

EGIDE

Euronext C - FR0000072373 - GID

- ✓ Exceptional elements penalize the results
- ✓ Excluding the write-down of Egide SA for € 0.94m, EBIT - € 0.59m vs. - € 0.82m in 2017 (expected € 0.16m) / Net result - € 1.3m vs. - € 0.4 million in 2017 (expected - € 0.6m)
- ✓ Very good cash management: cash flow variation - € 0.7 m (expected - € 0.64m) - gearing of 42% vs. 36% expected and 31% in 2017

After achieving 2.7% growth, there is little improvement in its results. In fact, the group failed to show a positive result as we expected and as it was for the first time from 5 years in H1 2018 (2.7% operating margin).

The discrepancies that explain what we are disappointed 1 / higher staff costs ok € 0.3m to our expectations due to recruitment in "top management" (progression over the year of +2,9% to € 13.5m and 2 / exceptional expenses for about € 210k : a "cyber attack" on Santier (cost of € 131k) and a "Urssaf" control on Egide SA (€ 87k). In addition, an impairment of € 0.94m on Egide SA had to be done in view of the recurrent decline in its level of activity. The financial result is also lower than our expectations at - € 0.65m due, along other things, to costs related to the setting up of new financing (- € 0.4m expected). These are the elements that explain the shift from our expectations, the rest of the positions being online.

On the other hand, the balance sheet and the cash management were very well maintained, as is regularly the case. Thus, with results lower than our expectations, the major balances are in line with our estimates. The WCR is controlled at 25% of sales and slightly improved compared to 2017, just as investments amounted to 2.9% of sales.

At the level of financial debts, they were stable at € 6.9m, but their equilibrium evolved with long-term debt rising from € 1.8m to € 4.3m and short-term debt that go from € 5.1m to € 2.6m. The fall in short-term debt comes from 1 / the decline in Egide SA's factoring debt (€ 1.8m vs. € 2.4m) and 2 / the replacement of the Egide USA revolving credit (€ 1.96m) by a long-term loan. The latter is therefore progressing naturally because of this operation. Thus, the long-term debt is mainly driven by the USA: € 1.3m in real estate loans, € 1.2m in equipment borrowing plus a new loan for Santier in the amount of € 0.5m to modernize equipment and a historic loan of € 0.6m.

- By entities:

First of all, it is necessary to reprocess certain "administrative" costs that were invoiced for the first time by Egide SA to Egide USA and Santier for € 143,000 for each entity.

- Egide SA:

Despite a decline of 7.6% to € 14.4m, it reduced its operating loss by almost two-fold to - € 0.7m (- € 0.86m expected) excluding the depreciation. Restated for the rebilling of the administrative expenses, the loss would have been close to - € 1m vs - € 1.35m in 2017. Egide SA continues to suffer from a lack of volume of business to absorb its costs of structure but continue to master them well.

- Egide USA:

With activity up 16.2% to € 8.4m, it is slowly improving its performance and posting an operating loss of - € 0.31m (€ 0.22m expected) vs. - € 0.55m in 2017. Excluding rebilling, the loss would have been - € 0.17m.

- Santier:

Its metrics deteriorated in H2 after an excellent H1 (margin of 17.1%). it ended the year with an operating margin of 5% (€ 0.44m) vs. 15.4% in 2017 and 8.9% expected. Excluding exceptional and not rebilling of Egide SA, it would have been 8% to € 0.72m which is in line with our expectations. This still leads to a loss in H2 of - € 0.1m (excluding exceptional & excluding refac.) related to the loss of market share due to lower competitiveness. Thus, structural costs could not be absorbed. In order to regain competitiveness, the decision was made to invest in the industrial tool to modernize it.

