



IDI

Holding Companies / France

Faced with macroeconomic woes, IDI proves resilient

Latest - 11/01/2023

While 6 months ago we published a paper highlighting the difficulties that are expected to disrupt the private equity landscape, we are bullish on IDI's outlook for the years to come. In the space of a few months, IDI has announced a major transaction with Omnes Capital, and demonstrated the resilience of its NAV (+3.6% YTD) and its ability to create value through its latest sale of the Formalian Group, achieving a significant IRR of 32%.

Fact

- In H1, IDI announced the acquisition of 100% of Omnes' private equity and private debt businesses and a 45% stake in the renewable energy business, venture capital and co-investment activities.
- In Q3, IDI's NAV per share reached €82.72, up 3.6% YTD but down 1% qoq (€83.62 in H1 22, IDI only revaluates its liquid and listed assets in Q3).
- In 2022, several external growth transactions took place:

1. Freeland (formerly Newlife) has further strengthened its position in the freelance services market with the acquisition of Codeur in June 2022 and Intervia in October 2022.
2. CDS Groupe acquired the "Travel" business unit of Rydoo (renamed Golett) in July 2022.
3. In the first half of 2022, Dubbing Brothers (European dubbing specialist) made four strategic acquisitions in Europe: Ad Hoc Studios, Interopa, Sedif and Eurotroll.
4. Flex Composite Group (FCG, formerly ORCA Développement), strengthened its position in the advanced composites market with the acquisition of Selcom in October 2022.
5. In November 2022, Groupe Positive (formerly Sarbacane) developed its data expertise with the acquisition of Marketing 1BY1.
6. On December 5, IDI announced the acquisition of Herida Medical by Winnicare (a healthcare asset in IDI's portfolio).

- In terms of disposals:

1. On November 7, IDI announced that it had completed the majority of its investment in Groupe Positive (ex-Sarbacane) and reinvested a portion of the proceeds alongside EMZ, achieving a net investment multiple of 3.1x and a net IRR of 70%.
2. On December 19, 2022, IDI completed its latest exit, selling Formalian for an investment multiple of nearly 3x and an IRR of 32%.

Analysis

The Private Equity landscape

The Private Equity universe has been a hot topic since the beginning of the current macroeconomic and geopolitical crisis. In our last sector note we mentioned Amundi's CIO claiming that private equity could be a "big bubble" akin to a Ponzi scheme, the chairwoman of the FTC alluding to possible regulations, the US antitrust authority, Linda Khan, willing to dig into anticompetitive practices



Saïma HUSSAIN

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.alphavalue.com

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Buy	Upside: 52.8%
Target Price (6 months)	€ 79.8
Share Price	€ 52.2
Market Cap. €M	378
Price Momentum	STRONG
Extremes 12Months	43.8 ▶ 56.4
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	5.03%	6.10%	7.19%	3.84%
Other Financials	3.60%	2.48%	14.1%	-10.2%
STOXX 600	2.66%	1.50%	14.2%	-6.96%

Last updated: 06/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	2.98	25.0	23.7	20.3
Dividend yield (%)	7.58	5.56	5.75	6.70
EV/EBITDA(R) (x)	11.6	8.41	5.41	2.87
Adjusted EPS (€)	15.0	2.01	2.20	2.57
Growth in EPS (%)	401	-86.6	9.21	17.1
Dividend (€)	3.40	2.80	3.00	3.50
Sales (€th)	5,098	5,225	5,487	5,761
Dividend contributions marg...	70.6	70.6	70.6	70.6
Attributable net profit (€th)	108,980	14,586	15,929	18,649
ROE (after tax) (%)	19.3	2.47	2.91	3.73
Gearing (%)	-5.34	-5.64	5.33	21.4

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and the scares caused by rising interest rates along with the withdrawal of banks from the sector.

Omnes acquisition marks a new chapter for IDI

Despite these headwinds, private equity players, including IDI, are proving resilient. On September 12, IDI opened a new chapter in third-party management with the acquisition of 100% of Omnes's private equity and private debt business and 45% of Omnes' renewable energy, venture capital and co-investment activities. This significant transaction will double IDI's third-party management size to approximately €1.5 billion AuM (which includes the \$620m AuM of IDI Emerging Markets).

Resilient Q3 results and solid disposals

While there was a slight 1% decline in the NAV from €83.62 in H1 22 to €82.72 in Q3 22 with the drop in the IHS valuation (African Tower Co), investors shouldn't worry about the NAV progression in 2022. It is worth mentioning that IDI only revalued liquid and listed assets, including IHS, in Q3 (not the unlisted assets). Furthermore, the NAV is up 3.6% YTD, and growth should have remained in positive territory for 2022, a feat given the unfavourable macroeconomic environment. While it is true that the environment is increasingly adverse, IDI is not showing any fragility on the portfolio rotation side. In November 2022, IDI realized the majority of its investment in Groupe Positive (ex-Sarbacane) and reinvested a portion of the proceeds alongside EMZ, achieving a net investment multiple of 3.1x and an impressive net IRR of 70% over 2 years. On December 19, 2022, IDI sold its entire stake in the Formalian group to the Caille family's investment holding company, Vivalto SAS. This last transaction allowed IDI to realize a cash-on-cash multiple of nearly 3x and an IRR of 32%, which is in line with the historical multiples realized by IDI. Although Formalian and Groupe Positive do not, in our view, represent a significant portion of the NAV, these latest transactions bode well for IDI's ability to make disposals at attractive levels.

