

Date of first publication: 26 January 2024

## Guillemot

## FY 2023 sales at the bottom end of the guidance

FY sales were down -36% YoY to €120.6 M, at the bottom end of the guidance range (€120-140 M). We anticipated €125 M. Revenue in Q4 2023 was down -21% YoY to €37.1 M in declining markets. Over the year, the group accelerated its promotional actions to reduce its customers' stocks. We therefore anticipate a logical decline in gross margin in 2023E. However, we believe that (1) the potential of the group's new ranges, (2) stocks at customers now balanced and (3) a lower basis of comparison, give good prospects for significant growth from 2024E. Shares trade on 3.9x EV/EBITDA NTM vs historical average of 4.2x. **We reiterate Buy and adjust our price objective to €7.0 (from €6.90).**

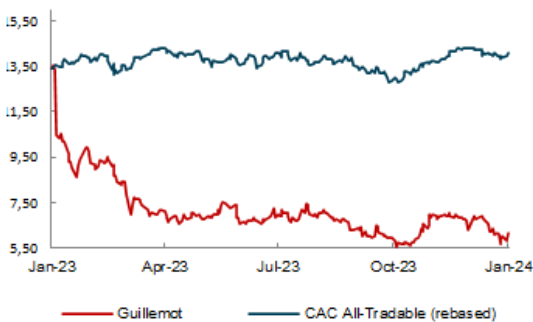
<b>Recommendation</b>	<b>2. Buy</b>
Closing Price on 25 Jan. 2024	€ 6.14
Target Price	€ 7.00 (+14.1%)

## Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	92.6
Enterprise value (€m)	71.3
Free Float (€m)	28 (30.2%)
Number of shares	15 087 480
Daily volume	€ 43 475
Capital turnover rate (1 year)	6,05%
High (52 weeks)	€ 13,54
Low (52 weeks)	€ 5,51

## Performances

Absolute perf.	1 month	6 months	12 months
	-2%	-12%	-54%



## Current shareholding structure

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

## Agenda

FY2023 results : 27 March 2024 (after market)

## Key figures

	2021	2022	2023E	2024E	2025E
Sales (€m)	176,8	188,0	120,6	130,1	136,9
Change (%)	0,0	0,1	-0,4	0,1	0,1
EBITDA (€m)	39,7	41,9	8,9	15,9	19,5
EBIT (€m)	33,0	34,2	2,9	9,4	12,6
Ebit margin (%)	18,7%	18,2%	2,4%	7,2%	9,2%
Net profit gp (€m) *	30,0	27,7	2,7	7,7	10,4
Net margin (%) *	17,0%	14,8%	2,2%	5,9%	7,6%
EPS *	1,96	1,84	0,18	0,51	0,69

\* 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	7,5	4,0	2,9
EV / EBIT	6,0	5,1	23,4	6,7	4,4
P / E *	6,7	7,1	34,9	12,0	8,9
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-6%	-20%	-25%	-27%	-30%
Net debt/EBITDA	-0,1	-0,5	-2,9	-1,8	-1,9
ROCE (%)	15%	19%	2%	7%	9%

## Q4 sales down -21% YoY to €37.1 M

The group published FY sales down -36% YoY to €120.6 M, at the bottom end of the guidance range which was €120-140 M. We anticipated €125 M in our model. Revenue in Q4 2023 was down -21% YoY to €37.1 M in declining markets. By segment, Thrustmaster's Q4 turnover stood at €33.3 M, down -23% YoY. Thrustmaster has, however, gained market share in high-end wheels, joysticks and gamepads and has also expanded its ranges and diversified its activities (including "Farming/Trucking"). Q4 turnover for Hercules increased by +3% YoY to €3.8 M thanks to new products, including the successful launch in September 2023 of its flagship "DJControl Inpulse T7" turntable, unanimously praised by the DJing community.

