

EQUITY RESEARCH

ACTIA GROUP RESULTS REVIEW Company call

BUY
TP 6.4€
Up/Downside: 35%

Slightly Better Than Expected

Business remained buoyant, slightly surpassing of our expectations despite persistent tensions over the supply of certain components, although the situation is improving. The guidance has been reiterated, leading us to maintain our forecast and Buy rating.

After a very solid Q1 (revenue up 20.8% to €138.2m), Q2 revenue amounted to €150.5m (Midcap: expecting €148m), up 12.2% (after a 25% increase in Q2 2022), fuelled by strong traction recorded by the international subsidiaries (+28.4% to €76.4m). The delivery order backlog over the next few quarters remained substantial, but growth was still constrained by the shortage of certain component families which was preventing the group from returning to a normal production rate. 30 June 2023's press release referred to around €10m of delivery delays linked to this problem.

Telecom division revenue rose by 6.2% to €22.9m (vs. €24m for Midcap's estimate and after +55% in Q2 2022), driven by continued strong traction, as expected, in the Energy (+27%) and Rail (+66%) markets, while sales declined for SatCom (-25%) in connection with the end of major deliveries relating to the Egyptian contract. Automotive division revenue rose by +13.4% to €127m (Midcap: expecting +10% to €124m, after +20% in Q2 2022), thanks to the strong momentum of +20.1% in OEM activities (77.4% of the division's revenue), while electronic subcontracting activities (12.9% of revenue) slowed down (linked to the slowdown in the home automation market). The group also points out that, thanks to its increasingly recognised expertise in innovation, studies sold as part of subcontracted R&D rose sharply (+47.5%) and accounted for 4.5% of the division's Q2 revenue.

Over H1 as a whole, revenue rose by 16.2% to €288.7m (slightly above our estimate of 15.2% growth to €286m), of which 64.4% was generated outside France.

Regarding the outlook, against a backdrop of improved component supplies enabling its factories to operate more smoothly, ACTIA is reiterating its revenue growth target of more than 15% for 2023, and is still aiming for revenue exceeding €800m by the end of 2025. And in the short-term, management is working to limit the impact of this strong growth on the group's WCR, by endeavouring to reduce customer lead times, initiating a large-scale factoring policy and carrying out in-depth work to reduce inventories.

Research partially paid for by the Issuer

Key data

Price (€)	4.8
Industry	Electronics
Ticker	ALATI-FR
Shares Out (m)	20.100
Market Cap (m €)	95.5
Average trading volumes (k shares / day)	12.487
Next event	RN S1 2023 - 19/09/23

Ownership (%)

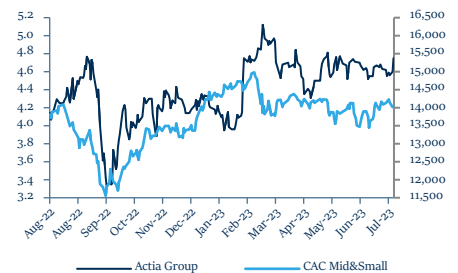
Lp2C SA	50.2
Thrum family	5.8
Sgpfec SAS	5.2
Gestineg H	5.2
Free float	33.6

EPS (€)

	12/23e	12/24e	12/25e
Estimates	0.73	1.03	1.28
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)

	1D	1M	YTD
Price Perf	3.3	2.8	13.9
Rel CAC Mid&Small	3.5	2.2	8.9



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	499.8	576.5	674.9	784.4	EV/Sales	0.5	0.4	0.3
Current Op Inc (m €)	9.8	22.1	30.1	39.0	EV/EBITDA	5.4	4.1	3.2
Current op. Margin (%)	2.0	3.8	4.5	5.0	EV/EBIT	12.5	8.9	6.7
EPS (€)	0.99	0.73	1.03	1.28	PE	6.5	4.6	3.7
DPS (€)	0.12	0.15	0.21	0.26				
Yield (%)	2.5	3.1	4.3	5.4				
FCF (m €)	-8.7	11.8	10.7	6.1				

Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales	577.1	655.4	738.3
EBIT	19.1	29.4	37.5
Net income	11.7	19.0	24.9

