



"A WORLD OF"  
NICHE MARKET  
LEADERS



**CHARGEURS**

# **First-Half 2017 Results Presentation**

## **"A World of Niche Market Leaders"**

**Michaël Fribourg**, Chairman and Chief Executive Officer

**Olivier Buquen**, Chief Financial Officer

**STRENGTH & VISION**

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September 7<sup>th</sup>, 2017

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an excellent first-half performance**
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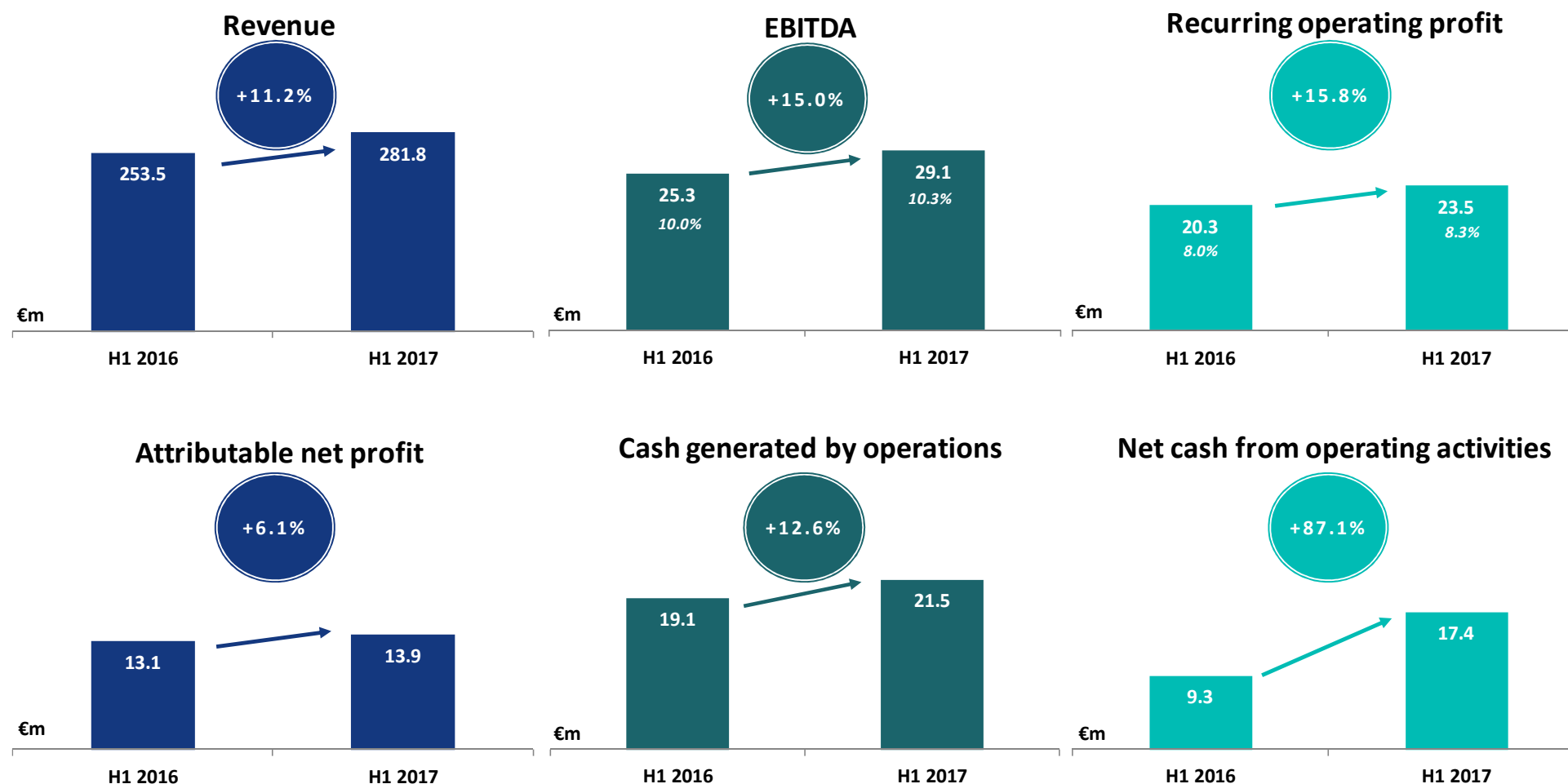


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## **Summary: an excellent first-half performance**

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## Strong revenue growth, higher cash flow and cash generation



## An excellent performance that reflects the Group's capacity and efficiency drive

- **Another period of growth: Recurring operating profit up 15.8% like-for-like**
  - Revenue up 5.4% like-for-like to €281.8 million
  - EBITDA up 15.0% like-for-like to €29.1 million and recurring operating profit up 15.8% like-for-like to €23.5 million, driven by higher volumes and price/mix improvements
  - Net profit up 5.3% to €13.9 million
- **Net cash from operating activities up 87.1% driven by the Group's strong performance**
- **Financial headroom once again increased for the long term**
  - **High level of cash generation**, which enabled the Group to finance its acquisitions and capex during the period and to pay a recurring dividend
  - **Working capital kept under control** despite growth in revenue over the period
  - **8 to 10-year financing raised through a €50 million Euro PP issue**, further increasing the Group's financial resources and extending the maturity of its borrowings
- **Successful targeted acquisition and development strategy**
  - Integration of Main Tape: Chargeurs' standards brought into application and production transferred to the dollar zone
  - Acquisitions of Somerra, Walco and Omma – leaders in the application machines market in France, the United States and Italy respectively
  - Geographic footprint extended to Mexico, Peru, Colombia and Ecuador

## Launch of a new performance acceleration plan called Game Changer

- **Target: to achieve €1 billion in revenue within five years (subject to macro-economic conditions remaining constant)**
- **Game Changer picks up from where the Performance, Discipline, Ambition Plan left off and is aimed at making the Group's businesses stand out even further from the pack within the space of 24 months**

# A New Acceleration Plan: Game Changer

**Objective:** to accelerate revenue growth, with the target of doubling profitable revenue within 5 years

→ Launch of a new plan to speed up the Group's growth and profitability, designed in collaboration with all of Chargeurs' teams worldwide and focused on four main themes:





