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Guillemot

Q2 growth driven by Thrustmaster

Q2 sales went out up c.+7% YoY (after +27.5% in Q1), driven by Thrustmaster (+13% YoY), while Hercules disappointed (-33% YoY) against a difficult comparison basis. The group is targeting continued growth in H2 and reiterated its view of a positive FY operating result. It will build on the recently launched accessories and the release of major new products from Thrustmaster in H2. We raise our revenue and EPS estimates by 2-3% over 2024-26E and project an average annual EPS growth rate of c.+68% over 2023-26E (excluding Ubisoft impact). The valuation is attractive at low levels (3.8x NTM EV/EBITDA vs. historical average at 4.3x) and based on reasonable expectations, in our view. **TP raised from € 6.3 to € 7.1. Buy reiterated.**

Maud Servagnat

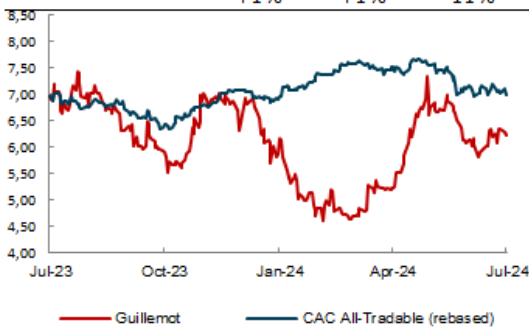
Equity Analyst

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Recommendation	2. Buy
Closing Price on 24 July 2024	€ 6.22
Target Price	€ 7.10 (+14.1%)

Market data	
Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	93.8
Enterprise value (€m)	72.5
Free Float (€m)	28.37 (30.2%)
Number of shares	15 087 480
Daily volume	€ 43 654
Capital turnover rate (1 year)	5,95%
High (52 weeks)	€ 7,43
Low (52 weeks)	€ 4,61

Performances			
Absolute perf.	1 month	6 months	12 months
	+1%	+1%	-11%



Current shareholding structure	
Free Float: 30.2%	Guillemot Family: 69.5%
Treasury stocks: 0.3%	

Agenda	
H1 2024 results : 26 Sept 2024 (after market)	

Q2 sales up +7% YoY

Group published Q2 sales up c.+7% YoY to € 28.2 M. Thrustmaster's sales went out up +13% YoY to € 26 M, after +28% in Q1. The new EVO Racing 32R Leather steering wheel was released at the beginning of May. At the same time, in the flying/joysticks' world, the new AVA range, modular for high-end Thrustmaster joysticks, got off to a good start. Finally, in farming/trucking, the commercial deployment of the new SimTask range, available since November 2023, is still in progress. Hercules' Q2 sales, however, disappointed, down -33% YoY to € 2.2 M, due to an unfavorable comparable with the launch last year of the DJControl Inpulse T7 turntable. That said, Hercules also shows a decline compared to Q2 2022 (which was € 2.6 M).

New products and growth in H2

The group targets growth in H2 and reiterated its view of a positive FY operating result. It will build on the rise of recently launched accessories and the release of major new products from Thrustmaster in H2 2024, including the new games "Test Drive Unlimited Solar Crown" on September 12 and "Microsoft Flight Simulator 2024" on November 19. At the same time, Hercules aims to create a real ecosystem around the Hercules Stream range. In this new streaming market, Hercules is confident in its ability to meet the needs of streamers.

We raise our EPS by 2-3% over 2024-26E

We believe that the potential of the group's new ranges and the now balanced customer stocks provide good prospects for a return to growth in 2024. We raise our estimate for 2024E sales (from € 126 M to € 131 M) and our EPS projections by +2-3% over 2024-26E. We anticipate an average annual EPS growth rate of +68% over 2023-26E (excluding Ubisoft impact).

