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**Maud Servagnat**

Analyste Financier

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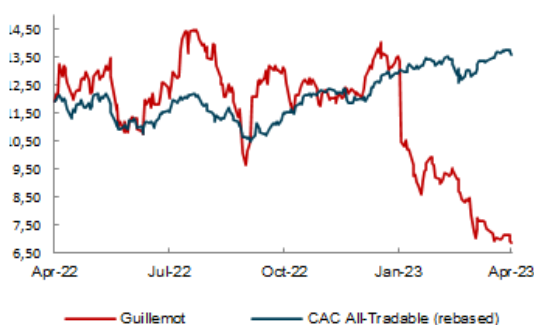
<b>Recommendation</b>	<b>2. Buy</b>
<b>Closing Price on April 27 2023</b>	<b>€ 6.61</b>
<b>Target Price</b>	<b>€ 8.17 (+23.7%)</b>

**Market data**

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	99.7
Enterprise value (€m)	78.4
Free Float (€m)	30.15 (30.2 %)
Number of shares	15 087 480
Daily volume	€ 120 817
Capital turnover rate (1 year)	15,51%
High (52 weeks)	€ 14,48
Low (52 weeks)	€ 6,86

**Performances**

Absolute perf.	1 month	6 months	12 months
	-13%	-47%	-42%

**Current shareholding structure**

Free Float: 30.2 % ; Guillemot Family: 69.5%  
Treasury stocks: 0.3 %

**Agenda**

H1 2023 sales : 27 July (after market)

**Key figures**

	2021	2022	2023E	2024E	2025E
Sales (€m)	176,8	188,0	140,0	147,7	158,0
Change (%)	0,0	0,1	-0,3	0,1	0,1
EBITDA (€m)	39,7	41,9	11,8	20,3	25,3
EBIT (€m)	33,0	34,2	4,8	12,9	17,4
Ebit margin (%)	18,7%	18,2%	3,4%	8,7%	11,0%
Net profit gp (€m) *	30,0	27,7	4,0	10,7	14,5
Net margin (%) *	17,0%	14,8%	2,9%	7,3%	9,2%
EPS *	1,96	1,84	0,27	0,71	0,96

\* Restated items for unrealized capital gains / losses on the securities portfolio

**Ratios (Excluding Valuation of Ubisoft shares)**

	2021	2022	2023E	2024E	2025E
EV / Sales	1,1	0,9	0,5	0,4	0,3
EV / EBITDA	5,0	4,2	6,0	3,1	2,0
EV / EBIT	6,0	5,1	14,7	4,8	2,9
P / E *	6,7	7,1	24,9	9,3	6,9
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-6%	-20%	-28%	-33%	-38%
Net debt/EBITDA	-0,1	-0,5	-2,5	-1,8	-1,9
ROCE (%)	15%	19%	4%	9%	11%

**Guillemot****Q1 sales down 61% YoY, as expected**

Group published Q1 sales of €21.8 M, down 61% YoY, in line with guidance of H1 sharply down due to a very high comparison basis and high level of inventories in the distribution networks, resulting in significant delays in restocking. On the back of this publication in line with expectations and reaffirmation of annual guidance, we leave our estimates unchanged.

Taking into account latest market parameters and peers multiples, **we adjust our target price to € 8.17** (vs € 8.24 prev.).

**Upside potential is attractive at 24% and we raise our opinion to Buy from Neutral.** Shares trade at 4.1x EV/EBITDA NTM, in line with historical average.

**Q1 sales down 61% YoY, as expected**

Guillemot published Q1 sales of €21.8 M, down 61% YoY, in line with guidance of H1 sharply down due to a very high comparison basis and high level of inventories in the distribution networks, resulting in significant delays in restocking. We reiterate our estimate of H1 sales of €53.1 M, implying Q2 sales down 25% YoY to c. €32 M.

**Stabilisation seen in H2**

Guillemot confirmed a solid line-up for 2023. We anticipate a stabilisation of the level of activity in H2 with sales slightly down c.4% YoY on an easier comparison basis (H2 last year was down 15% YoY) and supported, notably, by a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

**Confirmation of guidance for 2023 and 2024**

Management reiterated its guidance for FY 2023 sales of c. €140 M and positive operating result. Our estimates remain unchanged and in line with guidance (sales of €140 M and operating result of €4.8 M). Product range scope broadening for the two brands, upmarket shifting and new market segments lead to bright outlook with growth expected to resume in 2024.

