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Guillemot

Landing in 2023 – recovery eyed in 2024

Decline in GM: destocking, inflation & competition

The 2023 gross margin stood at € 58 M, down -43% YoY. Its rate fell by more than 5 points, to 48.7% of turnover. In an inflationary and competitive environment, GM was impacted by significant customer trade-marketing costs. Over the year, the group accelerated its promotional actions to reduce its customers' stocks, which are now at balanced levels. Furthermore, the group added that in Q4 2023, it was able to re-establish gross margin rate levels higher than those of Q4 2022.

EBIT 2023 down -93% YoY

Operating profit fell by -c.93% YoY to € 2.5 M as the result of the lower level of activity in 2023, combined with the slower decline in operating expenses. The financial result was impacted by a revaluation loss of €1.5 M on the portfolio of Ubisoft securities held. Consolidated net profit for the year stood at €1 M (€2.5 M restated for the impact of Ubisoft titles). EPS excluding the Ubisoft impact came to € 0.16 (7% below our expectation).

Healthy financial situation; no dividend proposed

The cash position is still very healthy with negative net debt of -€ 16.7 M. Net cash flow from operating activities (FCF) came to +€5.5 M. The Board of Directors has not proposed a dividend for the 2023 financial year (vs. €0.25 per share for each of the three previous financial years).

Return to growth in 2024, on a new 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 in 2024. Management has also confirmed its guidance (return to growth for the 2024 financial year and a positive operating result).

Mid-term prospects: growth drivers still intact

Drivers of sustainable growth are still real: 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, expanded distribution networks, a landing of the comparison basis in 2023 and healthy level of stocks in the distribution network. Guillemot's investments in R&D enable it to remain at the cutting edge of technology and open up new market segments. Indeed, Guillemot is working on expanding the scope of its Hercules and Thrustmaster ranges, enriching their offerings, and is continuing its strategy of moving its products upmarket. In addition, the group focuses on strengthening its commercial strategy.

Attractive valuation – Strong Buy (vs Buy)

Following the publication, we revised downward our earnings estimates for the group (-c.15% on our EPS). Our new price target is € 6.30 vs. € 7.00 previously. We raise our opinion to Strong Buy (vs. Buy) due to the stock's greater upside potential. YTD, the stock is down about -31%. Thus, it is currently trading at 2.7x NTM EV/EBITDA vs. its historical average of 4.3x. The group will hold its annual results presentation on April 28 afternoon.

Maud Servagnat

Equity research analyst
Maud.servagnat@inextenso-finance.fr

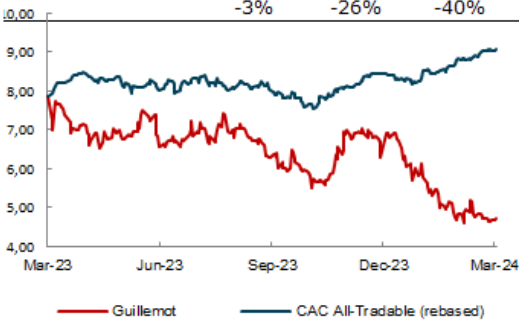
Recommendation	1. Strong Buy
Closing Price on 27 March 2024	€ 4.68
Target Price	€ 6.30 (+34.6%)

Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	70.6
Enterprise value (€m)	49.3
Free Float (€m)	21.35 (30.2%)
Number of shares	15 087 480
Daily volume	€ 43 583
Capital turnover rate (1 year)	7,90%
High (52 weeks)	€ 7,87
Low (52 weeks)	€ 4,61

Performances

Absolute perf.	1 month	6 months	12 months
	-3%	-26%	-40%



Current shareholding structure

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

Agenda

Q1 2024 sales : 25 April 2024 (after market)

Key figures

	2022	2023	2024E	2025E	2026E
Sales (€m)	188,0	119,1	126,4	133,0	138,9
Change (%)	0,1	-0,4	0,1	0,1	0,0
EBITDA (€m)	41,9	10,9	15,6	20,5	23,4
EBIT (€m)	34,2	2,5	6,8	11,1	13,7
Ebit margin (%)	18,2%	2,1%	5,4%	8,4%	9,9%
Net profit gp (€m) *	27,7	2,5	5,9	9,2	11,4
Net margin (%) *	14,8%	2,1%	4,6%	6,9%	8,2%
EPS *	1,84	0,16	0,39	0,61	0,75