TP raised from € 6.3 to € 7.1 - Buy reiterated

We believe that the market has integrated the landing of sales in 2023 as well as a some caution in its 2024 expectations. Consequently, the valuation seems attractive to us because shares trade at low levels, based on reasonable expectations. The stock currently trades at 3.8x NTM EV/EBITDA vs. its historical average of 4.3x. **We raise our TP from € 6.3 to € 7.1. Buy reiterated.**

Key figures					
	2022	2023	2024E	2025E	2026E
Sales (€m)	188,0	119,1	131,0	138,4	144,4
Change (%)	0,1	-0,4	0,1	0,1	0,0
EBITDA (€m)	41,9	10,9	16,2	21,0	24,1
EBIT (€m)	34,2	2,5	7,0	11,3	14,0
Ebit margin (%)	18,2%	2,1%	5,4%	8,2%	9,7%
Net profit gp (€m) *	27,7	2,5	6,1	9,4	11,6
Net margin (%) *	14,8%	2,1%	4,6%	6,8%	8,0%
EPS *	1,84	0,16	0,40	0,62	0,77

* 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	0,6	0,5	0,4	0,3
EV / EBITDA	4,2	7,1	4,3	2,6	1,7
EV / EBIT	5,1	30,6	10,0	4,9	3,0
P / E *	7,1	38,1	15,4	10,0	8,1
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-20%	-16%	-22%	-33%	-41%
Net debt/EBITDA	-0,5	-1,5	-1,5	-1,8	-2,2
ROCE (%)	19%	1%	6%	8%	9%

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Q2 2024 sales up +7% YoY

The group published Q2 2024 sales up +7% YoY to €28.2 M, keeping up the good momentum after Q1 2024 sales up +27.5% YoY to € 27.8 M.

By activity:

Thrustmaster's Q2 sales stood at € 26 M, up +13% YoY after +28% in Q1.

- The new EVO Racing 32R Leather steering wheel was released at the beginning of May.
- At the same time, in the flying/joysticks' world, the new AVA range, modular for high-end Thrustmaster joysticks, has had a good start since its launch.
- Finally, in farming/trucking, the commercial deployment of the new SimTask range, available since November 2023, is still in progress.

Q2 turnover for **Hercules** was down 33% YoY to € 2.2 M. on a difficult comparison basis, as the same period last year benefited from the launch of the DJControl Inpulse T7 turntable. However, Hercules also shows a decline compared to Q2 2022 turnover (which was € 2.6 M).

By geography:

Sales were stable in Europe, with very slight growth in North America and strong growth in the rest of the world (Asia and the Middle East).

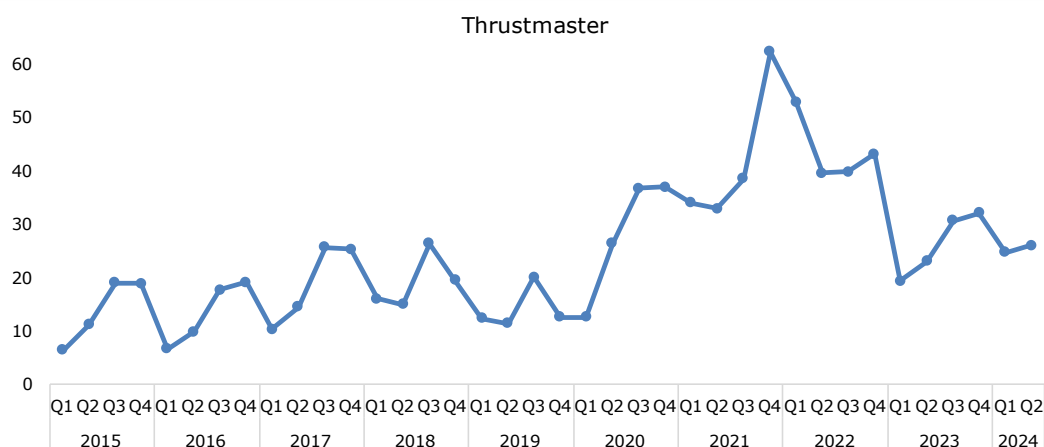
Sales by period (€ M)

CA par marque (M€)	2022									2023				2024
	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1		
Hercules	12,5	2,5	3,3	5,8	4,8	10,6	3,6	8,4	14,2	3,1	2,2	5,3		
Thrustmaster	175,5	19,3	23,0	42,3	30,6	72,9	32,0	62,6	104,9	24,7	26	50,7		
TOTAL	188	21,8	26,3	48,1	35,4	83,5	35,6	71,0	119,1	27,8	28,2	56		

Var YoY (%)	2022									2023				2024
	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1		
Hercules	38,9%	-16,7%	26,9%	3,6%	50,0%	20,5%	-2,7%	21,7%	13,6%	24,0%	-33,3%	-8,6%		
Thrustmaster	4,6%	-63,5%	-41,9%	-54,3%	-23,1%	-44,9%	-25,9%	-24,6%	-40,2%	28,0%	13,0%	19,8%		
TOTAL	6,3%	-61,0%	-37,7%	-51,0%	-17,7%	-40,8%	-24,0%	-21,0%	-36,6%	27,5%	7,2%	16,4%		