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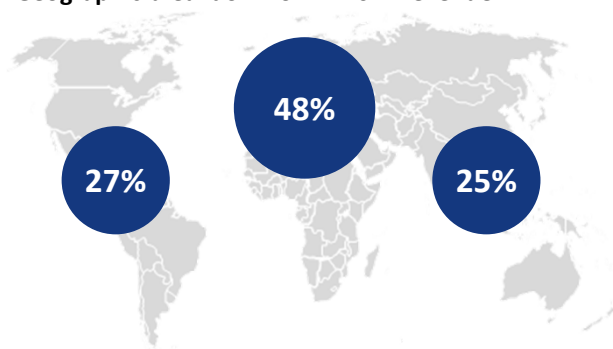
## Our Value Creation Model

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## Worldwide industrial excellence

### Serving over 70 countries

Geographic breakdown of H1 2017 revenue



>90% of revenue generated in international markets

#### 15 plants:

- 5 in Europe
- 4 in North America
- 3 in Asia
- 2 in Latin America
- 1 in Africa

#### 16 R&D and Quality laboratories:

- 7 for Fashion Technologies
- 4 for Protective Films
- 4 for Luxury Materials
- 1 for Technical Substrates

## Leadership positions in niche markets

### Protective Films



**No. 1 worldwide**  
in temporary surface protection  
Leadership position  
in 10 market segments

H1 2017 operating margin: 12.7%

### Fashion Technologies



**No. 2 worldwide**  
in interlinings  
Leadership position  
in 4 market segments

H1 2017 operating margin: 5.9%

### Technical Substrates



**European leader**  
in functionalized textiles  
Leadership position  
in 4 market segments

H1 2017 operating margin: 14.4%

### Luxury Materials



**No. 1 worldwide**  
in high-quality combed wool  
Leadership position  
in 3 market segments

H1 2017 operating margin: 2.9%

## A robust financial profile

### Solid financial performance

Revenue

**€281.8m**

+11.2% in H1 2017  
(+5.4% like-for-like)

EBITDA

**€29.1m**

+15.0% in H1 2017

Recurring  
operating profit

**€23.5m**

+15.8% in H1 2017

Net profit

**€13.9m**

+6.1% in H1 2017

Cash generated  
by operations

**€21.5m**

+12.6% in H1 2017

Net cash from  
operating activities

**€17.4m**

+87.1% in H1 2017

### A strong balance sheet structure

- **€173 million** in new financing raised by the Group since end-2015
- Average debt maturity further increased to **5.4 years**

## Chargeurs in 2015: A hidden heavyweight, with strong potential

### High-quality assets with strong potential

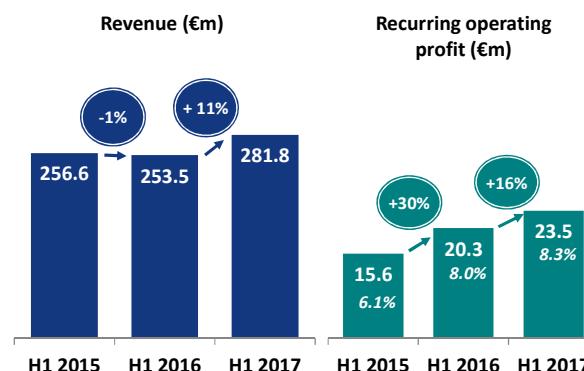
- 4 divisions, with 20 niche markets in which Chargeurs was or had the potential to become a Game Changer
- Potential to improve margins through performance acceleration measures
- Potential to create additional value by consolidating our highly fragmented markets



## Our achievements from 2015 through 2017

### Managerial transformation

- Best practices relayed across all divisions (*e.g. productivity plan*)
- A more selective sales strategy and wider operating margin
- Balance sheet strengthened (*Euro PPs and longer average debt maturity*)
- Acquisitions: Main Tape (US), Somerra (FR), Walco (US) and Omma (IT)



## Our 5-year vision

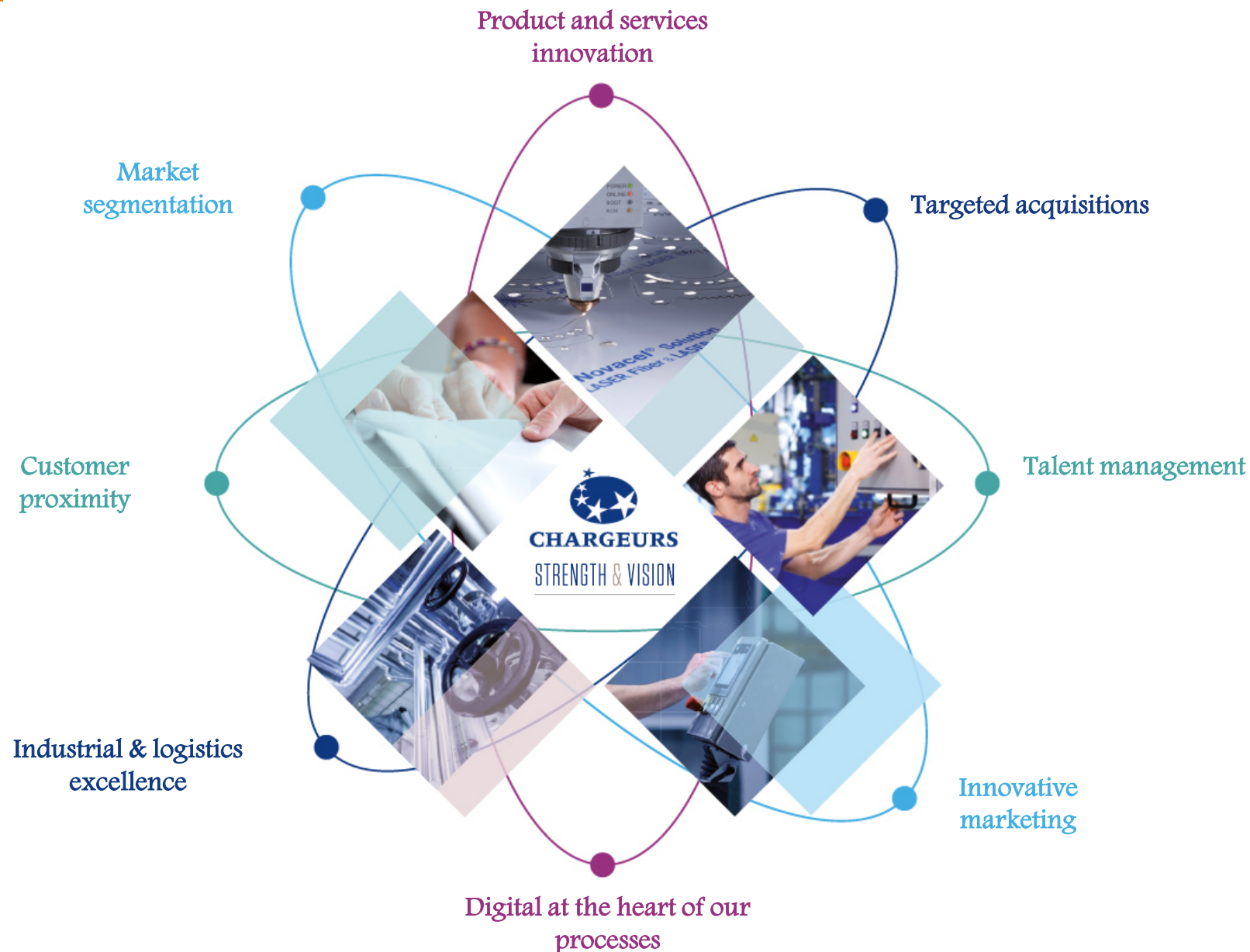
### Ever-stronger growth in our end markets, fueled by two major structural trends:

- Increasingly sophisticated products
- Increasingly complex logistics



### Implementation of Chargeurs Business Standards – a response to our customers' ever-changing needs

- Accelerate our innovation drive to support the increasing complexity of products
  - Showcase our services and shift from a product to a solutions offering in order to meet supply chain challenges
- ➔ **Develop the value chain/  
Increase growth/  
Widen margins**



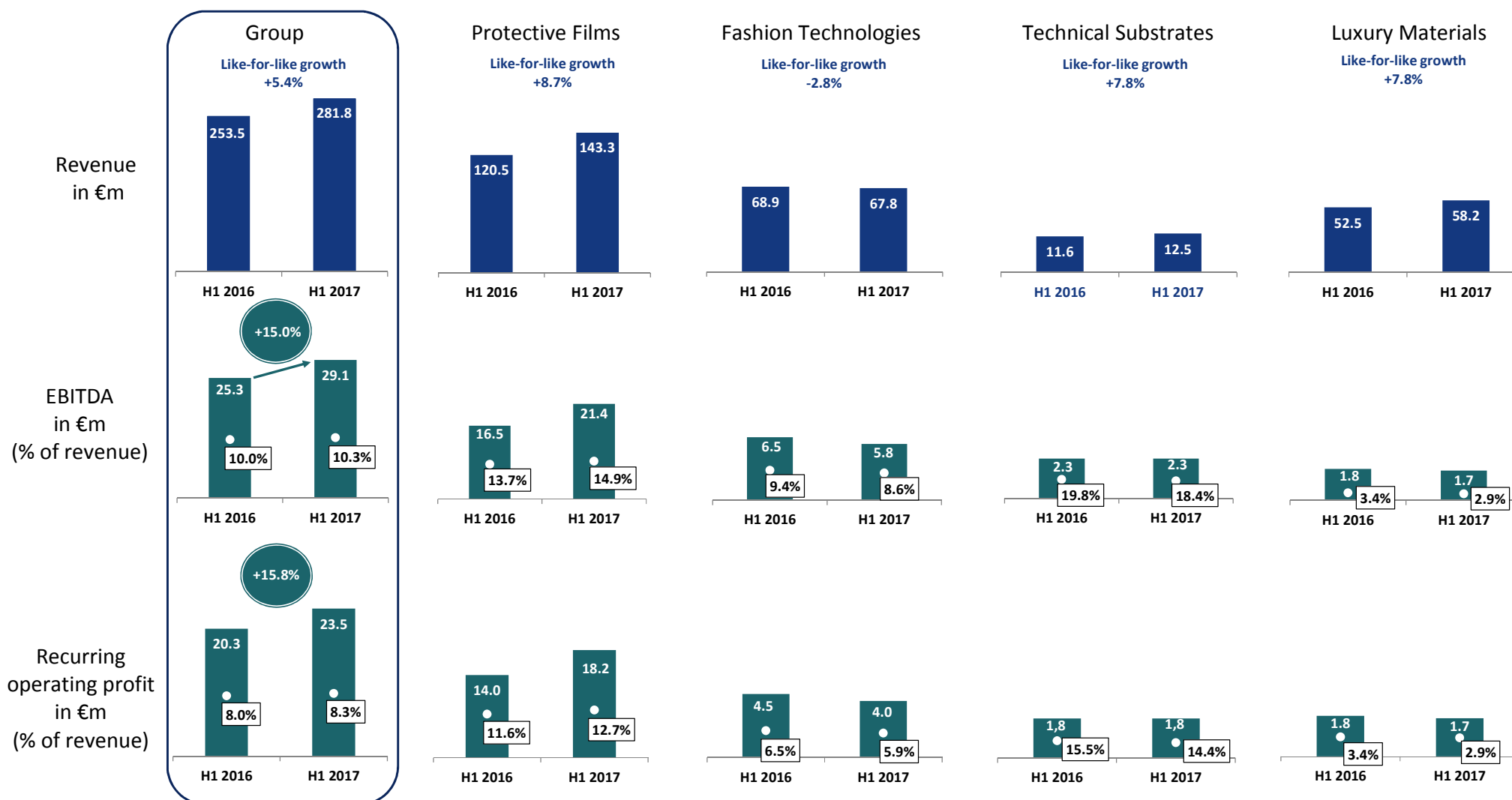


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# **Business Review**

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## Another strong increase in results





# Chargeurs Protective Films

## "The leading innovative coating solutions"

### First-Half 2017 Highlights

- Development and marketing of **Low noise technology** products as a solution to the problem of the noise caused when protective films are unrolled (which can reach up to 110 decibels in our customers' production units and factories)
- Acquisition of **Somerra** (France), **Walco** (United States) and **Omma** (Italy) – three leaders in application machines



## Acceleration in like-for-like and acquisition-led growth

| (€m)                            | H1 2017      | H1 2016 | Change |        |
|---------------------------------|--------------|---------|--------|--------|
| Revenue                         | <b>143.3</b> | 120.5   | +22.8  | +18.9% |
| <i>Like-for-like change (%)</i> |              |         |        | +8.7%  |
| EBITDA                          | <b>21.4</b>  | 16.5    | +4.9   | +29.7% |
| <i>as a % of revenue</i>        | <b>14.9%</b> | 13.7%   |        |        |
| Recurring operating profit      | <b>18.2</b>  | 14.0    | +4.2   | +30.0% |
| <i>as a % of revenue</i>        | <b>12.7%</b> | 11.6%   |        |        |