BUY

2018 annual results

| | |
|------------------------|----------------------|
| TARGET | BEFORE |
| € 2.1 | € 2.6 |
| PRICE (3/28/19) | POTENTIAL |
| € 1.165 | +79.5% |
| MARKET CAP. | FLOTTANT |
| € 9.2 million | € 6.8 million |

| Ratios | 2019e | 2020e | 2021e |
|----------------|-------|-------|-------|
| EV/Sales | 0,4 | 0,4 | 0,3 |
| EV/EBIT | 32,8 | 8,5 | 6,1 |
| P/E | -23,0 | 16,2 | 9,4 |
| P/CF | 11,5 | 6,9 | 4,3 |
| Dividend Yield | 0% | 0% | 0% |

| Data per share | 2018 | 2019e | 2020e | 2021e |
|----------------|-------|-------|-------|--------|
| EPS | -0,29 | -0,05 | 0,07 | 0,12 |
| %Change | nr | nr | nr | 72,3% |
| FCF | -0,06 | 0,00 | 0,07 | 0,16 |
| %Change | nr | nr | nr | 144,1% |
| Dividend | - | - | - | - |

| Income Statement (€m) | 2018 | 2019e | 2020e | 2021e |
|-----------------------|-------|-------|-------|-------|
| Net Sales | 31,7 | 33,9 | 36,8 | 38,6 |
| %Change | 7,0% | 8,5% | 4,8% | 4,8% |
| EBITDA | 0,49 | 1,10 | 2,26 | 2,79 |
| % Sales | 1,5% | 3,2% | 6,1% | 7,2% |
| EBIT | -1,53 | 0,43 | 1,64 | 2,12 |
| % Sales | -4,8% | 1,3% | 4,5% | 5,5% |
| Net Result | -2,29 | -0,40 | 0,57 | 0,98 |
| % Sales | -7,2% | -1,2% | 1,5% | 2,5% |

| Cash Flow Statement (€m) | 2018 | 2019e | 2020e | 2021e |
|--------------------------|-------|-------|-------|-------|
| FCF | -0,5 | 0,0 | 0,5 | 1,3 |
| Net Debt | 4,6 | 5,0 | 4,8 | 3,8 |
| Shareholder Equity | 11,0 | 10,9 | 12,1 | 13,8 |
| Gearing | 42% | 46% | 40% | 27% |
| ROCE | -6,3% | 1,7% | 6,2% | 7,7% |

| Shareholders | |
|---------------|-------|
| Sigma Gestion | 13,0% |
| Ostrum AM | 5,0% |
| Direction | 1,0% |
| Free Float | 81,0% |

| Performances | 2019 | 3m | 6m | 1 Year |
|--------------------|--------|--------|--------|--------|
| Egide | -16,5% | -18,0% | -45,3% | -49,8% |
| CAC Small | 7,5% | 9,6% | -15,1% | -20,4% |
| 12 months Low-High | 1,03 | 2,51 | | |

| Liquidity | 2019 | 3m | 6m | 1 Year |
|-------------------------|-------|-------|-------|--------|
| Cumulative volume (000) | 1 368 | 1 369 | 2 509 | 3 455 |
| % of capital | 17,3% | 17,3% | 31,8% | 43,7% |
| % of Free Float | 23,2% | 23,2% | 42,5% | 58,6% |
| € Million | 1,77 | 1,77 | 3,57 | 5,76 |

Next Event Sales H1 : 12th of July

What to expect in 2019?

Management confirms that H1 is under pressure to compensate 2 customers of Egide SA in the field of infra-red whose orders have slowed down in H2 2018. It nevertheless confirms that the group will be growing throughout the year thanks to US entities: Egide USA will continue to benefit from the rise of ceramics and Santier must take advantage of the upgrading of its industrial tool.

In terms of results, the volume effect will be favorable. Remains the question of the level ... We expected a positive operating result in 2018 it is missed because 1 / the sharp decline from the Q3 of the activity of Egide SA, 2 / the loss of some contracts H2 fault sufficient competitiveness for Santier and 3 / higher charges on Egide USA related to recruitment efforts.

We had made 2018 a pivotal year on the issue of profitability, so doubts are beginning to appear on the fundamental ability of the group to generate sustainable profits. Does its market, and the industrial tool that it imposes to address it, make it possible to achieve "structurally" profitability?

As a reminder Egide USA has not been profitable since 2013 because it lacked ceramics to expand its target market and Egide SA since 2012 for lack of commercial dynamism allowing it to fetch the volume of business able to absorb the costs.

2019 must be the year that answers the question of the viability of the economic model. With ceramics, Egide USA finally has the means to become profitable and must implement synergies with Santier, which is profitable. For Egide SA this is another question and that is why a depreciation has occurred. It lacks outlets. 2019 will still be in deficit because the turnover will be stable at best. Also, the United States must allow the group to go green, but for this to be sustainable it is also necessary for Egide SA to expand its market.