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

Ratios (Excluding Valuation of Ubisoft shares)

	2022	2023	2024E	2025E	2026E
EV / Sales	0,9	0,5	0,4	0,2	0,1
EV / EBITDA	4,2	5,0	2,9	1,5	0,8
EV / EBIT	5,1	21,4	6,7	2,8	1,3
P / E *	7,1	28,7	12,0	7,6	6,2
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-20%	-16%	-24%	-34%	-41%
Net debt/EBITDA	-0,5	-1,5	-1,6	-1,9	-2,2
ROCE (%)	19%	1%	5%	8%	9%

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Company profile

Key player in interactive entertainment devices

With the acquisition in 1999 of the two American companies Hercules and Thrustmaster, Guillemot quickly became a benchmark international player in the interactive entertainment industry. The company articulates its development strategy around its two strong brands:

- Thrustmaster, on video game accessories for PC and consoles (home and portable),
- Hercules on DJing audio equipment and peripherals.

Two strong brands of different sizes

Guillemot has been able to develop attractive product ranges. Thrustmaster (95% of sales) produces video game accessories for most platforms, mainly intended for hardcore gamers but also casual gamers through more accessible ranges. Hercules offers a range of niche products around digital music and DJing. Guillemot invests in Hercules to grow its activities.

Differentiation through added value

In a very competitive industry, Guillemot manages to stand out by actively screening the market through a "Design Thinking" approach, responsiveness to execution in relation to consumer expectations as well as continuous improvement of its ranges, evolving upwards. Guillemot adopts an added value strategy for the end user, with an opportunistic positioning, in targeted and dynamic segments.

The group focuses its efforts on the key stages of the value chain: 1 / sustained R&D activity, to continuously integrate technological innovations into its products 2 / proven sourcing know-how in Asia; 3 / control of marketing and promotion processes and 4 / a solid and internationalized distribution network.

SWOT

Strengths

- Two strong brands: Hercules and Thrustmaster
- A solid and broad distribution network
- Important technological innovation and R&D know-how
- Control of marketing and sourcing processes, great reactivity demonstrated in particular during the Covid-19 period

Weaknesses

- Strong competition and many competitors
- Geographical mix that can still be improved
- Stocks cycle in the distribution network

Opportunities

- Strong deployment of next generation consoles
- Rise of e-sport, which should allow a greater recurrence of the video game props activity
- Constantly growing DJing segment, driven by digital convergence
- International growth potential, especially in emerging countries

Threats

- Technological challenges
- Cyclical video game industry
- Evolving supply chains and logistical challenges (shipments, volume limitations, etc.)

Valuation methods

Our target price is as an average of the DCF and Stock Market Comparison methods and came out at € 6.30.

DCF

After updating our estimates, the discounted free cash flows method values the share at € 7.50.

Peer comparison

Peer comparison valuation shows a value of € 5.10 per share.

Selected peers:

- 1) Bigben Interactive: French company whose core business is the design and production of video game accessories, telephony accessories and audio/video products.
- 2) Innelec Multimedia: French company specializing in the distribution of digital multimedia products (video games, audio, etc.).
- 3) Bang & Olufsen: Danish group with recognized expertise in the design of high-end audiovisual devices (headphones, portable bluetooth speakers, speakers, etc.).

Investment case

Landing in 2023

FY2023 results have sharply declined, impacted by a high comparison base and the reduction of stocks in distribution, in an inflationary and competitive environment.

Return to growth in 2024, on a new 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 in 2024. Management has also confirmed its guidance (return to growth for the 2024 financial year and a positive operating result).

Mid-term prospects: growth drivers still intact

Drivers of sustainable growth are still real: 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, expanded distribution networks, a landing of the comparison basis in 2023 and healthy level of stocks in the distribution network. Guillemot's investments in R&D enable it to remain at the cutting edge of technology and open up new market segments. Indeed, Guillemot is working on expanding the scope of its Hercules and Thrustmaster ranges, enriching their offerings, and is continuing its strategy of moving its products upmarket. In addition, the group focuses on strengthening its commercial strategy.

