

Successful deployment of the Game Changer performance acceleration plan

- Two acquisitions adding €75m to revenue on a full year basis
- Better growth and profitability profile in a volatile environment, with recurring operating profit of €24.5m up 5.5% as reported and 12.3% like for like
- Acceleration in growth opex and capex, which are long-term value creators
- Interim dividend for 2018 of €0.30 per share – up 20% on the interim dividend paid 2017 – with a reinvestment option

"We are continuing to successfully transform our Group into a global champion in high value-added niche markets. Our upscaling is illustrated by our excellent operating performance in first-half 2018 – achieved despite an unsettled geopolitical environment, an adverse currency effect and an unfavorable basis of comparison – and at the same time we have moved up a gear with our acquisition strategy. In today's increasingly volatile economic climate, Chargeurs has taken the steps needed to meet its strategic objective of long-term structural growth and more than €1 billion in revenue by 2022" said **Michaël Fribourg, Chairman and Chief Executive Officer.**

The consolidated financial statements for the six months ended June 30, 2018 were approved by Chargeurs' Board of Directors at its meeting held on September 5, 2018 chaired by Michaël Fribourg.

SHARP INCREASE IN CONSOLIDATED RESULTS

€m	H1 2018	H1 2017	Change	
Revenue	287.1	281.8	+5.3	+1.9%
<i>Like-for-like change (%)</i>				+3.1%
EBITDA	30.6	29.1	+1.5	+5.2%
<i>as a % of revenue</i>	10.7%	10.3%		
Recurring operating profit	24.8	23.5	+1.3	+5.5%
<i>as a % of revenue</i>	8.6%	8.3%		
Attributable net profit	15.3	13.9	+1.4	+10.1%

A better growth and profitability profile

Revenue for the six months ended June 30, 2018 was up 3.1% like for like on first-half 2017. This performance was driven by a further improvement in the Group's product mix as well as the positive effect of the acquisitions carried out by Chargeurs Protective Films in 2017 (Chargeurs Protective Specialty Machines) and Chargeurs Technical Substrates' acquisition of Leach in May 2018. The currency effect was a negative 4.7% and mainly related to the US dollar, the Argentine peso and the New Zealand dollar.

Recurring operating profit rose 5.5%, almost twice as rapidly as sales, once again illustrating the continuous improvement in the Group's profitable growth profile, led by higher volumes and price/mix improvements.

Acceleration and success of the Group's acquisition strategy

The Group announced two strategic acquisitions in the first half of 2018: (i) Leach, a UK-based leader in graphic display solutions (acquired by Chargeurs Technical Substrates), and (ii) PCC Interlining, an innovation leader in the United States and Asia in performance materials and engineered interlinings for fashion brands and emerging fast-fashion retailers (acquired by Chargeurs Fashion Technologies). Based on 2017 figures, these two acquired companies represent over €75 million in additional revenue for the Group on a full-year basis.

ANALYSIS BY BUSINESS SEGMENT

Chargeurs Protective Films (CPF): a very solid performance despite a highly unfavorable basis of comparison and an adverse US dollar currency effect

€m	H1 2018	H1 2017	Change	
Revenue	150.0	143.3	+6.7	+4.7%
<i>Like-for-like change (%)</i>				+3.6%
EBITDA	21.6	21.4	+0.2	+0.9%
<i>as a % of revenue</i>	14.4%	14.9%		
Recurring operating profit	18.2	18.2	-	-
<i>as a % of revenue</i>	12.1%	12.7%		

First-half 2018 revenue generated by Chargeurs Protective Films totaled €150.0 million, representing a year-on-year increase of 4.7%. Like-for-like growth continued at a steady pace, coming in at 3.6%, fueled by price/mix improvements, higher volumes thanks to the steady launch of game-changing innovations (such as the successful Low Noise products) and best-in-class customer relations.

CPF delivered a solid operating performance, which enabled it to keep its recurring operating margin above 12% despite an unfavorable US dollar currency effect in a volatile geopolitical and currency context, as well as a very unfavorable basis of comparison with first-half 2017 when recurring operating margin widened by 110 basis points versus the same period of 2016.