- Higher like-for-like growth in first-half 2017, fueled by:
  - A better price/mix effect and higher volumes
  - A steady stream of cutting-edge innovations and best-in-class customer relations
- Operating margin topping 12% of revenue, with revenue up sharply year on year
- Tightly controlled currency effects in a persistently volatile macro-economic environment (Brexit, US elections, Asia)
- Strong synergies achieved (as planned) on the integration of Main Tape, providing the Group with additional sales and manufacturing capacity
  - Production and technology from the Déville-lès-Rouen plant in France transferred to Main Tape's plant in the dollar zone
  - Main Tape's production equipment upgraded to comply with the Group's excellence standards (Chargeurs Business Standards)



# Chargeurs Fashion Technologies

## "IN'SIDE FASHION"

### First-Half 2017 Highlights

- A showroom inaugurated in New York
- Production ramped up at the Ethiopian plant while respecting Chargeurs' **excellence standards**
- Fashion specialists recruited to partner the development of our products



## Robust performance maintained despite an unfavorable basis of comparison

| (€m)                            | H1 2017 | H1 2016 | Change |        |
|---------------------------------|---------|---------|--------|--------|
| Revenue                         | 67.8    | 68.9    | -1.1   | -1.6%  |
| <i>Like-for-like change (%)</i> |         |         |        | -2.8%  |
| EBITDA                          | 5.8     | 6.5     | -0.7   | -10.8% |
| <i>as a % of revenue</i>        | 8.6%    | 9.4%    |        |        |
| Recurring operating profit      | 4.0     | 4.5     | -0.5   | -11.1% |
| <i>as a % of revenue</i>        | 5.9%    | 6.5%    |        |        |

- Performance recovery confirmed, with a solid operating margin and a return to a more standard delivery schedule, bearing in mind that:
  - Operating margin jumped to 6.5% in H1 2016 from 3.5% in H1 2015
  - The winter season began earlier than usual in H1 2016, creating an unfavorable basis of comparison for H1 2017
- **Operating profit up 29% year on year** (from €3.1 million to €4.0 million) following completion of the division's restructuring plan
- Capital spending stepped up to meet the needs of an increasingly prestigious clientele:
  - Showroom opened in New York to highlight Chargeurs' distinctive expertise and strengthen the division's marketing measures for its bespoke offerings
  - New marketing tools introduced to deepen customer knowledge (development of a new CRM system)

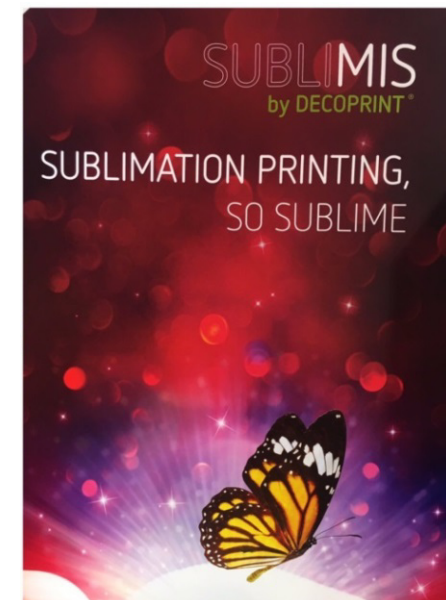


# Chargeurs Technical Substrates

## An industrial champion

### First-Half 2017 Highlights

- Patrick Bonnefond appointed as the division's new CEO
- New distinctive patents filed: worldwide launch of the Sublimis range expected before H1 2018
- Specific sales force created for the division



## Sustained robust performance

| (€m)                            | H1 2017 | H1 2016 | Change |       |
|---------------------------------|---------|---------|--------|-------|
| Revenue                         | 12.5    | 11.6    | +0.9   | +7.8% |
| <i>Like-for-like change (%)</i> |         |         |        | +7.8% |
| EBITDA                          | 2.3     | 2.3     | -      | -     |
| <i>as a % of revenue</i>        | 18.4%   | 19.8%   |        |       |
| Recurring operating profit      | 1.8     | 1.8     | -      | -     |
| <i>as a % of revenue</i>        | 14.4%   | 15.5%   |        |       |

- A successful start for the division's new CEO, Patrick Bonnefond
- Another very strong performance driven by the gradual ramp-up of the 5-meter-width coating line (launched in late 2015)
- Significant capital spending to create more innovative and diversified products and extend the geographic scope of the division's commercial activities
  - Planned launch towards the end of the year of Sublimis – a product requested and eagerly-awaited by our customers
  - Additional sales staff hired to boost business development in Asia and North and South America



# Chargeurs Luxury Materials

## "From the sheep to the shop"

### First-Half 2017 Highlights

- Product quality and traceability: procedures being rolled out to our partner combing mills
- RWS certification process for partner combing mills continued
- Sales and marketing synergies leveraged with CFT
- Supply chain traceability program strengthened



1 Certified farms



4 Weaving/Knitting



2 Supply and combing



5 Garment-making



3 Spinning



6 In-store

## Gradual ramp-up of the new business model

| (€m)                            | H1 2017     | H1 2016 | Change |        |
|---------------------------------|-------------|---------|--------|--------|
| Revenue                         | <b>58.2</b> | 52.5    | +5.7   | +10.9% |
| <i>Like-for-like change (%)</i> |             |         |        | +7.8%  |
| EBITDA                          | <b>1.7</b>  | 1.8     | -0.1   | -5.6%  |
| <i>as a % of revenue</i>        | <b>2.9%</b> | 3.4%    |        |        |
| Recurring operating profit      | <b>1.7</b>  | 1.8     | -0.1   | -5.6%  |
| <i>as a % of revenue</i>        | <b>2.9%</b> | 3.4%    |        |        |

- Revenue up sharply, reflecting 7.8% like-for-like growth (driven by both price/mix and volume impacts) and a favorable currency effect related to the New Zealand dollar
- Ongoing focus on high quality, traceable and durable fibers whose properties enable the products to be sold at a premium to major customers in the luxury and sportswear markets worldwide
- Margin in line with the Group's expectations and with its strategy of moving upmarket and exercising full control over a direct supply chain
- Performance consistent with the prudent model set up by Chargeurs for this division, which is aimed at mitigating the effect of wool fiber price volatility