In terms of forecasts, we are adjusting slightly downwards our target of 2019e turnover to € 33.9m vs. € 34.2m due to uncertainties about Egide SA, the management having confirmed that Egide USA and Santier would be growing. We are also adjusting our EBIT target to € 0.43m vs. € 0.99m, also because of Egide SA which will not be able, due to a lack of sales, to break-even. However, these adjustments confirm that Egide must be able to post a positive operating result in 2019.

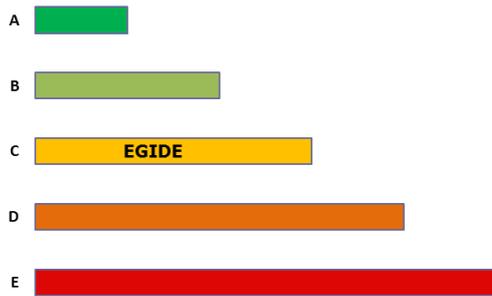
The 2018 results and the adjustment of our forecasts lead to a further lowering of our price target to € 2.10 vs. € 2.60 (€ 2.74 vs. € 3.27 vs. € 1.12 vs. € 1.59). The appreciation potential of nearly 80%, confirms our opinion Buy always in a long-term perspective.

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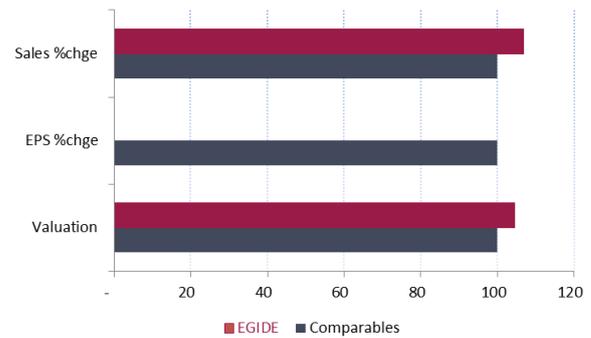
Snapshot Egide

Egide articulates its activity through two technologies that are glass-metal and ceramic cases which makes it one of the few actors in the world to control them. These housings make it possible to ensure perfect hermeticity in environments that may be subject to high thermal and / or atmospheric stresses. Egide provides highly resistant interconnection boxes in sensitive environments (Space, Defense, Security, Aeronautics, Telecommunications, Energy, ...), solutions that guarantee the optimal reliability of electronic systems or complex chips. In February 2017, the group acquired Santier, a US company specializing in the manufacture of dissipative components and materials.

Fondamental Matrix



Investment Profile



Price target & rating history

| Date | Type | Opinion | Price per share | Target Price |
|------------|--------------|---------|-----------------|--------------|
| 1/11/2019 | 2018 Sales | Buy | € 1.57 | € 2.6 |
| 10/11/2018 | Sales Q3 | Buy | € 1.955 | € 2.93 |
| 10/1/2018 | H1 results | Buy | € 2.12 | € 2.93 |
| 7/15/2018 | Sales H1 | Buy | € 2.324 | € 3.02 |
| 4/16/2018 | Sales Q1 | Buy | € 2.25 | € 3.02 |
| 3/28/2018 | 2017 Results | Buy | € 2.36 | € 3.09 |

Financial Data

| Income Statement (€ m) | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|------------------------|-------------|-------------|-------------|-------------|------------|------------|
| Revenues | 22,2 | 30,9 | 31,7 | 33,9 | 36,8 | 38,6 |
| Purchase | 9,1 | 12,3 | 12,6 | 13,6 | 14,7 | 15,4 |
| Externals costs | 3,7 | 5,0 | 4,7 | 5,0 | 5,3 | 5,6 |
| Personnals Costs | 9,2 | 13,1 | 13,5 | 13,7 | 13,9 | 14,2 |
| EBITDA | -0,2 | 0,0 | 0,5 | 1,1 | 2,3 | 2,8 |
| Amortization | 0,7 | 1,0 | 1,8 | 0,9 | 0,8 | 0,9 |
| other | 0,3 | 0,1 | -0,2 | 0,2 | 0,2 | 0,2 |
| EBIT | -0,6 | -0,8 | -1,5 | 0,4 | 1,6 | 2,1 |
| Financial Result | -0,1 | -0,8 | -0,6 | -0,5 | -0,5 | -0,5 |
| Tax | 0,0 | -1,2 | 0,1 | 0,4 | 0,6 | 0,7 |
| Net Result | -0,7 | -0,4 | -2,3 | -0,4 | 0,6 | 1,0 |

