

Date of first publication: 24 March 2023

# Guillemot

## Return to normal in 2023 - Neutral

### H2 2022 margins naturally impacted by lower activity

FY2022 operating income came out at €34.2 M, implying an EBIT of €9.2 M in H2, down 53% YoY, and an EBIT margin of 10.3% (vs 18.5% in H1 a year ago). The operating margin suffered from the lower level of activity in the second half of the year, from the rise in personal charges (even if it was controlled) and last, from the lower magnitude of the YoY decrease in external charges compared to that of sales.

Net income came out at €20.4 M and includes a €7.4 M revaluation loss on Ubisoft shares. Net income without the Ubisoft shares impact was €27.8 M.

Net debt situation is negative at € -21.3 M, of which cash of €35.3 M.

Cash flow from operating activities came out at €32.8 M.

In the second half of the year, the Group bought back 200,000 treasury shares. Management announced a dividend of €0.25 per share, same as in the last two previous exercises.

### 2023 will be a two-speed year

H1 is expected to be sharply down, due to a very high comparison basis (H1 2022 up 39% YoY on two exceptional years of activity) and high level of inventories in the distribution networks, resulting in significant delays in restocking. That said, and if the past is any guide, these lower sales in H1 will need to be put into perspective, as on average, first half historically contributed to 38% of annual sales, vs 62% for H2.

Sales in H2 should stabilize, on a less difficult comparison basis (H2 2022 was down 15% YoY) and a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

Thus, Management cut its FY 2023 sales outlook from €150 M to c.€140 M and targets positive EBIT. Our new expectations are in line with the guidance (FY sales of €140 M and EBIT of €4.8 M).

### 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, a landing of the comparison basis in 2023 and healthier 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.

We expect significant sales growth to resume from 2024.

### New price objective at €8.23 - Neutral

We update our model and publish lower estimates: 2023 EPS of €0.27 and rebound in 2024 at €0.71. We reduce our price objective to €8.23 (from €15.75) and our opinion to Neutral (from Buy).

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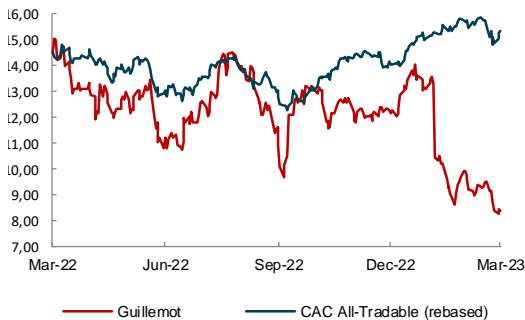
<b>Recommendation</b>	<b>3. Neutral</b>
<b>Closing Price on March 23 2023</b>	<b>€ 8.44</b>
<b>Target Price</b>	<b>€ 8.23 (-2.5%)</b>

### Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	127.3
Enterprise value (€m)	106
Free Float (€m)	38.49 (30.2 %)
Number of shares	15 087 480
Daily volume	€ 133 616
Capital turnover rate (1 year)	13,54%
High (52 weeks)	€ 15,00
Low (52 weeks)	€ 8,28

### Performances

Absolute perf.	1 month	6 months	12 months
	-14%	-23%	-42%



### Current shareholding structure

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

### Agenda

Q1 2023 sales : 27 April

### Key figures

	2021	2022	2023E	2024E	2025E
Sales (€m)	176,8	188,0	140,0	147,7	158,0
Change (%)	0,0	0,1	-0,3	0,1	0,1
EBITDA (€m)	39,7	41,9	11,8	20,3	25,3
EBIT (€m)	33,0	34,2	4,8	12,9	17,4
Ebit margin (%)	18,7%	18,2%	3,4%	8,7%	11,0%
Net profit gp (€m) *	30,0	27,7	4,0	10,7	14,5
Net margin (%) *	17,0%	14,8%	2,9%	7,3%	9,2%
EPS *	1,96	1,84	0,27	0,71	0,96

\* 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	0,7	0,6	0,5
EV / EBITDA	5,0	4,2	8,3	4,4	3,1
EV / EBIT	6,0	5,1	20,5	7,0	4,5
P / E *	6,7	7,1	31,8	11,9	8,8
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-6%	-20%	-28%	-33%	-38%
Net debt/EBITDA	-0,1	-0,5	-2,5	-1,8	-1,9
ROCE (%)	15%	19%	4%	9%	11%

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

### Company profile

#### A 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 with 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 €8.23.

#### Neutral.

#### DCF

After updating the WACC, the discounted free cash flows method values the share at €10.6.