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	438.6	462.8	499.8	576.5	674.9	784.4
Changes (%)	-15.7	5.5	8.0	15.4	17.1	16.2
Gross profit	202.3	212.8	220.5	258.9	307.1	359.3
% of Sales	46.1	46.0	44.1	44.9	45.5	45.8
EBITDA	24.2	23.0	40.8	51.1	65.2	81.2
% of Sales	5.5	5.0	8.2	8.9	9.7	10.4
Current operating profit	-6.8	-9.8	9.8	22.1	30.1	39.0
% of Sales	-1.5	-2.1	2.0	3.8	4.5	5.0
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-6.8	-9.8	9.8	22.1	30.1	39.0
Net financial result	-12.4	3.6	-7.7	-4.8	-4.8	-4.8
Income Tax	-0.3	0.2	-0.4	-2.6	-4.5	-8.6
Net profit, group share	-19.0	-6.4	19.9	14.7	20.7	26.7
EPS	na	na	0.99	0.73	1.03	1.28
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	24.1	24.1	24.1	24.1	24.1	24.1
Tangible and intangible assets	122.3	109.3	99.8	100.0	101.7	101.3
Right of Use	16.2	18.2	18.2	18.2	18.2	18.2
Financial assets	2.5	2.9	3.1	3.1	3.1	3.1
Working capital	162.3	164.0	192.2	195.7	201.8	216.9
Other Assets	25.1	39.6	30.6	28.4	34.2	41.6
Assets	352.6	358.0	368.0	369.5	383.1	405.1
Shareholders equity group	115.8	113.0	135.1	166.9	190.5	218.3
Minorities	0.3	0.6	0.8	0.8	0.8	0.8
LT & ST provisions and others	22.0	21.0	16.4	16.4	16.4	16.4
Net debt	210.3	221.8	211.8	181.4	171.5	165.6
Other liabilities	4.2	1.6	4.0	4.0	4.0	4.0
Liabilities	352.6	358.0	368.0	369.5	383.1	405.0
Net debt excl. IFRS 16	194.7	202.9	192.9	162.5	152.5	146.6
Gearing net	1.8	2.0	1.6	1.1	0.9	0.8
Leverage	8.7	9.6	5.2	3.6	2.6	2.0
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	23.5	17.5	29.6	27.6	33.7	40.8
Δ WCR	-1.8	-4.4	-28.3	-3.1	-6.1	-15.0
Operating cash flow	21.7	13.2	1.3	24.5	27.6	25.8
Net capex	-8.6	-7.8	-10.0	-12.7	-16.9	-19.6
FCF	13.1	5.4	-8.7	11.8	10.7	6.1
Acquisitions/Disposals of subsidiaries	0.0	0.0	65.0	0.0	0.0	0.0
Other investments	-0.5	-0.2	0.0	0.0	0.0	0.0
Change in borrowings	31.2	17.3	0.0	0.0	0.0	0.0
Dividends paid	-3.1	-0.0	0.0	-2.4	-2.9	-4.1
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.1	-0.3	-0.2	0.0	0.0	0.0
Change in net cash over the year	41.0	22.3	56.1	9.4	7.7	2.0
ROA (%)	na	na	3.2%	2.3%	3.0%	3.5%
ROE (%)	na	na	2.5%	5.7%	7.4%	8.4%
ROCE (%)	167.7%	178.6%	142.0%	98.2%	80.9%	67.9%

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Methodology

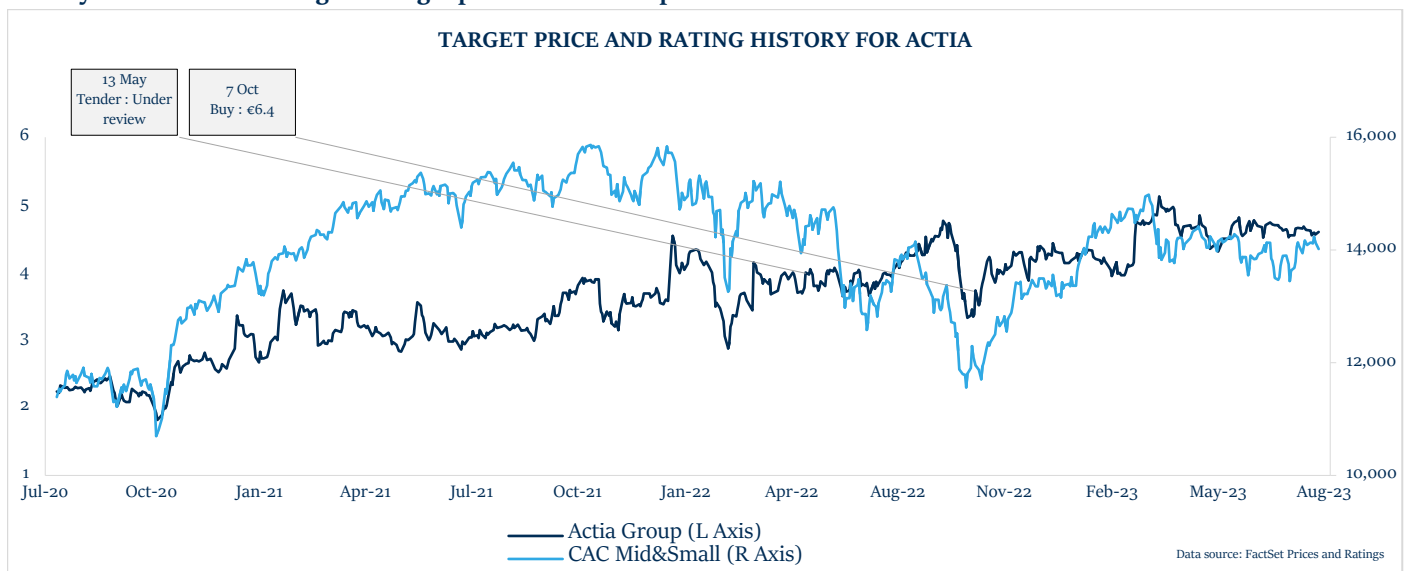
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Actia Group

History of investment rating and target price – Actia Group



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	65%
Hold	17%	44%
Sell	3%	25%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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