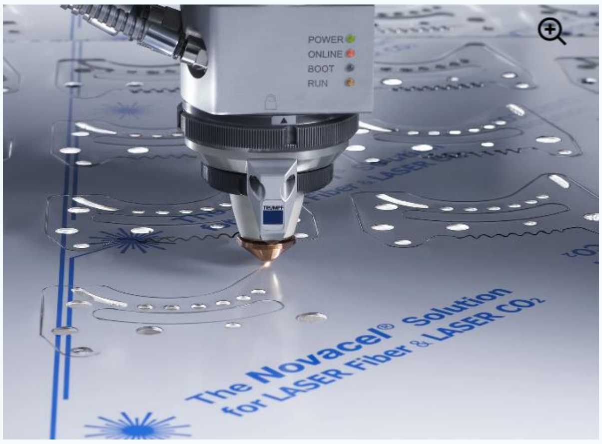
Chargeurs is constantly improving its commercial and industrial competiveness:

- The company acquired three small companies in 2017 (Walco in the US, Somerra in France, and Omma in Italy) specialised in the design and production of speciality machines (high-precision laminators, glue spreaders, pressing units, coating machines, etc.). Chargeurs is able to offer its customers all-in-one solutions combining protective films and machines.
- The company invested in an ultramodern coating production line that is fully dedicated to the production of highly engineered, high value-added films. According to Chargeurs, the Techno-Smart production line is unique in the world, allowing for unrivalled production rates and minimal waste and non-quality costs. This production line is in Italy, and has been in operation since late 2019. The associated costs amounted to EUR20m, making it a significant investment for the group.

Chart 32: Techno-Smart production line

Source: Company

Chart 33: Maximum waste reduction during laser-cutting process



Source: Company

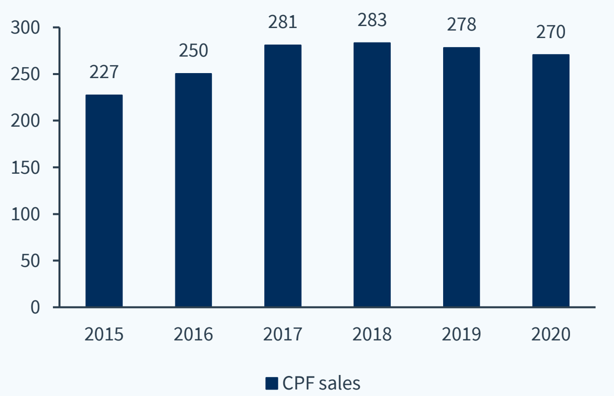
Chargeurs Protective Films: Performance profile

CPF experienced a sustained period of growth until 2017 thanks to: 1) rising global demand for protective films; 2) the active pace of acquisitions; and 3) greater pricing power thanks to innovations. From 2018, the level of sales has slightly consolidated in a less favourable environment marked by a global industrial recession and the pandemic. At the same time, the start-up costs for the new production line have weighed on profitability.

Overall, CPF performed relatively well in 2020 despite the magnitude of the health crisis (-3%, YOY). The last quarter was actually strong (+8% organic) despite a demanding comparison base (pre-Covid Q4 2019). Chargeurs actually reported an increasing backlog in 2020 compared to 2019. The fundamental role of protective films in customer's products makes CPF particularly sensitive to a recovery in world trade.

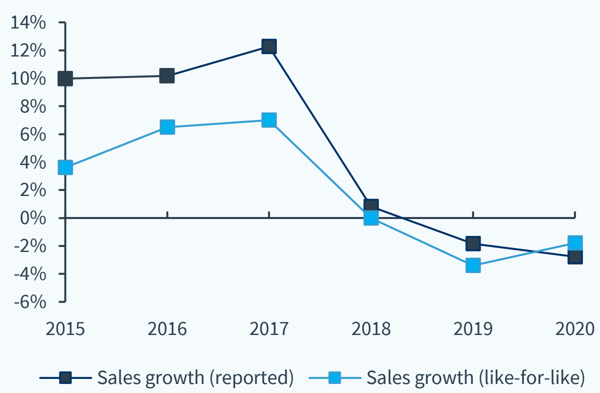
Historically, CPF is a high-return business that boasts an operating margin of 10-12% and a ROCE of over 25%. The conditions are in place for a return to such levels once the pandemic subsides and as investments slow down starting this year.

Chart 34: Chargeurs Protective films - sales



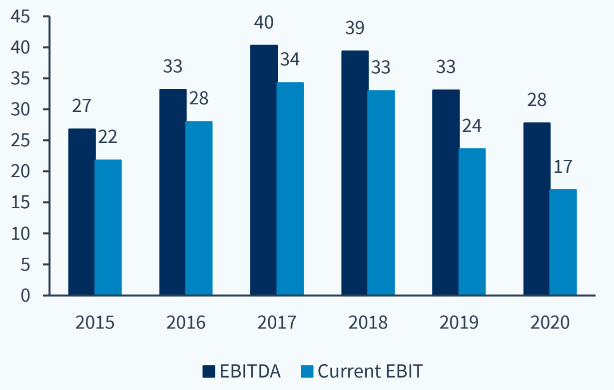
Source: Kepler Cheuvreux

Chart 35: Chargeurs Protective films - sales growth



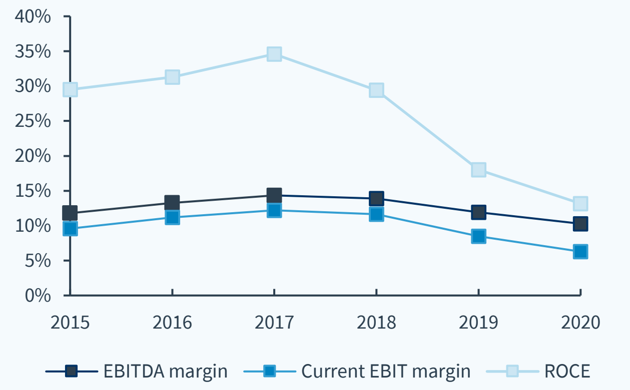
Source: Kepler Cheuvreux

Chart 36: Chargeurs Protective films - EBITDA, EBIT



Source: Kepler Cheuvreux

Chart 37: Chargeurs Protective films - profitability



Source: Kepler Cheuvreux

CFT-PCC Fashion Technologies

Global leader in interlinings for clothing

Interlinings are the technical fabrics attached to the exterior layers of a garment that give it its shape and structure. They are mainly used to make coats, jackets, shirts, blouses, etc. The manufacturing of interlinings requires expertise in textile and chemicals. The key stages of production include knitting and coating, which involves applying a thermos-adhesive resin to the lining.

The finished products are interlining rolls that are shipped to garment manufacturers around the world, often in Asia. In this business, the major fashion brands operate by “specification.” They select one or a very small number of interlining suppliers and refer them to their garment maker. As interlining accounts for a small fraction of the cost of the end product, customers primarily focus on quality and service (responsiveness, consistency of quality, logistics, etc.).

Chargeurs operates seven production plants globally. The largest and oldest plant (Lainière de Picardie) is in northern France and has been in operation since 1903. The plant manufactures 50m sqm of interlining a year. It largely contributed to the success of Healthcare Solutions in 2020 for the production of reusable face masks.

CFT-PCC primarily serves customers in the luxury, ready-to-wear and fast-fashion brand segments (e.g. Chanel, Gucci, Hermès, Uniqlo). Interlinings may also be used in industrial applications such as acoustic insulation.

The niche interlining market for clothing is worth around EUR800m a year. Chargeurs is the number one player with an estimated market share of 25%. Its closest competitors are smaller, non-public companies, mostly based in Germany (Freudenberg, Kufner, Wendler).

PCC takeover: a great addition

The business took on a new dimension in 2018 when Chargeurs acquired the fifth-largest global interlining manufacturer, Precision Custom Coatings (PCC) in the US. The takeover, Chargeurs’ largest to date, lifted the division’s sales above EUR200m in 2019 and had an immediate accretive effect on margins.

Beyond the change in scale, the integration of PCC was beneficial, as it brought a strong customer service culture to the new entity. Unlike CFT that owns its production facilities, PCC operates a fabless manufacturing model and historically focused on design and marketing in direct connection with customers. The integration enabled the company to lower the division’s production breakeven point. In addition, PCC played a major role in the success of CHS in 2020, as Chargeurs was able to leverage PCC’s network of subcontractors for the production of disposable face masks.

Chart 38: Interlinings – production chain

Warping	Knitting	Finishing and dyeing	Coating	Quality control	System inspection	Storage and supply chain
The yarn is wound onto the warping beam for transfer to the knitting unit.	Each knitting machine is connected to a computer that checks production and quality in real time. 40 gauge means that the weft comprises 40 stitches per inch.	The substrates are stabilized using a chemical or thermal process, retaining the degree of suppleness needed for its application to the most difficult fabrics. The dyeing unit is used to produce the interlining in the most on-trend colours. More than 60% of products are dyed.	Small drop of thermo-adhesive resin are applied to the fabric using a perforated cylinder. Infrared reads check that the resin is properly applied. The Global Molecular Point (GMP) coating process, which was developed and patented by Chargeurs, helps to prevent seepage and increase bond strenght when the interlining undergoes thermobonding between the garment fabric and the lining.	Quality controls are performed on each production batch at various stages in the process covering the products' quality, stability, bond strenght, suppleness and feel.	Each meter of fabric on the roll is inspected as it leaves the production line. The cutting and packaging / labeling processes are fully computerized. All of the interlining rolls are inspected meter by meter.	Once the interlining rolls have been inspected, labeled and packaged, they are catalogued by stock-keeping unit in the warehouse before being shipped around the world.

Source: Company

Sophistication of clothing opens up new markets

The development of new fabrics and innovative interlinings is being driven by the increasing sophistication of clothing, which is opening up new markets. Textiles are becoming increasingly technical and high-performing. As a result, interlinings increasingly feature innovative properties (e.g. antimicrobial, anti-abrasion, elasticity, or flame resistance) that can be used to design uniforms (e.g. military, police, healthcare workers) or to serve the growing sportswear segment.

Another supporting factor is the ever-increasing pace of new collections being launched in the fashion industry.