| Balance Sheet (€ m) | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fixed Assets | 5,7 | 9,1 | 8,3 | 8,7 | 9,1 | 9,3 |
| Stock Inventories | 3,8 | 6,3 | 6,5 | 6,6 | 7,2 | 7,5 |
| Accounts Receivable | 5,2 | 7,0 | 5,9 | 6,6 | 7,2 | 7,5 |
| Other Currents Assests | 0,2 | 0,3 | 0,3 | 0,5 | 0,5 | 0,5 |
| Cash & Equivalent | 1,1 | 3,0 | 2,4 | 4,1 | 4,6 | 5,8 |
| TOTAL Assets | 16,0 | 25,7 | 23,4 | 26,5 | 28,5 | 30,7 |
| Shareholders' Equity | 6,2 | 12,7 | 11,0 | 10,9 | 12,1 | 13,8 |
| Provisions | 0,5 | 0,7 | 0,7 | 0,8 | 0,8 | 0,9 |
| Financial Debt | 5,4 | 7,0 | 6,9 | 9,1 | 9,4 | 9,6 |
| Accounts Payables | 3,9 | 5,3 | 4,8 | 5,7 | 6,1 | 6,4 |
| TOTAL Liabilitites | 16,0 | 25,7 | 23,4 | 26,5 | 28,5 | 30,7 |

| Cash Flow Statements (€ m) | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|-------------------------------------|-------------|------------|-------------|------------|------------|------------|
| Cash Flow from Operating Activities | -0,1 | -0,5 | -0,2 | 0,8 | 2,0 | 2,5 |
| Change in Net Working Capital | 1,2 | 0,9 | -0,7 | 0,1 | 0,7 | 0,4 |
| Cash Flow from Operations | -1,3 | -1,4 | 0,4 | 0,8 | 1,3 | 2,1 |
| Cash Flow from Investing | -1,0 | -6,2 | -0,9 | -0,8 | -0,8 | -0,8 |
| Capital Increase | 0,0 | 7,7 | 0,0 | 0,0 | 0,0 | 0,0 |
| Funding Flow | 0,6 | 2,2 | -0,1 | 1,8 | 0,0 | -0,1 |
| Cash Flow from Financing | 0,6 | 9,6 | -0,2 | 1,8 | 0,0 | -0,1 |
| Net Change in cash position | -1,7 | 2,0 | -0,6 | 1,8 | 0,5 | 1,2 |

| RATIOS | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|------------------------|--------|-------|--------|-------|-------|-------|
| Ebitda Margin | -0,9% | 0,1% | 1,5% | 3,2% | 6,1% | 7,2% |
| EBIT Margin | -2,5% | -2,7% | -4,8% | 1,3% | 4,5% | 5,5% |
| Net Margin | -3,3% | -1,2% | -7,2% | -1,2% | 1,5% | 2,5% |
| ROE | -11,8% | -2,9% | -20,8% | -3,6% | 4,7% | 7,1% |
| ROCE | -3,4% | -3,1% | -6,3% | 1,7% | 6,2% | 7,7% |
| Gearing | 69,2% | 31,4% | 41,7% | 45,6% | 39,7% | 27,3% |
| FCF per share | -0,5 | -0,3 | -0,1 | 0,0 | 0,1 | 0,2 |
| EPS (€) | -0,2 | -0,0 | -0,3 | -0,1 | 0,1 | 0,1 |
| Dividend per share (€) | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Dividen Yield | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Distribution rate | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |

Estimates : GreenSome Finance

Rating Definition

| BUY | NEUTRAL | SELL |
|---------------|----------------------|---------------|
| Upside > +10% | -10% < Upside < +10% | Upside < -10% |

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| Corporate Finance operation in progress or completed during the last 12 months | GreenSome Consulting and affiliate owns common equity securities of this subject company | Financial Analysis Contract | Notice to the company before publication | Liquidity Contract | Liquidity Provider |
|--|--|-----------------------------|--|--------------------|--------------------|
| NO | NO | YES | YES | NO | NO |

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