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# Financial Review

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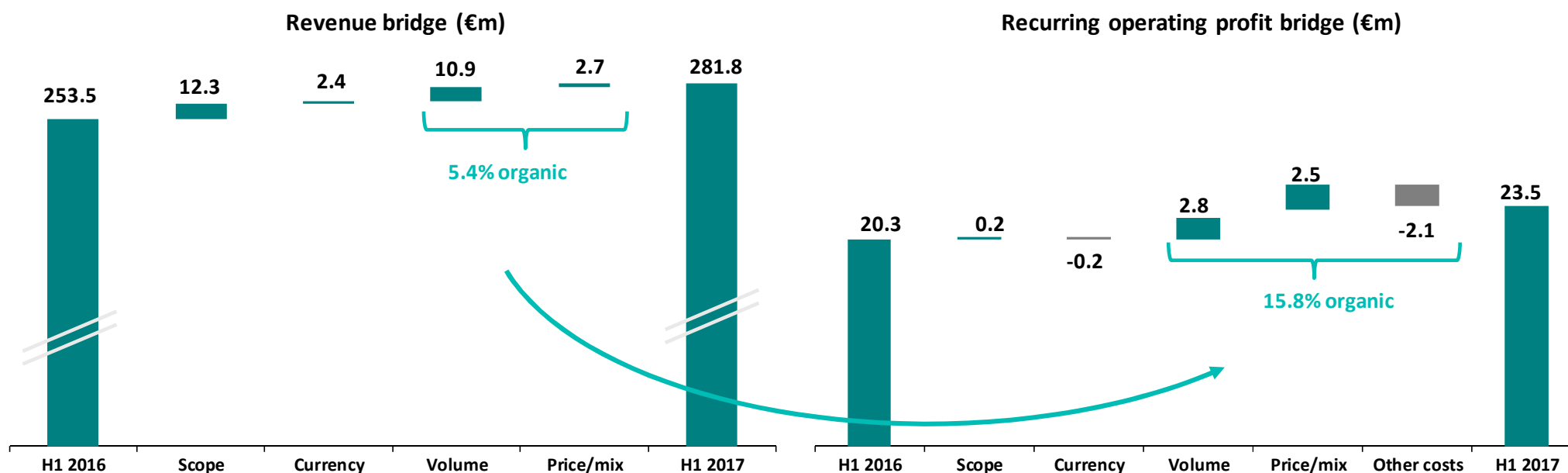
**Olivier Buquen**, Chief Financial Officer

## Strong earnings growth

| (€m)                                                 | H1 2017      | H1 2016      | Change            | Comments                                                                                                                                 |
|------------------------------------------------------|--------------|--------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue</b>                                       | <b>281.8</b> | <b>253.5</b> | <b>28.3 11.2%</b> | Up 5.4% like-for-like: improved mix and higher volumes                                                                                   |
| Gross margin                                         | <b>71.8</b>  | 65.2         | 6.6 10.1%         | Gross margin impacted by a negative currency effect                                                                                      |
| as a % of revenue                                    | 25.5%        | 25.7%        |                   |                                                                                                                                          |
| EBITDA                                               | <b>29.1</b>  | 25.3         | 3.8 15.0%         | Growth driven by effects of productivity plan                                                                                            |
| as a % of revenue                                    | 10.3%        | 10.0%        |                   |                                                                                                                                          |
| Depreciation and amortization                        | <b>(5.6)</b> | (5.0)        | (0.6) 12.0%       | Main Tape acq. & ambitious and tightly controlled strategy for capacity and technology spending                                          |
| <b>Recurring operating profit</b>                    | <b>23.5</b>  | <b>20.3</b>  | <b>3.2 15.8%</b>  | Improved mix, higher volumes and good cost discipline                                                                                    |
| as a % of revenue                                    | 8.3%         | 8.0%         |                   |                                                                                                                                          |
| Non-recurring items                                  | <b>(3.0)</b> | (2.7)        | (0.3)             | Negative impacts in H1 2017: acquisitions (€1.0m), departure of Group execs. (€1.5m), other (€0.5m)                                      |
| <b>Operating profit</b>                              | <b>20.5</b>  | <b>17.6</b>  | <b>2.9 16.5%</b>  |                                                                                                                                          |
| Net financial expense                                | <b>(3.8)</b> | 1.6          | (5.4)             | Additional financial resources & €3.7m positive effect in H1 2016 related to the withdrawal from the Yak joint ventures (CFT)            |
| Income tax expense                                   | <b>(2.3)</b> | (3.8)        | 1.5               | €1.4m in deferred tax assets recognized for tax loss carryforwards at June 30, 2017                                                      |
| Share of profit/(loss) of equity accounted investees | <b>(0.5)</b> | (2.3)        | 1.8               | H1 2017: results of CLM's equity accounted investees; H1 2016: €1.7m negative impact of the withdrawal from the Yak joint ventures (CFT) |
| <b>Net profit</b>                                    | <b>13.9</b>  | <b>13.1</b>  | <b>0.8 6.1%</b>   | Another year-on-year increase                                                                                                            |

- EBITDA up 15.0% (16.6% excluding wool), with a strong increase in volumes and a further price/mix improvement
- Operating margin up to 8.3% (from 8.0% in H1 2016) reflecting a tightly controlled capital spending strategy
- Financial income and expenses
  - Increase in funds raised at record-low interest rates in order to accelerate the Group's development
  - H1 2016 impacted by the positive impact, €3.7m, of the Group's withdrawal from the Yak joint ventures
- Income tax expense: a €1.4 million favorable impact in H1 2017 resulting from the recognition of tax loss carry forwards
- Share of profit/(loss) of equity accounted investees: H1 2016 affected by the withdrawal from the Yak joint ventures (€1,7m)

