

EGIDE

Euronext C - FR0000072373 – GID

- ✓ The USA still recovering;
- ✓ Egide SA regains growth;
- ✓ H1 revenues -3.5% to €16m.

We expected the first half to remain disrupted for the USA due to recruitment issues. This was the case, but much more markedly than expected. Cambridge has thus missed up to 15 employees for a target workforce of 95, i.e., nearly 16% of the workforce missing.

This lack of personnel logically had an impact on the ability to deliver and resulted in a drop in sales in dollars of 28% compared to H1 2021 and 19% sequentially. The group thus achieved a turnover in Cambridge of \$4.65 million (€4.25 million -20.5%).

The drop is more pronounced compared to H1 2021, because during this period the group made significant use of outsourcing to penalize its customers as little as possible. This recourse was less marked in H2 and makes it possible to better understand the correlation between activity and personnel.

Santier's turnover fell by 4.8% in dollars to \$5.41 million (€4.13 million +5%), a drop which also results from recruitment problems but in a much less pronounced way, but also from the availability of components.

Activity in the United States thus amounted to \$9.17 million, down 18.1%. In euros the turnover is €8.38 million, down 9.7%.

The major difficulty of this H1 was for Egide USA to reconstitute its teams after the fire in its factory. Like many American companies, it is much more complicated to recruit, the expectations of employees having changed profoundly since the covid crisis. Moreover, Egide intervenes in an extremely specialized field which requires detailed skills. Also, the difficulty of finding employees is compounded by the time required to train them.

Even if management insists that "industrial difficulties are starting to fade", we can expect more inertia than expected. We were expecting a "marked" recovery in H2, we should be more cautious despite "a high order book, thanks to the battery and defense sectors".

In a way, we can say that we will have to see 2022 as an overhaul of the USA and of Cambridge. Expecting a stabilization of activity in dollars over the year regarding this H1 does not seem credible to us. As a precaution, we are targeting stabilization in H2 2022, which can be seen as a low scenario.

We therefore now expect annual sales in the USA of \$19.2m vs. \$21.7m in 2021, which represents an annual drop of -11.4%. In euros, based on an exchange rate of 1.05, our turnover is stable at €18.3 million.

Concerning Egide SA, the turnover is in line with our expectations at € 7.64m (+4.5%). We expect €14.9m over the year (+5%) knowing that in H2 the base effect could be favourable. We are therefore relatively cautious. Note that management insists on winning new customers in Europe, Asia and the Middle East, which bodes well for 2023.

Furthermore, based on our 2022 forecasts, the French branch of the group will once again be profitable barring exceptional events.

Outlook.

Commercially speaking, the discourse for both France and the USA is positive after it refers to 2023 to see the effects.

2022 will once again be a mixed year due to the difficulties encountered in the USA. Egide USA will suffer from a team that is not fully operational, which restricts production capacity and therefore delivery. As for Santier, he lacks the volume of business. The results will therefore be degraded with an American perimeter in the red. We estimate the American operating loss for the year at around €1 million, while Egide SA should post a result of more than €500,000.

It should be noted that the refinancing of the Cambridge building for \$6 million could make it possible to "erase" this loss. While waiting to better understand the accounting implications of this operation, we are reasoning on the "old scope" in terms of assets.

Opinion & price target.

Egide is a group with which you have to be very patient. We see that the lines are moving in the right direction, Egide SA being the example. The latter seems on the way to validating a trajectory associating sustainable growth and profitability. Egide USA has a modernized industrial tool, an order book that is filling up, it now lacks the teams to deliver. Santier will remain to be awakened. So, we still need patience and it is finally 2023 that we have to look at.

The adjustment of our forecasts and the evolution of peers leads to a decrease in our price target to € 1.45 vs € 1.78. In terms of potential, we keep buy opinion from a long-term perspective, the short-term momentum is not the most favorable.

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BUY

H1 Sales +Contact

BPI Label – Innovative company- PEA-PME Eligible

TARGET **BEFORE**
€ 1.45 **€ 1.78**

SHARE PRICE (7.21.22) **POTENTIAL**
€ 0.863 **-**

CAPITALISATION **FLOTTANT**
€ 8.93m **€ 7.86m**

Ratios	2022e	2023e	2024e
EV/Sales	0,5	0,5	0,4
EV/EBIT	-32,2	27,9	10,5
P/E	-9,2	41,2	8,3
P/CF	18,9	8,1	3,0
Dividend Yield	0,0	0,0	0,0

Data per share	2021	2022e	2023e	2024e
EPS	0,02	-0,09	0,02	0,10
%Change	nr	-5,84	nr	3,95
FCF	-0,03	-0,05	0,00	0,20
%Change	nr	nr	nr	86,28
Dividend	-	-	-	-

Income Statement (€m)	2021	2022e	2023e	2024e
Net Sales	32,5	33,3	35,8	38,8
%Change	8,4%	2,6%	7,5%	8,1%
EBIT	0,8	-0,6	0,6	1,5
% Sales	2,5%	-1,7%	1,8%	3,8%
Net Result	0,2	-1,0	0,2	1,1
% Sales	0,6%	-2,9%	0,6%	2,8%

Cash Flow Statement (€m)	2021	2022e	2023e	2024e
FCF	-0,4	-0,5	0,0	2,1
Net Debt	8,3	8,9	8,8	6,8
Shareholder Equity	11,4	10,5	10,7	11,7
Gearing	73,0%	84,8%	82,9%	57,6%
ROCE	2,6%	-1,8%	2,1%	5,1%

Shareholders	
Sigma Gestion	5,0%
Pleiade Invest	3,0%
Vatel	2,0%
Management	2,0%
Free Float	88,0%

Performances	2022	3m	6m	1 Year
Egide	-39,7%	-26,2%	-49,5%	-41,7%
CAC Small	-16,3%	-8,2%	-13,9%	-9,5%
12 months Low-High	0,78	1,75		

Liquidity	2022	3m	6m	1 Year
Cumulative volume (000)	10 676	2 310	9 520	14 488
% of capital	103,2%	22,3%	92,0%	140,0%
% of Free Float	117,3%	25,4%	104,6%	159,1%
€ Million	13,9	2,1	12,1	18,9

Next Event H1 Results : October, 25

Egide has signed a research contract with GreenSome.

