



Group SFIT

Comput. related Hardware / France

Recognised player capturing an under-represented market

Initiation cov. - 24/03/2022

Established in 2013, Group SFIT is a French enterprise involved in designing and marketing entry-level (<€300) laptops. Additionally, the company also sells gaming laptops, tablets, peripherals, and accessories, but laptops make up for more than 95% of total sales. In FY21, the company generated sales of €63m, of which 17% came from exports.

The entry-level market

In 2020, the global computer hardware market stood at c. €260bn, with shares of laptops and tablets at c. €160bn. While 80% of this market is dominated by global players whose products range from €500 to €2,000, the remainder is largely not catered by these global players. Thus, this represents the entry-level market with laptops selling in a price band of c. €300. Group SFIT operates in this market and has created a strong reputation for its products.

Well recognised

Group SFIT sells its products under the name 'Thomson Computing' (licensed from Technicolor SA). The company has a 7% share in the overall French laptop market and distributes its products across all the country's major distributors such as Leclerc, CDiscount, Auchan, etc. Moreover, the company has a broad product portfolio for its customers.

Agile model with operational efficiency

The company uses a 'made-to-order' approach which allows it to improve its offerings to customers as they get the freedom to customise the product they buy. This way the customers can get their hands on the latest hardware at an economical price. In addition, this approach allows the company to lower its fixed costs and sell its products with less marketing costs than that of global players.

Future trajectory

Going forward, the company aims to do the following:

- replicate its success in the French markets by entering into the overseas market. On this front, the company has already added distributors in North America and Scandinavia;
- offer premium ultrabooks that offers all the characteristics of an ultrabook at an affordable price; and
- target high-growth markets such as Africa and India, where the lower average selling price makes its products attractive.

Valuation

Based on our target price, we value the company at c. €92m (equity value). With estimated debt of €26m, the implied EV comes out to be €118m.

Conclusion

In summary, Group SFIT is a leading player in an under-served market with plans to expand its offering as well its geographical presence with a coherent strategy and a unique business model.



Kulwinder RAJPAL

IThardware@alphavalue.eu

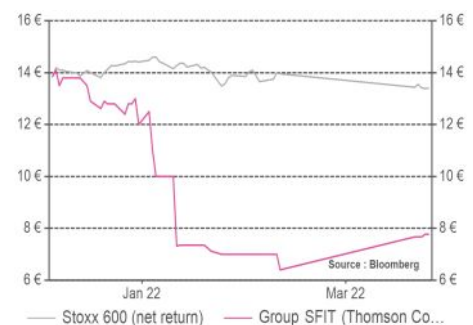
+33 (0) 1 70 61 10 50

cs.alphavalue.com

This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

| | |
|-------------------------|----------------------|
| Buy | Upside: 90.2% |
| Target Price (6 months) | € 14.8 |
| Share Price | € 7.77 |
| Market Cap. €M | 49.4 |
| Price Momentum | |
| Extremes 12Months | 6.40 ▶ 14.1 |
| Sustainability score | 2.9 / 10 |
| Credit Risk | BB → |
| Bloomberg | MLTHO FP Equity |
| Reuters | MLTHO.EUA |

[Download Full Analysis](#) [Company Page](#)

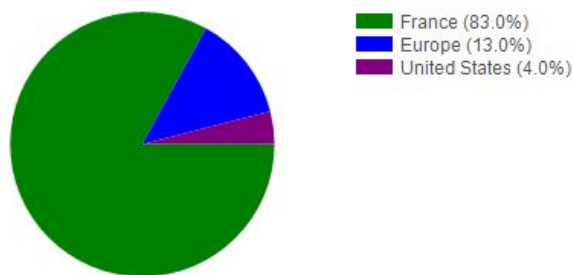


| PERF | 1w | 1m | 3m | 12m |
|--------------------------------|--------|--------|--------|-------|
| Group SFIT (Thomson Computing) | n/a | n/a | -39.3% | n/a |
| IT Hardware | 1.21% | 1.94% | 11.4% | 5.33% |
| STOXX 600 | -0.23% | -0.07% | -6.00% | 7.20% |

