10/24/2022 – 10.20 pm

EGIDE

Euronext Growth - FR0000072373 – ALGID

- ✓ Salary and material costs weigh heavily.
- ✓ H1 revenue €16m -3.4% / operating income -€1.29m vs €0.52m / net income -€2m vs €0.24m;
- ✓ Egide SA consolidated operating profit -€0.04m (vs €0.28m) / USA -€0.31m (vs €0.39m) / Santier -€0.88m including €345K of impairment (vs -€0.15m in H1 2021).

The Egide group is suffering from the increase in the cost of materials, which can hardly be fully passed on to current contracts. As for what is passed on, there is logically a certain inertia which weighs on the accounts for the 1st half. To this must be added the salary increases practiced especially in the USA as well as the time necessary to have perfectly operational teams. The group's gross margin increased from 62.3% in H1 2021 to 59.7% in H1 2022, which represents a +3.3% increase in purchases for a -3.4% decline in activity. Personnel costs are the item that has increased the most, excluding external costs which had been penalized in 2021 using subcontractors, at €7.4m +8.3%. The increase in these two items, associated with the drop in activity, explains the loss observed while external expenses are generally under control at €2.33m vs an average of €2.27m in H1 over the 2017-2020 period (we do not take into account 2021, the year in which subcontracting was strongly requested following the fire).

In terms of the balance sheet, the sale of the Cambridge plant had a positive effect on cash flow, which amounted to €3.9 million on June 30 vs. €1.6 million on December 31. In terms of financial debts Egide carries €12.5 million in debt, including €6m in rental debt. Excluding rental debts, financial debts amount to €6.4 million, including €1.1m from State-guaranteed loan. The gearing is 80% (equity €10.7m). Note that the decision was taken to depreciate 50% of the goodwill from Santier for €345,000. In view of the results we expect in H2, a further depreciation could be envisaged in our view.

By entity, Egide SA is close to breakeven and is essentially affected by the increase in material costs, which is felt at the level of its breakeven point, which increased by 9% compared to H1 2021 (average breakeven point in H1 between 2018 and 2022 : €7.3m).

Egide USA found a business volume close to that achieved in H1 2018, the period in which Cambridge had published a consolidated operating profit of -61 K€. The loss of -€312,000 in H1 2022 can therefore logically stem from the material and "staff" effect. There is also a very high volatility of the breakeven point which oscillates for H1 between $4.75m and $6.4m.

Santier continues to suffer from insufficient activity that does not cover its expenses. Santier's breakeven point since its acquisition is stable and is slightly above $5m. In H1 2022, Santier generated sales of $4.5m.

Forecasts.

The results of this 1st half show that we were too optimistic and overestimated the USA's ability to react in the management of personnel management issues. The environment having profoundly changed, it is now much more complicated to reconstitute the teams. Added to this is a point that we have also underestimated the time needed to make the teams operational and thus find the optimal returns. This induces a lower volume of business for lack of being able to deliver while the charges are increased to 100%. We are therefore revising our annual forecasts downwards. It is more necessary to take into account for all the entities the material cost, the energy cost as well as the wage pressure.

We are now targeting for Egide SA an operating profit slightly below €100K (margin of 0.5% vs 4% and 3.9% achieved in 2021).

For Egide USA, the difficulties encountered at the level of the reconstitution of the teams affect the capacity to optimize the industrial tool which weighs on the activity. We therefore decide to be conservative and to aim for stable activity compared to H2 2021 and up 9.3% compared to H1 2022. Thus, in dollars, we are targeting annual turnover of $9.7m vs $10.4m previously (-20% compared to 2021 / H1 -28% - H2 -11%). This downward revision is accompanied by a revision of our consolidated annual operating profit expectation to -€0.57m vs. -€0.29m.

For Santier, the configuration does not seem to change in the short term. We confirm our expectation of a turnover in H2 equivalent to that of H1, which leads to an annual turnover down 5% over the year to $9m for a loss of €1.4m (including depreciation) vs a loss of €0.86m.