Attractive valuation

The stock is currently trading at 2.7x NTM EV/EBITDA vs. its historical average of 4.3x. This includes the high multiples of the 2020-21 period of exceptional activity but also the lower multiples of the previous period, where the turnover level was half that at the end of 2023 (c.€ 61 M in 2019 vs. c.€ 119 M in 2023).

Strong Buy Opinion - target price at €6.30

After updating our model, the valuation of the shares comes to €6.30. Strong Buy Opinion.

Landing of FY 2023 results

The group has published its 2023 annual results:

- Gross margin went down by -43% YoY to € 58 M, which is 48.7% of turnover, reflecting a more than 5-point drop in the margin rate, impacted by significant customer trade-marketing costs in an inflationary and competitive environment. The group, however, specified that in Q4 2023, it was able to re-establish gross margin rate levels higher than those of Q4 2022.
- Also, it is important to note that, over the year, the group accelerated its promotional actions to reduce its customers' stocks, which are now at balanced levels.
- Operating profit was down c.-93% YoY to € 2.5 M and resulted from the lower level of activity in 2023 (-c.37% YoY), while operating expenses fell less quickly.
- The financial result was impacted by a revaluation loss of € 1.5 M on the portfolio of Ubisoft securities held.
- Consolidated net profit for the year stood at € 1 M, and therefore € 2.5 M restated for the impact of Ubisoft titles.
- EPS excluding the Ubisoft impact came to € 0.16.
- The Board of Directors did not propose a dividend for the 2023 financial year (vs. €0.25 per share for each of the three previous financial years).

Published P&L

31/12 (€M)	H1	H2	2022	H1	H2	2023
Sales	98.1	89.9	188	48.1	71	119.1
% chg	39.3%	-15.4%	6.4%	-51%	-21%	-36.6%
Purchases	51.5	53.5	105.1	20	31.5	51.5
Change in inventories	10.4	8.1	18.6	-6.3	-3.3	-9.6
Gross margin	57	44.5	101.5	21.9	36.2	58
% of sales	58.1%	49.5%	54%	45.4%	50.9%	48.7%
External expenses	14.7	17.2	31.9	11	13.3	24.3
% of sales	15%	19.2%	17%	22.8%	18.7%	20.4%
Employee expenses	7	7.4	14.4	8.4	7.9	16.3
% of sales	7.1%	8.3%	7.7%	17.4%	11.1%	13.7%
Taxes and duties	0.5	0.3	0.8	0.3	0.2	0.5
Other income/charges	-6.52	-5.96	-12.49	-2.21	-3.85	-6.06
EBITDA	28.4	13.5	41.9	0	10.9	10.9
% chg	65.7%	-40%	5.6%	-99.9%	-19.8%	-74%
% EBITDA margin	28.9%	15%	22.3%	0.1%	15.3%	9.1%
Depreciation & amortization	3.4	4.3	7.7	3.9	4.5	8.4
EBIT	25	9.2	34.2	-3.9	6.4	2.5
% chg	88.3%	-53.2%	3.8%	-115.3%	-30.9%	-92.6%
% EBIT margin	25.5%	10.3%	18.2%	-8%	9%	2.1%
Financial result (with Ubi impact)	-0.93	-5.73	-6.66	-0.11	-1.33	-1.44
Income tax	6	1.2	7.2	-1.1	1.2	0.1
Net income (with Ubi impact)	18.1	2.3	20.3	-2.9	3.9	1
Net income (w/o Ubi impact)	19	8.1	27.7	-2.7	5.2	2.5
% Net margin	19.3%	9%	14.8%	-5.6%	7.3%	2.1%
EPS w/o Ubi impact	1.3	0.5	1.8	-0.2	0.3	0.2
% chg	46.9%	-52.8%	-6.3%	-114.3%	-35.8%	-91.1%
Dividend per share			0.25			0,00

Source: Company & In Extenso Finance

Concerning the main items of the balance sheet and the TFT:

- Net debt at the end of December 2023 was negative at -€ 16.7 M, including a positive net cash flow of c.€ 26 M against debts of c.€ 9 M.
- Net cash flow from operating activities was positive, at +€ 5.5 M.