Competitive advantage

Chargeurs' leadership is particularly apparent in the following areas:

- **Innovation:** Chargeurs has continued to introduce innovations in the market over the last three years including the anti-moiré effect interlinings (which prevent an undesirable surface optical effect when two fabrics are overlaid) in light and thin women's wear fabrics. The business has pushed innovation towards new features such as moisture management, seamless fabrics and elasticity. More recently, in 2020, CFT-PCC developed a range of interlinings, using a proprietary technology, to give its fabrics anti-microbial and anti-odour properties.
- **Sustainability:** Chargeurs has developed a range of eco-responsible interlinings, made from recycled or sustainable fibres (*Sustainable 360* brand) to meet the ever-increasing customer demand for products that positively impact our planet. This range is one of the most (if not *the* most) comprehensive offerings in sustainable interlinings in the industry, comprising 210 products, of which 40% are made from recycled polyester and 80% generate water savings.
- **Technology:** Chargeurs has developed a proprietary 40-gauge machine, the most advanced knitting machine in the interlining industry, allowing for the manufacture of the thinnest interlinings available on the market and perfectly catering to the need for light and transparent fabrics in women's fashion.
- **Customer service:** Chargeurs is located close to its customers in the global luxury hotspots such as Paris, New York, Milan, and Hong Kong. Close proximity to customers is key in an industry characterised by the rapid rollout of new collections. Brands are looking to

optimise their supply chain (real-time supply chain, increased speed-to-market) and therefore require key suppliers to be located close to their designers and couturiers.

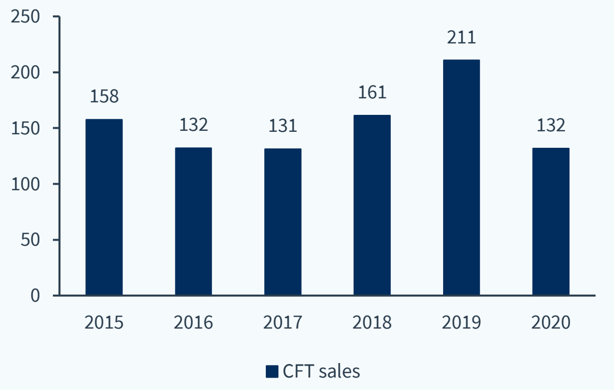
CFT-PCC entered into an exclusive partnership with CLO Virtual Fashion, a leader in 3D clothing simulation technology. As such, fashion designers can now directly use Chargeurs' interlinings in their virtual prototypes. The partnership thus allows faster creativity and commercialisation of new models.

Performance profile

Fashion Technologies is a solid business that has shown moderate growth, in tandem with the rise of the luxury and fashion industries, as well as relatively comfortable margins (high-single-digit EBIT margin).

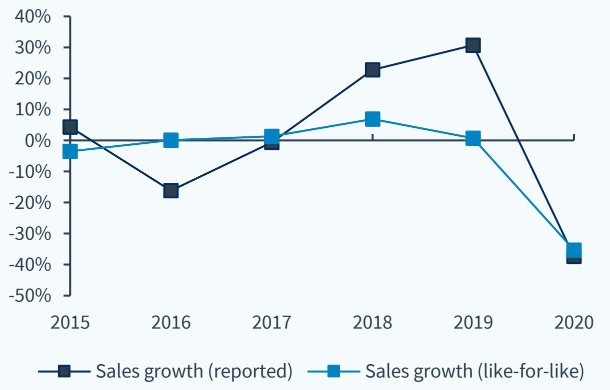
Given that CFT-PCC is a cyclical business, it suffered significantly during the lockdowns in 2020. Nevertheless, in spite of a 34% drop in sales, operating earnings have remained positive, benefiting from the lowering of the breakeven point after the acquisition of PCC, which has a fabless model.

Chart 39: CFT-PCC sales



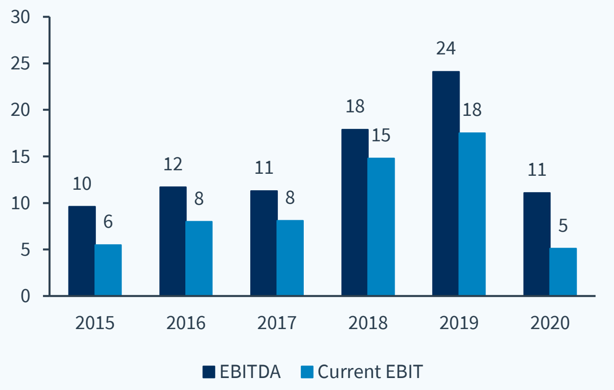
Source: Kepler Cheuvreux

Chart 40: CFT-PCC sales growth



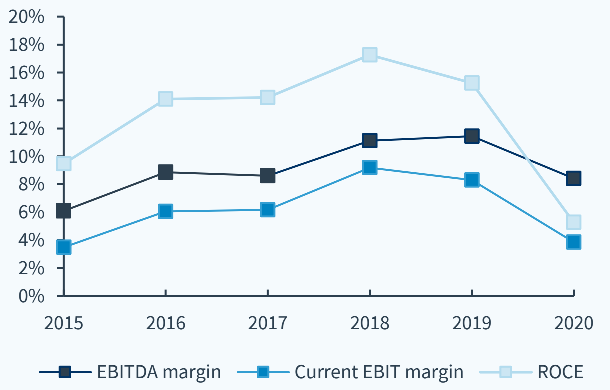
Source: Kepler Cheuvreux

Chart 41: CFT-PCC - EBITDA and current EBIT



Source: Kepler Cheuvreux

Chart 42: CFT-PCC - profitability



Source: Kepler Cheuvreux

Chargeurs Luxury Materials

The world leader in premium wool trading

CLM's main product is wool top, a semi-processed product made from raw wool consisting of broad ribbons of fine, pure wool that are marketed to spinning mills. To obtain wool tops, the greasy wool must be washed, combed (to eliminate the short fibres and lengthen the longer fibres), and sorted. Wool tops are marketed to spinning mills by CLM's sales team.

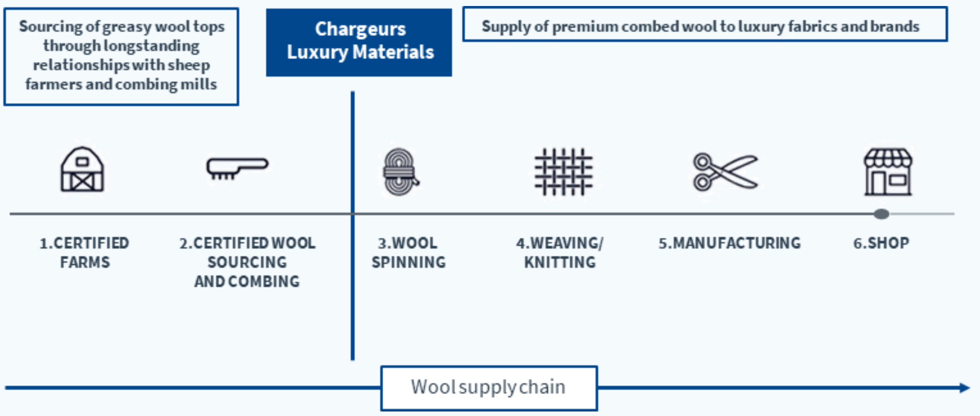
The primary end market for processed wool is clothing. The processed wool is also used in a variety of sectors, including home building (thermal and acoustic insulation), automotive accessories (seat fabric), and interior decoration (carpet, upholstery, mattresses).

For the sourcing of raw wool, Chargeurs has established long-term relationships with carefully selected sheep growers worldwide (in the US, Australia, New Zealand, Uruguay, Argentina, and South Africa). The geographical variety of sourcing allows Chargeurs to offer a broad range of premium wool fibres, in terms of origin, breed, fineness, and wool characteristics.

For the processing of raw wool, Chargeurs works with partner combing mills in the US, Uruguay, Argentina, and China. Chargeurs' global network of partners makes it the only trader capable of offering customers wool from producing regions dotted around the globe.

Chargeurs is positioned in the distinctive premium wool markets with a focus on high-value products, i.e. the finest and softest wool fibres for top luxury brands. The premium wool market is served by a small number of suppliers and has been growing faster than the commodity wool market. The point is to compare CSR traceable wool to non-traceable wool.

Chart 43: Wool production and supply chain



Source: Kepler Cheuvreux

Unique visibility across entire value chain

Chargeurs derives its leadership from the longstanding relationships it has developed with sheep ranchers and combing mills, sometimes over decades. This gives Chargeurs visibility on the whole supply chain (farming, sourcing, and processing). These close partnerships are indeed the only way to guarantee the quality and traceability of wool across the value chain, "*from the sheep to the shop*". This is a key factor that differentiates Chargeurs from players in the commodity wool market, where wool is purchased from traders and leaves buyers with little visibility across the production chain.

Highest level of responsibility

Chargeurs has leveraged on this advantage to create Nativa, a label that guarantees the quality and traceability of wool fibres across the value chain. Nativa was created to meet rising consumer demand for high-quality fibres with processes that respect the entire chain of stakeholders involved in their creation. Such issues are indeed becoming an important buying criterion for a large number of brands and shoppers. Since its launch in 2017, the label has attracted a large number of internationally renowned brands such as Stella McCartney and Napapijri.

The Nativa label meets the highest quality, traceability, and sustainability standards in the wool industry to ensure that each contributor in the value chain, downstream and upstream, complies with the most stringent certifications with regards to: 1) land management (best farming practices guaranteed); 2) social responsibility (ban on child labour, non-discrimination principle applied in garment-making); 3) animal welfare (banning the controversial practice of mulesing for wool produced in Argentina, Uruguay, and the US); and 4) chemicals used in the processes of spinning, knitting, and weaving.