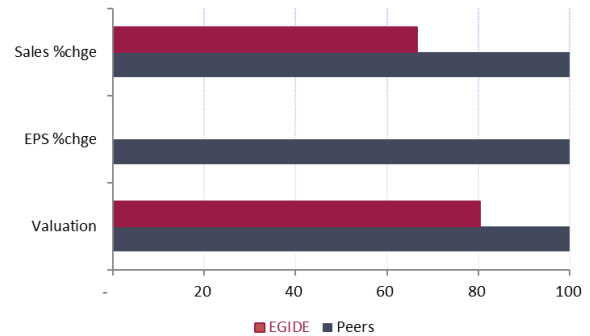
Snapshot Egide

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



Target Price & rating history

Date	Type	Opinion	Price per share	Price Target
7/1/22	Sale/lease back agreement	Buy	€ 0.94	€ 1.78
6/17/22	Amendment	Buy	€ 0.87	€ 1.78
3/30/22	2021 Annual results	Buy	€ 1.44	€ 1.78
1/26/22	2021 Annual Sales	Buy	€ 1.595	€ 1.78
12/13/21	Press Release	Buy	€ 1.26	€ 1.85
9/29/21	H1 Results	Buy	€ 1.415	€ 1.76
7/24/21	H1 Sales	Buy	€ 1.56	€ 1.74

Financial Data

Income Statement (€ m)	2019	2020	2021	2022e	2023e	2024e
Revenues	31,8	30,0	32,5	33,3	35,8	38,8
Purchase	13,1	12,5	12,7	13,2	14,0	15,1
Externals costs	4,8	2,3	6,5	4,3	4,7	4,8
Personnals Costs	13,7	13,6	14,0	14,4	14,7	15,4
Amortization	1,4	1,6	1,5	1,7	1,5	1,6
other	-0,3	2,3	3,4	0,0	0,0	0,0
EBIT	-2,2	2,0	0,8	-0,6	0,6	1,5
Financial Result	-0,6	-0,6	-0,4	-0,4	-0,4	-0,4
Tax	0,0	-0,4	-0,2	0,0	0,0	0,0
Net Result	-2,8	1,0	0,2	-1,0	0,2	1,1

Balance Sheet (€ m)	2019	2020	2021	2022e	2023e	2024e
Fixed Assets	11,6	10,0	12,6	11,4	11,0	10,3
Stock Inventories	7,5	8,1	7,6	8,3	9,0	8,6
Accounts Receivable	6,5	5,0	4,9	6,5	7,0	7,5
Other Currents Assests	0,2	3,2	1,4	0,5	0,5	0,5
Cash & Equivalents	1,5	1,4	1,6	1,0	0,9	2,7
TOTAL Assets	27,2	27,8	28,1	27,6	28,2	29,8
Shareholders' Equity	10,4	10,6	11,4	10,5	10,7	11,7
Provisions	0,8	0,8	0,9	0,8	0,9	1,0
Financial Debt	6,9	6,6	7,7	7,6	7,5	7,3
Accounts Payables	5,9	7,2	5,3	6,5	7,0	7,5
TOTAL Liabilitites	27,2	27,8	28,1	27,6	28,2	29,8

Cash Flow Statements (€ m)	2019	2020	2021	2022e	2023e	2024e
Cash Flow from Operating Activities	-1,1	2,5	-1,2	0,7	1,8	2,6
Change in Net Working Capital	0,2	-0,8	0,7	0,2	0,7	-0,3
Cash Flow from Operations	-1,3	1,7	-0,5	0,5	1,1	2,9
Cash Flow from Investing	-0,9	-0,8	0,1	-1,0	-1,1	-0,9
Capital Increase	2,4	0,0	0,0	0,0	0,0	0,0
Funding Flow	0,2	0,3	0,7	-0,1	-0,1	-0,2
Cash Flow from Financing	1,3	-0,8	0,5	-0,1	-0,1	-0,2
Net Change in cash position	-0,9	-0,1	0,2	-0,6	-0,1	1,9

RATIOS	2019	2020	2021	2022e	2023e	2024e
Ebitda Margin	-0,7%	3,9%	-3,2%	3,3%	6,1%	0,0%
EBIT Margin	-6,9%	6,6%	2,5%	-1,7%	1,8%	3,8%
Net Margin	-8,9%	3,3%	0,6%	-2,9%	0,6%	2,8%
ROE	-27,1%	9,3%	1,8%	-9,3%	2,0%	9,1%
ROCE	-7,3%	6,9%	2,6%	-1,8%	2,1%	5,1%
Gearing	82,5%	72,9%	73,0%	84,8%	82,9%	57,6%
FCF per share	-0,21	0,08	-0,03	-0,05	0,00	0,20
EPS (€)	-0,27	0,10	0,02	-0,09	0,0	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
2019-2020-2021 with new shares

Rating Definition

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

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