

Date of first publication: 27 October 2023

Guillemot

Q3 sales -18% YoY – sequential improvement

Guillemot published Q3 sales of €35.4 M, down -18% YoY on a still difficult comparison basis, although easing, and continued rationalisation of inventory in the distribution networks. However, the rate of decrease is slowing down, after H1 sales that were down 51% YoY. In the future, we anticipate a relative improvement in Q4, with sales down 11.5% YoY. Comparison basis will be easier, and the Group will offer a solid line-up of new ranges and new products for the final part of the year. Finally, Management maintained its guidance and bright outlook for 2024. We leave our estimates unchanged. Shares trade at 3.7x EV/EBITDA NTM, vs historical average of 4.1x. **We reiterate Buy and adjust our price objective to €6.90 (from €7.10).**

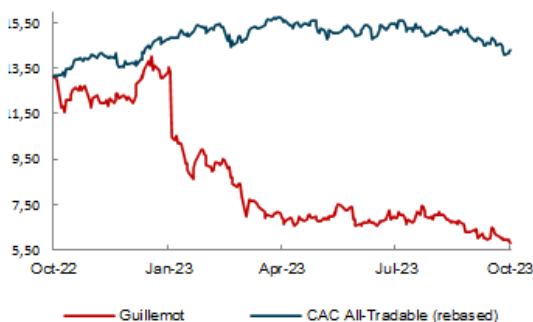
Recommendation	2. Buy
Closing Price on 26 Oct. 2023	€ 5.51
Target Price	€ 6.88 (+24.8%)

Market data

Reuters / Bloomberg Ticker	GTCN.PA / GUI:FP
Market capitalisation (€m)	83.1
Enterprise value (€m)	61.8
Free Float (€m)	25.13 (30.2%)
Number of shares	15 087 480
Daily volume	€ 120 523
Capital turnover rate (1 year)	18,70%
High (52 weeks)	€ 14,02
Low (52 weeks)	€ 5,81

Performances

Absolute perf.	1 month	6 months	12 months
	-9%	-16%	-56%



Current shareholding structure

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

Agenda

FY2023 sales : 25 Jan. 2024 (after market)

Key figures

	2021	2022	2023E	2024E	2025E
Sales (€m)	176,8	188,0	125,0	134,8	141,9
Change (%)	0,0	0,1	-0,3	0,1	0,1
EBITDA (€m)	39,7	41,9	9,2	16,5	20,2
EBIT (€m)	33,0	34,2	3,0	9,8	13,1
Ebit margin (%)	18,7%	18,2%	2,4%	7,2%	9,2%
Net profit gp (€m) *	30,0	27,7	2,7	8,0	10,8
Net margin (%) *	17,0%	14,8%	2,2%	5,9%	7,6%
EPS *	1,96	1,84	0,18	0,53	0,71

* 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	0,5	0,4	0,3
EV / EBITDA	5,0	4,2	6,4	3,3	2,3
EV / EBIT	6,0	5,1	19,9	5,6	3,6
P / E *	6,7	7,1	30,3	10,4	7,7
	0,0	0,0	0,0	0,0	0,0
Gearing (%)	-6%	-20%	-24%	-25%	-30%
Net debt/EBITDA	-0,1	-0,5	-2,6	-1,7	-1,8
ROCE (%)	15%	19%	2%	7%	9%

Q3 sales down -18% YoY, after -51% in H1 YoY

Q3 sales came out at €35.4 M, down -18% YoY. As a reminder, H1 sales were down -51% YoY (-61% in Q1 and -37.7% in Q2). The level of activity has been penalised by (1) continued rationalisation of inventory in the distribution networks, although trade-marketing operations helped to partially offset this effect, and (2) a still difficult comparison basis, although easing (Q3 2022 sales were up +5.7% after almost two years of exceptional level of activity). By segment, Thrustmaster Q3 sales went out at €30.6 M, down -23% YoY. Hercules Q3 sales reached €4.8 M, up 50% YoY.

Sequential improvement to continue in Q4

Guillemot maintained its FY guidance of sales at c. €120-140 M and positive operating result. The Group is currently seeing growth in sales of its products with several major customers, particularly in the US, which augurs better commercial momentum for the end of the year. Our expectations are unchanged (FY sales of €125 M and EBIT of €3 M). Thus, although we anticipate a further drop in sales in Q4 of -11.5% YoY to €41.5 M, this should be put into perspective as the rate of change is improving. On the one hand, the basis of comparison will be easier (Q4 2022 was down -28.5% YoY), on the other hand, the quarter should be supported by new car racing game releases which should help revitalize sales of accessories. Finally, the group recently expanded its distribution networks in Asia and the US.

