



IDI

Holding Companies / France

Masters the value creation playbook

M&A /Corp. Action - 28/09/2023

IDI announced today that it has completed, alongside Andera Partners, the sale of Flex Composite Group to Michelin. This operation, unveiled in June, will enable IDI to realise a capital gain of around €255m and to pocket close to €278m, corresponding to an investment multiple of 12 times the initial €23.2m outlay. Not only will this deal fill IDI's pockets, it also further demonstrates IDI's ongoing ability to create value.

Fact

- IDI made its first investment in Flex Composite Group for €23.2m back in 2015.
- At the end of 2022, IDI held 63.39% of the group alongside Andera Partners – a minority investor.
- IDI and Andera Partners announced an agreement to sell the entire Flex Composite Group to Michelin for an enterprise value of €700m on 18 June 2023.
- IDI and Andera Partners completed the sale agreement on 27 September 2023.
- With this transaction, IDI achieves a multiple of 12x and an IRR of 38%.

Analysis

A masterstroke which radically changes IDI's investment power

After announcing an agreement to sell Flex Composite Group alongside Andera Partners on 18 June, IDI reported today that it has completed the transaction. Flex Composite Group will join Michelin's portfolio for an enterprise value of €700m. As a reminder, IDI acquired a stake in the group back in 2015 for €23.2m and holds, as of December 2022, 63.39% of the group alongside Andera Partners as a minority shareholder. With this operation, IDI will complete a stellar cash-on-cash multiple of 12x its initial investment, i.e. around €278m, corresponding to a capital gain of €255m and an IRR of 38%. This deal will therefore significantly line IDI's pockets, enabling it to finance new investments. We estimate that, after this transaction, IDI should have a net cash position of around €352m.

Back to Flex Composite Group

As mentioned in our last paper, Flex Composite Group is a European leader in the design, manufacture and distribution of advanced composite materials. The group is now made up of three divisions: i) Engineered fabrics, the technical coated fabrics division, ii) Carbon fabrics and technical composites Composite Materials, and iii) a thermoplastic films division, Technical Films, all of which have enabled it to achieve sales of c.€200m in 2022. Starting in 2015 up to 2022, through IDI's support of its development, FCG has generated an operating margin of between 25% and 30% and average organic growth of 11%.

Michelin's acquisition of FCG and integration into its High Tech Materials division is in line with Michelin's ambition to create a world leader in advanced composite materials. Michelin aims to combine the strengths of FCG and Michelin in R&D, but also geographically.

FY 2023 outlook



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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: 44.8%
Target Price (6 months)	€ 95.3
Share Price	€ 65.8
Market Cap. €M	477
Price Momentum	STRONG
Extremes 12Months	42.8 ▶ 69.8
Sustainability score	2.9 /10
Credit Risk	C ↗
Bloomberg	IDIP FP Equity
Reuters	IDVP.PA

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PERF	1w	1m	3m	12m
IDI	-4.91%	-1.50%	2.49%	53.5%
Other Financials	-3.14%	-2.31%	-7.56%	4.40%
STOXX 600	-2.98%	-1.87%	-1.32%	15.1%

Last updated: 04/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	4.54	10.2	8.09	7.49
Dividend yield (%)	4.96	4.26	4.56	4.86
EV/EBITDA(R) (x)	47.3	40.8	-36.9	-55.1
Adjusted EPS (€)	11.1	6.45	8.13	8.79
Growth in EPS (%)	-36.3	-41.9	26.0	8.11
Dividend (€)	2.50	2.80	3.00	3.20
Sales (€th)	9,798	10,279	29,324	29,880
Dividend contributions marg...	73.8	73.9	27.2	28.0
Attributable net profit (€th)	80,384	46,732	58,885	63,659
ROE (after tax) (%)	12.5	6.69	8.13	8.85
Gearing (%)	-6.19	1.46	7.82	11.1

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

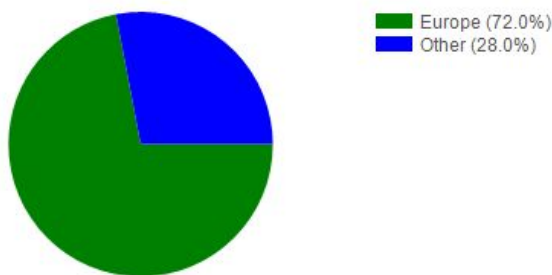
Since 1 January 2023, IDI has completed or announced 14 transactions, including 5 disposals, 4 external growths and 5 acquisitions: the acquisition of a 40% stake in Omnes' energy transition and innovation activities, the creation of 100% IdiCo (now fully consolidated), the disposal and subsequent reinvestment in Freeland, the investment in Natural Grass as well as in Prévost Laboratory Concept, and external growth transactions for Talis Education, CDS, and Groupe Positive.