Healthy financial situation

December 31st (€m)	2022	2023
Total debt	13.98	9.07
Cash	35.25	25.73
Net debt (net cash)	-21.26	-16.66
Gearing %	-20.4%	-16.4%

Source: Company & In Extenso Finance

Outlook: confirmation of a return to growth in 2024 and a positive RO

Management confirmed its guidance, which had already been communicated at the end of January when the annual turnover was published: the group expects a return to growth in 2024 and a positive operating result. It will build on the ramp-up of recently launched accessories and prepares the release of major new products from Thrustmaster in H2 2024.

In addition, management estimated that its customers' inventory levels are now at balanced levels, which should be a supporting factor for business growth and gross margin levels in 2024.

The group, moreover, will concentrate its efforts on (1) continuing investments in R&D (differentiation and creation of added value), (2) expanding its ranges and deploying new offers (Farming for Thrustmaster and Streaming for Hercules), (3) commercial strengthening in APAC and Middle East (growth potential), (4) synchronization of commercial actions with game releases in H2 (maximization of sales) and (5) optimization of performance using AI.

Our financial statement forecasts

Following the publication, we revised downward our earnings estimates for the group (-15% on our medium-term EPS).

Our P&L forecasts - annual

December 31st (€m)	2022	2023	2024E	2025E	2026E
Sales	188.04	119.13	126.42	133.05	138.86
% change	6.4%	-36.6%	6.1%	5.2%	4.4%
Gross margin	101.53	58.02	63.46	68.12	71.79
% of sales	54%	48.7%	50.2%	51.2%	51.7%
Personnel costs	14.42	16.27	16.43	15.97	16.66
Other costs	31.93	24.26	24.48	24.44	24.11
EBITDA	41.89	10.88	15.65	20.46	23.44
% change	5.6%	-74%	43.8%	30.7%	14.5%
% EBITDA margin	22.3%	9.1%	12.4%	15.4%	16.9%
EBIT	34.24	2.52	6.78	11.13	13.69
% change	3.8%	-92.6.0%	168.9%	64.1%	23.1%
% EBIT margin	18.2%	2.1.0%	5.4%	8.4%	9.9%
Financial result (without Ubi impact)	0.74	0.06	0.3	0	0
Earnings before tax	34.98	2.58	7.08	11.13	13.69
Income tax	7.24	0.11	1.2	1.89	2.33
Net income (with Ubi impact)	20.35	0.96	5.88	9.23	11.37
% change	48.4%	-95.3%	509.5%	57.2%	23.1%
% of sales	10.8%	0.8%	4.6%	6.9%	8.2%
Minorities	0.00	0.00	0.00	0.00	0.00
Restated group net income (w/o Ubi)	27.75	2.46	5.88	9.23	11.37
% of sales	14.8%	2.1%	4.6%	6.9%	8.2%
EPS with Ubi impact	1.35	0.06	0.39	0.61	0.75
% change	50%	-95%	510%	57%	23%
EPS w/o Ubi impact	1.84	0.16	0.39	0.61	0.75
% change	-6%	-91%	138%	57%	23%
Dividend per share	0.25	0	0	0	0