#### Peer comparison

Peer comparison valuation shows a value of €5.82 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

#### Return to normal in 2023

H1 is expected to be sharply down, due to a very high comparison basis and high level of inventories in the distribution networks, resulting in significant delays in restocking. However, these lower sales in H1 will need to be put into perspective, as on average, first half historically contributed to 38% of annual sales, vs 62% for H2.

Sales in H2 should stabilize, on a less difficult comparison basis and a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

#### 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, a landing of the comparison basis in 2023 and healthier 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. We expect significant sales growth to resume from 2024.

#### Price objective at €8.23 – Neutral opinion

We look for 2023 EPS of €0.27 and a steep rebound in 2024 at €0.71. Our price objective is set to €8.23. **Neutral.**

## 1 H2 2022 results naturally impacted by a lower level of activity

- FY2022 operating income came out at €34.2 M, implying an EBIT of €9.2 M in H2, down 53% YoY and an EBIT margin of 10.3% (vs 18.5% a year ago).
- The operating margin suffered from the lower level of activity in the second half of the year, from the rise in personal charges (even if it was controlled) and last, from the lower magnitude of the YoY decrease in external charges compared to that of sales.
- Net income came out at €20.4 M and includes a €7.4 M revaluation loss on Ubisoft shares.
- Net income without the Ubisoft shares impact was €27.8 M.

**Table : Half-year results**

31/12 (€M)	S1	S2	2021	S1	S2	2022
<b>Sales</b>	<b>70.46</b>	<b>106.29</b>	<b>176.76</b>	<b>98.14</b>	<b>89.9</b>	<b>188.04</b>
% chg			46.5%	39.3%	-15.4%	6.4%
Purchases	39.56	62.83	102.39	51.53	53.53	105.06
Change in inventories	7.68	14.1	21.78	10.41	8.15	18.55
<b>Gross margin</b>	<b>38.59</b>	<b>57.56</b>	<b>96.15</b>	<b>57.02</b>	<b>44.51</b>	<b>101.53</b>
% of sales	54.8%	54.2%	54.4%	58.1%	49.5%	54%
External expenses	11.45	19.92	31.37	14.68	17.25	31.93
% of sales	16.3%	18.7%	17.7%	15%	19.2%	17%
Employee expenses	5.77	7.06	12.83	6.97	7.45	14.42
% of sales	8.2%	6.6%	7.3%	7.1%	8.3%	7.7%
Taxes and duties	0.34	0.38	0.71	0.47	0.33	0.81
Other income/charges	-3.91	-7.65	-11.56	-6.52	-5.96	-12.49
<b>EBITDA</b>	<b>17.12</b>	<b>22.56</b>	<b>39.68</b>	<b>28.37</b>	<b>13.52</b>	<b>41.89</b>
% chg	0%	0%	52.2%	65.7%	-40%	5.6%
% EBITDA margin	24.3%	21.2%	22.4%	28.9%	15%	22.3%
Depreciation & amortization	3.83	2.85	6.68	3.35	4.3	7.65
<b>EBIT</b>	<b>13.29</b>	<b>19.71</b>	<b>33</b>	<b>25.01</b>	<b>9.23</b>	<b>34.24</b>
% chg	0%	0%	74%	88.3%	-53.2%	3.8%
% EBIT margin	18.9%	18.5%	18.7%	25.5%	10.3%	18.2%
<b>Financial result (with Ubi impact)</b>	<b>-9.27</b>	<b>-7.14</b>	<b>-16.41</b>	<b>-0.93</b>	<b>-5.73</b>	<b>-6.66</b>
Income tax	0.33	2.56	2.89	6.02	1.22	7.24
<b>Net income (with Ubi impact)</b>	<b>3.69</b>	<b>10.01</b>	<b>13.71</b>	<b>18.07</b>	<b>2.28</b>	<b>20.35</b>
<b>Net income (w/o Ubi impact)</b>	<b>12.91</b>	<b>17.09</b>	<b>30</b>	<b>18.97</b>	<b>8.07</b>	<b>27.75</b>
% Net margin	18.3%	16.1%	17%	19.3%	9%	14.8%
<b>EPS w/o Ubi impact</b>	<b>0.86</b>	<b>1.13</b>	<b>1.96</b>	<b>1.26</b>	<b>0.53</b>	<b>1.84</b>
% chg	0%	0%	35.6%	46.9%	-52.8%	-6.3%

### Dividend per share

0.25

0.25

Source: Company and In Extenso Finance estimates

- Net debt situation is negative at € -21.3 M, of which cash of €35.3 M.
- Cash flow from operating activities came out at €32.8 M.
- In the second half of the year, the Group bought back 200,000 treasury shares.
- Management announced a dividend of € 0.25 per share, same as that of the last two previous exercises.