Performance profile

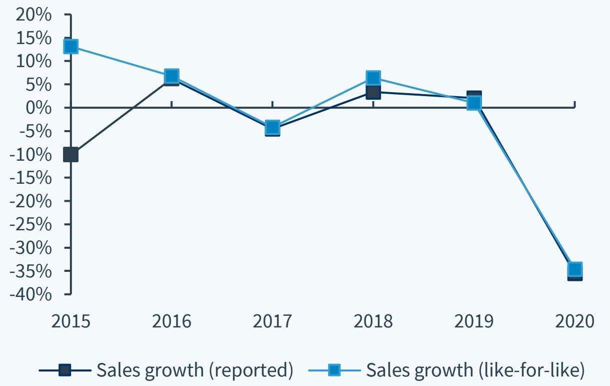
CLM is a stable, low-margin business and rather a small contributor to the group's total profit (c. 6% of total EBIT). Wool trading is a low capital-intensive business by nature.

In the previous years, sales typically came in at c. EUR100m, EBIT at c. EUR3m (a 3% EBIT margin), and ROCE at close to 10%. The pandemic has temporarily disrupted the business by massively impacting demand in the fashion and luxury goods sector, which in turn, led to a sharp decline in average wool prices in 2020. CLM saw a 36% drop in sales in 2020 and an EBIT loss of EUR2m. In a market environment that is due to recover gradually, CLM is likely to return to its historical performance standards. CLM's leadership does not seem to be at risk, as it has the right setup to cater to the rising demand for high-quality sustainable products.

Chart 44: Chargeurs Luxury Materials - sales

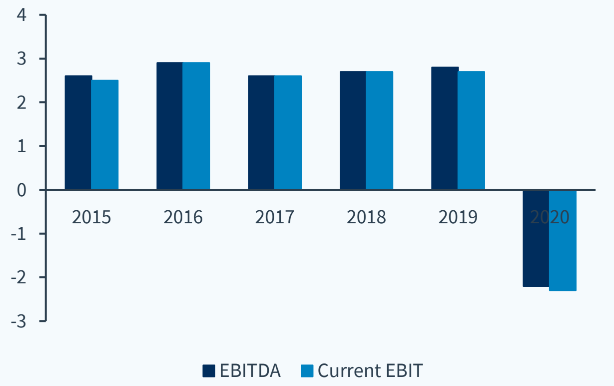
Source: Kepler Cheuvreux

Chart 45: Chargeurs Luxury Materials - sales growth



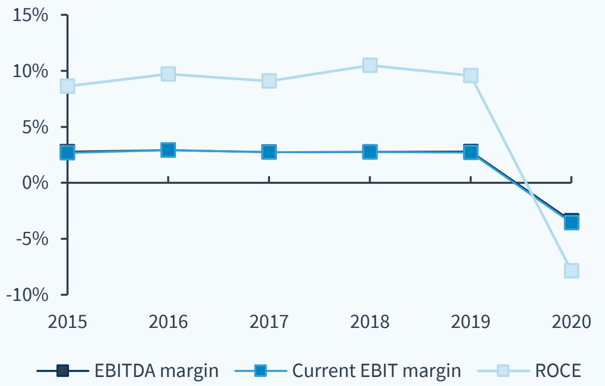
Source: Kepler Cheuvreux

Chart 46: Chargeurs Luxury Materials – EBITDA / EBIT



Source: Kepler Cheuvreux

Chart 47: Chargeurs Luxury Materials - profitability



Source: Kepler Cheuvreux

Deconstructing the forecasts

We forecast attractive five-year sales and EBIT CAGRs of 2% versus the inflated levels of 2020 (+7% and +13% respectively versus 2019). Organic growth is set to be partly market-driven (recovery of retail-exposed businesses from the depressed levels of 2020) and partly derived from assets (embedded performance). Our estimates reflect: 1) the consolidation of CPF and CFT-PCC's leadership at the high end of their respective markets; 2) the empirical validation of the one-stop-shop model at Museum Solutions; and 3) the development of the healthcare solutions platform. Although our estimates do not include any acquisitions, M&A is set to be an important piece of the puzzle, with the potential to boost the company's growth even further.

Business development amid the pandemic

Overall, the pandemic is having a mixed impact on Chargeurs. While it set the market conditions for the creation and development of its Healthcare Solutions business, it is adversely affecting the company's other businesses, and especially those exposed to retail (CFT-PCC, CMS and CLM).

In 2020, revenues rose by 28% LFL (+31% reported). Excluding CHS, sales dropped by 21% LFL (-17% reported). In Q1 2021, revenue climbed by 16% LFL (+15% reported). Excluding CHS, sales dropped by 11% LFL (-12% reported). The comparison base in Q1 2021 was particularly challenging for traditional activities (January and February 2020 were marginally affected by the pandemic).

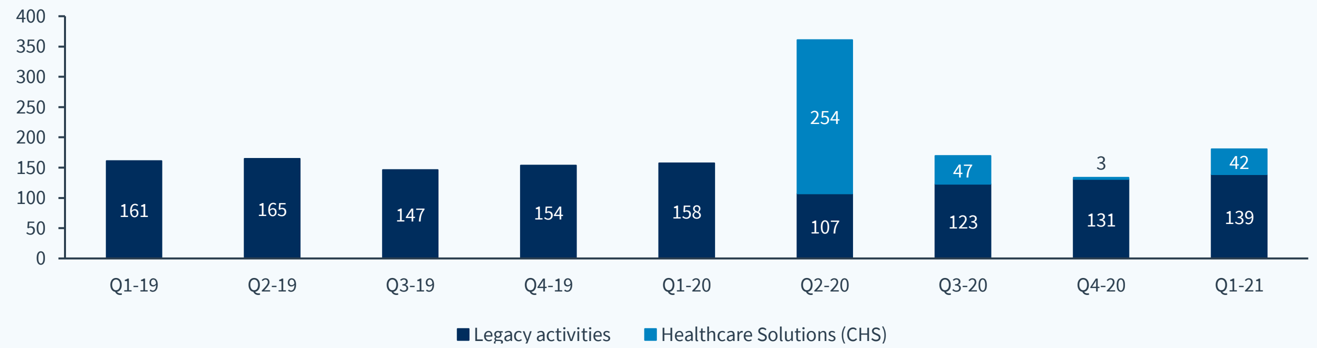
CPF has shown the best resistance among all its traditional businesses, thanks to its exposure to the construction end market. CFT-PCC, CLM and CMS were still affected by the closure of retail outlets in Q1. Finally, CHS reported solid revenues in Q1 on the back of major tender bids won in the public sector since Q4 2020.

Table 5: Sales (EURm)

	2019					2020					2021
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
Protective Films (CPF)	69	73	70	66	278	71	63	67	70	270	77
LFL growth	-10%	-5%	2%	0%	-3%	2%	-14%	-2%	8%	-2%	11%
Fashion Technologies (CFT-PCC)	53	55	48	54	211	45	20	33	34	132	32
LFL growth	2%	2%	2%	-2%	1%	-15%	-62%	-30%	-34%	-35%	-25%
Luxury Materials (CLM)	31	27	21	20	100	30	10	10	14	65	18
LFL growth	1%	15%	-3%	-1%	1%	-2%	-62%	-54%	-28%	-35%	-39%
Museum Solutions (CMS)	8	10	7	13	37	11	14	13	13	52	13
LFL growth	-13%	6%	20%	-10%	2%	-6%	-80%	-24%	-61%	-48%	-20%
Healthcare Solutions (CHS)	0.0	0.0	0.0	0.0	0.0	0	254	47	3	304	42
LFL growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group	161	165	146	154	626	157	361	168	134	822	181
LFL growth	-5%	1%	2%	-2%	-1%	-5%	112%	12%	-15%	28%	16%

Source: Kepler Cheuvreux

Chart 48: Quarterly sales (EURm) update after Q1

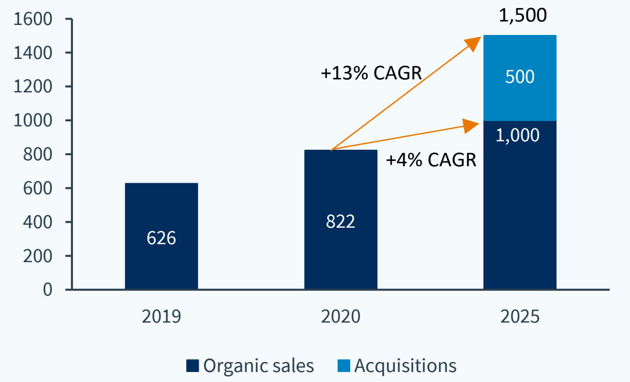


Source: Kepler Cheuvreux

Bullish long-term guidance

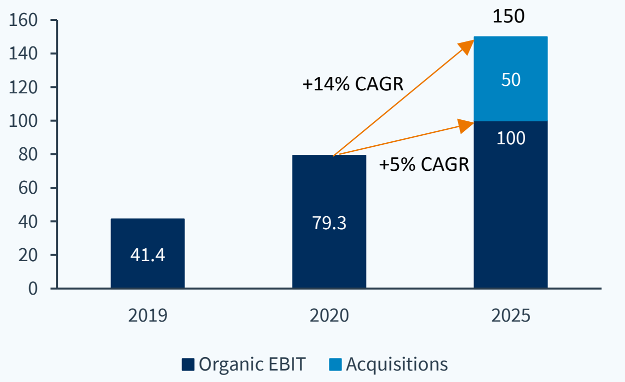
Excluding acquisitions, Chargeurs targets sales of EUR1bn and EBIT of EUR100m by 2025. Including M&A, Chargeurs targets sales of EUR1.5bn and EBIT of EUR150m by 2025.

Chart 49: 2025 sales target - Chargeurs



Source: Kepler Cheuvreux

Chart 50: 2025 EBIT target - Chargeurs



Source: Kepler Cheuvreux

The following table shows the implied CAGRs. In 2020, sales and profitability were temporarily inflated by the exceptional performance of Healthcare Solutions, which is why we also indicate an implied CAGR over the 2019-25E period.

Table 6: Guidance and implied CAGRs

			Excluding acquisitions			Including acquisitions		
	2019	**2020**	**2025E**	**Implied CAGR 2019-25E**	**Implied CAGR 2020-25E**	**2025E**	**implied CAGR 2019-25E**	**Implied CAGR 2020-25E**
Sales	626	822	1,000	8%	3%	1,500	16%	13%
Current EBIT	41	79	100	16%	5%	150	24%	14%
% sales	*6.6%*	*9.6%*	*10%*			*10%*		

Source: Kepler Cheuvreux

P&L estimates for 2021-25E

We provide explicit estimates until 2025, the last year of the company's *Leap Forward* strategic plan. Our estimates do not include external growth.