Source : Company & In Extenso Finance

Our BS forecasts - annual

December 31st (€m)	2022	2023	2024E	2025E	2026E
ASSETS					
Intangible assets	23.28	23.74	21.87	19.54	16.79
Property, plant and equipment	8.18	8.59	8.59	8.59	8.59
Financial assets	0.67	0.59	0.59	0.59	0.59
Tax assets	0.5	0.54	0.54	0.54	0.54
Deferred tax assets	4.27	4.63	4.63	4.63	4.63
Non-current assets	36.89	38.1	36.23	33.9	31.16
Inventories	57.2	45.73	44.73	43.08	44.96
Trade receivables	34.74	36.06	37	37.61	37.86
Other receivables	4.08	3.62	3.59	3.51	3.39
Financial assets	11.72	10.26	10.26	10.26	10.26
Current tax assets	0.32	4.22	4.22	4.22	4.22
Cash and cash equivalents	35.25	25.73	32.4	44.48	57.8
Current assets	143.31	125.6	132.2	143.16	158.48
TOTAL ASSETS	180.2	163.7	168.43	177.05	189.64
LIABILITIES AND EQUITY					
Capital	11.77	11.62	11.62	11.62	11.62
Premium	10.55	8.08	8.08	8.08	8.08
Reserves and consolidated income	81.65	81.88	87.76	96.99	108.36
Currency translation adjustments	0.44	0.21	0	0	0
Group shareholders' equity	104.41	101.78	107.45	116.68	128.05
Minority interests	0	0	0	0	0
Consolidated shareholders' equity	104.41	101.78	107.45	116.68	128.05
Employee benefit liabilities	1.59	1.71	1.71	1.71	1.71
Borrowings	8.35	4.82	2.82	0.82	0.82
Non-current liabilities	9.95	6.55	4.53	2.53	2.53
Trade payables	38.89	25.44	26.55	27.94	29.16
Short-term borrowings	5.64	4.25	4.25	4.25	4.25
Taxes payable	2.44	0.82	0.82	0.82	0.82
Other liabilities	18.73	24.83	24.83	24.83	24.83
Current liabilities	65.85	55.38	56.45	57.84	59.06
Total liabilities and equity	180.2	163.7	168.43	177.05	189.64

Source : Company & In Extenso Finance

Our cash flow statement forecasts - annual

Consolidated cash flow statement (M€)	2022	2023	2024E	2025E	2026E
Net income	20.35	0.96	5.88	9.23	11.37
+ amortization, depreciation and provisions	5.8	6.79	6.87	7.33	7.74
- Reversals of amortization, depreciation and provisions	-0.12	-1.95	0	0	0
-/+ Unrealized gains and losses arising from changes in fair value	7.4	1.47	0	0	0
+/- Expenses and income arising from stock options	0.55	0.51	0	0	0
-/+ Capital gains and losses on disposals	0	0.07	0	0	0
Change in deferred taxes	1.06	-0.37	0	0	0
Cost of net financial debt	-0.04	-0.54	0	0	0
Operating cash flow after cost of net financial debt	35.01	6.95	12.75	16.57	19.11
Currency translation adjustment on gross cash flow from operations	-0.3	0	0	0	0
Change in working capital	-1.94	-1.94	1.19	2.51	-0.79
Net cash flows from operating activities	32.8	5.55	13.94	19.08	18.32
Investments	-8.11	-6.51	-5	-5	-5
Net cash flows from investing activities	-8.11	-6.51	-5	-5	-5
Dividends paid	-3.81	-3.76	0	0	0
Borrowings	10.1	0	0	0	0
Repayment of borrowings	-4.58	-4.8	-2	-2	0
Repayment of IFRS 16 liability and interest	-0.63	0.43	0	0	0
Other	0.06	-0.14	-0.2	0	0
Total cash flows from financing activities	-1.5	-8.26	-2.2	-2	0
Impact of foreign currency translation adjustments	0	-0.27	0	0	0
Change in cash	23.2	-9.5	6.74	12.08	13.32

Source : Company & In Extenso Finance

Valuation: target price to €6.30 (from € 7.00)

Our price target is the average of discounted free cash-flow and peer comparison methodologies.

Fair value of shares (EUR)	
DCF	7.48
Peers	5.12
TP	6.3
Last price	4.61
Upside / Downside potential	37%