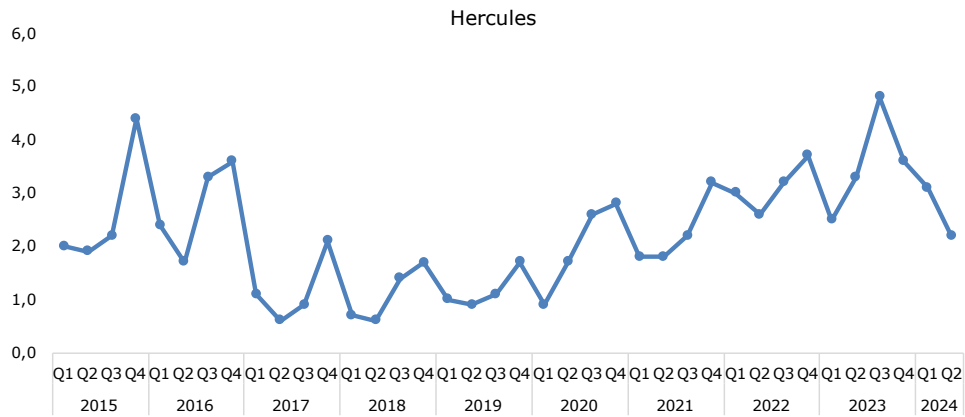
Source : Company & In Extenso Finance

Quarterly sales - Thrustmaster (€ M)



Source : Company & In Extenso Finance

Quarterly sales - Hercules (€ M)



Source : Company & In Extenso Finance

Outlook 2024: growth in H2 and positive FY operating result

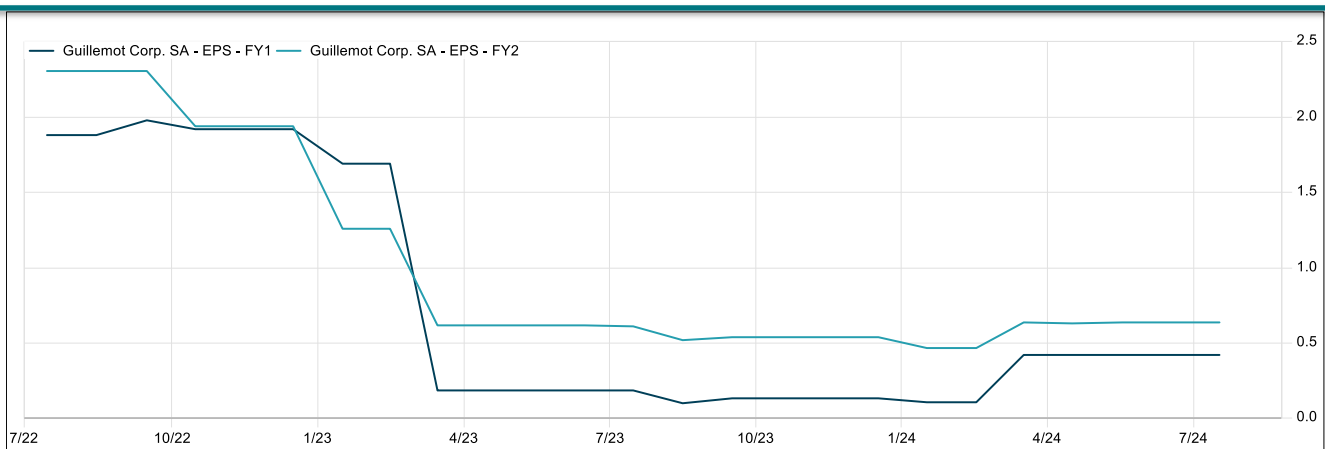
The group expects growth to continue in H2 2024 and reiterated its guidance of a positive FY operating result. The group will build on the ramp-up of recently launched accessories and on the release of major new products from Thrustmaster in H2, of which the following new games « Test Drive Unlimited Solar Crown » on 12 September and « Microsoft Flight Simulator 2024 » on 19 November. At the same time, in the flying/joysticks’ universe, the AVA range will be enriched in Q3 by the sale of the AVA Hornet joystick.