Ultimately, we now expect annual turnover of €32.8m, almost stable compared to 2021, and an operating profit of -€2m vs -€0.6m.

NEUTRAL *vs SPECULATIVE INV.*

H1 results + Contact

BPI Label – Innovative company- PEA-PME Eligible

TARGET	BEFORE
€ 0.78	€ 1.13
SHARE PRICE (10.24.22)	POTENTIAL
€ 0.717	+ 8.5%
CAPITALISATION	FLOTTANT
€ 7.42m	6,58 M€

Data per share	2021	2022e	2023e	2024e
EPS	0,02	-0,32	-0,03	0,07
%Change	nr	-17,29	nr	-3,52
FCF	-0,03	-0,08	-0,04	0,17
%Change	nr	nr	nr	-4,94
Dividend	-	-	-	-

Income Statement (€m)	2021	2022e	2023e	2024e
Net Sales	32,5	32,8	35,2	38,0
%Change	8,4%	0,8%	7,4%	8,0%
EBIT	0,8	-2,0	0,1	1,1
% Sales	2,5%	-6,2%	0,4%	3,0%
Net Result	0,2	-3,3	-0,3	0,7
% Sales	0,6%	-10,0%	-0,8%	1,9%

Cash Flow Statement (€m)	2021	2022e	2023e	2024e
FCF	-0,4	-0,8	-0,4	1,7
Net Debt	8,3	10,5	10,9	9,2
Shareholder Equity	11,6	8,3	8,0	8,7
Gearing	72,0%	126,0%	135,9%	105,0%
ROCE	2,6%	-6,9%	0,5%	4,0%

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	-49,9%	-12,6%	-35,4%	-43,5%
Euronext Growth	-20,9%	3,3%	-8,8%	-22,3%
12 months Low-High	0,55	1,75		

Liquidity	2022	3m	6m	1 Year
Cumulative volume (000)	11 911	1 212	3 326	14 048
% of capital	115,1%	11,7%	32,1%	135,8%
% of Free Float	130,8%	13,3%	36,5%	154,3%
€ Million	14,9	0,9	2,8	17,5

Next Event 2022 Annual Sales : january, 26

Egide has signed a research contract with GreenSome.

Outlook.

While the context of "remilitarization", among others, should be promising for Egide, for the moment we are not seeing any signs in this direction. The group has suffered deeply from recruitment difficulties, particularly in Cambridge, while in Santier there is a slow erosion of activity, which makes its return to equilibrium impossible for the moment.
Concerning Egide SA, the waterline limit holds but there is still a lack of commercial outlets. With hindsight, it is still difficult to see Santier's contribution, whereas having two feet in Europe (Egide SA) and the USA (Cambridge) seems quite logical because it should make it possible to reach untouchable players if we is only on one side or the other.
In addition, Egide SA and Cambridge continue to improve and modernize their industrial tool. Therefore, these investments must make it possible to address new or current customers in a profitable way and thus to consider markets that were previously closed to the group.

We can therefore be reasonably confident in the ability to finally capitalize on its know-how in Europe and across the Atlantic. We are, however, increasingly skeptical of Santier's contribution. Initially, we thought that its geographic presence on the west coast would be a commercial advantage. To this day we still do not see anything in this direction. Between 2019 and 2021, Santier's turnover fell by 4.8% with a cost structure not evolving structurally, excluding the covid effect, and in losses. Cambridge, on the other hand, saw its activity progress by 22%, but thanks to the contribution of ceramic technology. The "Santier" impact at the commercial level seems marginal or even non-existent.

To conclude, the future of Santier questions us in its current form, but arbitration must take place to stop the source of losses. For Egide SA and Cambridge, the current environment and their new industrial tool should offer them commercial opportunities that we expect from H2 2023.
Egide enjoys a key position in its market due to its history, the type of its customers and its know-how. The group must be able to capitalize on this situation, especially in a context where its applications are increasingly necessary. We will therefore have to be patient again, but logically things should move in the right direction. In any case, the coming months will be decisive in demonstrating whether or not Egide can seek sustainable growth. Profitability will come from there.