## Promotional actions should impact FY operating income

Over the year, the group accelerated its promotional actions to reduce its customers' stocks (now at balanced levels). We therefore anticipate, logically, a drop in the 2023E gross margin to around 48% (vs. 54% last year). We anticipate a 2023E EBIT of €2.85 M (vs. €34.2 M last year).

## Return to growth in 2024E, on a healthy basis

We believe that (1) the potential of the group's new ranges, (2) now balanced customer inventory levels and (3) a lower basis of comparison, give good prospects for a return to significant growth from 2024E. We believe that the market has priced in the sales landing in 2023 and that, therefore, the downward cycle of EPS estimate revisions for the group has reached, or is close to, its end.

## We reiterate Buy - TP at €7.0 (from €6.90)

We have slightly reduced our EPS estimates by -3% for 2023E and beyond (slightly lower sales assumptions). After updating the market parameters in our model (appreciation of peer multiples and drop in the risk-free rate since October 2023 in our DCF model), we **adjust our price target to €7.0** (vs. €6.90). The stock trades at 3.9x NTM EV/EBITDA vs. its historical average of 4.2x. **We reiterate our Buy opinion.**

In Extenso Finance is commissioned by the issuer to produce and publish company sponsored research.

Refer to important warnings at the end of the document. For additional information on In Extenso Finance and its internal procedures, please consult the website <https://finance.inextenso.fr/debt-equity-advisory>.

## FY 2023 sales at the bottom end of the guidance

The group published FY sales down -36% YoY to €120.6 M, at the bottom end of the guidance range which was €120-140 M. We anticipated €125 M in our model.

Revenue in Q4 2023 was down -21% YoY to €37.1 M in declining markets.

Over the year, the group accelerated its promotional actions to reduce its customers' stocks, which are now at balanced levels.

By activity:

- **Thrustmaster's** Q4 turnover stood at €33.3 M, down -23% YoY. Thrustmaster, however, has gained market share in high-end wheels, joysticks and gamepads. The group has also expanded its ranges and diversified its activities with the launch of several new lines including "Farming/Trucking".
- Q4 turnover for **Hercules** increased by +3% YoY to €3.8 M thanks to new products, including the successful launch in September 2023 of its flagship "DJControl Inpulse T7" turntable, unanimously praised by the DJing community.

## Sales by period (€ M)

CA par marque (M€)		2022												2023											
	2019	2020	2021	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY						
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	4,8	10,6	3,8	8,6	14,4						
Thrustmaster	56,2	112,6	167,8	52,9	39,6	92,5	39,8	132,3	43,2	83	175,5	19,3	23,0	42,3	30,6	72,9	33,3	63,9	106,2						
<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>	<b>26,3</b>	<b>48,1</b>	<b>35,4</b>	<b>83,5</b>	<b>37,1</b>	<b>72,5</b>	<b>120,6</b>						

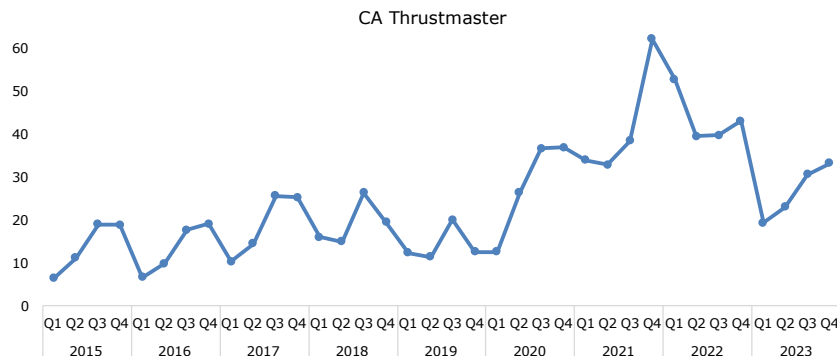
Var YoY (%)		2022												2023											
	2019	2020	2021	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY						
Hercules	6,8%	70,2%	12,5%	66,7%	44,4%	55,6%	45,5%	51,7%	15,6%	27,8%	38,9%	-16,7%	26,9%	3,6%	50,0%	20,5%	2,7%	24,6%	15,2%						
Thrustmaster	-26,8%	100,4%	49,0%	55,6%	20,4%	38,3%	3,4%	25,5%	-30,8%	-17,7%	4,6%	-63,5%	-41,9%	-54,3%	-23,1%	-44,9%	-22,9%	-23,0%	-39,5%						
<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>	<b>-37,7%</b>	<b>-51,0%</b>	<b>-17,7%</b>	<b>-40,8%</b>	<b>-20,9%</b>	<b>-19,4%</b>	<b>-35,9%</b>						