**End of downward revisions cycle for consensus EPS**

Given Q1 sales in line and growth to resume in 2024, we believe that downward revisions to consensus EPS estimates have come to an end (or are close to).

**We raise our rating from Neutral to Buy – TP at € 8.17**

On the back of this publication in line with expectations and reaffirmation of annual guidance, we leave our estimates unchanged.

Considering latest market parameters and peers multiples, **we adjust our target price to € 8.17** (vs € 8.24 prev.). **Upside potential is attractive at 24% and we raise our opinion to Buy from Neutral.**

Stabilisation of the level of activity is expected in H2 and growth would resume in 2024 with the rise of e-sport, new video-game consoles and associated games, product range scope broadening for the two brands, upmarket shifting... supported by R&D investments, a landing of the comparison basis in 2023 and healthier level of stocks in the distribution network.

Shares trade at 4.1x EV/EBITDA NTM, in line with historical average.

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## Q1 2023 sales down 61%, as expected

Guillemot published Q1 sales of €21.8 M, down 61% YoY, in line with guidance of H1 sharply down due to a very high comparison basis and high level of inventories in the distribution networks, resulting in significant delays in restocking.

### Sales by period

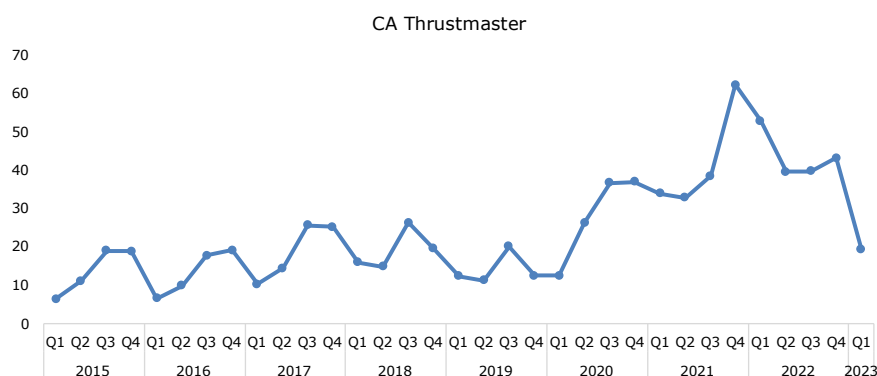
	2019	2020	2021								2022	2023
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1
Hercules	4,7	8,0	9,0	3,0	2,6	5,6	3,2	8,8	3,7	6,9	12,5	2,5
Thrustmaster	56,2	112,6	167,8	52,9	39,6	92,5	39,8	132,3	43,2	83	175,5	19,3
<b>TOTAL</b>	<b>60,9</b>	<b>120,6</b>	<b>176,8</b>	<b>55,9</b>	<b>42,2</b>	<b>98,1</b>	<b>43</b>	<b>141,1</b>	<b>46,9</b>	<b>89,9</b>	<b>188</b>	<b>21,8</b>

### Var YoY (%)

	2019	2020	2021								2022	2023
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1
Hercules	6,8%	70,2%	12,5%	66,7%	44,4%	55,6%	45,5%	51,7%	15,6%	27,8%	38,9%	-16,7%
Thrustmaster	-26,8%	100,4%	49,0%	55,6%	20,4%	38,3%	3,4%	25,5%	-30,8%	-17,7%	4,6%	-63,5%
<b>TOTAL</b>	<b>-25,0%</b>	<b>98,0%</b>	<b>46,6%</b>	<b>56,1%</b>	<b>21,6%</b>	<b>39,1%</b>	<b>5,7%</b>	<b>26,9%</b>	<b>-28,5%</b>	<b>-15,4%</b>	<b>6,3%</b>	<b>-61,0%</b>

