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Guillemot

A dynamic Q1, boding well for 2024

The group published Q1 sales up c.+28% YoY, driven by its two brands, Thrustmaster (+28% YoY) and Hercules (+24% YoY). Q1 traditionally represents c.18% of annual turnover. However, its good momentum tells us about consumer support for the group's new products, and thus suggests, in our opinion, good prospects for 2024. In addition, management has confirmed its outlook. We keep our estimates unchanged and project an EPS CAGR of c.+67% over 2023-26E (excluding Ubisoft impact). The valuation is attractive, at low levels (3.2x NTM EV/EBITDA vs. its historical average of 4.3x) and based on reasonable expectations. The group has announced share buybacks with a view to their cancellation (max 2.7% of capital). **We reiterate our price objective of € 6.30. Buy opinion (from Strong Buy).**

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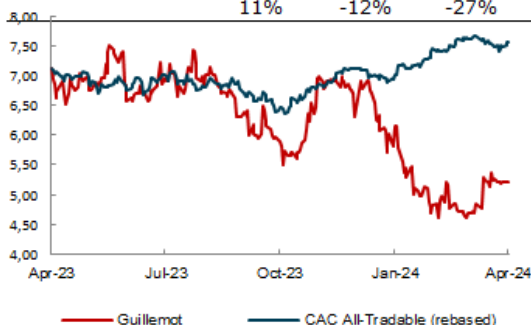
Recommendation	2. Buy
Closing Price on 25 April 2024	€ 5.26
Target Price	€ 6.30 (+19.8%)

Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	79.4
Enterprise value (€m)	58.1
Free Float (€m)	23.99 (30.2%)
Number of shares	15 087 480
Daily volume	€ 43 561
Capital turnover rate (1 year)	6,97%
High (52 weeks)	€ 7,50
Low (52 weeks)	€ 4,61

Performances

Absolute perf.	1 month	6 months	12 months
	11%	-12%	-27%



Current shareholding structure

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

Agenda

H1 2024 sales : 25 July 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	0,3	0,2
EV / EBITDA	4,2	5,8	3,5	2,0	1,1
EV / EBIT	5,1	24,9	8,0	3,6	1,9
P / E *	7,1	32,2	13,5	8,6	7,0
	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%

Q1 sales up +28% YoY to € 27.8 M

Q1 sales were up c.+28% YoY to € 27.8 M. By activity, Thrustmaster's turnover stood at € 24.7 M, up +28% YoY. This improved dynamic was supported by the range of Racing wheels in a market that was nevertheless in decline over the period. Hercules' turnover increased by +24% YoY to € 3.1 M, thanks to the good performance of its sales and the successful launch of the high-end version of its latest controller.

A dynamic start which bodes well for 2024

Q1 sales traditionally represent around 18% of annual turnover. However, its good momentum tells us about consumer support for the group's new products, and thus suggests, in our opinion, good prospects for the whole of 2024. Especially since stocks in the clients' distribution network are now at balanced levels, and that the basis of comparison has returned to a pre-covid level. Thus, we keep our estimates unchanged and project an EPS CAGR of c.+67% over 2023-26E (excluding Ubisoft impact). Furthermore, management confirmed its outlook for a return to growth in 2024 and a positive operating result. It will build on the ramp-up of recently launched accessories and the release of major new products from Thrustmaster in H2 2024.

Solid financial situation and accretive share buybacks

At the end of March 2024, net debt was negative at -€ 18.4 M (excluding investment security) and the value of Ubisoft shares held was € 8.7 M. As part of its share buyback program (approved on June 1, 2023), the group has decided to purchase a maximum of 400,000 shares with a view to canceling them. We calculate a maximum accretive impact of c.+2.7% on the group's EPS.

Buy Opinion and price objective of € 6.30

We believe that the market has integrated the landing of sales in 2023 as well as a certain caution for 2024. Consequently, the valuation seems attractive to us because shares trade at low levels, based on reasonable expectations. The stock is currently trading at 3.2x NTM EV/EBITDA vs. its historical average of 4.3x. **We reiterate our price objective of € 6.30. Buy opinion (from Strong Buy).**

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Good momentum in Q1 2024 with sales up +28% YoY

The group published Q1 2024 sales up +28% YoY to € 27.8 M.

By activity:

- **Thrustmaster's** Q1 turnover stood at € 24.7 M, 28% YoY. This improved dynamic was supported by the range of Racing wheels in a market that was nevertheless in decline over the period. New car racing game releases have increased, which will boost the Racing Thrustmaster ecosystem. The new EVO Racing 32R Leather wheel will be released in early May. At the same time, in the flying/joysticks universe, a new AVA base, modular for the high-end Thrustmaster joystick, was announced on April 24. Finally, in farming/trucking segment, the sales deployment of the new SimTask range, available since November 2023, is underway and sales of its accessories are booming.
- Q4 turnover for **Hercules** was up +24% YoY to € 3.1 M. The high-end version of the DJControl Impulse T7 premium edition controller got off to a very good start. At the same time, the new Hercules Stream category has been the subject of many glowing articles. In this new streaming market, Hercules is confident in its ability to meet the needs of streamers.