**Table: Net debt situation**

December 31st (€m)	2020	2021	2022	2023E	2024E	2025E
Total debt	10.87	6.87	13.98	13.98	13.98	13.98
Cash	29.02	12.03	35.25	43.01	51.44	63.19
<b>Net debt (net cash)</b>	<b>-18.15</b>	<b>-5.16</b>	<b>-21.26</b>	<b>-29.03</b>	<b>-37.46</b>	<b>-49.21</b>
Gearing %	-22.8%	-5.7%	-20.4%	-27.9%	-32.6%	-38%

Source: Company and In Extenso Finance estimates

## 2 2023 will be mixed

### 2.1 H1 2023 sales to be sharply down then stabilisation in H2

FY2023 will be a two-speed year:

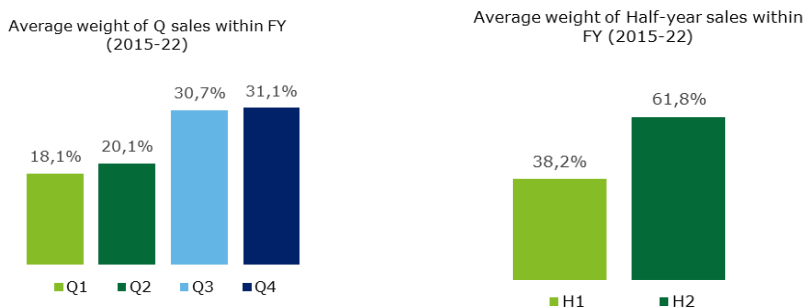
- Significant setback expected in H1, impacted by a very high comparison basis (H1 2022 up 39% YoY on two exceptional years of activity thanks, in particular, to lockdowns) and by distribution networks' will to reduce inventory levels resulting in significant delays in restocking.  
That said, we underline the fact that lower sales in H1 will need to be put into perspective, as on average in the past, first half contributed to 38% of annual sales, vs 62% for H2.
- Sales in H2 should stabilize, on a less high comparison basis (H2 2022 was down 15% YoY) and a strong crop of new racing games, that should give a significant boost to consumer needs in terms of racing accessories.

Thus, **Management cut its FY 2023 sales outlook from €150 M to c.€140 M and targets positive EBIT.** Our new expectations are in line with the guidance (FY sales of €140 M and EBIT of €4.8 M).

### 2.2 H2 traditionally a bigger semester than H1

If the past is any guide, H2 is a larger semester compared to H1, representing about 62% of total annual sales. Therefore, lower sales in H1 will need to be put into perspective, given its relative weight in annual sales (38%).

**Graphs: historical average weight of periodical sales in FY**



Source: In Extenso Finance estimates

### 2.3 Our half-year sales forecasts

Applying the average historical weight of sales by semester (38% of FY sales achieved in H1 and 62% in H2) to our FY sales forecast leads us to look for:

- H1 2023 sales sharply down 46% YoY
- H2 2023 slightly down 4% YoY

**Table : Our half-year sales forecasts**

31/12 (€M)	H1	H2	2021	H1	H2	2022	H1E	H2E	2023E
Sales	70.46	106.29	176.76	98.14	89.9	188.04	53.45	86.55	140
% chg			46.5%	39.3%	-15.4%	6.4%	-45.5%	-3.7%	-25.5%

Source: Company and In Extenso Finance estimates

### 3 Downward revisions to consensus forecasts to continue

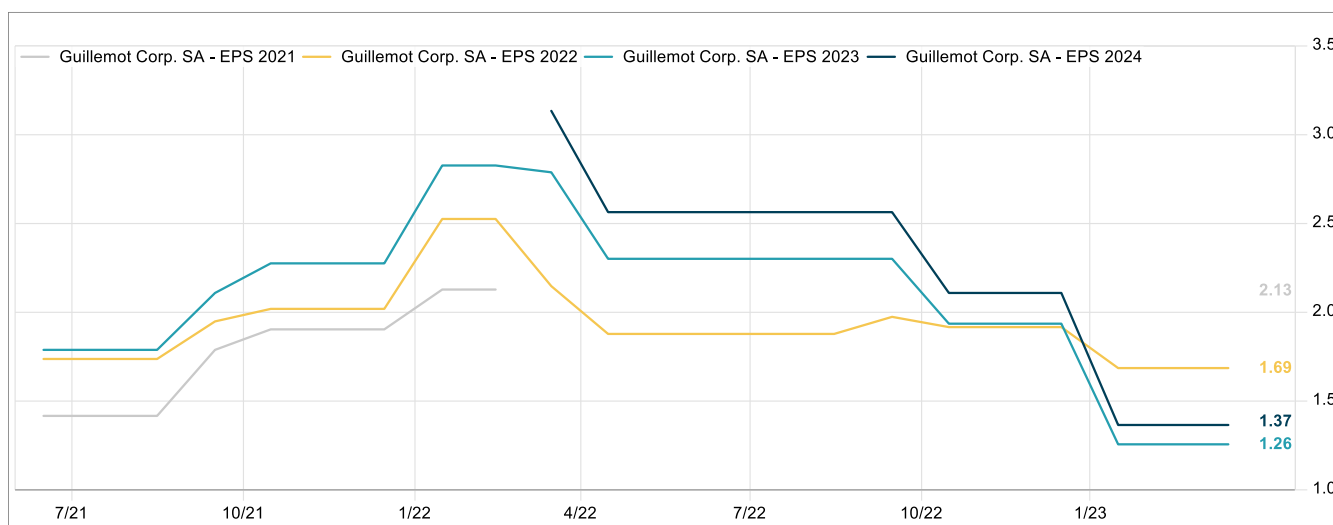
Consecutive lower EPS consensus expectations started after FY 2022 sales publication on 26 January 2023 and reflected:

- 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
- Low level of visibility in the business (max 3 months) implying a fair degree of uncertainty in current guidance and analysts' forecasts

**We believe that the cycle of downward EPS forecasts revisions will continue.** We look for 2023 EPS of €0.27 compared to €1.26 actual consensus estimate.

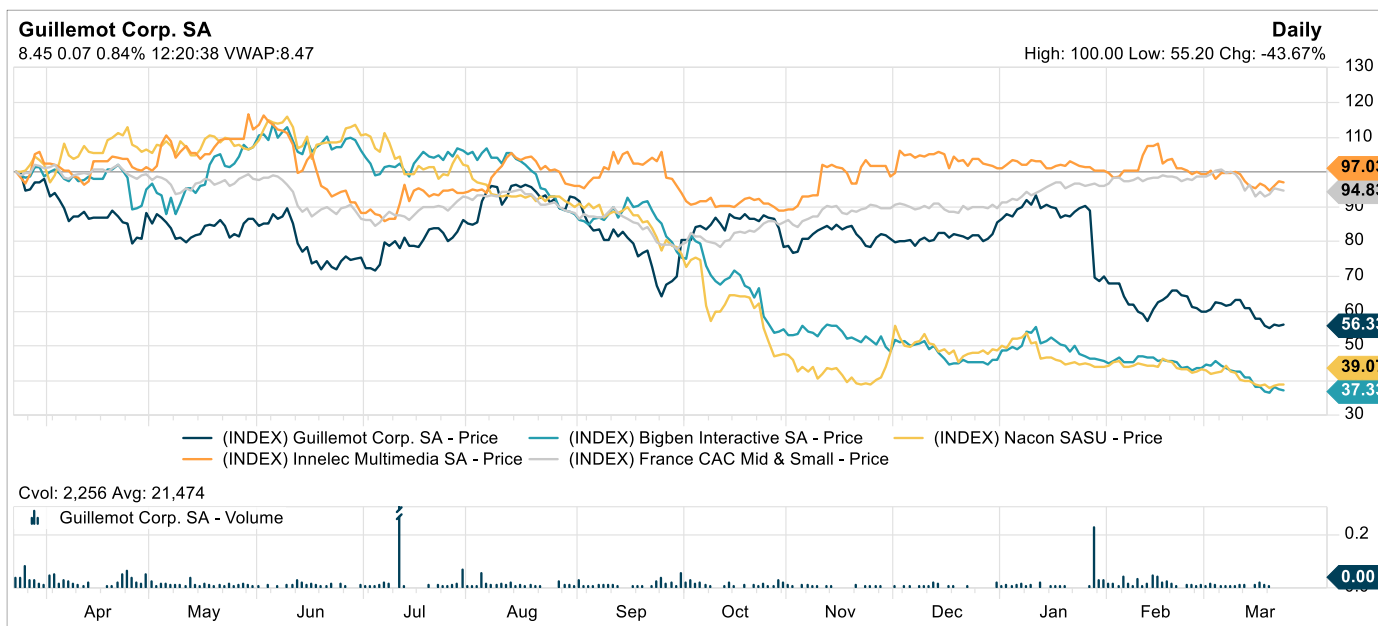
The next company publication will be Q1 2023 sales which will help us update our forecasts. However, we remind that Q1 traditionally is a "small" contributor to FY sales (18% of FY sales).