| Last updated: 25/03/2022 | 12/21A | 12/22E | 12/23E | 12/24E |
|-------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | 33.6 | 12.6 | 9.37 | 7.53 |
| Dividend yield (%) | 0.00 | 1.93 | 2.57 | 2.57 |
| EV/EBITDA(R) (x) | 17.3 | 9.35 | 7.33 | 5.73 |
| Adjusted EPS (€) | 0.39 | 0.61 | 0.83 | 1.03 |
| Growth in EPS (%) | -91.0 | 57.2 | 34.8 | 24.5 |
| Dividend (€) | 0.00 | 0.15 | 0.20 | 0.20 |
| Sales (€th) | 63,351 | 70,155 | 80,926 | 92,672 |
| EBITDA/R margin (%) | 10.3 | 11.5 | 12.0 | 12.5 |
| Attributable net profit (€th) | 1,299 | 3,910 | 5,273 | 6,565 |
| ROE (after tax) (%) | 19.5 | 42.5 | 40.2 | 35.5 |
| Gearing (%) | 371 | 256 | 156 | 91.1 |

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

| | | 12/21A | 12/22E | 12/23E |
|---|------------|--------------|--------------|--------------|
| Sales | €th | 63,351 | 70,155 | 80,926 |
| Change in sales | % | 34.0 | 10.7 | 15.4 |
| Change in staff costs | % | 44.0 | 23.7 | 19.1 |
| EBITDA | €th | 6,510 | 8,100 | 9,750 |
| EBITDA(R) margin | % | 10.3 | 11.5 | 12.0 |
| Depreciation | €th | -197 | -201 | -233 |
| Underlying operating profit | €th | 6,149 | 7,731 | 9,323 |
| Operating profit (EBIT) | €th | 4,339 | 7,731 | 9,323 |
| Net financial expense | €th | -2,477 | -2,300 | -2,000 |
| of which related to pensions | €th | | 0.00 | 0.00 |
| Exceptional items & other | €th | -737 | 0.00 | 0.00 |
| Corporate tax | €th | 174 | -1,521 | -2,050 |
| Equity associates | €th | | | |
| Minority interests | €th | | | |
| Adjusted attributable net profit | €th | 1,299 | 3,910 | 5,273 |
| NOPAT | €th | 4,305 | 5,411 | 6,526 |

Cashflow Statement

| | | 12/21A | 12/22E | 12/23E |
|---|------------|--------------|--------------|--------------|
| EBITDA | €th | 6,510 | 8,100 | 9,750 |
| Change in WCR | €th | 457 | -1,479 | -716 |
| Actual div. received from equity holdi... | €th | 0.00 | 0.00 | 0.00 |
| Paid taxes | €th | 174 | -1,521 | -2,050 |
| Exceptional items | €th | | | |
| Other operating cash flows | €th | 0.00 | 0.00 | 0.00 |
| Total operating cash flows | €th | 7,141 | 5,100 | 6,983 |
| Capital expenditure | €th | -567 | -672 | -699 |
| Total investment flows | €th | -567 | -672 | -699 |
| Net interest expense | €th | -2,477 | -2,300 | -2,000 |
| Dividends (parent company) | €th | 0.00 | 0.00 | 0.00 |
| Dividends to minorities interests | €th | 0.00 | 0.00 | 0.00 |
| New shareholders' equity | €th | 556 | 0.00 | 0.00 |
| Total financial flows | €th | -6,755 | -3,798 | -3,000 |
| Change in cash position | €th | -180 | 631 | 3,285 |
| Free cash flow (pre div.) | €th | 4,097 | 2,129 | 4,285 |

