

Date of first publication: 27 July 2023

Guillemot

Q2 sales down -39% YoY, stabilisation seen in H2

Group published Q2 sales of € 25,9 M, down -39% YoY, in line with guidance of H1 sharply down due to a very high comparison basis, reduction of the level of inventories in the distribution network and fewer new releases compared to same period last year.

However, we still anticipate stabilisation in H2 with sales slightly up +2.7% YoY. Management reconfirmed its annual guidance and bright outlook for 2024. We leave our 2023 estimates unchanged.

We reiterate Buy and price objective of € 8.17. Shares trade at 4x EV/EBITDA NTM, in line with historical average.

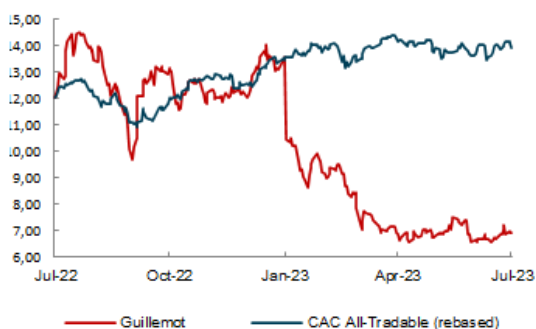
Recommendation	2. Buy
Closing Price on 27 July 2023	€ 7.19
Target Price	€ 8.17 (+13.7%)

Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	108.5
Enterprise value (€m)	87.2
Free Float (€m)	32.79 (30.2 %)
Number of shares	15 087 480
Daily volume	€ 120 371
Capital turnover rate (1 year)	14,09%
High (52 weeks)	€ 14,48
Low (52 weeks)	€ 6,53

Performances

Absolute perf.	1 month	6 months	12 months
	4%	-48%	-43%



Current shareholding structure

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

Agenda

H1 2023 results : 28 september (after market)

Key figures

	2021	2022	2023E	2024E	2025E
Sales (€m)	176,8	188,0	140,0	146,0	152,3
Change (%)	0,0	0,1	-0,3	0,0	0,0
EBITDA (€m)	39,7	41,9	11,8	18,2	22,4
EBIT (€m)	33,0	34,2	4,8	10,9	14,8
Ebit margin (%)	18,7%	18,2%	3,4%	7,4%	9,7%
Net profit gp (€m) *	30,0	27,7	4,0	9,0	12,3
Net margin (%) *	17,0%	14,8%	2,9%	6,2%	8,1%
EPS *	1,96	1,84	0,27	0,60	0,82

* 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	0,6	0,5	0,4
EV / EBITDA	5,0	4,2	6,7	3,9	2,6
EV / EBIT	6,0	5,1	16,6	6,5	4,0
P / E *	6,7	7,1	27,1	12,0	8,8
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-6%	-20%	-28%	-33%	-39%
Net debt/EBITDA	-0,1	-0,5	-2,5	-2,1	-2,2
ROCE (%)	15%	19%	4%	8%	10%

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Q2 2023 sales down -39%, in line with guidance of H1 sharply down

Guillemot published Q2 sales of € 25,9 M, down -39% 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. As a reminder, Q1 sales were down -61% YoY.

Sales by period (€ M)

CA par marque (M€)

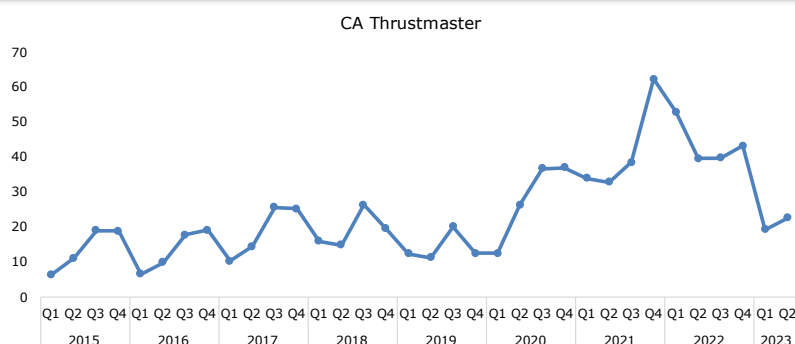
	2019			2020			2021			2022			2023		
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	
Hercules	4,7	8,0	9,0	3,0	2,6	5,6	3,2	8,8	3,7	6,9	12,5	2,5	3,3	5,8	
Thrustmaster	56,2	112,6	167,8	52,9	39,6	92,5	39,8	132,3	43,2	83	175,5	19,3	22,6	41,9	
TOTAL	60,9	120,6	176,8	55,9	42,2	98,1	43	141,1	46,9	89,9	188	21,8	25,9	47,7	