**Table : Consensus EPS forecasts over time**



Source: Factset

**Table : Last 12 months Guillemot share price performance vs peers and market index (CAC mid & small) - rebased**



Source: Factset

## 4 Summary of forecasted financial statements

### 4.1 Simplified income statement forecasts

December 31st (€m)	2021	2022	2023E	2024E	2025E
<b>Sales</b>	<b>176.76</b>	<b>188.04</b>	<b>140</b>	<b>147.66</b>	<b>157.99</b>
% change	46.5%	6.4%	-25.5%	5.5%	7%
Gross margin	96.15	101.53	68.59	78.25	85.31
% of sales	54.4%	54%	49%	53%	54%
Personnel costs	12.83	14.42	14.7	15.06	15.67
Other costs	31.37	31.93	32.2	32.48	33.18
<b>EBITDA</b>	<b>39.68</b>	<b>41.89</b>	<b>11.8</b>	<b>20.27</b>	<b>25.3</b>
% change	52.2%	5.6%	-71.8%	71.8%	24.8%
% EBITDA margin	22.4%	22.3%	8.4%	13.7%	16%
<b>EBIT</b>	<b>33.00</b>	<b>34.24</b>	<b>4.8</b>	<b>12.88</b>	<b>17.4</b>
% change	43.0%	3.8%	-86.0%	168.6%	35%
% EBIT margin	18.7%	18.2%	3.4.0%	8.7%	11%
<b>Financial result (without Ubi impact)</b>	<b>-0.11</b>	<b>0.74</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>
<b>Earnings before tax</b>	<b>32.89</b>	<b>34.98</b>	<b>4.83</b>	<b>12.92</b>	<b>17.43</b>
Income tax	2.89	7.24	0.82	2.2	2.96
<b>Net income (with Ubi impact)</b>	<b>13.71</b>	<b>20.35</b>	<b>4.01</b>	<b>10.72</b>	<b>14.47</b>
% change	-54.0%	48.4%	-80.3%	167.4%	34.9%
% of sales	7.8%	10.8%	2.9%	7.3%	9.2%
Minorities	0.00	0.00	0.00	0.00	0.00
<b>Restated group net income (w/o Ubi)</b>	<b>30</b>	<b>27.75</b>	<b>4.01</b>	<b>10.72</b>	<b>14.47</b>
% of sales	17%	14.8%	2.9%	7.3%	9.2%
<b>EPS with Ubi impact</b>	<b>0.9</b>	<b>1.35</b>	<b>0.27</b>	<b>0.71</b>	<b>0.96</b>
% change	-54%	50%	-80%	167%	35%
<b>EPS w/o Ubi impact</b>	<b>1.96</b>	<b>1.84</b>	<b>0.27</b>	<b>0.71</b>	<b>0.96</b>
% change	36%	-6%	-86%	167%	35%
<b>Dividend per share</b>	<b>0.25</b>	<b>0.25</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Company and In Extenso Finance estimates

## 4.2 Balance sheet forecasts

December 31st (€m)	2021	2022	2023E	2024E	2025E
<b>ASSETS</b>					
Intangible assets	16.18	23.28	23.28	22.89	21.99
Property, plant and equipment	5.18	8.18	8.18	8.18	8.18
Financial assets	0.47	0.67	0.67	0.67	0.67
Tax assets	0.36	0.5	0.5	0.5	0.5
Deferred tax assets	5.31	4.27	4.27	4.27	4.27
<b>Non-current assets</b>	<b>27.5</b>	<b>36.89</b>	<b>36.89</b>	<b>36.51</b>	<b>35.61</b>
Inventories	40.93	57.2	42	44.3	47.4
Trade receivables	59.88	34.74	30.8	32.48	34.76
Other receivables	6.61	4.08	4.2	4.43	4.74
Financial assets	19.12	11.72	11.72	11.72	11.72
Current tax assets	0.16	0.32	0.32	0.32	0.32
Cash and cash equivalents	12.03	35.25	43.01	51.44	63.19
<b>Current assets</b>	<b>138.71</b>	<b>143.31</b>	<b>132.05</b>	<b>144.69</b>	<b>162.12</b>
<b>TOTAL ASSETS</b>	<b>166.21</b>	<b>180.2</b>	<b>168.94</b>	<b>181.2</b>	<b>197.73</b>
<b>LIABILITIES AND EQUITY</b>					
Capital	11.77	11.77	11.77	11.77	11.77
Premium	10.55	10.55	10.55	10.55	10.55
Reserves and consolidated income	67.41	81.65	81.88	92.6	107.07
Currency translation adjustments	0.69	0.44	0	0	0
<b>Group shareholders' equity</b>	<b>90.43</b>	<b>104.41</b>	<b>104.21</b>	<b>114.93</b>	<b>129.39</b>
Minority interests	0	0	0	0	0
<b>Consolidated shareholders' equity</b>	<b>90.43</b>	<b>104.41</b>	<b>104.21</b>	<b>114.93</b>	<b>129.39</b>
Employee benefit liabilities	1.38	1.59	1.59	1.59	1.59
Borrowings	2.1	8.35	8.35	8.35	8.35
<b>Non-current liabilities</b>	<b>3.47</b>	<b>9.95</b>	<b>9.93</b>	<b>9.93</b>	<b>9.93</b>
Trade payables	38.07	38.89	28	29.53	31.6
Short-term borrowings	4.77	5.64	5.64	5.64	5.64
Taxes payable	2.73	2.44	2.44	2.44	2.44
Other liabilities	26.68	18.73	18.73	18.73	18.73
<b>Current liabilities</b>	<b>72.31</b>	<b>65.85</b>	<b>54.81</b>	<b>56.34</b>	<b>58.41</b>
<b>Total liabilities and equity</b>	<b>166.2</b>	<b>180.2</b>	<b>168.94</b>	<b>181.2</b>	<b>197.73</b>