## Revenue and recurring operating profit bridges



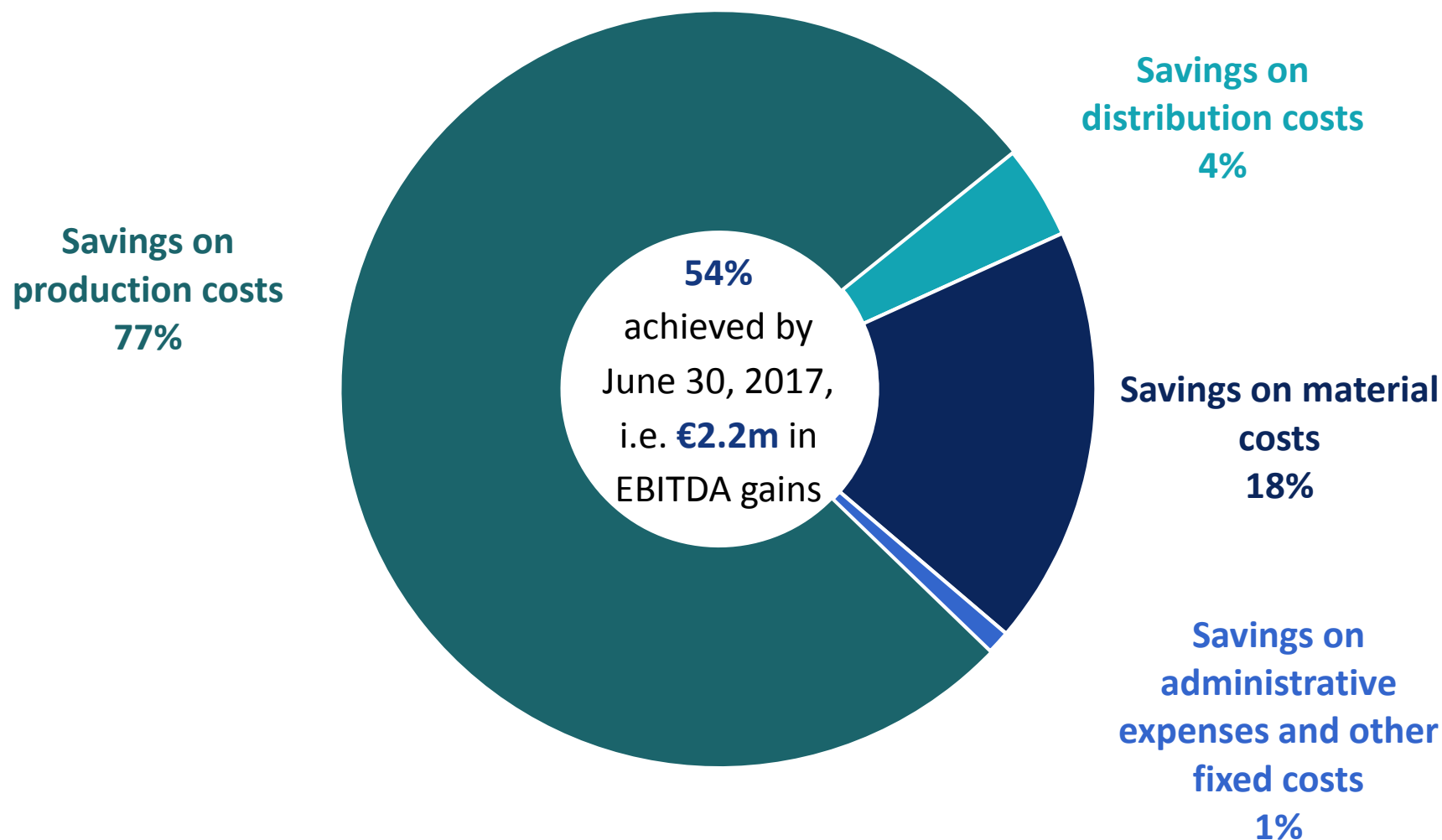
### Revenue

- Scope: acquisition of Main Tape
- Currency: US dollar and New Zealand dollar
- Volume: positive effects for CPF, CTS and CLM
- Price/mix: positive effects for CPF and CLM

### Recurring operating profit

- Scope: acquisition of Main Tape
- Currency: no material impact on recurring operating profit
- Volume: positive effects for CPF, CTS and CLM
- Price/mix: positive effects for CPF and CTS
- Other costs: impact of CPF's business growth

2017 target: €4 million in cost savings for the year



## Net cash from operating activities up by a sharp 87.1%

| (€m)                                                   | H1 2017      | H1 2016       | Comments                                                                    |
|--------------------------------------------------------|--------------|---------------|-----------------------------------------------------------------------------|
| <b>EBITDA</b>                                          | <b>29.1</b>  | <b>25.3</b>   | Up 15% thanks to improved mix, higher volumes and the productivity plan     |
| <i>Non-recurring - cash</i>                            | <i>(2.4)</i> | <i>(2.1)</i>  | H1 2017: impact of acquisitions and departures of Group execs               |
| <i>Finance costs - cash</i>                            | <i>(3.2)</i> | <i>(2.0)</i>  | Increase in financing raised for the Group's development                    |
| <i>Income tax – cash</i>                               | <i>(2.4)</i> | <i>(2.3)</i>  | Use of tax credits                                                          |
| <i>Other</i>                                           | <i>0.4</i>   | <i>0.2</i>    |                                                                             |
| <b>Cash generated by operations</b>                    | <b>21.5</b>  | <b>19.1</b>   | +12.6%                                                                      |
| Dividends from equity accounted investees              | <b>0.8</b>   | <b>0.3</b>    | Exceptional dividend related to a real estate sale                          |
| Change in working capital (at constant exchange rates) | <b>(4.9)</b> | <b>(10.1)</b> | Efficient working capital management                                        |
| <b>Net cash from operating activities</b>              | <b>17.4</b>  | <b>9.3</b>    | <b>+ 87.1%</b>                                                              |
| Purchases of PPE and intangible assets                 | <b>(5.0)</b> | <b>(7.0)</b>  | H1 2017: Protective Films €2.8m; Fashion Tech. €1.9m; Tech Substrates €0.2m |
| Dividends paid                                         | <b>(3.6)</b> | <b>(6.9)</b>  | H1 2017: 57% of the balance of the 2016 dividend paid in shares             |
| Changes in scope of consolidation                      | <b>(3.0)</b> | <b>(0.8)</b>  | Acquisitions of Walco and Somerra                                           |
| Currency effect                                        | <b>0.2</b>   | <b>(0.2)</b>  |                                                                             |
| Other                                                  | <b>0.1</b>   | <b>(0.8)</b>  |                                                                             |
| <b>Total</b>                                           | <b>6.1</b>   | <b>(6.4)</b>  | <b>Very sharp year-on-year increase in net cash position</b>                |
| <b>Opening net cash</b>                                | <b>3.2</b>   | <b>23.3</b>   |                                                                             |
| <b>Closing net cash</b>                                | <b>9.3</b>   | <b>16.9</b>   |                                                                             |