Opinion & price target.
Our forecasts revised downwards as well as the unfavorable market environment, lead to a revision of our target price to €0.78 vs €1.13 (DCF €0.97 vs €1.13 / PEERS €0.58 vs €1.13) .
We are therefore lowering our opinion to Neutral vs. Speculative Buy.

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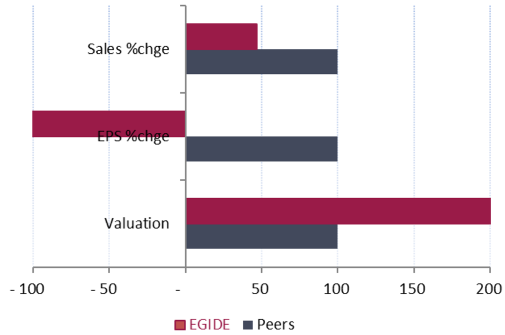
Snapshot Egide

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



Target Price & rating history

Date	Type	Opinion	Price per share	Price Target
9/27/22	Focus	Speculative Buy	€ 0.63	€ 1.13
7/21/22	H1 Sales	Buy	€ 0.863	€ 1.45
7/1/22	Sale/lease back agrement	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

Financial Data

Income Statement (€ m)	2019	2020	2021	2022e	2023e	2024e
Revenues	31,8	30,0	32,5	32,8	35,2	38,0
Purchase	13,1	12,5	12,7	13,1	13,7	14,8
Externals costs	4,8	2,3	6,5	4,6	4,6	4,8
Personnals Costs	13,7	13,6	14,0	14,8	14,9	15,4
Amortization	1,4	1,6	1,5	2,0	1,5	1,5
other	-0,3	2,3	3,4	0,0	0,0	0,0
EBIT	-2,2	2,0	0,8	-2,0	0,1	1,1
Financial Result	-0,6	-0,6	-0,4	-0,4	-0,4	-0,4
Tax	0,0	-0,4	-0,2	-0,8	0,0	0,0
Net Result	-2,8	1,0	0,2	-3,3	-0,3	0,7

Balance Sheet (€ m)	2019	2020	2021	2022e	2023e	2024e
Fixed Assets	11,6	10,0	12,8	11,0	10,6	9,9
Stock Inventories	7,5	8,1	7,4	8,2	8,8	8,4
Accounts Recevaible	6,5	5,0	4,9	6,4	6,8	7,4
Other Currents Assests	0,2	3,2	1,6	0,5	0,5	0,5
Cash & Equivalents	1,5	1,4	1,6	-0,9	-1,7	-0,5
TOTAL Assets	27,2	27,8	28,3	25,1	24,9	25,8
Shareholders' Equity	10,4	10,6	11,6	8,3	8,0	8,7
Provisions	0,8	0,8	0,9	0,8	0,9	1,0
Financial Debt	6,9	6,6	7,7	6,0	5,6	5,1
Accounts Payables	5,9	7,2	5,4	6,4	6,8	7,4
TOTAL Liabilitites	27,2	27,8	28,3	25,1	24,9	25,8

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

RATIOS	2019	2020	2021	2022e	2023e	2024e
Ebitda Margin	-0,7%	3,9%	-3,2%	-0,1%	4,8%	0,0%
EBIT Margin	-6,9%	6,6%	2,5%	-6,2%	0,4%	3,0%
Net Margin	-8,9%	3,3%	0,6%	-10,0%	-0,8%	1,9%
ROE	-27,1%	9,3%	1,7%	-39,4%	-3,5%	8,1%
ROCE	-7,3%	6,9%	2,6%	-6,9%	0,5%	4,0%
Gearing	82,5%	72,9%	72,0%	126,0%	135,9%	105,0%
FCF per share	-0,21	0,08	-0,03	-0,08	-0,04	0,17
EPS (€)	-0,27	0,10	0,02	-0,32	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%

Disclosures

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