Source: Company and In Extenso Finance estimates

## 4.3 Cash flows statement forecasts

Consolidated cash flow statement (M€)	2021	2022	2023E	2024E	2025E
Net income	13.71	20.35	4.01	10.72	14.47
+ amortization, depreciation and provisions	4.88	5.8	5	5.38	5.9
- Reversals of amortization, depreciation and provisions	-0.02	-0.12	0	0	0
-/+ Unrealized gains and losses arising from changes in fair value	15.9	7.4	0	0	0
+/- Expenses and income arising from stock options	0.05	0.55	0	0	0
-/+ Capital gains and losses on disposals	-0.01	0	0	0	0
Change in deferred taxes	-1.83	1.06	0	0	0
Cost of net financial debt	0.11	0.04	0	0	0
<b>Operating cash flow after cost of net financial debt</b>	<b>32.79</b>	<b>35.08</b>	<b>9.01</b>	<b>16.1</b>	<b>20.37</b>
Currency translation adjustment on gross cash flow from operations	0.02	-0.3	0	0	0
<b>Change in working capital</b>	<b>-36.34</b>	<b>-1.94</b>	<b>8.14</b>	<b>-2.68</b>	<b>-3.62</b>
<b>Net cash flows from operating activities</b>	<b>-3.53</b>	<b>32.84</b>	<b>17.15</b>	<b>13.42</b>	<b>16.75</b>
Investments	-5.42	-5	-5	-5	-5
<b>Net cash flows from investing activities</b>	<b>-5.42</b>	<b>-8.11</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>
Dividends paid	-3.82	-3.81	-3.77	0	0
Borrowings	1.33	10.1	0	0	0
Repayment of borrowings	-5.12	-4.58	0	0	0
Repayment of IFRS 16 liability and interest	-0.22	-0.63	0	0	0
Other	0	0.06	-0.6	0	0
<b>Total cash flows from financing activities</b>	<b>-7.84</b>	<b>-1.5</b>	<b>-4.37</b>	<b>0</b>	<b>0</b>
Impact of foreign currency translation adjustments	0.24	0	0	0	0
<b>Change in cash</b>	<b>-16.54</b>	<b>23.24</b>	<b>7.78</b>	<b>8.42</b>	<b>11.75</b>

Source: Company and In Extenso Finance estimates



## 5 Valuation: price target cut to € 8.23 (vs €15.75) – Neutral (from Buy)

**Our price target is set to €8.23 vs €15.75 previously and we reduce our rating to Neutral from Buy.**

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

### 5.1 DCF method yields fair value of € 10.6

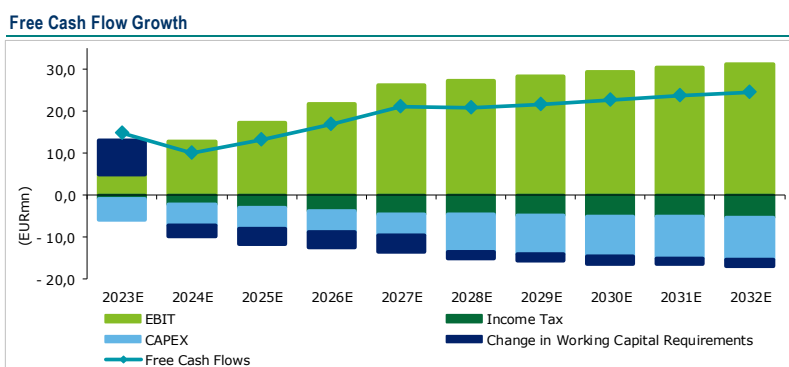
Discounted Cash Flow		Fair Value: 10,6 €					Upside: +26%					2022-2032E	
Free Cash Flows (Year-End Dec, EURmn)	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	CAGR
Sales	177	188	140	148	158	169	181	188	196	203	210	216	1.4
% change		6.4	-25.5	5.5	7	7	7	4	4	4	3	3	
EBIT	33	34.2	4.8	12.9	17.4	21.6	26.2	27.2	28.3	29.4	30.3	31.2	-0.9
% Margin	18.7	18.2	3.4	8.7	11	12.8	14.5	14.5	14.5	14.5	14.5	14.5	
Tax Rate(%)	17.4	26.2	17	17	17	17	17	17	17	17	17	17	
Depreciation and Amortisation	7.1	6.7	7.7	7	7.4	7.9	8.5	8.8	9.1	9.5	9.8	10.1	
As % of Sales	4	3.6	5.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	
CAPEX	-5.4	-5.6	-5	-5	-5	-5	-5	-8.8	-9.1	-9.5	-9.8	-10.1	6
As % of Sales	3.1	3	3.6	3.4	3.2	3	2.8	4.7	4.7	4.7	4.7	4.7	
Working Capital Requirements	40	36	28	31	34	38	42	44	46	47	49	50	3.4
As % of Sales	22.6	19.1	19.9	20.7	21.6	22.5	23.3	23.3	23.3	23.3	23.3	23.3	
Change in Working Capital Requirements	-36	4	8	-3	-4	-4	-4	-2	-2	-2	-1	-1	
<b>Free Cash Flows</b>	<b>-7</b>	<b>30</b>	<b>15</b>	<b>10</b>	<b>13</b>	<b>17</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>-2.1</b>