Growth to resume in 2024

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 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 new market segments. We expect significant sales growth to resume from 2024.

End of downward revisions cycle for consensus EPS

We believe that the market has priced in sales landing in 2023 and given the prospects of a return to growth in 2024, we believe that the downward cycle of EPS estimate revisions for the group has reached or is close to its end. The potential of the Group's new ranges and the clean-up of stocks give good prospects for a return to significant growth from 2024.

We reiterate Buy - TP of €6.90 (from €7.10)

Shares trade at 3.7x EV/EBITDA NTM, vs historical average of 4.1x. **We reiterate Buy and adjust our PO to €6.90 (prev. € 7.10)** after updating market data in our valuation model.

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Q3 2023 sales down -18% YoY...

Q3 sales came out at €35.4 M, down -18% YoY. As a reminder, H1 sales were down -51% YoY (-61% in Q1 and -37.7% in Q2).

The level of activity has been penalised by (1) continued rationalisation of inventory in the distribution networks, although trade-marketing operations helped to partially offset this effect, and (2) a still difficult comparison basis, although easing (Q3 2022 sales were up +5.7% after almost two years of exceptional level of activity).

By segment, Thrustmaster Q3 sales went out at €30.6 M, down -23% YoY. Hercules Q3 sales reached €4.8 M, up 50% YoY.

Sales by period (€ M)

CA par marque (M€)

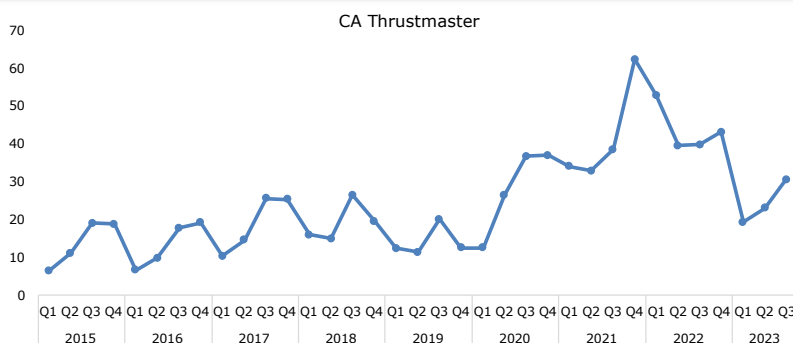
	2019			2020			2021			2022			2023			
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	Q3	9M
Hercules	4,7	8,0	9,0	3,0	2,6	5,6	3,2	8,8	3,7	6,9	12,5	2,5	3,3	5,8	4,8	10,6
Thrustmaster	56,2	112,6	167,8	52,9	39,6	92,5	39,8	132,3	43,2	83	175,5	19,3	23,0	42,3	30,6	72,9
TOTAL	60,9	120,6	176,8	55,9	42,2	98,1	43	141,1	46,9	89,9	188	21,8	26,3	48,1	35,4	83,5

Var YoY (%)

	2019			2020			2021			2022			2023			
	FY	FY	FY	Q1	Q2	H1	Q3	9M	Q4	H2	FY	Q1	Q2	H1	Q3	9M
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%
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%
TOTAL	-25,0%	98,0%	46,6%	56,1%	21,6%	39,1%	5,7%	26,9%	-28,5%	-15,4%	6,3%	-61,0%	-37,7%	-51,0%	-17,7%	-40,8%

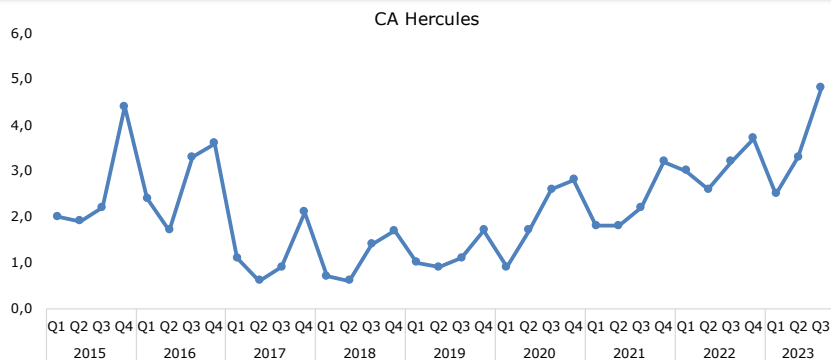
Source : Company & In Extenso Finance

Quarterly sales - Thrustmaster (€ M)