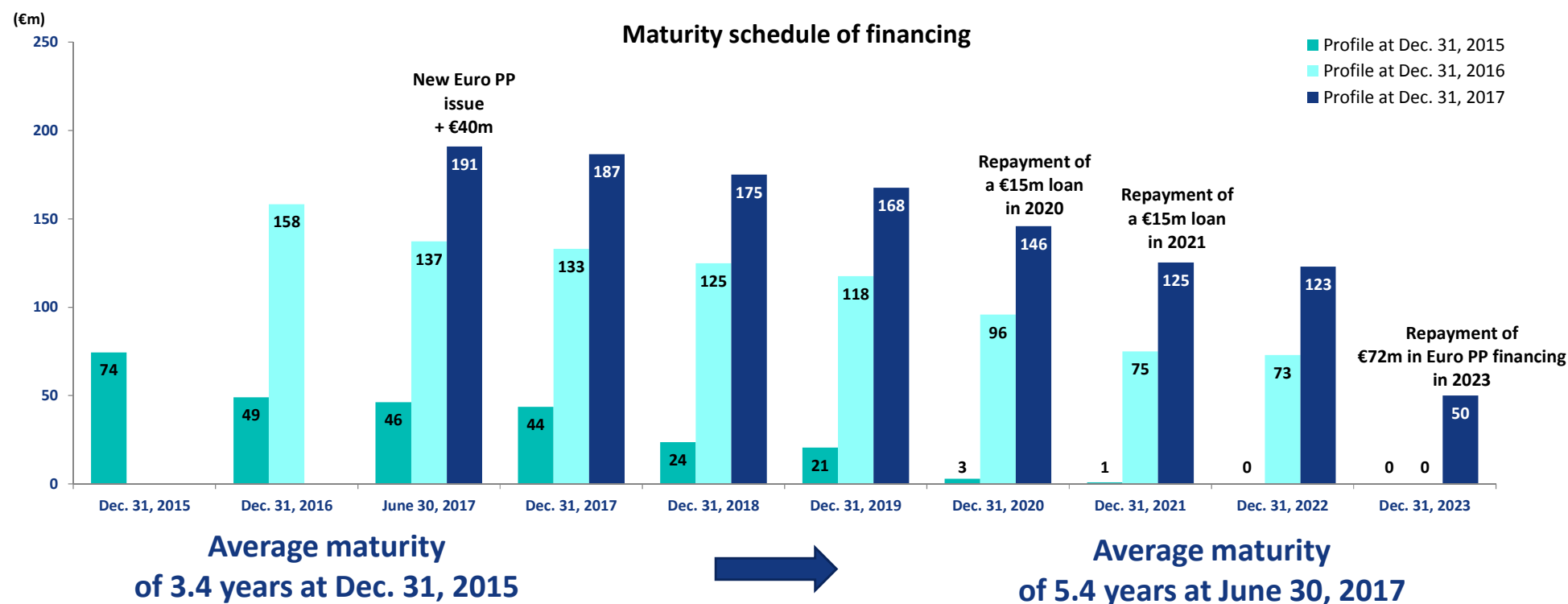
- Net cash from operating activities surged year on year, propelled by higher cash generated from operations and tight control over working capital, despite a sustained level of capital expenditure
- An increase in cash and cash equivalents during the period as net cash from operating activities was much higher than the cash paid out for the dividend (which was partly paid in shares in H1 2017) and for acquisitions

## A very robust balance sheet structure

| (€m)                                      | June 30, 2017 | Dec. 31, 2016 | Comments                                                                                                                      |
|-------------------------------------------|---------------|---------------|-------------------------------------------------------------------------------------------------------------------------------|
| Intangible assets                         | 86,1          | 92,1          | €5m negative currency effect on goodwill in USD                                                                               |
| Property, plant and equipment             | 59,7          | 61,8          | €1.3m negative USD currency effect                                                                                            |
| Investments in equity accounted investees | 12,6          | 14,9          | €1.0m negative currency effect & €0.8m negative impact of dividends paid                                                      |
| Net non-current assets                    | 15,8          | 11,6          | Acquisitions of Walco and Somerra                                                                                             |
| Working capital                           | 44,4          | 43,7          | Efficient working capital management                                                                                          |
| <b>Total capital employed</b>             | <b>218,6</b>  | <b>224,1</b>  |                                                                                                                               |
| <b>Equity</b>                             | <b>227,9</b>  | <b>227,3</b>  | Net profit: €13.9m; Dividends: €(3.6)m; Translation reserves: €(10.0)m                                                        |
| <b>Net cash</b>                           | <b>9,3</b>    | <b>3,2</b>    | Net cash from operating activities: €17.4m; Capex: €(5.0)m;<br>Changes in scope of consolidation: €(3.0)m; Dividends: €(3.6)m |

Number of shares at June 30, 2017: 23,209,500

## Financial headroom further increased in first-half 2017



- A stronger debt profile
- €50 million in additional financing raised from a Euro PP, including:
  - €40 million in 8-year financing repayable at maturity on June 7, 2025
  - €10 million in 10-year financing to be drawn down in the second half of 2017 and repayable at maturity on June 2, 2027
- Maturities of existing borrowings extended



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# Acquisition Strategy

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## Our acquisition criteria

### Consolidating our existing businesses

- Strengthening our positions in business segments where we do not have a major presence
- Extending our geographic footprint
- Integrating part of the up-stream or down-stream value chain
- Reciprocal asset transfers

### Expanding into related/new businesses

- Leadership position in a high value niche market
- Global-scale operations
- Build-up potential
- Reciprocal asset transfers

### Financial criteria

- Profitable companies – No business turnarounds
- Potential for performance improvements
- Accretive impact for the Group
- Maintaining a reasonable debt structure for the Group

## Our acquisition process

- Our market knowledge enables us to apply a pre-emptive approach in most cases  
→ we can therefore negotiate attractive assets in optimum conditions
- By effectively using our tax loss carryforwards  
→ we can accelerate our return on investment

### Analysis

- Capitalize on our deep market knowledge thanks to our leadership positions
- Analyze sub-segments

### Pre-acquisition

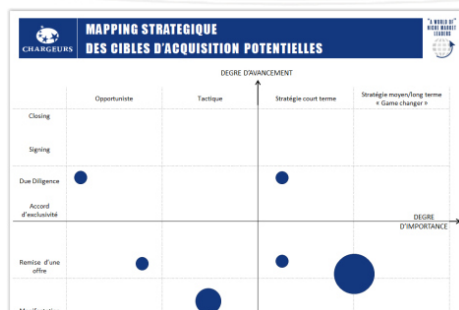
- Carry out a due diligence covering technical, financial, legal, HR and environmental issues
- Assess synergies