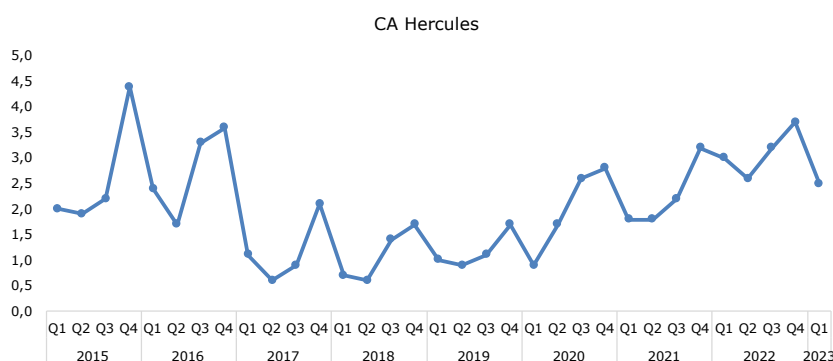
Source : Société & In Extenso Finance

### Quartely sales - Thrustmaster (€M)



Source : Société & In Extenso Finance

### Quartely sales - Hercules (€M)



Source : Société & In Extenso Finance

## Outlook : stabilisation in H2

Guillemot confirmed a solid line-up for 2023 and reiterated its guidance for FY sales of c. €140 M and positive operating result. Our estimates remain unchanged and in line with guidance (sales of €140 M and operating result of €4.8 M).

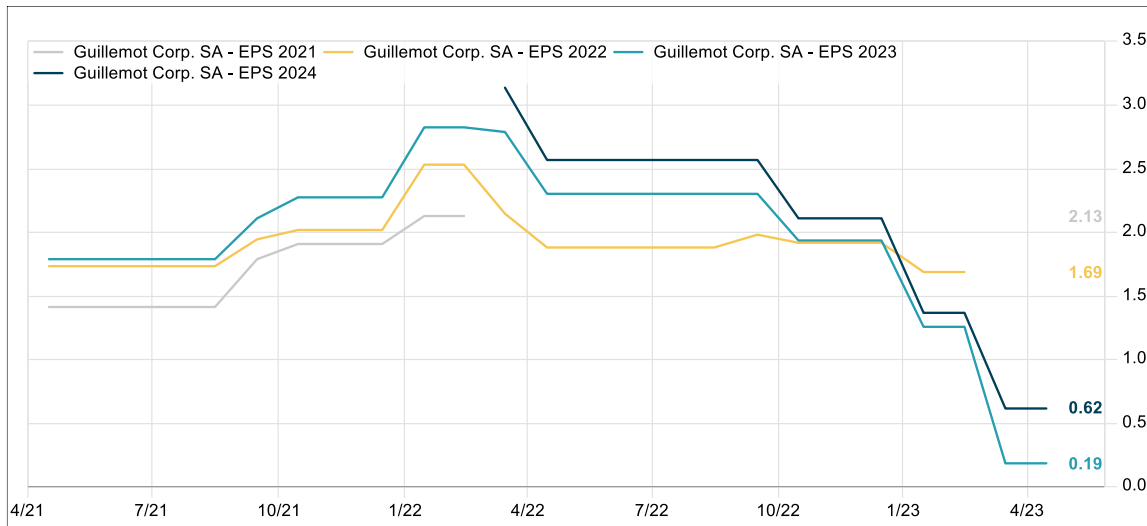
In H2, we anticipate a stabilisation of the level of activity with sales slightly down c.4% YoY on easier comp (H2 last year was down 15% YoY) and supported, notably, by a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

## End of downward revisions cycle for consensus EPS

Given Q1 sales in line and expectations for growth to resume in 2024, we believe that downward revisions to consensus EPS estimates have come to an end (or are close to).

Lower revisions to EPS estimates started after FY 2022 sales publication on 26 January 2023 and reflected Q4 sales down 28.5% YoY, a very high comparison basis after three exceptional years of activity, high level of stocks within the distribution network and therefore expectations for lower shipments, mixed 2023 outlook and a low level of visibility in the business (max 3 months) implying a fair degree of uncertainty in guidance and analysts' forecasts.