Per Share Data

| | | 12/21A | 12/22E | 12/23E |
|--|----------|-------------|-------------|-------------|
| No. of shares net of treas. stock (year... | Th | 6,358 | 6,358 | 6,358 |
| Number of diluted shares (average) | Th | 3,322 | 6,358 | 6,358 |
| Benchmark EPS | € | 0.39 | 0.61 | 0.83 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.00 | 0.15 | 0.20 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|--------------------------|
| DCF | € 19.0 | 35% | ● Logitech International |
| NAV/SOTP per share | € 18.0 | 20% | |
| EV/Ebitda | € 6.75 | 20% | |
| P/E | € 14.5 | 10% | |
| Dividend Yield | € 13.6 | 10% | |
| P/Book | € 7.66 | 5% | |
| TARGET PRICE | € 14.8 | 100% | |

NAV/SOTP Calculation

Balance Sheet

| | | 12/21A | 12/22E | 12/23E |
|--|------------|---------------|---------------|---------------|
| Goodwill | €th | 0.00 | 0.00 | 0.00 |
| Total intangible | €th | 471 | 505 | 505 |
| Tangible fixed assets | €th | 642 | 672 | 699 |
| Financial fixed assets | €th | 0.88 | 0.88 | 0.88 |
| WCR | €th | 33,368 | 34,847 | 35,563 |
| Other assets | €th | 2,921 | 3,000 | 3,300 |
| Total assets (net of short term liab.) | €th | 39,488 | 40,024 | 41,067 |
| Ordinary shareholders' equity | €th | 7,672 | 10,706 | 15,534 |
| Quasi Equity & Preferred | €th | | | |
| Minority interests | €th | | | |
| Provisions for pensions | €th | 450 | 0.00 | 0.00 |
| Other provisions for risks and liabilities | €th | 0.00 | 0.00 | 0.00 |
| Total provisions for risks and liabilities | €th | 450 | 0.00 | 0.00 |
| Tax liabilities | €th | | | |
| Other liabilities | €th | 2,853 | 3,000 | 3,500 |
| Net debt (cash) | €th | 28,447 | 26,318 | 22,033 |
| Total liab. and shareholders' equity | €th | 39,423 | 40,024 | 41,067 |

Capital Employed

| | | 12/21A | 12/22E | 12/23E |
|-------------------------------------|-----|--------|--------|--------|
| Capital employed after depreciation | €th | 34,481 | 36,024 | 36,767 |

Profits & Risks Ratios

| | | 12/21A | 12/22E | 12/23E |
|--------------------------------|---|-------------|-------------|-------------|
| ROE (after tax) | % | 19.5 | 42.5 | 40.2 |
| ROCE | % | 12.5 | 15.0 | 17.7 |
| Gearing (at book value) | % | 371 | 256 | 156 |
| Adj. Net debt/EBITDA(R) | x | 4.37 | 3.25 | 2.26 |
| Interest cover (x) | x | 2.48 | 3.36 | 4.66 |

Valuation Ratios

| | | 12/21A | 12/22E | 12/23E |
|----------------------------------|----------|-------------|-------------|-------------|
| Reference P/E (benchmark) | x | 33.6 | 12.6 | 9.37 |
| Free cash flow yield | % | 4.90 | 4.31 | 8.67 |
| P/Book | x | 10.9 | 4.61 | 3.18 |
| Dividend yield | % | 0.00 | 1.93 | 2.57 |

EV Calculation

| | | 12/21A | 12/22E | 12/23E |
|---|----------|-------------|-------------|-------------|
| Market cap | €th | 83,652 | 49,404 | 49,404 |
| + Provisions | €th | 450 | 0.00 | 0.00 |
| + Unrecognised actuarial losses/(gains) | €th | 0.00 | 0.00 | 0.00 |
| + Net debt at year end | €th | 28,447 | 26,318 | 22,033 |
| + Leases debt equivalent | €th | 0.00 | 0.00 | 0.00 |
| - Financial fixed assets (fair value) | €th | | | |
| + Minority interests (fair value) | €th | | | |
| = EV | €th | 112,549 | 75,722 | 71,437 |
| EV/EBITDA(R) | x | 17.3 | 9.35 | 7.33 |
| EV/Sales | x | 1.78 | 1.08 | 0.88 |

Analyst : Kulwinder Rajpal, Changes to Forecasts : 25/03/2022.