In parallel, Hercules aims to create a real ecosystem around the Hercules Stream range. In this new streaming market, Hercules is confident in its ability to meet the needs of streamers.

Stable consensus EPS on reasonable level

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

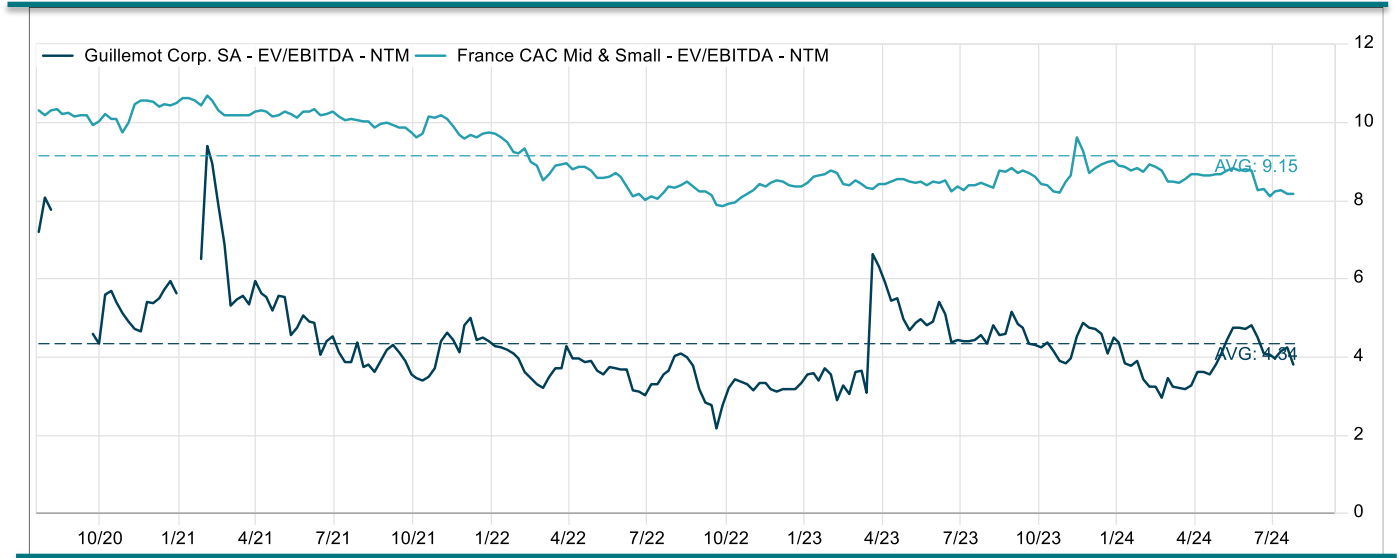


Source : Factset & In Extenso Finance

Valuation multiples

Shares currently trade at 3.8x NTM EV/EBITDA vs. historical average of 4.3x. Yet the volume of group sales has doubled from about € 61 M in 2019 to c. €120 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

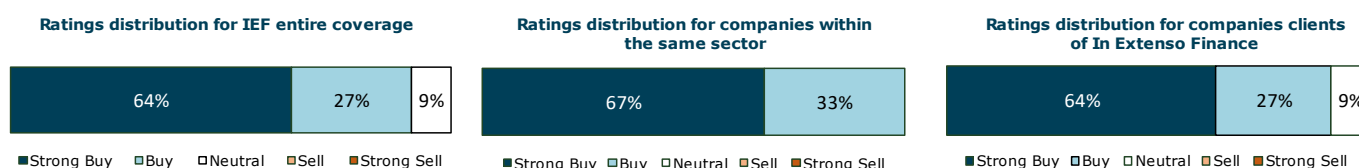
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No	No	No	No	Yes	No	No

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Rating and target price evolution throughout the last 12 months

Date	Rating	Target price
July 26 th 2024	Equity Flash Buy	€ 7.1
April 26 th 2024	Equity Flash Buy	€ 6.3
March 28 th 2024	Annual Research Strong Buy	€ 6.3
January 26 th 2024	Equity Flash Buy	€ 7.0
October 27 th 2023	Equity Flash Buy	€ 6.9
October 2 nd 2023	Semi-annual Research Buy	€ 7.1
July 27 th 2023	Equity Flash Buy	€ 8.2

Ratings distribution



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