We expect dynamic top-line organic growth, driven by the improvement in macro conditions and the embedded performance of assets. However, our estimates fall 8% short of the company's 2025 sales target and 13% short of its EBIT target (KECH: sales of EUR918mm, current EBIT of EUR87m). This still represents a solid 2% CAGR on 2020 sales (a 7% CAGR on 2019 sales), as well as a 2% CAGR on 2020 current EBIT (a 13% CAGR on 2019 current EBIT). Our 9.5% long-term current EBIT margin is below the company's target of 10%.

Overall profitability is set to improve, as we believe Chargeurs will be able to grow profit faster than sales thanks to more productive assets (CPF, CFT-PCC) and a better business and product mix (growing contribution of high-margin businesses, i.e. CHS and CMS, growing share of services and high-value products). Accordingly, we model a progression in the EBIT margin from 6.6% in 2019 to 9.5% in 2025 (the 2020 EBIT margin of 9.6% was inflated by extraordinary sales at CHS).

The following tables provide a detailed overview of our sales and current EBIT estimates by division. We then discuss our underlying assumptions for each division.

Table 7: Sales forecasts (EURm, %)

	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2019-25E
Protective Films (CPF)	**278**	**270**	**318**	**334**	**350**	**368**	**386**	*6%*
Growth	*-2%*	*-3%*	*17%*	*5%*	*5%*	*5%*	*5%*	
LFL growth	*-3%*	*-2%*	*17%*	*5%*	*5%*	*5%*	*5%*	
Fashion Technologies (CFT-PCC)	**211**	**132**	**132**	**184**	**203**	**209**	**215**	*0%*
Growth	*31%*	*-37%*	*0%*	*40%*	*10%*	*3%*	*3%*	
LFL growth	*1%*	*-35%*	*0%*	*40%*	*10%*	*3%*	*3%*	
Luxury Materials (CLM)	**100**	**65**	**65**	**90**	**99**	**102**	**105**	*1%*
Growth	*2%*	*-36%*	*0%*	*40%*	*10%*	*3%*	*3%*	
LFL growth	*1%*	*-35%*	*0%*	*40%*	*10%*	*3%*	*3%*	
Museum Solutions (CMS)	**37**	**52**	**63**	**82**	**90**	**95**	**100**	*18%*
Growth	*21%*	*38%*	*23%*	*30%*	*10%*	*5%*	*5%*	
LFL growth	*2%*	*-48%*	*10%*	*30%*	*10%*	*5%*	*5%*	
Healthcare Solutions (CHS)	**0**	**304**	**85**	**93**	**100**	**105**	**111**	*NA*
Growth	*NA*	*NA*	*-72%*	*10%*	*7%*	*5%*	*5%*	
LFL growth	*NA*	*NA*	*-72%*	*10%*	*7%*	*5%*	*5%*	
Total sales	**626**	**822**	**662**	**784**	**844**	**880**	**918**	*7%*
Growth	*9%*	*31%*	*-19%*	*18%*	*8%*	*4%*	*4%*	
LFL growth	*-1%*	*28%*	*-19%*	*18%*	*8%*	*4%*	*4%*	

Source: Kepler Cheuvreux

Table 8: Current EBIT (EURm, %)

	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2019-25E
Protective Films (CPF)	**24**	**17**	**25**	**30**	**35**	**39**	**41**	*10%*
Growth	*-28%*	*-28%*	*46%*	*20%*	*18%*	*11%*	*6%*	
Current EBIT margin	*8.5%*	*6.3%*	*7.8%*	*8.9%*	*10.0%*	*10.6%*	*10.7%*	
Fashion Technologies (CFT-PCC)	**18**	**5**	**6**	**13**	**17**	**19**	**21**	*3%*
Growth	*18%*	*-71%*	*28%*	*104%*	*31%*	*10%*	*9%*	
Current EBIT margin	*8.3%*	*3.9%*	*4.9%*	*7.2%*	*8.6%*	*9.2%*	*9.7%*	
Luxury Materials (CLM)	**3**	**-2**	**1**	**2**	**3**	**3**	**3**	*2%*
Growth	*0%*	*-185%*	*-139%*	*115%*	*36%*	*13%*	*3%*	
Current EBIT margin	*2.7%*	*-3.6%*	*1.4%*	*2.2%*	*2.7%*	*2.9%*	*2.9%*	
Museum Solutions (CMS)	**3**	**2**	**4**	**8**	**10**	**13**	**15**	*32%*
Growth	*-30%*	*-32%*	*110%*	*90%*	*39%*	*25%*	*13%*	
Current EBIT margin	*7.5%*	*3.7%*	*6.3%*	*9.2%*	*11.6%*	*13.8%*	*14.9%*	
Healthcare Solutions (CHS)	**0**	**64**	**13**	**12**	**13**	**14**	**14**	*NA*
Growth	*NA*	*NA*	*-80%*	*-8%*	*9%*	*6%*	*6%*	
Current EBIT margin	*NA*	*20.9%*	*15.0%*	*12.5%*	*12.7%*	*12.8%*	*12.9%*	
Intergroup	-5	-6	-7	-7	-7	-7	-7	
Current EBIT	**41**	**79**	**43**	**58**	**72**	**82**	**87**	*13%*
Growth	*-16%*	*92%*	*-46%*	*36%*	*24%*	*13%*	*7%*	
Current EBIT margin	*6.6%*	*9.6%*	*6.5%*	*7.4%*	*8.6%*	*9.3%*	*9.5%*	

Source: Kepler Cheuvreux

By division

Protective films (a 6% sales CAGR over 2019-25E, a 10% EBIT CAGR over 2019-25E)

Construction is CPF's largest end market, accounting for 60% of sales. The sector is Covid-resilient and is supported by mega trends (growing demographics and urbanisation) as well as by the increasing use of sophisticated materials that need film protection.

Chargeurs is set to consolidate its global leadership in high-value adhesive films thanks to its new, one-of-a-kind production line. This will benefit margins on the back of the improved productivity and product mix. Additional growth drivers include expansion into new regions such as India and structuring new distribution channels (e.g. digital store).

We note that:

- Structural growth in the Protective Film market is over 5%, according to Chargeurs.
- According to Euroconstruct, a leading construction market forecasting network for Europe, the construction market is expected to grow by 4.1% in 2021, 3.4% in 2022, and 2.4% in 2023.
- Chargeurs has set up a team to tackle the vast Indian market, where Chargeurs has identified business opportunities.

- Chargeurs is launching a digital store for the European and Chinese markets to address tier-2 and tier-3 clients at a minimal cost.
- It will address growing demand for green solutions through its range of sustainable films (Oxygen).
- CPF recently signed an innovation partnership with Saint-Gobain, for the development of exclusive protection solutions for its double glazing.

Momentum was strong in Q1, with sales reaching a record high of EUR76.5m (+8% reported, 11% LFL), confirming the acceleration of momentum seen in Q4 2020.

Demand was driven by the strength of the construction sector, reflecting robust growth in building permit allocations. The ramp-up of the Italian Techno-Smart production line enabled CPF to deal with the significant increase in the order book. The Specialty Machines business line also performed well, with order intake reaching record highs at the end of the quarter.

Chargeurs began adjusting its selling prices earlier this year to mitigate the effects of a sharp rise in the price of polyethylene, a key component of self-adhesive films. This will contribute to reinforce top-line growth in the coming quarters. We note that, in most cases, fluctuations in the price of polyethylene are passed on to customers through indexation clauses. In the case of contracts that are not indexed, CPF negotiates directly with customers. The implied lag could dent profitability in the short term and partly affect sales performance.

Accordingly, we factor in solid 17% sales growth this year and an increase in margins versus the trough of 2020 (a 7.8% current EBIT margin compared to 6.3% previously).

Fashion Technologies (a 0.4% sales CAGR over 2019-25E, a 2% EBIT CAGR over 2019-25E)
This business is expected to recover from depressed levels of 2020, in line with demand in the apparel industry (sportswear, mass market, haute couture), to which the full reopening of retail shops in H2 will greatly contribute. However, market conditions remain extremely challenging in H1 due to the extension of restrictions in the clothing industry, as demonstrated by a sharp drop in revenues in Q1 (-40% reported, -35% LFL).

We forecast stable revenues in 2021 followed by a fast acceleration in 2022 (+40%) thanks to a much more favourable base effect. We model a modest pick-up in profitability this year versus the low of 2020 (a current EBIT margin of 4.9% vs. 3.9% previously).

In the medium and long term, CFT-PCC's is well positioned to meet the growing demand for sustainable and technical clothing from luxury and sportswear brands.

Profitability is set to be driven by increasing volumes and further productivity gains resulting from the investments made over 2018-19 to renew the installed base of machines. In addition, not all the potential synergies between CFT and PCC have yet been exploited, as Chargeurs can further optimise purchases of raw materials (polyamide; polyester, etc.) thanks to the sale effect on some product categories.

Museum Solutions (an 18% sales CAGR over 2019-25E, a 32% EBIT CAGR over 2019-25E)
The ramp-up of the one-stop-shop model in the field of services to museums is set to drive growth in this division. Chargeurs managed to win key projects in 2020-21, which will be reflected in future results once the pandemic eases. During Q1, one of CMS's subsidiaries won the biggest tender in its history, worth more than EUR20m for a project lasting more than five years. The underlying market is sound, driven by the large number of new large-scale cultural projects worldwide, the sophistication of museums' offerings, and growing demand for living luxury experiences.

While pro forma sales and EBIT at the time of the D&P takeover (February 2020) amounted to EUR100m and EUR10m respectively, most of this was absorbed by the very negative impact of the pandemic on the historical business, which remains exposed to retailers, conferences, and professional trade shows. This part of the business continues to suffer in H1.

The increasing share of revenues generated from high-value services, especially from the creation of experiential content (the most valuable and profitable service within the production value chain) is set to derive a much higher level of profitability (a 15% current EBIT margin in the long term).