The integration of the three companies acquired in 2017 – Walco, Somerra and Omma, which constitute the new Chargeurs Protective Specialty Machines offering – is progressing as scheduled and these acquisitions made a positive contribution to CPF's overall performance in the six months ended June 30, 2018.

Chargeurs Protective Films is effectively mobilizing its medium-term conquest strategy by deploying its world-leading know-how in a structurally growing market and maintaining, as its clients, its short-term prudence in a more volatile macroeconomic and geopolitical environment than in 2017.

Chargeurs Fashion Technologies (CFT): an excellent operating performance

€m	H1 2018	H1 2017	Change	
Revenue	68.8	67.8	+1.0	+1.5%
<i>Like-for-like change (%)</i>				+7.2%
EBITDA	7.7	5.8	+1.9	+32.8%
<i>as a % of revenue</i>	11.2%	8.6%		
Recurring operating profit	6,0	4,0	+2.0	+50.0%
<i>as a % of revenue</i>	8.7%	5.9%		

At €68.8 million, Chargeurs Fashion Technologies' revenue for first-half 2018 was up 1.5% as reported or 7.2% like for like compared with the same period of 2017. These robust figures were achieved thanks to very strong sales momentum in a highly competitive market, with the start-up of 40-gauge production and the opening of new showrooms and sales offices with a view to continuing to upscale the business.

CPF's operating performance was outstanding during the period, with recurring operating profit surging 50% to €6 million and recurring operating margin topping the 8.0% mark at 8.7%. This excellent showing illustrates how the business's upscaling is already paying off.

The game-changing acquisition of PCC Interlining – which operates in the United States and Asia – is a growth driver for CPF, enabling it to strengthen its customer service capacity and create an innovative global champion. Based on 2017 figures, as a result of this acquisition CFT will generate more than €200 million in revenue, €20 million in EBITDA and €15 million in ROP on a full-year basis.

Chargeurs Technical Substrates (CTS): a further acceleration in like-for-like growth and successful integration of Leach

€m	H1 2018	H1 2017	Change	
Revenue	14.8	12.5	+2.3	+18.4%
<i>Like-for-like change (%)</i>				+6.4%
EBITDA	2.6	2.3	+0.3	+13.0%
<i>as a % of revenue</i>	17.6%	18.4%		
Recurring operating profit	1.9	1.8	+0.1	+5.6%
<i>as a % of revenue</i>	12.8%	14.4%		

Chargeurs Technical Substrates carried out its first vertical integration in the first half of 2018 by acquiring Leach, the UK leader in graphic display solutions for retailers, museums and institutions. Leach generated approximately €11 million in revenue in 2017. Thanks to this acquisition, CTS can now propose a new offering of high-potential end-to-end visual communication solutions.

CTS once again posted a sharp revenue increase in first-half 2018, with growth reaching 18.4%. This was achieved on the back of (i) strong sales momentum led by the successful launch of the Sublimis solution, which was voted product of the year at the SGIA trade fair in the Media Textile Framing System category, (ii) the capture of new geographic markets, such as Japan, and (iii) new commercial partnerships entered into with key accounts.

Operating performance was driven by like-for-like growth and despite continuing to incur opex in order to pave the way for the future, CTS's recurring operating profit climbed 5.6% to €1.9 million.

Chargeurs Luxury Materials (CLM): new strategic partnerships to pave the way for the future

€m	H1 2018	H1 2017	Change	
Revenue	53.5	58.2	-4.7	-8.1%
<i>Like-for-like change (%)</i>				-
EBITDA	1.0	1.7	-0.7	-41.2%
<i>as a % of revenue</i>	1.9%	2.9%		
Recurring operating profit	1.0	1.7	-0.7	-41.2%
<i>as a % of revenue</i>	1.9%	2.9%		

Chargeurs Luxury Materials generated revenue of €53.5 million in the first six months of 2018 compared with €58.2 million in the same period of 2017. The first-half 2018 figure reflects the following two main factors: (i) the increasingly selective sales strategy that CLM is currently implementing in order to gear the business towards more profitable volumes and therefore improve return on capital employed, and (ii) constantly rising wool prices, which have reduced customer demand.