### Integration

- Draw on the expertise of the Chargeurs Business Solutions team
- Monitor the integration process through steering committees that meet monthly
- Track the achievement of synergies

### Transformation

- Enhance processes thanks to our market-leading expertise
- Contribute a portfolio of innovative products
- Draw on the expertise of existing teams to enrich our knowledge of the local market



## Illustration of our acquisition strategy

### TRACK RECORD

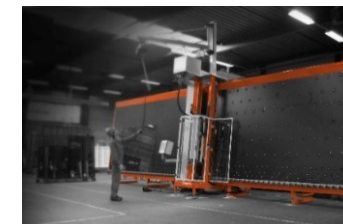


#### Main Tape

- Leadership position extended in the growing US market
- Positions strengthened in the following markets: metals, construction, specific applications and the automotive sector
- Business development fueled by the Chargeurs Business Standards

#### Walco, Somerra & Omma

- High-quality and highly targeted acquisitions
- Penetration into a market related to protective films
- Significant growth prospects
- Ability to offer new integrated solutions to customers





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# Outlook

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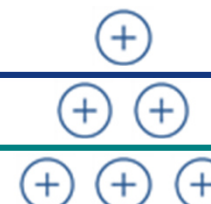
**Michaël Fribourg**, Chairman and Chief Executive Officer

■ The Group is standing by its guidance for full-year 2017:

Revenue (excluding Chargeurs Luxury Materials)\*

Recurring operating profit

Net cash from operating activities



*\* Based on a comparable scope of consolidation and at constant exchange rates, barring any major global macro-economic events*

■ Game Changer plan – a 24-month performance acceleration plan focused on four themes

Sales & Marketing

Smart & Advanced Manufacturing

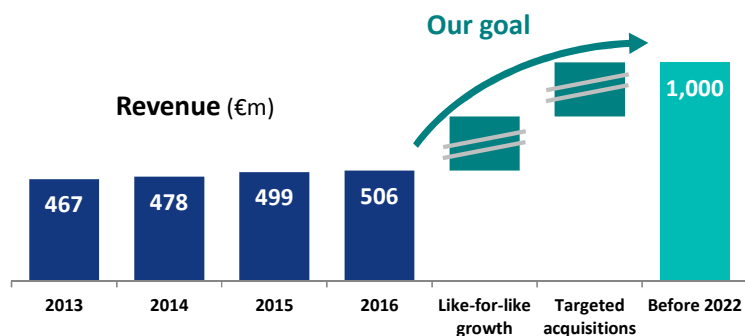
Distinctive Innovation

Talent Management

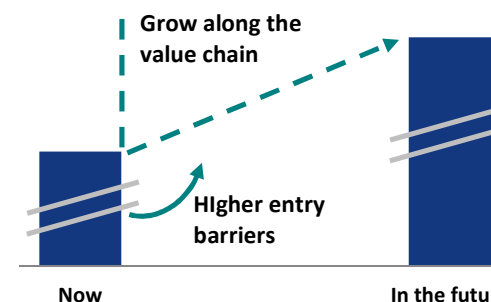
■ Long-term target:

Achieve €1 billion in revenue within five years and improve operating margin

Growth track for €1 billion revenue target



Steady margin increase thanks to mix effect and economies of scale



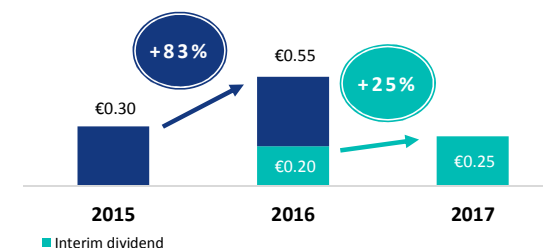
## Strong value creation for shareholders thanks to enhanced profitability

- Payment of an interim dividend of €0.25 per share (up 25% year on year), with a dividend reinvestment option

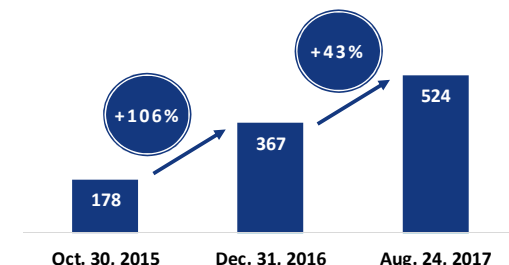
|                                                                                            |                    |
|--------------------------------------------------------------------------------------------|--------------------|
| Ex-dividend date for the interim dividend and start of dividend reinvestment option period | September 13, 2017 |
| End of reinvestment option period                                                          | September 21, 2017 |
| Announcement of no. of options exercised                                                   | September 27, 2017 |
| Delivery date of shares and payment of cash interim dividend                               | September 29, 2017 |

- Implementation of a share buyback program for a maximum amount of € 12 million to be carried out with expiring date on September 7, 2018

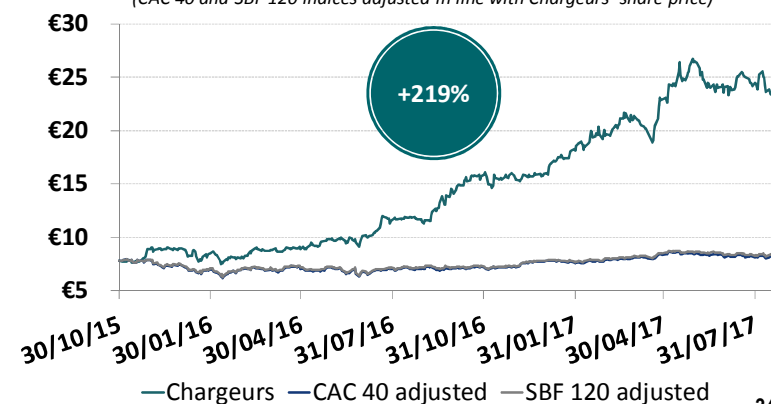
Dividend per share



Market capitalization (€m)



Share performance since the change in Chargeurs' governance structure  
(CAC 40 and SBF 120 indices adjusted in line with Chargeurs' share price)





**"A WORLD OF"  
NICHE MARKET  
LEADERS**



**CHARGEURS**

# 2017 Investor Calendar

Thursday, November 14, 2017  
*(after the close of trading)*

Third-quarter 2017 financial information

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