Source : Company & In Extenso Finance

Quarterly sales - Hercules (€ M)

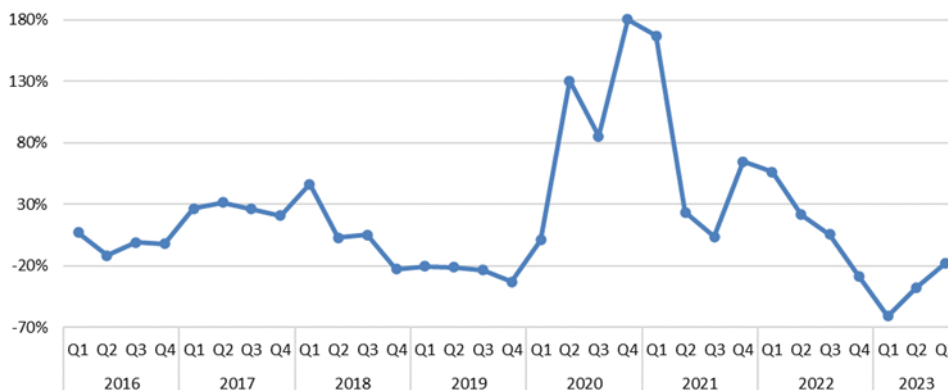


Source : Company & In Extenso Finance

... but sequential improvement

The drop of -18% YoY in Q3 sales followed an even more pronounced drop in Q1 at -61% YoY and in Q2 at -37.7%, reflecting a relative improvement of the situation.

YoY change in quarterly group sales



Source : Company & In Extenso Finance

Outlook: less pronounced decline in Q4 and return to growth in 2024

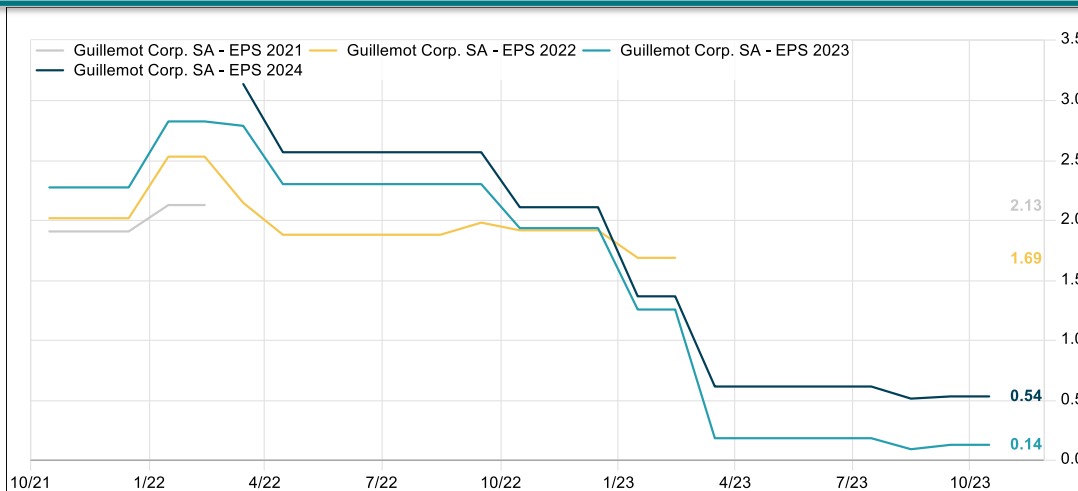
Guillemot reiterated its guidance for FY sales of c. €120-140 M and positive operating result. The Group is currently seeing growth in sales of its products with several major customers, particularly in the US, which augurs better commercial momentum for the end of the year.

Our estimates are unchanged (sales of €125 M and operating result of €3 M). Thus, we anticipate a drop in sales in Q4 of -11.5% YoY to €41.5 M, reflecting an improvement in the rate of decline. Comparison basis continues to ease, and the Group will offer a solid line-up of new ranges and new products for the final part of the year. In Q4, the current and forthcoming crop of racing games should help revitalize the markets. Finally, Guillemot recently expanded its distribution networks in Asia and the US.