Recurring operating profit amounted to €1.0 million in the first six months of 2018. The recurring operating margin for first-half 2018 must be read in parallel with the opex that is currently being incurred in order to meet increasingly sophisticated supply-chain requirements, move up market and launch new capsule collections for the Organica label.

CLM is continuing to focus on premium, traceable, durable wool fibers, whose monetizable features appeal to the world's leading luxury and sportswear brands. A prime example is the Organica Precious Fiber label, which was launched in the fourth quarter of 2017 and whose initial benefits should be felt in 2019.

FINANCIAL POSITION AT JUNE 30, 2018

Chargeurs has a robust financial position with equity attributable to owners of the parent rising to €240.6 million at June 30, 2018 from €229.9 million at December 31, 2017.

At June 30, 2018 the Group was in a net debt position of €13.7 million compared with an €8.9 million net cash position at December 31, 2017. It is implementing an ongoing investment policy to support its expansion (capex, innovation, acquisitions), while paying its shareholders dividends in order to reward their commitment.

INTERIM DIVIDEND

Due to the Group's faster pace of growth in the first half of 2018, the Board of Directors has decided to pay an interim dividend of €0.30 per share – up 20% on the interim dividend paid in September 2017 – with the option to reinvest the interim dividend in Chargeurs shares.

The payment timeline for the interim dividend is:

- | | |
|--|--------------------|
| • Ex-dividend date and start of dividend reinvestment option period: | September 12, 2018 |
| • End of reinvestment option period: | September 20, 2018 |
| • Announcement of the take-up rate for the reinvestment option: | September 26, 2018 |
| • Delivery date of shares and payment of cash interim dividend: | September 28, 2018 |

OUTLOOK

Chargeurs' performance for first-half 2018 proves the success of the Group's operational excellence strategy, embodied in the Game Changer strategic plan launched in 2017.

Fueled by this solid performance, Chargeurs confirms aim for profitable growth and robust cash generation in 2018, on a like-for-like basis and barring any changes in the geopolitical and macro-economic environment.

Lastly, the Group is also standing by its target of achieving €1 billion in revenue by 2022 (subject to general economic conditions remaining unchanged).

SHARE BUYBACK PROGRAM

In view of its excellent showing in first-half 2018 and the confidence it has in its performance for full-year 2018, Chargeurs has decided to launch a one-year share buyback program, which will be carried out via its investment services provider. This provider will be authorized to purchase Chargeurs shares (depending on market conditions) for up to €12 million, at a maximum price of €32 per share.

The program, which will run until September 6, 2019, falls within the scope of the 24-month shareholder authorization granted at the AGM of April 16, 2018 to buy back Chargeurs shares representing up to 10% of the Company's capital.

Appendices – Definitions

Like-for-like change (lfl) – Organic change:

The like-for-like or organic change from one year to the next is calculated:

- applying the average exchange rates for year Y-1 to the period concerned (year, half-year, quarter); and
- based on the prior-year scope of consolidation.

Recurring operating margin: Recurring operating profit as a % of revenue.

Net cash from operating activities: Net cash from operations = Cash flow + Dividends received from equity-accounted investees + Change in working capital (excl. currency effect).

2018 Financial Calendar

Wednesday, November 14, 2018 (after trading) Third-quarter 2018 financial information



ABOUT CHARGEURS

Chargeurs is a global manufacturing and services group with leading positions in four segments: temporary surface protection, garment interlinings, technical substrates and combed wool.

It has some 2,000 employees based in 45 countries on five continents, who serve a diversified customer base spanning more than 90 countries.

In 2017, revenue totaled €533 million, of which more than 90% was generated outside France.

CONTACT

Financial Communications ● +33 1 47 04 13 40 ● comfin@chargeurs.fr ● www.chargeurs.fr