With a net cash position expected to reach €350m or so, IDI will have considerable firepower to finance new investments, and who knows, maybe redistribute some of the money through dividends. This is not unlikely as IDI has a focused investment strategy (less than 20 lines) and prefers its assets to fund their growth autonomously with IDI's support only for bigger strategic deals.

■ Impact

We will incorporate the capital gain from the sale of FCG into our estimates. Our model is currently being revised to incorporate the H1 23 figures.

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€th 9,798	10,279	29,324
Change in sales	% 92.2	4.91	185
Change in staff costs	% 13.8	3.50	91.1
EBITDA	€th -6,739	-3,240	3,120
EBITDA(R) margin	% -68.8	-31.5	10.6
Depreciation	€th -232	-1,233	-3,519
Underlying operating profit	€th -6,659	-4,146	-55.0
Operating profit (EBIT)	€th 77,960	59,318	79,275
Net financial expense	€th -1,568	-2,452	-2,452
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th 3,992	-14,217	-19,206
Equity associates	€th	4,082	1,267
Minority interests	€th	0.00	0.00
Adjusted attributable net profit	€th 80,384	46,732	58,885
NOPAT	€th 58,470	48,571	60,723

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€th -6,739	-3,240	3,120
Change in WCR	€th -17,319	72.3	3,779
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th 3,992	-14,217	-19,206
Exceptional items	€th		
Other operating cash flows	€th -1,177		
Total operating cash flows	€th -21,243	-17,385	-12,307
Capital expenditure	€th 0.00	0.00	0.00
Total investment flows	€th 87,567	-33,514	21,810
Net interest expense	€th -1,568	-2,452	-2,452
Dividends (parent company)	€th -19,959	-18,105	-20,278
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 0.00		
Total financial flows	€th -25,147	3,905	-26,501
Change in cash position	€th 41,177	-46,993	-16,997
Free cash flow (pre div.)	€th -22,811	-19,836	-14,758

Per Share Data

	Th	7,242	7,242	7,242
No. of shares net of treas. stock (year...	Th	7,242	7,242	7,242
Number of diluted shares (average)	Th	7,242	7,242	7,242
Benchmark EPS	€	11.1	6.45	8.13
Restated NAV per share	€			
Net dividend per share	€	2.50	2.80	3.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 88.0	55%	● Ackermans & van H...
Dividend Yield	€ 131	20%	● Bolloré
DCF	€ 45.4	10%	● Corporacion Financ...
P/E	€ 132	10%	● GBL
P/Book	€ 60.3	5%	● Kinnevik Investment
TARGET PRICE	€ 95.3	100%	● Wendel

NAV/SOTP Calculation

Balance Sheet

	12/22A	12/23E	12/24E
Goodwill	€th		
Total intangible	€th 0.00	0.00	0.00
Tangible fixed assets	€th 612	643	675
Financial fixed assets	€th 645,956	772,105	791,408
WCR	€th -10,137	-10,209	-13,988
Other assets	€th 8,559	8,559	10,559
Total assets (net of short term liab.)	€th 659,491	785,598	803,154
Ordinary shareholders' equity	€th 672,792	724,186	724,565
Quasi Equity & Preferred	€th		
Minority interests	€th 8.00	8.00	8.00
Provisions for pensions	€th 506	0.00	0.00
Other provisions for risks and liabilities	€th 3,409	3,579	3,758
Total provisions for risks and liabilities	€th 3,915	3,579	3,758
Tax liabilities	€th 486	486	486
Other liabilities	€th 9,210	9,210	9,210
Net debt (cash)	€th -26,918	48,129	65,127
Total liab. and shareholders' equity	€th 659,493	785,598	803,154

Capital Employed

Capital employed after depreciation	€th 636,431	762,538	778,094
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Profits & Risks Ratios

ROE (after tax)	%	12.5	6.69	8.13
ROCE	%	9.19	6.37	7.80
Gearing (at book value)	%	-6.19	1.46	7.82
Adj. Net debt/EBITDA(R)	x	3.99	-14.9	20.9
Interest cover (x)	x	-4.25	-1.69	-0.02

Valuation Ratios

Reference P/E (benchmark)	x	4.54	10.2	8.09
Free cash flow yield	%	-6.25	-4.16	-3.10
P/Book	x	0.54	0.66	0.66
Dividend yield	%	4.96	4.26	4.56

EV Calculation

Market cap	€th	365,005	476,524	476,524
+ Provisions	€th	3,915	3,579	3,758
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-41,419	33,628	50,626
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	645,956	645,956	645,956
+ Minority interests (fair value)	€th	0.00	8.00	8.00
= EV	€th	-318,455	132,217	115,041
EV/EBITDA(R)	x	47.3	40.8	-36.9
EV/Sales	x	-32.5	-12.9	-3.92

Analyst : Saïma Hussain, Changes to Forecasts : 04/09/2023.