### Change in EPS consensus expectations 2022-24

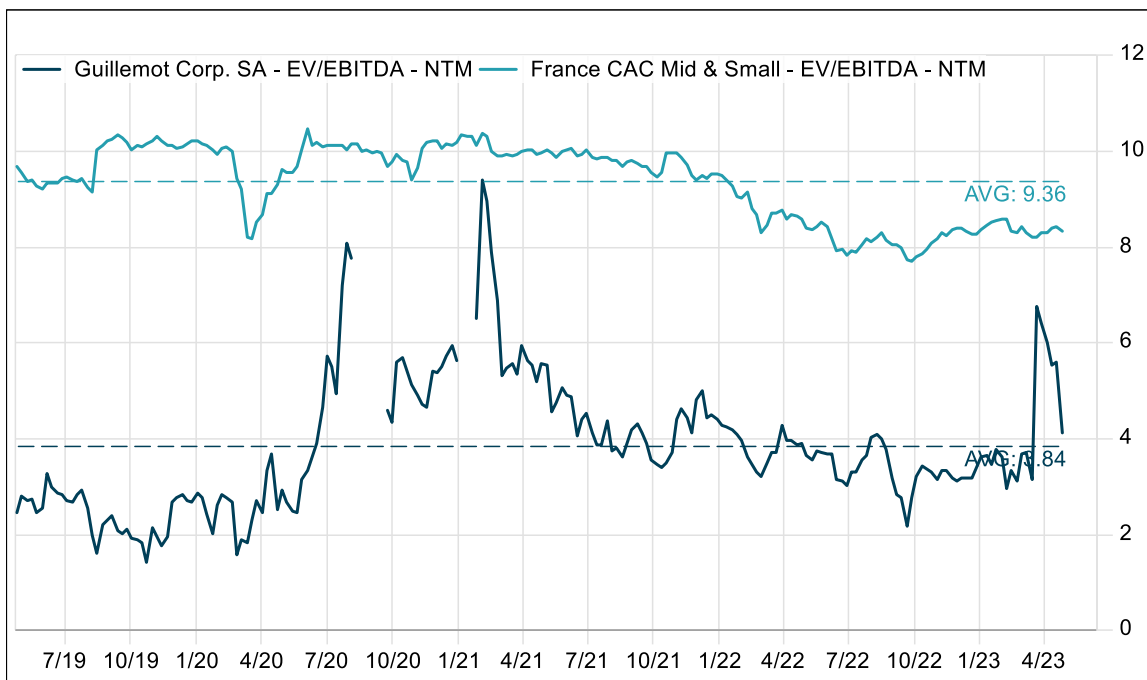


Source : Factset & In Extenso Finance

## Valuation multiples

Shares trade at 4.1x EV/EBITDA NTM, in line with historical average.

### NTM EV/EBITDA vs historical average for Guillemot and France CAC Mid & Small



Source : Factset & In Extenso Finance

## Important disclosures

### In Extenso Finance ratings and target prices definition

In Extenso Finance stock market recommendations reflect the absolute change expected in the share price from a six to twelve-months perspective (in local currencies).

<b>1. Strong Buy</b>	The absolute share price performance is expected to be at least +25 %
<b>2. Buy</b>	The absolute share price performance is expected to be comprised between +10 % and +25 %
<b>3. Neutral</b>	The absolute share price performance is expected to be comprised between +10 % and -10 %
<b>4. Sell</b>	The absolute share price performance is expected to be comprised between -10 % and -25 %
<b>5. Strong Sell</b>	The absolute share price performance is expected to be at least -25 %

Details of valuation methods used by In Extenso Finance in target price calculations are available at [https://finance.inextenso.fr/wp-content/uploads/2022/11/Methodologie\\_Valo\\_Analyse\\_Fin\\_IEFM.pdf](https://finance.inextenso.fr/wp-content/uploads/2022/11/Methodologie_Valo_Analyse_Fin_IEFM.pdf)

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No	No	No	No	Yes	No	No

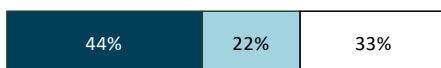
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### Rating and target price evolution throughout the last 12 months

Date	Rating	Target price
April 27 <sup>th</sup> 2023	Equity Flash <b>Buy</b>	<b>€ 8.17</b>
March 24 <sup>th</sup> 2023	Annual Research <b>Neutral</b>	<b>€ 8.23</b>
January 27 <sup>th</sup> 2023	Equity Flash <b>Buy</b>	<b>€ 15.75</b>
October 31 <sup>st</sup> 2022	Equity Flash <b>Strong Buy</b>	<b>€ 16.65</b>
October 4 <sup>th</sup> 2022	Semi-annual Research <b>Strong Buy</b>	<b>€ 17.00</b>
August 1 <sup>st</sup> 2022	Equity Flash <b>Strong Buy</b>	<b>€ 19.70</b>
July 5 <sup>th</sup> 2022	Sectoral study <b>Strong Buy</b>	<b>€ 19.65</b>

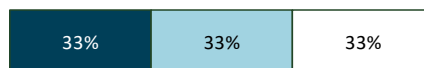
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