Healthcare Solutions
After an exceptional contribution in 2020, Chargeurs targets sales of EUR50-100m this year and 10-15% current EBIT margin, based on the business secured so far with large companies and the public sector. In the coming months, B2B clients could renew their inventories with the prospect of employees returning to the workplace. Overall, the use of face masks will be much more widespread in our societies than it was prior to the pandemic.

We factor in sales of EUR85m this year. The division already generated revenues EUR42m in Q1, which indicates that full-year revenues could reach the upper end of the guidance range.

Production lines for disposable face masks in the US and the UK are fully operational. Chargeurs can now address these respective markets locally, which was not the case in 2020.

Chargeurs will maintain a premium pricing strategy based on a selective marketing approach (large corporates, travel retail, executives, fashionistas) rather than chasing more volumes on the mass market. As such, we expect margins at CHS to remain securely in double-digit territory.

Chargeurs will continue to add new products to its offering in beauty/hygiene/wellness. This will be done either through acquisitions (e.g. the recent acquisition of Fournival Altesse in high-end hairbrushes and haircare) or organically by crossing in-house skills, as it did successfully for face masks.

Luxury Materials (a 1% sales CAGR over 2019-25E, a 2% EBIT CAGR over 2019-25E)
The premium wool trading business is driven by demand in the fashion industry. In Q1, the business continued to suffer from the pandemic, although it is benefiting from the rebound in wool prices and a gradual recovery in demand, particularly in Europe. In the medium term, we expect this business line to generate annual sales of slightly more than EUR100m at a c. 3% EBIT margin.

Below the EBIT line

- While the amount of non-recurring expenses was particularly high in 2020 (EUR18m), this is set to decline and return to a more normal level as of 2021 (we factor in EUR7m).
- In 2020, EUR147m in deferred tax assets remained to be recognised against total tax loss carry forwards of EUR289m. The potential tax savings from the future use of tax losses amounts to EUR30m. We have factored in tax savings of EUR30m until 2025, using a tax rate of 13% (vs. a normative tax rate of 25%).

Table 9: P&L estimates

EURm	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2019-25E
Revenue	**626**	**822**	**662**	**784**	**844**	**880**	**918**	*7%*
Growth	*9%*	*31%*	*-19%*	*18%*	*8%*	*4%*	*4%*	
LFL growth	*-1%*	*28%*	*-19%*	*18%*	*8%*	*4%*	*4%*	
EBITDA	**60**	**102**	**67**	**83**	**97**	**107**	**113**	***11%***
Growth	*0%*	*71%*	*-34%*	*24%*	*17%*	*10%*	*6%*	
EBITDA margin	*9.6%*	*12.5%*	*10.1%*	*10.6%*	*11.5%*	*12.1%*	*12.3%*	
Current EBIT	**41**	**79**	**43**	**58**	**72**	**82**	**87**	***13%***
Growth	*-16%*	*92%*	*-46%*	*36%*	*24%*	*13%*	*7%*	
Current EBIT margin	*6.6%*	*9.6%*	*6.5%*	*7.4%*	*8.6%*	*9.3%*	*9.5%*	
EBIT	**32**	**56**	**35**	**51**	**65**	**75**	**80**	***17%***
Growth	*-24%*	*75%*	*-38%*	*47%*	*28%*	*14%*	*7%*	
EBIT margin	*5.1%*	*6.8%*	*5.3%*	*6.5%*	*7.7%*	*8.5%*	*8.8%*	
Net profit	**15**	**40**	**17**	**31**	**43**	**52**	**56**	**25%**
Growth	-43%	167%	-59%	84%	40%	19%	9%	
Net margin	*2.4%*	*4.9%*	*2.5%*	*3.9%*	*5.1%*	*5.9%*	*6.1%*	

Source: Kepler Cheuvreux

Free cash flow optimisation

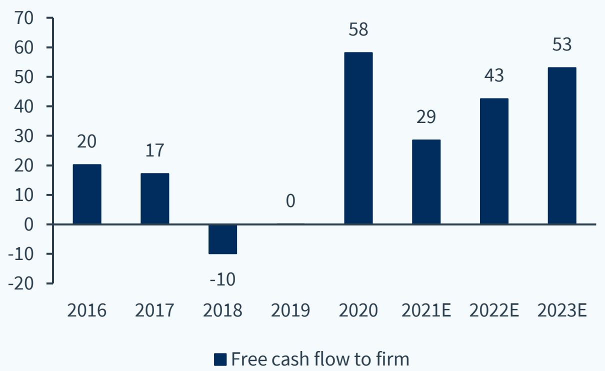
The level of investments was particularly high in 2018 and 2019 (c. EUR25m, 4% of sales) in relation with the modernisation of the installed base of machines at Fashion Technologies and Protective Films.

Capex returned to a more standard level in 2020 (EUR15m, 1.8% of sales).

In the coming years, Chargeurs intends to keep investments at a moderate level of EUR12-15m thanks to: 1) limited required start-up investments at CHS; 2) the key investments previously made at CPF and CFT-PCC; and 3) CMS shifting to a more asset-light business model.

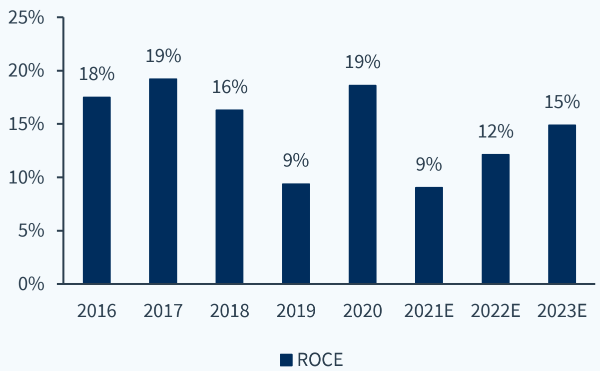
Accordingly, we model a pickup in free cash flows and ROCE.

Chart 51: FCF



Source: Kepler Cheuvreux

Chart 52: ROCE



Source: Kepler Cheuvreux

Valuation, target price, and risks

In our view, the current share price does not appear to reflect Chargeurs' full potential. Our DCF (8% WACC, 2% g) yields a target price of EUR30, representing 40% upside. The share price weakness seen since early May represents a solid opportunity to enter an exciting equity story with limited downside risks. We have simulated two alternative scenarios corresponding to Chargeurs successfully achieving its organic and non-organic long-term targets (as we are shy of the company's long-term guidance). This would imply further upside to EUR36-38 (70% upside). While the use of a single valuation method is not ideal, a peer comparison (either global or with a SOP) is made irrelevant by the diversity of Chargeurs' businesses and the specifics of the niche markets in which it operates (there are practically no listed competitors).

DCF

We derive an equity value of EUR30 per share using a DCF, which we developed in the *Deconstructing the forecasts* section. We use the following assumptions:

- **Capex** of EUR15m a year on average, at the upper limit of company's guidance range of EUR12-15m a year, corresponding to less than 2% of sales.
- **Long-term revenue growth** of 2% in a terminal year.
- **WACC** of 8% based on a beta of 1.20 and Kepler Cheuvreux in-house parameters (0.5% risk-free rate and 8.5% market premium).
- **Tax rate** of 13% during the explicit horizon to account for the tax savings from the future use of tax losses. We use a normative tax rate of 25% in the terminal period.

The terminal EBIT margin stands at 8.8% in our DCF. In this report, we refer to current EBIT that we model at 9.5% in 2025. The gap is attributable to the fact that Chargeurs tends to report "non-recurring" costs every year (EUR6-7m on average). We factor those expenses (EUR7m a year) into our estimates and DCF.

Table 10: DCF summary

EURm	2021	2022	2023	2024	2025	2025+
Discount year	0.6	1.6	2.6	3.6	4.6	
Revenue	662	784	844	880	918	936
Growth	*-19.4%*	*18.4%*	*7.6%*	*4.3%*	*4.3%*	*2.0%*
EBIT	35	51	65	75	80	82
as a % of sales	*5.3%*	*6.5%*	*7.7%*	*8.5%*	*8.8%*	*8.8%*
NOPAT	32	46	59	67	72	61
D&A	24	25	25	25	26	26
EBITDA	57	71	83	92	97	88
Capex own assets	-14	-15	-15	-15	-16	-16
Capex leased assets	-10	-10	-11	-11	-11	-10
Change in working capital	-3	-4	-5	-3	-3	-3
Free cash-flow	**29**	**43**	**53**	**63**	**68**	**58**
Discounted FCF	27	38	43	48	48	
Sum of discounted FCF	204					
PV Terminal Value	681					
EV	**885**					
(+) Cash 2021E	192					
(-) Financial debt 2021E	356					
(-) Lease liabilities 2021E	39					
(-) Pensions	17					
(-) Other liabilities	20					
(-) Minorities	0					
(+) Associates	7					
(+) Other assets	10					
Equity value	**702**					
Shares	23.1					
Equity value per share	**30**					

Source: Kepler Cheuvreux

Table 11: WACC summary

Pretax cost of debt	3.5%
Tax rate	25.0%
After tax cost of debt	**2.6%**
Risk-free rate (Rf)	0.5%
Market Return (Rm)	9.0%
Market premium (Rm-Rf)	8.5%
Beta	1.20
Cost of Equity	**10.7%**
Debt	33%
Equity	66%
WACC	**8.0%**

Source: Kepler Cheuvreux

The sensitivity table below indicates a panel of equity values according to terminal growth rate (X axis) and WACC (Y axis). It tells us that the current share price is the extreme lower limit of our valuation range, corresponding to a 9% WACC and 1% terminal sales growth. It also suggests that there is mostly upside from those levels.

Table 12: Sensitivity table (equity per share according to terminal growth rate)

30	1.00%	1.25%	1.50%	1.75%	**2.00%**	2.25%	2.50%	2.75%	3.00%
9.0%	22	22	23	24	25	26	27	28	29
8.8%	23	23	24	25	26	27	28	29	30
8.5%	24	25	25	26	27	28	30	31	32
8.3%	25	26	27	28	29	30	31	33	34
8.0%	26	27	28	29	**30**	32	33	34	36
7.8%	27	28	29	31	32	33	35	37	38
7.5%	29	30	31	32	34	35	37	39	41
7.3%	30	31	33	34	36	37	39	42	44
7.0%	32	33	35	36	38	40	42	44	47

Source: Kepler Cheuvreux

The 2021 multiples are inflated by the underperformance of some divisions in the context of the pandemic (particularly CFT-PCC and traditional activities at CMS). The multiples are expected to fall rapidly as these activities return to pre-pandemic levels in 2022 and 2023.