End of downward revisions cycle for consensus EPS

We believe that the market has priced in sales landing in 2023 and given the prospects of a return to growth in 2024, we believe that the downward cycle of EPS estimate revisions for the group has reached or is close to its end. The potential of the Group's new ranges and the clean-up of stocks give good prospects for a return to significant growth from 2024.

2022-24 consensus EPS

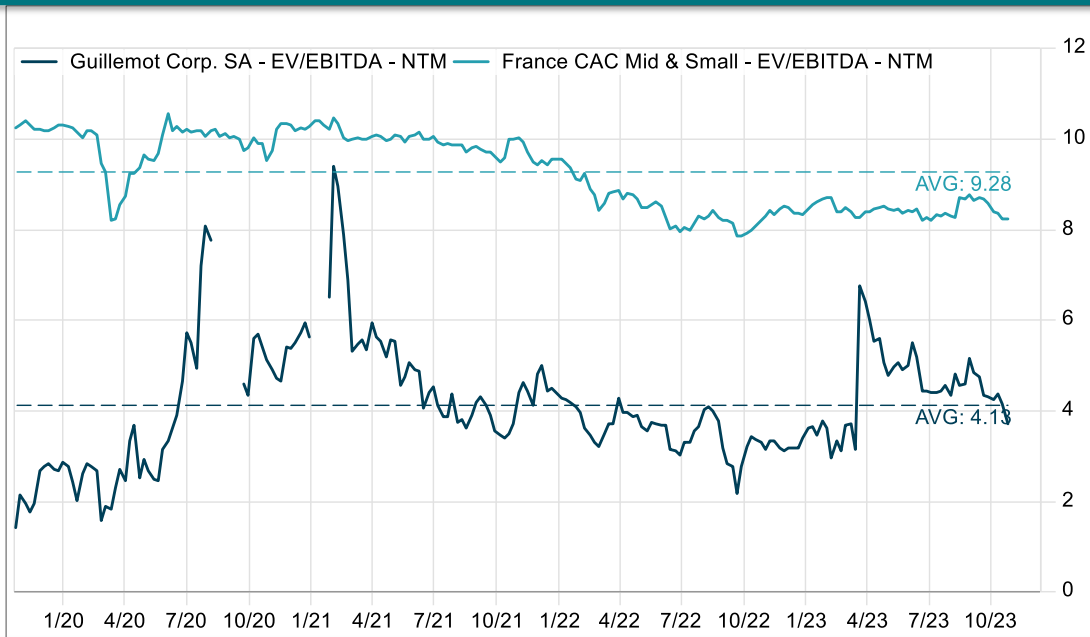


Source : Factset & In Extenso Finance

Valuation multiples

Shares trade at 3.7x EV/EBITDA NTM, vs historical average of 4.1x.

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

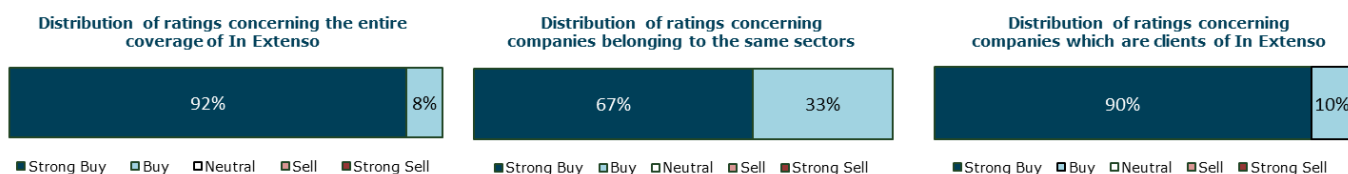
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No	No	No	No	Yes	No	No

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Rating and target price evolution throughout the last 12 months

Date	Rating	Target price
October 27 th 2022	Equity Flash Buy	€ 6.90
October 2 nd 2022	Semi-annual Research Buy	€ 7.10
July 27 th 2023	Equity Flash Buy	€ 8.17
April 27 th 2023	Equity Flash Buy	€ 8.17
March 24 th 2023	Annual Research Neutral	€ 8.23
January 27 th 2023	Equity Flash Buy	€ 15.75
October 31 st 2022	Equity Flash Strong Buy	€ 16.65

Ratings distribution



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