Present Value Of Free Cash Flow (EURmn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Value
Free Cash Flow	15	10	13	17	21	21	22	23	24	24	175
% Chg		-32%	+32%	+29%	+24%	-1%	+4%	+4%	+5%	+3%	
Target WACC	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
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	0.90	0.77	0.67	0.58	0.50	0.43	0.37	0.32	0.28	0.24	0.24
<b>Present Value of FCF</b>	<b>13,2</b>	<b>7,8</b>	<b>8,8</b>	<b>9,8</b>	<b>10,5</b>	<b>9,0</b>	<b>8,1</b>	<b>7,3</b>	<b>6,6</b>	<b>5,9</b>	<b>42,3</b>

WACC	15,7%
Target Debt/Equity	0,0%
Average Tax Rate	26,0%
<b>Cost of Debt</b>	<b>2,1%</b>
Risk Free Rate	2,8%
Beta	1,39
Equity Risk Premium	7,0%
Small caps premium	3,2%
<b>Cost of Equity</b>	<b>15,7%</b>
<b>Terminal value FCF growth</b>	<b>+1,5%</b>

Sensitivity analysis (EUR)		Terminal Value Growth Rate							
		1,2%	1,3%	1,4%	1,5%	1,6%	1,7%	1,8%	1,9%
		14,5%	13,3	13,3	13,4	13,4	13,5	13,5	13,5
		15,0%	12,8	12,9	12,9	12,9	13,0	13,0	13,1
<b>WACC</b>	<b>15,5%</b>	12,4	12,5	12,5	12,5	12,5	12,6	12,6	12,6
	<b>16,0%</b>	12,0	12,1	12,1	12,1	12,1	12,2	12,2	12,2
	<b>16,5%</b>	11,7	11,7	11,7	11,7	11,8	11,8	11,8	11,8
	<b>17,0%</b>	11,3	11,4	11,4	11,4	11,4	11,4	11,5	11,5

Fair Value (EUR)	
Enterprise Value (EURm)	129,5
Financial assets	9,9
Net Debt (Cash) at year-end 2022	-21,3
Minorities	0,0
<b>Equity Value (EURm)</b>	<b>160,6</b>
Fully diluted nb of shares outstanding	15,09
<b>Fair Value (EUR)</b>	<b>10,6</b>
Current Share Price	8,4
<b>Upside/Downside (%)</b>	<b>+26%</b>



Trailing and Target Multiples at our Price Objective					
	2022A	2023E	2024E	2025E	2026E
PE (x)	5,8x	40,1x	15,0x	11,1x	8,9x
P/CF (x)	0,3x	0,6x	0,8x	0,6x	0,5x
P/FCF (x)	0,4x	0,9x	1,3x	0,9x	0,7x
EV/Sales (x)	0,9x	1,1x	1,1x	1,0x	1,0x
EV/EBIT (x)	4,7x	33,5x	12,5x	9,2x	7,4x
EV/EBITDA (x)	3,8x	13,6x	7,9x	6,4x	5,3x
EV/C.E. (x)	3,2x	3,9x	3,6x	3,4x	3,1x
EV/CF (x)	4,9x	9,4x	12,0x	9,6x	7,8x

Source: In Extenso Finance estimates

## 5.2 Peer valuation methodology gives €5.82 fair value

Peer valuation gives a value per share of between €4.9 and €7.2, with an average of €5.82.