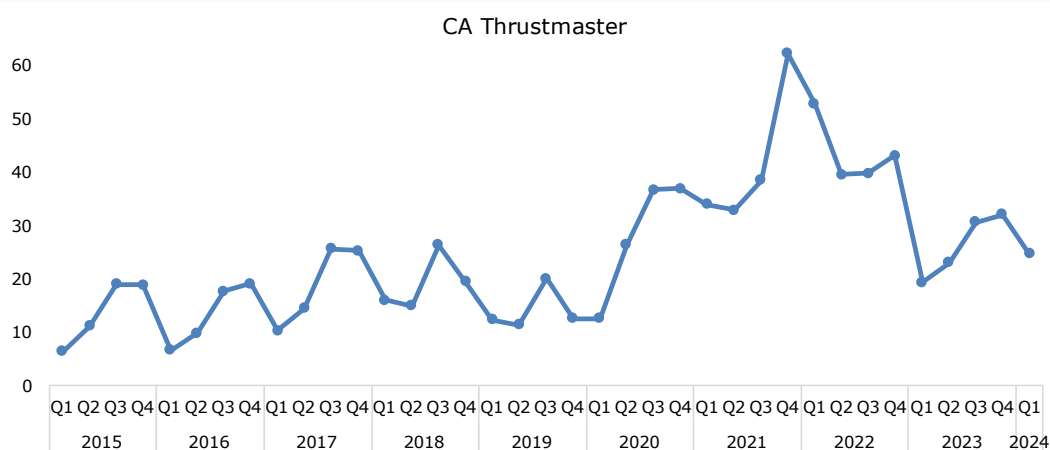
Sales by period (€ M)

CA par marque (M€)											
	2022									2023	2024
	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	
Hercules	12,5	2,5	3,3	5,8	4,8	10,6	3,6	8,4	14,2	3,1	
Thrustmaster	175,5	19,3	23,0	42,3	30,6	72,9	32,0	62,6	104,9	24,7	
TOTAL	188	21,8	26,3	48,1	35,4	83,5	35,6	71,0	119,1	27,8	

Var YoY (%)											
	2022									2023	2024
	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	
Hercules	38,9%	-16,7%	26,9%	3,6%	50,0%	20,5%	-2,7%	21,7%	13,6%	24,0%	
Thrustmaster	4,6%	-63,5%	-41,9%	-54,3%	-23,1%	-44,9%	-25,9%	-24,6%	-40,2%	28,0%	
TOTAL	6,3%	-61,0%	-37,7%	-51,0%	-17,7%	-40,8%	-24,0%	-21,0%	-36,6%	27,5%	

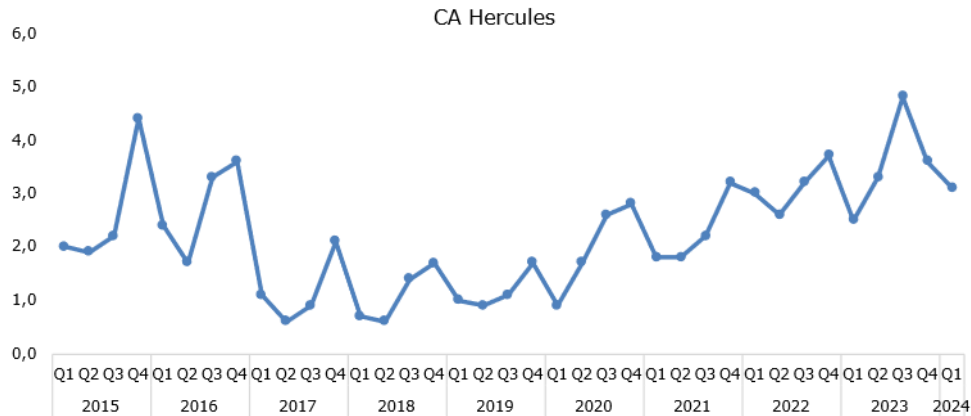
Source : Company & In Extenso Finance

Quarterly sales - Thrustmaster (€ M)



Source : Company & In Extenso Finance

Quarterly sales - Hercules (€ M)



Source : Company & In Extenso Finance

Outlook confirmed: growth to return in 2024 and positive OR

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.