Table 13: Current multiples

	Implied multiples		
	2021E	**2022E**	**2023E**
EV/EBITDA	10.6	8.0	6.6
EV/EBIT	21.2	13.1	9.9
P/E	35.0	16.5	11.8

Source: Kepler Cheuvreux

Table 14: DCF implied multiples

	Implied multiples		
	2021E	**2022E**	**2023E**
EV/EBITDA	13.2	10.4	8.9
EV/EBIT	25.4	16.9	13.2
P/E	41.8	22.7	16.2

Source: Kepler Cheuvreux

What if?

We have simulated two bullish alternative scenarios corresponding to Chargeurs meeting its long-term targets.

1. **Chargeurs successfully achieves its long-term guidance excluding acquisitions (sales of EUR1bn, current EBIT of EUR100m)**. The implied fair equity value is EUR36 per share.

2. **Chargeurs successfully achieves its long-term guidance including acquisitions (sales of EUR1.5bn, current EBIT of EUR150m)**. Starting from the DCF of scenario 1, we add additional revenues of EUR100m each, additional EBIT of EUR10m (implying a 10% EBIT

margin for acquired companies) and annual investments of EUR70m based on a transaction multiple of 7x EV/EBIT. The implied equity value is EUR38.

Risks to our DCF

The main risk we see to our DCF is a lower-than-expected recovery post pandemic in the activities linked to the retail industry. We are thinking mainly of CFT-PCC and CLM in clothing and Senfa Technologies (manufacturing arm of CMS). The risk is somewhat mitigated by the fact that we assume a near-normalisation of these businesses in 2023 (a return to 2019 levels), and not before.

A second risk would be a weaker-than-expected ramp-up of CMS, a division where we have high expectations with regards to Chargeurs' unique one-stop shop model and its positioning in high-value services to museums (creative design, experiential content).

France | Textile & apparel| MCap: EUR 556.7m

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ESG Highlights: *Adequate ESG profile*

- **Governance:** Robust and engaged corporate governance
- **Environment:** Comprehensive range of eco-friendly products
- **Social :** Committed foundation: *Chargeurs Philanthropies*

Thematic focus

Governance

Board

Chargeurs' board of directors is appropriately structured with adequate independence, gender balance and consistent board member expertise.

At the end of December 2020, Chargeurs' Board of Directors was made up of six members (+1 censor) including three independent directors and three women.

The company's board composition complies with best practices: 50% gender balance, half of the board independent as well as consistent expertise in areas such as finance, luxury, and fashion. Despite Chargeurs being internationally exposed with European, American and Asia sales, the board of directors is purely made up of French nationals.

Since 2015, the board of directors has adopted the best model for the group according to its activities and structure while maintaining guarantees to ensure a balance of power. Therefore, Michaël Fribourg is both Chairman of the board and CEO.

Remuneration

The compensation structure is designed to support value creation for shareholders and motivate collaborators. The chairman and CEO's total remuneration has posted a c. 2% CAGR over the past three years, while net results have seen a c.15% CAGR

In 2020, the chairman and CEO received a total compensation of EUR1,327,886 (EUR1,452,500 due amount) made up of:

- A fixed amount, unchanged since 2019: EUR525,000.
- A variable part (capped at a maximum of 150% of fixed compensation): EUR567,500 based on the achievement of quantitative (ROPA) and qualitative objectives that were appropriately weighted at 60% and 40%, respectively.

Variable compensation is as follows: 1) basic annual variable compensation: based on recurring operating profit performance (60%), talent management, innovation, increase in proportion of sustainable products, etc. (40%); 2) an annual variable compensation for outperformance based on shareholder returns (relative share price and dividend); and 3) exceptional variable compensation measuring the successful implementation of the Chargeurs Healthcare Solutions business as well as the success of integrated Chargeurs Museum Solutions acquisition.

In addition, he received compensation for corporate officer positions in other group entities, a benefit in kind, and a special bonus of EUR100,000.

Since 2017, performance shares have been assigned to a number of group employees: talented executives and senior executives. Note that the Chairman and CEO of the group is not a beneficiary of Chargeurs' free share plan, at his own request.

Shareholder rights alignment	**Chargeurs is a publicly-traded company controlled by the Fribourg family (current chairman and CEO) via Colombus Holding SAS.** The holding controlling Chargeurs, with 27.1% share capital, was created by Michaël Fribourg and made up of long-term French institutional firms (Crédit Mutuel Equity SCR, BNP Paribas Développement and Groupama) and Family offices. Others shareholders are Sycomore Asset Management: 8.7%; Amundi: 5.7%; Other shareholders: 53.9%; and treasury stocks: 4.6%. The group implemented a share buyback programme on 5 November 2020 but temporarily decided to not renew the programme. In 2020, the group's provider bought back 18,696 Chargeurs shares for EUR0.2m. ▪ Shares held by the same owners for at least two years have double voting rights. As of 31 December 2020, a total of 1,073,500 shares carried double voting rights.
Integrity/quality of reporting	**Chargeurs provides relevant and consistent reporting. While all targets are described for both long-term qualitative objectives and short-term quantitative objectives, more details regarding the most-used indicators would be appreciated.** We find Chargeurs' financial reporting to be adequate, with no major unusual items or deviations noted. Concerning extra-financial information, the group provides good reporting. Despite its GHG emissions disclosure being light, in 2021 the group is willing to improve transparency and complete the report with a scope 3 investigation. More details about the most-used indicators would be appreciated (e.g. absenteeism, percentage of employees receiving training, etc.). The group capitalised some expenses such as computer software licenses, development costs when different criteria are fulfilled (EUR0.4m), and interest on property, plant and equipment.
Business ethics	**Chargeurs has a code of conduct associated with a whistleblowing system. No corruption provisions or any past corruption events have been reported.** In regards to the application of the group code of conduct, a whistleblowing system has been implemented to investigate reported violations. Each violation entails various actions: closing the case, adopting appropriate corrective measures, or initiating disciplinary and/or legal proceedings. An Ethics Committee has been set up to supervise ethics and conduct at management level. No provision or expenses due to corruption have been reported. Around EUR17.2m is earmarked for other contingency provisions, which include in particular risks related to supplier disputes (EUR6.3m) and the risk of litigation (EUR6.4m).
Environment	
How does the company manage its own footprint?	**The group has clear short-term quantitative targets for CO2 emissions, water and energy resources and a major long-term qualitative target for 2030.** Chargeurs is aware of its own **carbon footprint** and monitors its impact using CO2 emissions by production unit indicator. In 2020, the group improved its CO2 emissions by production unit, reaching 53,6 tCO2 e/Mm2 compared to 55 tCO2e/Mm2 in 2019 (-2.5%) and 56.4 tCO2e/Mm2 in 2018 (-5%). Target for 2021: 50 tCO2e/Mm2 emissions. Although no information has been given regarding either total scope 1 and 2 emissions or details on Chargeurs' scope 3 exposure, for 2021 the group is willing to provide a complete GHG emission report while adding an investigation into scope 3. In addition, Chargeurs is engaged in the development of life cycle analyses (LCA) to give customers information on the environmental impact of its products. For now, 100 products have been assessed representing 80% of revenues at Novacel. To meet green revenue targets, the group is committed to managing natural resources by: ▪ **Reducing water consumption, energy,** and wastage and pollution by upgrading equipment and implementing a dying process: dope dyeing. This new process is in the testing phase and allows water consumption to be reduced by 70-80%, as well as lowering energy use by 7%. Indicators: 472 m3 /Mm2 in 2020 versus 2019: 652m3 /Mm2 water consumption by production unit (-28%).

	▪ Because production and activities were slowed down by the pandemic, explaining the very low consumption in 2020, the group is targeting 500m3 /Mm2 consumption by production unit (still 23% lower than 2019 levels). ▪ **Developing the circular economy:** Right from the design stage, Chargeurs strives to ensure product recyclability, also ensuring that products are made with recycled materials. Materials tests are encouraging. Chargeurs will offer two fully-recycled mask types: reusable fabric masks and surgical masks. Another project, also in the test phase, covers the transformation of disposable surgical masks into plastic pellets, which can then be used as raw materials. In any case, upstream of these recycling projects, the group is organised to collect used masks at sites where they have been used to minimise their environmental pollution. Indicators: Hazardous waste: 909 t (-5%); Non-hazardous: 10,680 t (+4%); Recycled waste: 56%; Energy recovery (14%); landfill (11%); incineration without energy recovery (18%).
Positive climate change impact	**The group is committed to developing its green revenues with the aim of 50% green sales by 2025 (currently 15% of revenues).** The group is committed to developing its green revenue share, which currently stands at 15%. Chargeurs has developed several ranges of sustainable products: In **CFT-PCC**: ▪ **Sustainable 360** range. The first comprehensive collection of interlinings using eco-friendly materials, in particular BCO cotton, hemp, recycled polyester (GRS polyester), and Bemberg tissue. ▪ 210 products, 40% of which are made from Global Recycled Standard (GRS) polyester from recycled plastic bottles and polyester clothing items, 80% generating water savings and 32% from SMETA-audited sites. In **CPF**: ▪ **Oxygen** range: Oxygen Vegetal, a protective film produced from more than 80% bio sourced plastic (recycled from sugar cane waste). Oxygen Recycled: film produced using more than 20% recycled polyethylene. Oxygen Lean is an innovative extrusion technology that reduces the amount of raw materials used by at least 20%. ▪ We have no details of the share of oxygen range within the total protective film segment. In **CLM**: ▪ **Nativa**, certified fibres: A label that guarantees the quality and traceability of wool fibres at every stage of the value chain. In **CMS**: ▪ **ALT range, ALTERRA ALTIMIS**: A technical fabric made from fully recycled materials. In **CHS**: ▪ **Lainière Santé**: Technical healthcare and personal protection solutions.
Social	
Health & safety	**The group is committed to ensuring security at work with safety days and training, as well as encouraging teams to maintain a low frequency rate and severity rate.** Concerning working accidents, Chargeurs focuses on the frequency rate (the number of occupational accidents per million hours worked) and the severity rate (the number of days lost per thousand hours worked). The group is committed to benefiting from the low level of 2020 for both rates and encourages its teams to maintain the same level in the following years. Targets: Occupational accident frequency rate of 5 in 2021 and 2.5 in 2030. In 2020, the frequency rate improved significantly, reaching 3.8 (vs. 10.17 in 2019 and 11.41 in 2018). The rate improvement versus 2019 needs to be looked at carefully, as 2020 saw lower production and working hours due to the pandemic. The severity rate followed the same trend, falling from 0.39 in 2019 to 0.16 in 2020. Progress has been made at Novacel, with the new prevention methodology called ETSCAF in place. The group increased the maximum period without accidents.