Var YoY (%)

	2019			2020			2021			2022			2023		
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	
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%	26,9%	3,6%	
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%	-42,9%	-54,7%	
TOTAL	-25,0%	98,0%	46,6%	56,1%	21,6%	39,1%	5,7%	26,9%	-28,5%	-15,4%	6,3%	-61,0%	-38,6%	-51,4%	

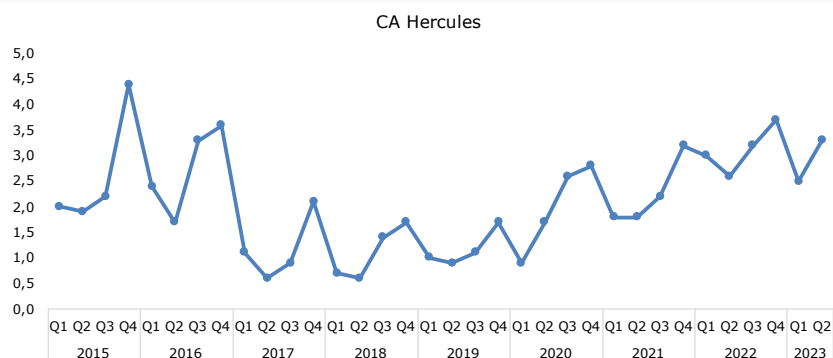
Source : Company & In Extenso Finance

Quarterly sales - Thrustmaster (€ M)



Source : Company & In Extenso Finance

Quarterly sales - Hercules (€ M)

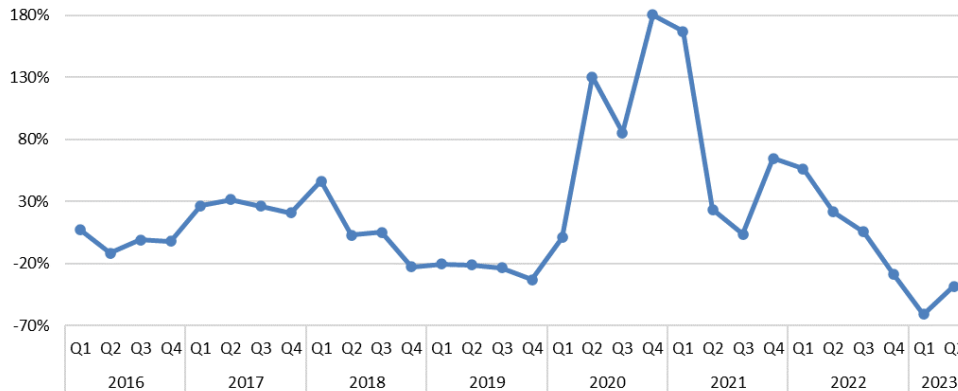


Source : Company & In Extenso Finance

Sequential improvement in Q2...

Q2 sales down -39% YoY follow an even sharper fall in Q1, at -61% YoY. Comparison basis will continue to ease, and our FY sales estimate of € 140 M implies a slightly recovery at +2.7% YoY in H2 sales.

YoY change in quarterly group sales



Source : Company & In Extenso Finance

... stabilisation expected in H2 and significant growth to resume in 2024

Guillemot 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).

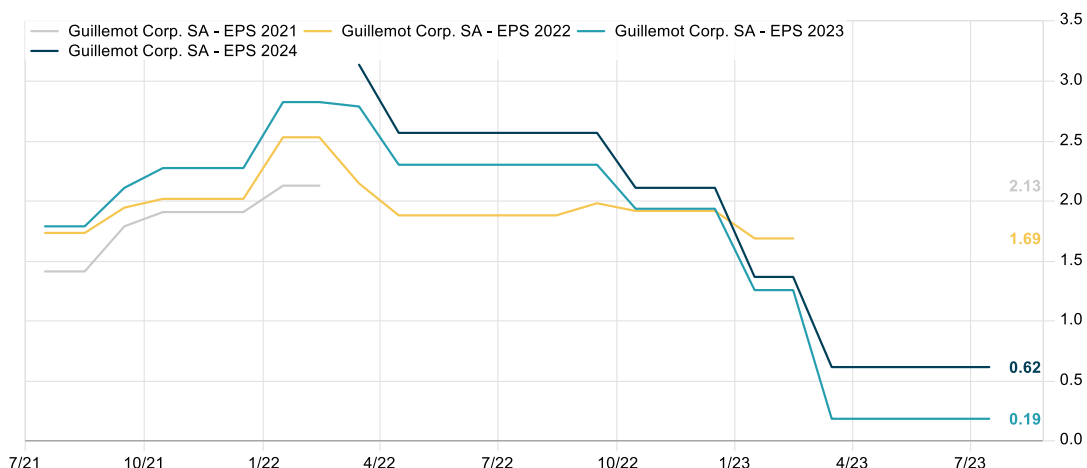
We anticipate H2 sales up 2.7% YoY on easier comps and thanks, notably, to a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