% des ventes annuelles		2022												2023											
	2019	2020	2021	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY						
Hercules				24,0%	20,8%	44,8%	25,6%	70,4%	29,6%	55,2%		17,4%	22,9%	40,3%	33,3%	73,6%	26,4%	59,7%							
Thrustmaster				30,1%	22,6%	52,7%	22,7%	75,4%	24,6%	47,3%		18,2%	21,7%	39,8%	28,8%	68,7%	31,3%	60,2%							
<b>TOTAL</b>				<b>29,7%</b>	<b>22,4%</b>	<b>52,2%</b>	<b>22,9%</b>	<b>75,1%</b>	<b>24,9%</b>	<b>47,8%</b>		<b>18,1%</b>	<b>21,8%</b>	<b>39,9%</b>	<b>29,4%</b>	<b>69,2%</b>	<b>30,8%</b>	<b>60,1%</b>							

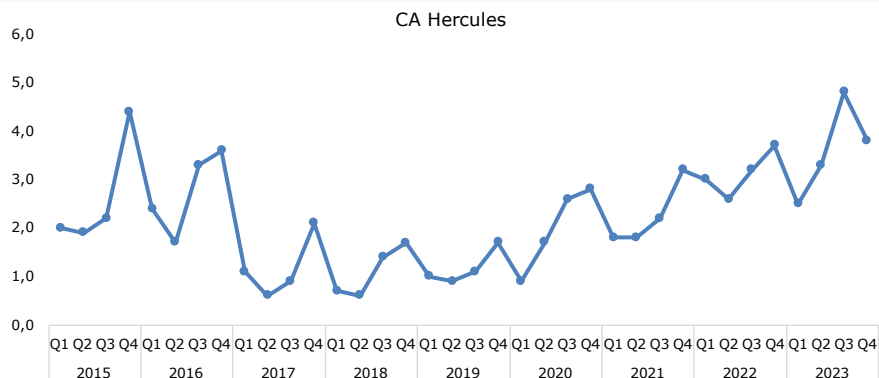
Source : Company & In Extenso Finance

## Quarterly sales - Thrustmaster (€ M)



Source : Company & In Extenso Finance

## Quarterly sales - Hercules (€ M)



Source : Company & In Extenso Finance

**Outlook: growth to return in 2024E and positive EBIT**

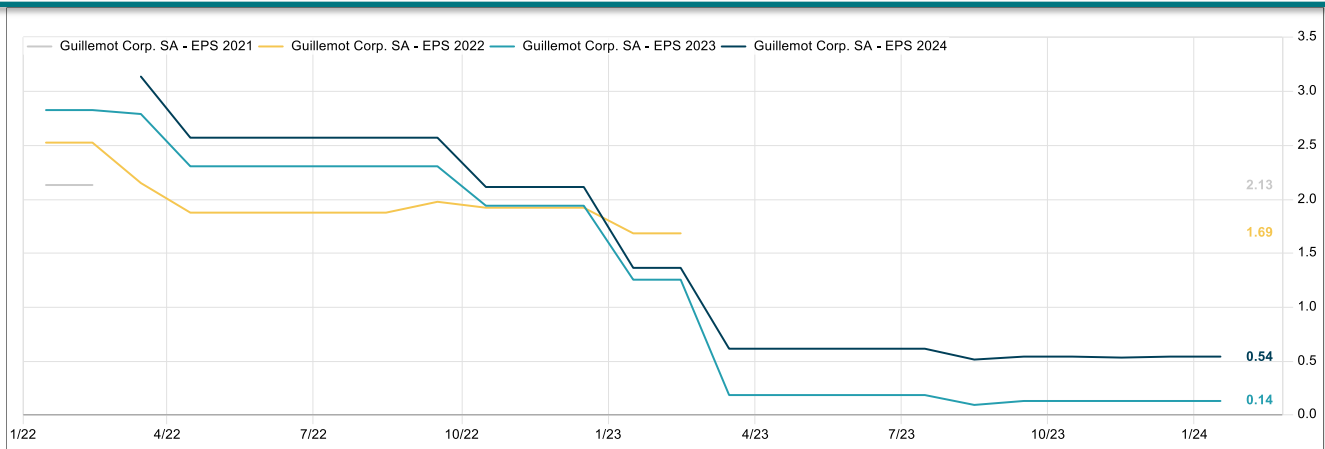
**The group expects a return to growth in 2024 and a positive operating result.** The group will build on the ramp-up of recently launched accessories and prepares the release of major new products from Thrustmaster in H2 2024.

We believe that the potential of the group's new ranges and the now balanced customer stocks provide good prospects for a return to significant growth from 2024.

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

Given the sales landing in 2023 (CA FY -36% YoY) and the prospects of a return to growth in 2024 on balanced inventory levels and a lower basis of comparison, we believe that the downward cycle of revisions to EPS estimates for the group have reached or are nearing completion.