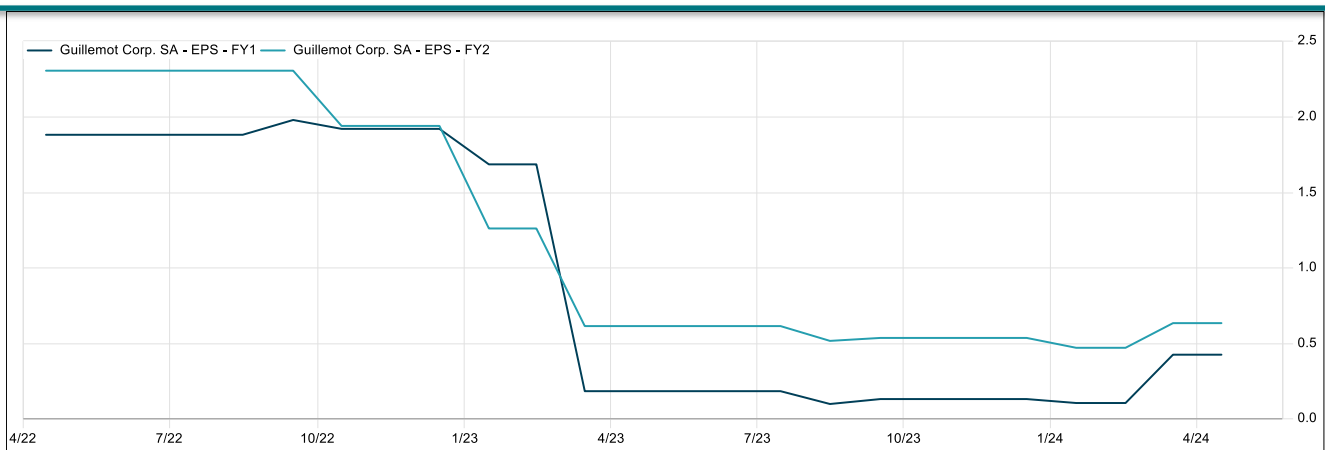
We believe that the potential of the group's new ranges and the now balanced customer stocks provide good prospects for a return to significant growth from 2024.

We keep our estimates unchanged and expect EPS CAGR of +67% over 2023-26E (without the impact of Ubisoft shares).

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 has come to an end.

2024-25E consensus EPS

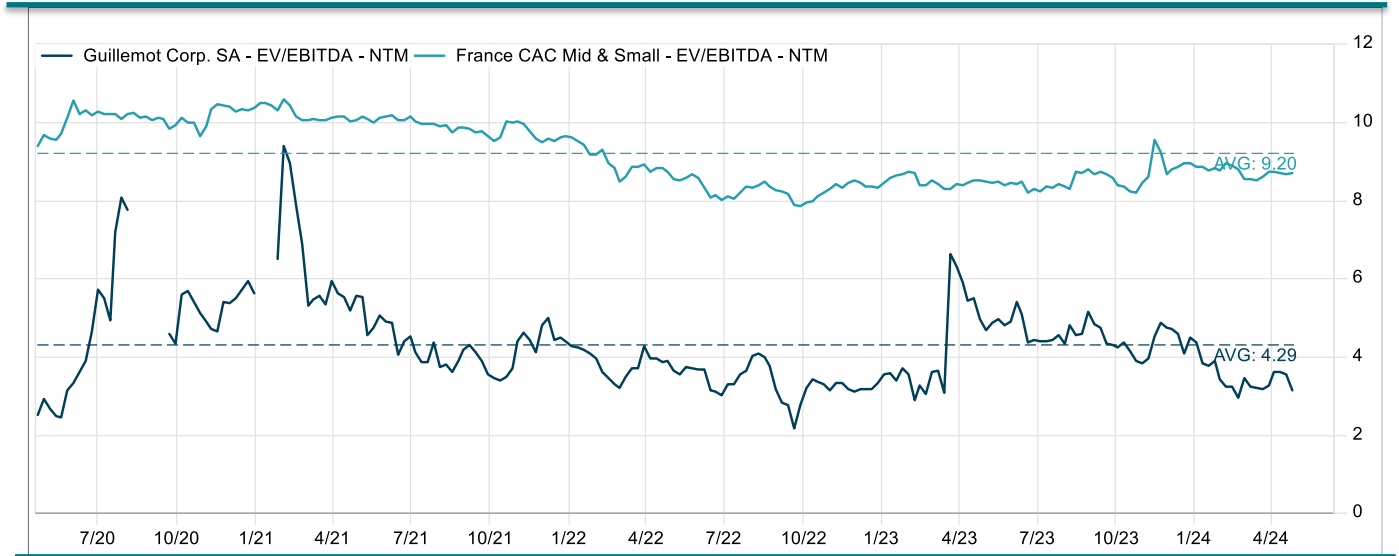


Source : Factset & In Extenso Finance

Valuation multiples

Shares are currently trading at 3.2x 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. 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).

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

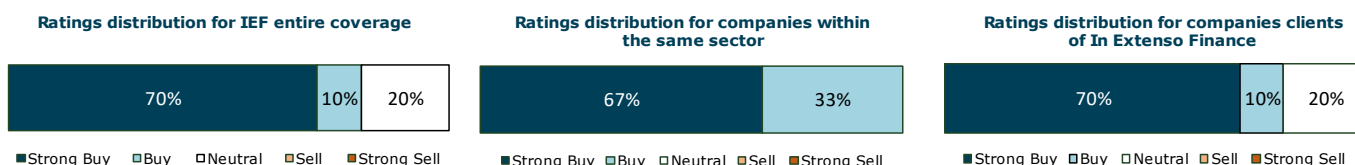
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Rating and target price evolution throughout the last 12 months

Date	Rating	Target price
April 26 th 2024	Equity Flash Buy	€ 6.30
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	€ 8.17

Ratings distribution



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