DCF methodology yields fair value of € 7.50

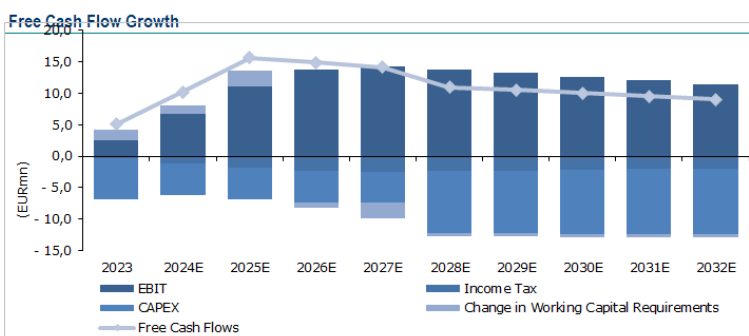
Discounted Cash Flow	Fair Value: 7,5 €						Upside: +62%					2023-2033E CAGR
Free Cash Flows (Year-End Dec, EURmn)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Sales	119	126	133	139	145	147	149	151	153	155	158	2.8
% change	-36.6	6.1	5.2	4.4	4.4	1.4	1.4	1.4	1.4	1.4	1.4	
EBIT	2.5	6.8	11.1	13.7	14.3	13.8	13.2	12.6	12	11.4	10.8	15.7
% Margin	2.1	5.4	8.4	9.9	9.9	9.4	8.9	8.4	7.9	7.4	6.9	
Tax Rate(%)	10.5	17	17	17	17	17	17	17	17	17	17	
Depreciation and Amortisation	7.7	8.4	8.9	9.3	9.7	9.9	10	10.2	10.3	10.4	10.6	
As % of Sales	6.4	6.6	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	
CAPEX	-6.5	-5	-5	-5	-5	-9.9	-10	-10.2	-10.3	-10.4	-10.6	5
As % of Sales	5.5	4	3.8	3.6	3.4	6.7	6.7	6.7	6.7	6.7	6.7	
Working Capital Requirements	34	33	31	31	34	34	35	35	36	36	37	0.7
As % of Sales	28.8	26.2	23	22.6	23.4	23.4	23.4	23.4	23.4	23.4	23.4	
Change in Working Capital Requirements	2	1	3	-1	-2	0	0	0	0	-1	-1	
Free Cash Flows	5	10	16	15	14	11	10	10	10	9	8	5.3

Present Value Of Free Cash Flow (EURmn)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Value
Free Cash Flow		10	16	15	14	11	10	10	10	9	8	73
% Chg			+53%	-4%	-5%	-22%	-4%	-5%	-5%	-5%	-6%	
Target WACC		13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	
Period		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	9.75
Present Value Factor		0.91	0.80	0.71	0.63	0.55	0.49	0.43	0.38	0.34	0.30	0.30
Present Value of FCF		9.3	12.6	10.6	8.9	6.1	5.1	4.3	3.6	3.0	2.5	21.6

WACC	13.2%
Target Debt/Equity	0.0%
Average Tax Rate	26.0%
Cost of Debt	1.6%
Risk Free Rate	2.2%
Beta	1.39
Equity Risk Premium	5.7%
Small caps premium	3.2%
Cost of Equity	13.2%
Terminal value FCF growth	+1.4%

Sensitivity analysis (EUR)		Terminal Value Growth Rate							
		1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%
WACC	11.7%	8,1	8,1	8,1	8,2	8,2	8,2	8,2	8,2
	12.2%	7,9	7,9	7,9	7,9	7,9	7,9	8,0	8,0
	12.7%	7,6	7,7	7,7	7,7	7,7	7,7	7,7	7,8
	13.2%	7,4	7,5	7,5	7,5	7,5	7,5	7,5	7,5
	13.7%	7,3	7,3	7,3	7,3	7,3	7,3	7,3	7,3
	14.2%	7,1	7,1	7,1	7,1	7,1	7,1	7,1	7,2

Fair Value (EUR)	
Enterprise Value (EURM)	87.6
Financial assets	8.7
Net Debt (Cash) at year-end 2022	-16.7
Minorities	0.0
Equity Value (EURm)	112.9
Fully diluted nb of shares outstanding	15.09
Fair Value (EUR)	7.5
Current Share Price	4.6
Upside/Downside (%)	+62%



Source : In Extenso Finance

Peer valuation methodology gives fair value of € 5.10

Agrégats (M€)	Sales	Sales	EBITDA	EBITDA	EBIT	EBIT	RN	RN
Agrégats	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025
	126	133	16	20	7	11	6	9
<u>Multiples boursiers retenus des pairs (x)</u>			EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	PE	PE
Moyenne			3,6	3,0	9,0	6,5	9,4	5,9
Valorisation induite des capitaux propres			82	87	87	98	56	55
Par action			5,4	5,8	5,7	6,5	3,7	3,6
Valeur du titre (€)	5,1							
# actions ('000)	15 087							

Source : Factset & In Extenso Finance

Guillemot has a unique positioning compared to competitors who are often specialized in a range of products or even a few complementary segments. Guillemot is thus at the crossroads of several competitive environments, and does not have direct peers, both in terms of size and positioning, whether in Europe or in the US.