	Even if the company created a safety day in 2017, to improve health and safety at work, Chargeurs may detail the standards that are being set up to keep the 2020 momentum going. In 2020, this awareness day focused on Covid-19.
Working conditions	**The group has shown strong and stable gender diversity over a three-year period** Despite the Covid-19 outbreak in 2020, training continued, in particular on safety, and the company set up the Novacel Academy and the Game Changer management training programme. On average, 13 hours of training (-32%) were given per employee (among the total workforce). No further information has been provided about the percentage of employees receiving training, or on the absenteeism rate. The group has 2,228 employees and shows good and stable gender diversity (as in 2020): 31% of the total workforce are women (vs. 32% in 2019 and 30% in 2018), and 31% are in executive roles.
Product responsibility	The group could be faced with a product quality issue related to product composition, the manufacturing process, packaging or compliance with applicable standards and regulations. This risk exposure is heightened with the manufacture and sale of B2B and B2C healthcare products such as protective masks, gloves, and anti-bacterial protective films that directly impact personal health and safety
Human rights and local communities	**Committed foundation: Chargeurs Philanthropies** The Chargeurs Foundation was created in 2018, and supports the philanthropic projects of the Chargeurs Group for promoting access to culture, health and education, as well as intercultural dialogue. The Foundation selects high-quality projects with exceptional profiles. Chargeurs made a donation of EUR3.4m to the fund in 2020, corresponding to 8% of net profit. Chargeurs is committed to a number of international human rights standards, notably the Universal Declaration of Human Rights, the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, etc. Chargeurs PCC's activities are related to cotton supply, one of the company's main raw materials. In 2020, the company stepped up supply of BCI-licensed cotton with the aim of ensuring compliance with basic human rights by suppliers. Following allegations of forced labour and major human rights violations in the Uighur community in the Xinjiang region of China, the BCI halted all activity in the area. No breaches of human rights or issues with local communities have been reported.
Supply chain	A responsible purchasing charter has been signed by the group's strategic suppliers, and six CSR audits were performed. The agreement sets the main lines of the group's expectations concerning suppliers such as minimum social and environmental requirements (work environment, sustainable commitments, etc.). With the international label Nativa (for wool fibres), Chargeurs Luxury is integrating ESG criteria into the supply chain. Every step of the supply chain is certified to ensure animal welfare, responsible land management, and strict corporate social responsibility. Chargeurs' supply stage strategy is at an early stage with some ongoing initiatives such as Chargeurs Luxury, BCI for the cotton, and some Smeta audits, that are social and environmental audits. It would be helpful to know the percentage of suppliers covered by SMETA audits as well as percentage of suppliers who signed the charter.

Valuation table

Market data as of: 25 May 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Per share data (EUR)										
EPS adjusted		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
% Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS adjusted and fully diluted		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
% Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS reported		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
% Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS Consensus								0.74	1.35	1.65
Cash flow per share		1.65	1.35	1.33	0.62	1.09	3.13	1.84	2.45	2.92
Book value per share		11.18	9.90	9.93	10.16	9.95	10.17	9.59	10.56	11.75
DPS		0.30	0.55	0.60	0.67	0.40	1.32	0.37	0.68	0.95
Number of shares, YE (m)		19.6	23.0	23.2	23.3	23.3	23.3	23.3	23.3	23.3
Nbr of shares, fully diluted, YE (m)		19.6	23.0	23.2	23.3	23.3	23.3	23.3	23.3	23.3
Share price										
Latest price / year end		9.0	16.0	25.3	16.8	17.3	17.6	20.9	20.9	20.9
52 week high		9.1	16.1	26.7	28.5	21.7	20.0	24.8		
52 week low		8.8	7.5	15.9	15.0	14.9	8.7	17.3		
Average price (Year)		8.9	11.3	22.8	23.1	17.5	15.8	20.9	20.9	20.9
Enterprise value (EURm)										
Market capitalisation		175.1	259.3	527.6	539.0	409.4	369.6	487.5	487.5	487.5
Net financial debt		-23.3	-3.2	-8.9	92.2	122.5	147.1	164.2	145.5	123.5
Pension provisions		14.6	16.7	16.4	17.4	18.3	16.8	16.8	16.8	16.8
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	26.4	38.1	39.2	40.3	41.4
Market value of minorities		3.1	0.0	0.0	0.0	0.0	0.8	-0.8	-0.8	-0.8
MV of equity affiliates (net of tax)		-18.1	-14.9	-11.7	-13.1	-12.6	-7.0	-7.0	-7.0	-7.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value		151.4	257.9	523.4	635.5	564.0	565.4	700.0	682.4	661.4
Valuation										
P/E adjusted		11.3	10.4	20.9	20.3	27.3	9.0	29.0	15.7	11.2
P/E adjusted and fully diluted		11.3	10.4	20.9	20.3	27.3	9.0	29.0	15.7	11.2
P/E consensus								28.4	15.4	12.7
P/BV		0.8	1.1	2.3	2.3	1.8	1.6	2.2	2.0	1.8
P/CF		5.4	8.3	17.2	37.4	16.1	5.1	11.3	8.5	7.2
Dividend yield (%)		3.4%	4.9%	2.6%	2.9%	2.3%	8.3%	1.8%	3.2%	4.5%
FCF yield (%)		10.5%	7.8%	3.2%	-1.8%	0.0%	15.7%	5.9%	8.7%	10.9%
ROE (%)			11.2%	11.0%	11.4%	6.4%	17.5%	7.3%	13.2%	16.6%
ROIC (%)			17.7%	19.5%	16.4%	9.5%	18.8%	9.1%	12.2%	15.0%
EV/Sales		0.30	0.51	0.98	1.11	0.90	0.69	1.06	0.87	0.78
EV/EBITDA adj.		3.8	5.3	9.6	10.6	9.4	5.5	10.4	8.2	6.8
EV/EBIT adj.		4.9	6.6	11.8	13.0	13.7	7.1	16.4	11.8	9.2
EV/NOPAT		3.5	7.8	13.6	15.5	18.0	7.9	18.8	13.5	10.5
EV/IC		0.9	1.3	2.7	2.1	1.6	1.4	1.7	1.6	1.6
ROIC/WACC			2.2	2.4	2.1	1.2	2.3	1.1	1.5	1.9
EV/IC over ROIC/WACC			0.6	1.1	1.0	1.3	0.6	1.5	1.1	0.8

Income statement

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Sales		**498.7**	**506.4**	**533.0**	**573.3**	**626.2**	**822.0**	**662.4**	**784.3**	**843.7**
Gross profit		120.5	130.0	141.6	154.3	167.0	219.0	178.8	213.7	232.0
EBITDA reported		40.3	48.8	54.6	59.8	59.9	102.4	67.0	83.0	97.2
EBITDA adjusted		**40.3**	**48.8**	**54.6**	**59.8**	**59.9**	**102.4**	**67.0**	**83.0**	**97.2**
Depreciation and amortisation		-9.7	-9.9	-10.2	-11.7	-21.1	-28.4	-25.3	-24.9	-24.9
Goodwill impairment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates		-6.6	-5.0	-5.9	-5.9	-7.0	-18.2	-7.0	-7.0	-7.0
EBIT reported		24.0	33.9	38.5	42.2	31.8	55.8	34.8	51.0	65.3
EBIT adjusted		**30.6**	**38.9**	**44.4**	**49.0**	**41.3**	**79.3**	**42.8**	**58.0**	**72.3**
Net financial items		-3.0	-0.5	-7.5	-8.8	-9.8	-4.9	-12.5	-12.5	-12.5
Associates		-10.7	-2.0	-0.8	0.1	-0.4	-1.7	0.0	0.0	0.0
Others		-2.3	-1.5	-1.0	-1.8	-1.7	-4.6	-3.0	-3.0	-3.0
Earnings before tax		8.0	29.9	29.2	31.7	19.9	44.6	19.3	35.6	49.8
Tax		7.5	-4.9	-4.0	-5.1	-4.9	-4.3	-2.5	-4.6	-6.5
Net profit from continuing op.		15.5	25.0	25.2	26.6	15.0	40.3	16.8	31.0	43.3
Net profit from disc. activities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities		15.5	25.0	25.2	26.6	15.0	40.3	16.8	31.0	43.3
Minorities		0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Net profit reported		**15.5**	**25.0**	**25.2**	**26.6**	**15.0**	**41.0**	**16.8**	**31.0**	**43.3**
Adjustments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted		**15.5**	**25.0**	**25.2**	**26.6**	**15.0**	**41.0**	**16.8**	**31.0**	**43.3**
Sales % Change			1.5%	5.3%	7.6%	9.2%	31.3%	-19.4%	18.4%	7.6%
EBITDA reported % Change			21.1%	11.9%	9.5%	0.2%	71.0%	-34.5%	23.8%	17.2%
EBITDA adjusted % Change			21.1%	11.9%	9.5%	0.2%	71.0%	-34.5%	23.8%	17.2%
EBIT reported % Change			41.3%	13.6%	9.6%	-24.6%	75.5%	-37.7%	46.8%	27.9%
EBIT adjusted % Change			27.1%	14.1%	10.4%	-15.7%	92.0%	-46.1%	35.7%	24.5%
Earnings before tax % Change			273.8%	-2.3%	8.6%	-37.2%	124.1%	-56.7%	84.2%	40.0%
Net profit from cont. op. % Change			61.3%	0.8%	5.6%	-43.6%	168.7%	-58.3%	84.2%	40.0%
Net profit reported % Change			61.3%	0.8%	5.6%	-43.6%	173.3%	-59.0%	84.2%	40.0%
Net profit adjusted % Change			61.3%	0.8%	5.6%	-43.6%	173.3%	-59.0%	84.2%	40.0%
Gross profit margin (%)		24.2%	25.7%	26.6%	26.9%	26.7%	26.6%	27.0%	27.3%	27.5%
EBITDA margin (%)		8.1%	9.6%	10.2%	10.4%	9.6%	12.5%	10.1%	10.6%	11.5%
EBIT margin (%)		6.1%	7.7%	8.3%	8.5%	6.6%	9.6%	6.5%	7.4%	8.6%
Net profit margin (%)		3.1%	4.9%	4.7%	4.6%	2.4%	5.0%	2.5%	3.9%	5.1%
Tax rate (%)		40.1%	-15.4%	-13.3%	-16.1%	-24.1%	-9.3%	-13.0%	-13.0%	-13.0%
Payout ratio (%)		38.0%	50.5%	55.1%	58.8%	62.3%	75.2%	51.0%	51.0%	51.0%
EPS reported (EUR)		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
EPS adjusted (EUR)		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
EPS adj and fully diluted (EUR)		0.79	1.09	1.09	1.14	0.64	1.76	0.72	1.33	1.86
DPS (EUR)		0.30	0.55	0.60	0.67	0.40	1.32	0.37	0.68	0.95
EPS reported % Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS adjusted % Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
EPS adj and fully diluted % Change			37.8%	-0.1%	4.7%	-43.6%	173.3%	-59.0%	84.2%	40.0%
DPS % Change			83.3%	9.1%	11.7%	-40.3%	230.0%	-72.2%	84.2%	40.0%
Consensus Sales (EURm)								663.0	761.6	832.2
Consensus EBITDA (EURm)								66.5	84.0	94.0
Consensus EBIT (EURm)								40.7	60.3	69.5
Consensus EPS (EUR)								0.74	1.35	1.65
Consensus DPS (EUR)										