**2022-24 consensus EPS**

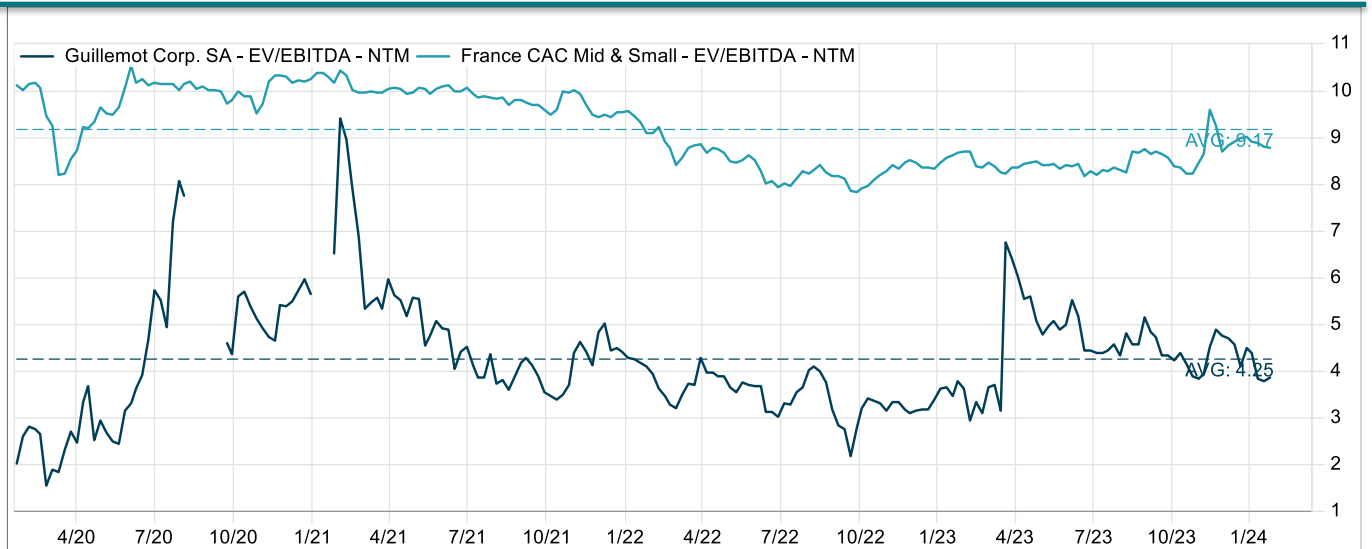


Source : Factset & In Extenso Finance

**Valuation multiples**

Shares are currently trading at 3.9x NTM EV/EBITDA vs. its historical average of 4.2x. This includes the high multiples of the exceptional activity period 2020-21 but also the lower multiples of the previous period, where the level of turnover was half that at the end of 2023 (around €61 M in 2019 vs. c. €121 M in 2023).

**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)

### Detection of potential conflicts of interest

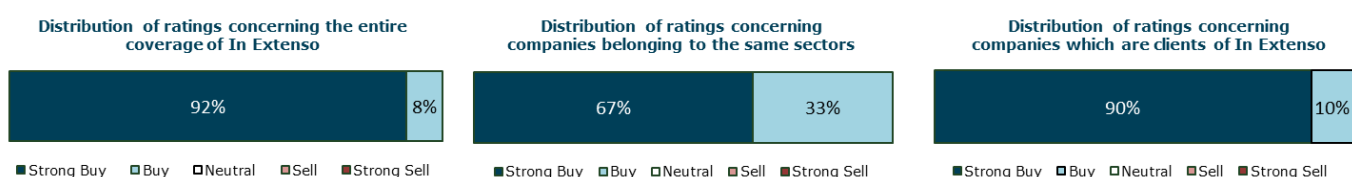
The analyst, In Extenso or any of its employees is a shareholder of the issuer	The issuer subject of this report is a shareholder of In Extenso	Other financial interest between In Extenso and the issuer	In Extenso is a market maker or liquidity provider in financial instruments issued by the issuer	In Extenso has received compensation for the production of this research report	In Extenso has received compensation for another service than the production of this research report	This research report was sent to the issuer before its publication
No	No	No	No	Yes	No	No

As a consultant in Independent Equity Research as defined by the AMF within its 'Règlement Général', In Extenso Finance refers to the administrative and organizational terms defined by this organisation for its internal functioning, in particular in compliance with the best practices regarding the management of conflicts of interests. In Extenso Finance strict internal procedures define aspects which are applied to its Equity Research activity. Additional information may be obtained upon written request to In Extenso Finance as to these operating rules.

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

Date	Rating	Target price
January 26 <sup>th</sup> 2024	Equity Flash <b>Buy</b>	<b>€ 7.00</b>