The table below show the implied valuations of Guillemot according to current valuation market multiples for peer companies:

	EV / Sales 23	EV / Sales 24	EBITDA 23	EBITDA 24	EV / EBIT 23	EV / EBIT 24	PE 23	PE 24
Bigben Interactive SA	0.57	0.53	2.23	2.39	5.24	4.09	4.67	3.24
Innelec Multimedia SA							6.31	4.85
Bang & Olufsen A/S	0.35	0.32	4.94	3.56	na	na	na	na
<b>Average</b>	<b>0.32</b>	<b>0.42</b>	<b>3.59</b>	<b>2.98</b>	<b>15.43</b>	<b>6.34</b>	<b>5.49</b>	<b>7.04</b>
<b>Median</b>	<b>0.35</b>	<b>0.42</b>	<b>3.59</b>	<b>2.98</b>	<b>15.43</b>	<b>6.34</b>	<b>5.49</b>	<b>4.85</b>

	Sales 23	Sales 24	EBITDA 23	EBITDA 24	EBIT 23	EBIT 24	Net Inc. 23	Net Inc. 24
Guillemot (€m)	140	147.66	11.8	20.27	4.8	12.88	4.01	10.72
Resulting valuation (€m)	75.52	93.6	73.43	91.48	105.13	112.87	53.14	106.61
Average valuation (€ / share)	79.8	93.6	73.43	91.48	105.13	112.87	53.14	83.17
<b>Average</b>		<b>5.68</b>		<b>5.46</b>		<b>7.22</b>		<b>4.91</b>
				<b>5.82</b>				

Source: factset & In Extenso Finance estimates

### Peers' selection

Guillemot has a fairly 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.).

	Sales 23	Sales 24	EBITDA 23	EBITDA 24	EBIT 23	EBIT 24	Net Inc. 23	Net Inc. 24
Bigben Interactive SA	372.8	400.9	95.1	88.7	40.5	51.9	20.7	29.8
Innelec Multimedia SA	179.6	189.4	6	7.1	4	5	2.5	3.3
Bang & Olufsen A/S	406.3	445.9	28.6	39.7	5.5	16.4	2.7	10.8

	Market cap.	Net debt	Minorities	EV
Bigben Interactive SA	96.5	65.6	50	212.2
Innelec Multimedia SA	15.8	-9.6	0	6.2
Bang & Olufsen A/S	155.4	-14.1	0	141.3

Source: factset

## 6 Important disclosures

### 6.1 In Extenso Financement & Marché ratings and target prices definition

In Extenso Financement & Marché 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 Financement & Marché in target price calculations are available at [https://finance.inextenso.fr/wp-content/uploads/2022/11/Methodes\\_Valo\\_Analyse\\_Fin\\_IEFM.pdf](https://finance.inextenso.fr/wp-content/uploads/2022/11/Methodes_Valo_Analyse_Fin_IEFM.pdf)

### 6.2 Detection of potential conflicts of interest

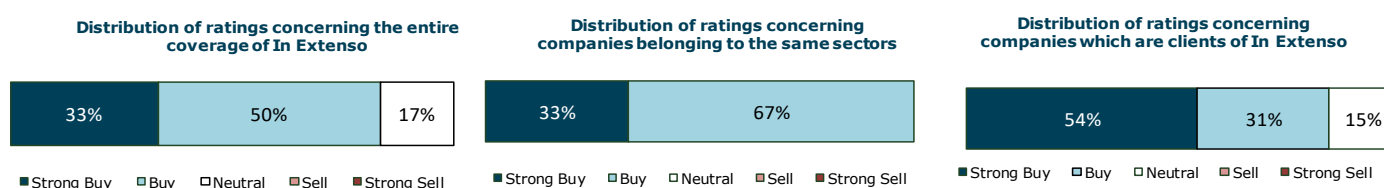
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No	No	No	No	Yes	No	No

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

Date	Opinion	Objectif de cours
March 24 <sup>th</sup> 2023	Annual Research <b>Neutral</b>	<b>€ 8.23</b>
January 27 <sup>th</sup> 2023	Equity Flash <b>Buy</b>	<b>€ 15.75</b>
October 31 <sup>st</sup> 2022	Equity Flash <b>Strong Buy</b>	<b>€ 16.65</b>
October 4 <sup>th</sup> 2022	Semi-annual Research <b>Strong Buy</b>	<b>€ 17.00</b>
August 1 <sup>st</sup> 2022	Equity Flash <b>Strong Buy</b>	<b>€ 19.70</b>
July 5 <sup>th</sup> 2022	Sectoral study <b>Strong Buy</b>	<b>€ 19.65</b>
May 2 <sup>nd</sup> 2022	Equity Flash <b>Strong Buy</b>	<b>€ 19.30</b>

### 6.4 Ratings distribution



## 6.5 Additional disclosures

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