Cash flow statement

Market data as of: 25 May 2021

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Net profit before minorities		15.5	25.0	25.2	26.6	15.0	40.3	16.8	31.0	43.3
Depreciation and amortisation		9.7	9.9	10.2	11.7	21.1	28.7	24.3	24.9	24.9
Goodwill impairment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital		8.0	0.8	-6.7	-22.5	-13.3	2.6	-3.4	-3.7	-5.1
Others		-0.8	-4.6	2.0	-1.4	2.6	1.4	5.4	5.2	5.0
Levered post tax CF before capex		**32.4**	**31.1**	**30.7**	**14.4**	**25.4**	**73.0**	**43.0**	**57.3**	**68.2**
% Change			-4.0%	-1.3%	-53.1%	76.4%	187.4%	-41.1%	33.3%	19.0%
Capex		-14.1	-10.9	-13.6	-24.3	-25.3	-14.9	-14.5	-14.8	-15.2
Free cash flow		**18.3**	**20.2**	**17.1**	**-9.9**	**0.1**	**58.1**	**28.5**	**42.6**	**53.0**
% Change			10.4%	-15.3%	-chg	+chg	58000.0%	-50.9%	49.0%	24.5%
Acquisitions		0.0	-19.7	-5.5	-65.0	-9.6	-53.0	0.0	0.0	0.0
Divestments		1.2	-0.7	1.2	-1.0	0.2	-9.0	0.0	0.0	0.0
Dividend paid		-3.2	-11.5	-6.6	-10.8	-8.6	-5.9	-30.2	-8.4	-15.5
Share buy back		0.0	0.0	0.0	-10.2	-9.8	-0.1	0.0	0.0	0.0
Capital increases		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others		-2.2	-6.0	0.0	0.0	-9.7	-12.3	-11.2	-11.4	-11.6
Change in net financial debt		**-14.1**	**17.7**	**-6.2**	**96.9**	**37.4**	**22.2**	**12.9**	**-22.7**	**-25.9**
Change in cash and cash equiv.			63.8	53.3	-104.8	-16.2	115.1	-17.1	18.7	22.1
Attributable FCF		18.3	20.2	17.1	-9.9	0.1	58.1	28.5	42.6	53.0
Cash flow per share (EUR)		1.65	1.35	1.33	0.62	1.09	3.13	1.84	2.45	2.92
% Change			-18.0%	-2.1%	-53.5%	76.4%	187.4%	-41.1%	33.3%	19.0%
FCF per share (EUR)		0.93	0.88	0.74	-0.42	0.00	2.49	1.22	1.82	2.27
% Change			-5.7%	-16.1%	-chg	+chg	57995.4%	-50.9%	49.0%	24.5%
Capex / Sales (%)		2.8%	2.2%	2.6%	4.2%	4.0%	1.8%	2.2%	1.9%	1.8%
Capex / D&A (%)		145.4%	110.1%	133.3%	207.7%	119.9%	52.5%	57.2%	59.2%	60.9%
Cash flow / Sales (%)		6.5%	6.1%	5.8%	2.5%	4.1%	8.9%	6.5%	7.3%	8.1%
FCF / Sales (%)		3.7%	4.0%	3.2%	-1.7%	0.0%	7.1%	4.3%	5.4%	6.3%
FCF Yield (%)		10.5%	7.8%	3.2%	-1.8%	0.0%	15.7%	5.9%	8.7%	10.9%
Unlevered FCF Yield (%)		13.5%	9.8%	4.9%	0.1%	2.2%	12.4%	6.1%	8.3%	10.1%

Balance sheet

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21E	12/22E	12/23E
Cash and cash equivalents		97.7	161.5	214.8	110.0	93.8	208.9	191.8	210.5	232.5
Inventories		101.0	105.4	107.3	128.4	126.1	139.1	147.1	155.9	167.7
Accounts receivable		118.4	123.2	128.0	96.1	102.6	110.3	116.7	123.6	132.9
Other current assets		1.1	0.5	0.4	0.7	1.4	23.2	23.2	23.2	23.2
Current assets		**318.2**	**390.6**	**450.5**	**335.2**	**323.9**	**481.5**	**478.7**	**513.1**	**556.3**
Tangible assets		55.9	61.8	63.2	80.7	113.1	121.2	122.8	124.1	124.8
Goodwill		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets		78.5	92.1	88.3	158.1	173.1	228.7	228.5	228.5	229.5
Financial assets		18.1	14.9	11.7	13.1	12.6	7.0	7.0	7.0	7.0
Other non-current assets		29.7	31.9	33.4	39.0	41.2	45.9	45.9	45.9	45.9
Non-current assets		**182.2**	**200.7**	**196.6**	**290.9**	**340.0**	**402.8**	**404.2**	**405.4**	**407.3**
Short term debt		25.3	25.2	26.6	33.1	22.8	46.5	46.5	46.5	46.5
Accounts payable		178.4	181.7	187.0	159.1	151.1	189.9	200.8	212.8	228.9
Other short term liabilities		1.8	3.7	4.1	1.4	6.0	26.7	26.7	26.7	26.7
Current liabilities		**205.5**	**210.6**	**217.7**	**193.6**	**179.9**	**263.1**	**274.0**	**286.0**	**302.1**
Long term debt		49.1	133.1	179.3	169.1	193.5	309.5	309.5	309.5	309.5
Pension provisions		14.6	16.7	16.4	17.4	18.3	16.8	16.8	16.8	16.8
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	26.4	38.1	39.2	40.3	41.4
Other long term provisions		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities		8.8	3.6	3.8	8.8	13.5	20.3	20.3	20.3	20.3
Non-current liabilities		**72.5**	**153.4**	**199.5**	**195.3**	**251.7**	**384.7**	**385.8**	**386.9**	**388.0**
Shareholders' equity		219.3	227.3	229.9	237.2	232.4	237.4	224.0	246.6	274.4
Minority interests		3.1	0.0	0.0	0.0	0.0	-0.8	-0.8	-0.8	-0.8
Total equity		**222.4**	**227.3**	**229.9**	**237.2**	**232.4**	**236.6**	**223.2**	**245.8**	**273.6**
Balance sheet total		**500.4**	**591.3**	**647.1**	**626.1**	**664.0**	**884.4**	**883.0**	**918.6**	**963.7**
% Change			18.2%	9.4%	-3.2%	6.1%	33.2%	-0.2%	4.0%	4.9%
Book value per share (EUR)		11.18	9.90	9.93	10.16	9.95	10.17	9.59	10.56	11.75
% Change			-11.4%	0.3%	2.3%	-2.0%	2.2%	-5.6%	10.1%	11.3%
Net financial debt		-23.3	-3.2	-8.9	92.2	122.5	147.1	164.2	145.5	123.5
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	26.4	38.1	39.2	40.3	41.4
Pension provisions		14.6	16.7	16.4	17.4	18.3	16.8	16.8	16.8	16.8
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt		-8.7	13.5	7.5	109.6	167.2	202.0	220.2	202.6	181.7
Net fi. debt (+IFRS16) / EBITDA (x)		-0.6	-0.1	-0.2	1.5	2.5	1.8	3.0	2.2	1.7
Trade working capital		41.0	46.9	48.3	65.4	77.6	59.5	62.9	66.7	71.7
Net working capital		40.3	43.7	44.6	64.7	73.0	56.0	59.4	63.2	68.2
NWC/Sales		8.1%	8.6%	8.4%	11.3%	11.7%	6.8%	9.0%	8.1%	8.1%
Inventories/sales		20.3%	20.8%	20.1%	22.4%	20.1%	16.9%	22.2%	19.9%	19.9%
Invested capital		174.7	197.6	196.1	303.5	359.2	405.9	410.7	415.7	422.6
Net fin. debt / FCF (x)		-1.3	-0.2	-0.5	-9.3	1,225.0	2.5	5.8	3.4	2.3
Gearing (%)		-10.5%	-1.4%	-3.9%	38.9%	52.7%	62.2%	73.6%	59.2%	45.1%
Goodwill / Equity (%)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Company Name	Date	Business Line	Rating	Target Price	Closing Price

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