October 27 <sup>th</sup> 2023	Equity Flash <b>Buy</b>	<b>€ 6.90</b>
October 2 <sup>nd</sup> 2023	Semi-annual Research <b>Buy</b>	<b>€ 7.10</b>
July 27 <sup>th</sup> 2023	Equity Flash <b>Buy</b>	<b>€ 8.17</b>
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>

### Ratings distribution



### Additional disclosures

The information herein is not complete and therefore cannot be considered as contractual.

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Only investors with sufficient knowledge and experience in financial and business matters to evaluate the relevant merits and risks should consider an investment in any issuer or market discussed herein. Neither In Extenso Finance nor any of its officer or employee accept any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but In Extenso Finance makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of In Extenso Finance on the date of this report and are subject to change without notice.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject In Extenso Finance to any registration or licensing requirement within such jurisdiction. In particular, in the United Kingdom, In Extenso Finance further advises that this Research is solely intended to be delivered to persons who qualify as defined in Rule 11 (3) of the 'Financial Services Act 1986 (Investment Advertisement) (Exemption) order 1997'. The distribution of this research report in the United States or its distribution to any citizen of the United States is forbidden.

In Extenso Finance may have concluded a contract with the issuer subject of this report in order to produce one or several research reports which were previously sent to the issuer. However, In Extenso Finance may produce research reports concerning this issuer in an independent way.

Copyright 2010 In Extenso Finance. All rights reserved.