Our peer group is made up of:

Bigben Interactive: a French company, is one of the European leaders in the design and distribution of video game accessories (Nacon sub-assembly), and is a direct competitor of Thrustmaster on the European market. Likewise, Bigben Interactive presents so-called Audio activities, which are similar in terms of models to Guillemot's activities under its Hercules brand.

Innelec Multimedia: a French company specializing in the distribution of multimedia products such as video game accessories, gaming and audio accessories, and other derivative products. Present in France but also internationally, the company offers its products on many multimedia supports, allowing it to reach a wide audience.

Bang & Olufsen: has recognized expertise in the design of high-end audiovisual equipment. The company markets equipment suitable for mobile phones in particular (headsets, portable bluetooth speakers, speakers, etc.).

Peers multiples

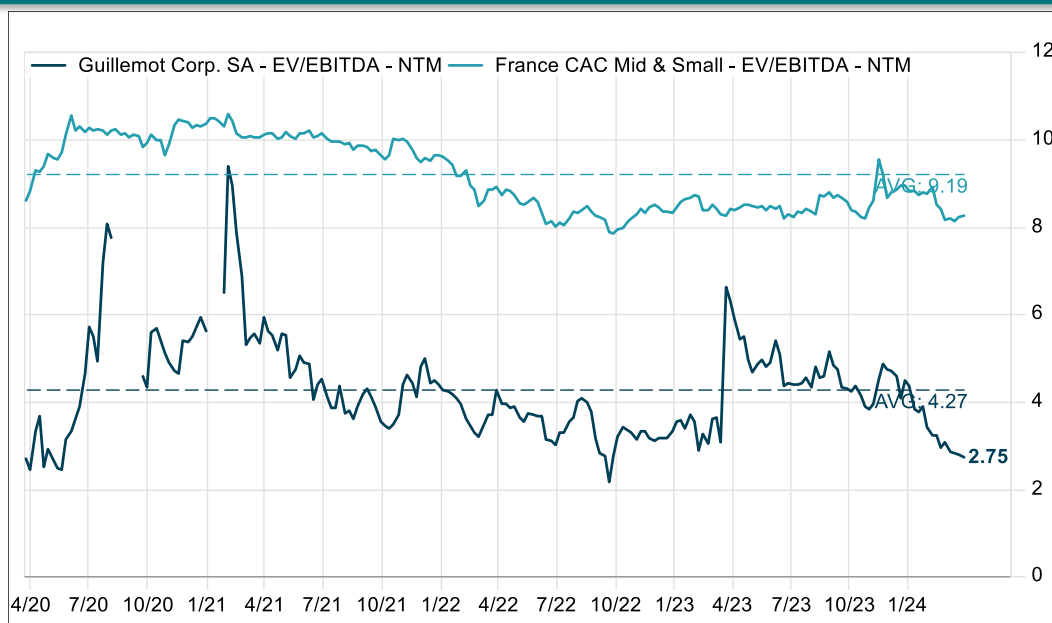
Multiples boursiers (x)	Mcap	EV/CA	EV/CA	EV/CA	EV/CA	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	PE	PE	PE
		FY0	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Bigben Interactive	49	1,1	1,0	0,9	0,8	4,5	3,9	3,3	13,6	11,8	9,2	5,6	4,6	3,5
Innelec	18	0,1	0,1	0,1	0,1	6,2	3,1	2,8	10,0	4,9	4,1	14,0	6,0	4,9
Bang & Olufsen A/S	1 124	0,4	0,4	0,4	0,4	4,6	3,8	3,0	18,7	10,4	6,2	56,6	17,8	9,3
Moyenne						3,6	3,0		9,0	6,5		9,4	5,9	
Médiane						3,8	3,0		8,4	6,2		5,3	4,9	

Source : Factset & In Extenso Finance

Attractive valuation multiples

The stock currently trades at 2.7x NTM EV/EBITDA vs. its historical average of 4.3x. 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. € 119 M in 2023).