End of downward revisions cycle for consensus EPS

Given expectations for stabilisation in H2 sales and growth to resume in 2024, we believe that downward revisions to consensus EPS estimates have come to an end (or are close to).

Downward 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.

2022-24 consensus EPS

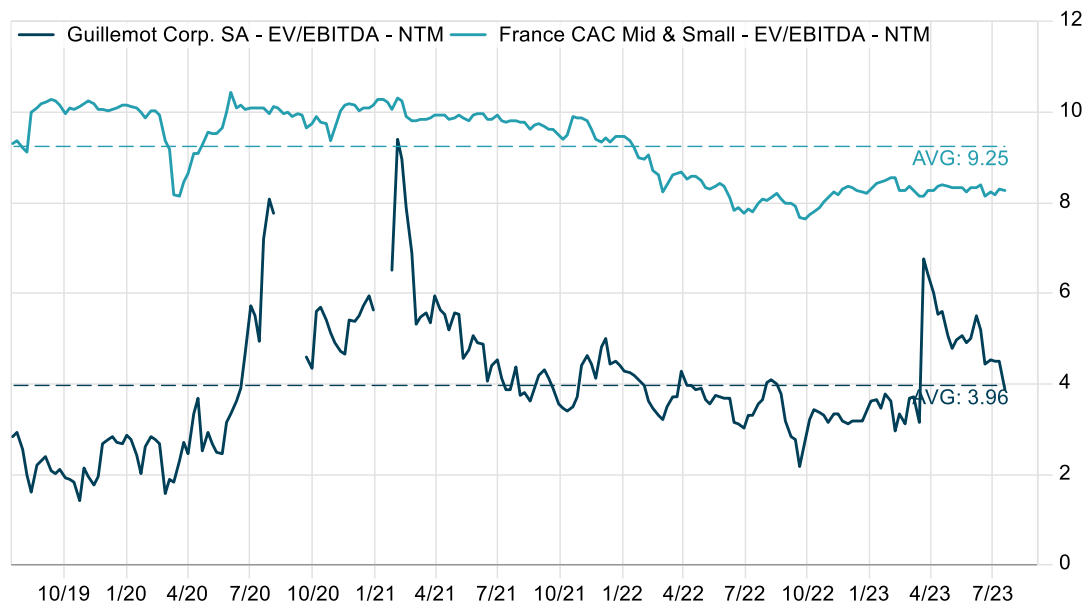


Source : Factset & In Extenso Finance

Valuation multiples

Shares trade at 4x 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).

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

Detection of potential conflicts of interest

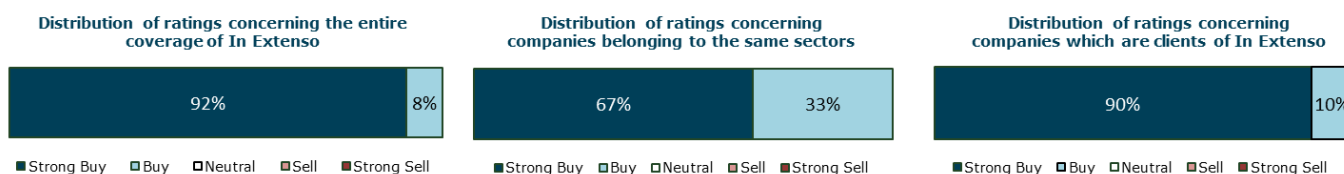
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No	No	No	No	Yes	No	No

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Rating and target price evolution throughout the last 12 months

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

Ratings distribution



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