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



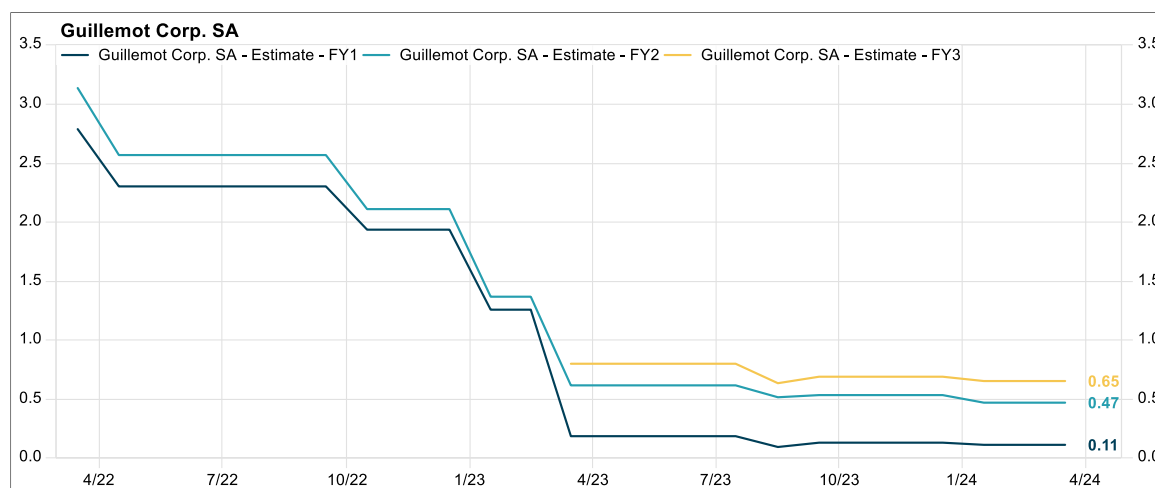
Source : Factset & In Extenso Finance

EPS consensus evolution

EPS estimates had been revised downward several times in 2023, with the landing of activity (FY turnover -37% YoY), the high basis of comparison after the very strong growth in sales over the three recent years, high inventory levels in distribution, and limited visibility on sales in the sector (maximum 3 months).

We believe the consensus is likely to fall again following the release of FY 2023 results. However: (1) the confirmation of an anticipated return to growth in 2024, (2) balanced stock levels in the distribution networks and (3) a lower basis of comparison, are all positive elements which should support the new estimates.

EPS consensus evolution



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

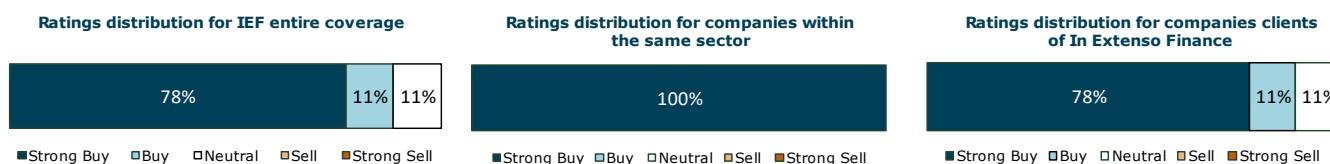
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No	No	No	No	Yes	No	No

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Rating and target price evolution throughout the last 12 months

Date	Rating	Target price
March 28 th 2024	Annual Research Strong Buy	€ 6.30
January 26 th 2024	Equity Flash Buy	€ 7.00
October 27 th 2023	Equity Flash Buy	€ 6.90
October 2 nd 2023	Semi-annual Research Buy	€ 7.10
July 27 th 2023	Equity Flash Buy	€ 8.20
April 27 th 2023	Equity Flash Buy	€ 8.20

Ratings distribution



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