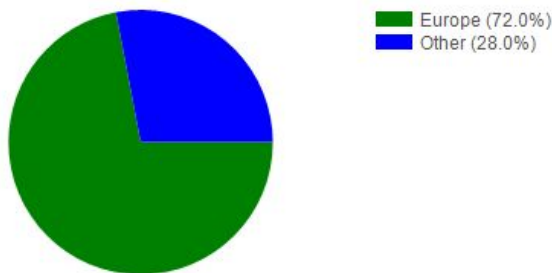
Positive outlook despite the challenging environment

With the NAV up 3.6% YTD and the current 42% discount to NAV, IDI looks increasingly compelling. Furthermore, we see the Omnes deal as positive since the HoldCo will diversify its revenues and pocket a regular source of income. IDI should also benefit from a size effect for future deals. Finally, despite the challenging environment, IDI is doing well as evidenced by its last two exits. If financing is scarce, IDI can count on a professional team, a quality portfolio and privileged relationships with funds to overcome the economic downturn. In short, IDI is well positioned to surmount the challenges ahead.

■ Impact

We will revise our NAV estimate following the publication of the annual results in March 2022 and incorporate the Omnes acquisition at that time. The essential figures concerning Omnes are effectively yet to be made available to assess the full impact on IDI's new balance of business which is likely to be more labour intensive.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€th 5,098	5,225	5,487
Change in sales	% 31.4	2.50	5.00
Change in staff costs	% 74.2	6.50	5.00
EBITDA	€th -29,218	-29,802	-30,696
EBITDA(R) margin	% -573	-570	-559
Depreciation	€th -443	-454	-477
Underlying operating profit	€th -29,649	-30,244	-31,160
Operating profit (EBIT)	€th 111,650	15,263	16,623
Net financial expense	€th -480	-502	-502
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -2,190	-175	-191
Equity associates	€th		
Minority interests	€th		
Adjusted attributable net profit	€th 108,980	14,586	15,929
NOPAT	€th 78,155	10,684	11,636

Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€th -29,218	-29,802	-30,696
Change in WCR	€th 4,440	10,854	919
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -2,190	-175	-191
Exceptional items	€th 0.00		
Other operating cash flows	€th -1,101		
Total operating cash flows	€th -28,069	-19,124	-29,969
Capital expenditure	€th -16.0	-16.0	-16.0
Total investment flows	€th 77,870	28,054	18,207
Net interest expense	€th -480	-502	-502
Dividends (parent company)	€th -23,429	-20,280	-20,280
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 0.00		
Total financial flows	€th -75,540	-57,672	-59,517
Change in cash position	€th -25,739	-48,742	-71,279
Free cash flow (pre div.)	€th -28,565	-19,642	-30,487

Per Share Data

	12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th 7,243	7,243	7,243
Number of diluted shares (average)	Th 7,243	7,243	7,243
Benchmark EPS	€ 15.0	2.01	2.20
Restated NAV per share	€		
Net dividend per share	€ 3.40	2.80	3.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 88.4	55%	● Ackermans & van H...
Dividend Yield	€ 104	20%	● Bolloré
DCF	€ 37.4	10%	● Corporacion Financ...
P/E	€ 37.7	10%	● GBL
P/Book	€ 54.5	5%	● Kinnevik Investment
TARGET PRICE	€ 79.8	100%	● Wendel

NAV/SOTP Calculation

Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€th		
Total intangible	€th 0.00	0.00	0.00
Tangible fixed assets	€th 652	668	702
Financial fixed assets	€th 584,534	599,147	629,105
WCR	€th -16,713	-27,567	-28,486
Other assets	€th 4,979	4,979	4,979
Total assets (net of short term liab.)	€th 574,944	578,720	607,792
Ordinary shareholders' equity	€th 612,432	567,828	525,427
Quasi Equity & Preferred	€th		
Minority interests	€th 8.00	8.00	8.00
Provisions for pensions	€th 393	0.00	0.00
Other provisions for risks and liabilities	€th 3,835	3,873	4,067
Total provisions for risks and liabilities	€th 4,228	3,873	4,067
Tax liabilities	€th 3,376	3,376	3,376
Other liabilities	€th 11,280	11,280	11,280
Net debt (cash)	€th -56,387	-7,645	63,634
Total liab. and shareholders' equity	€th 574,937	578,720	607,792

Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€th 568,473	572,249	601,321

Profits & Risks Ratios

	12/21A	12/22E	12/23E
ROE (after tax)	% 19.3	2.47	2.91
ROCE	% 13.7	1.87	1.94
Gearing (at book value)	% -5.34	-5.64	5.33
Adj. Net debt/EBITDA(R)	x 1.93	0.26	-2.07
Interest cover (x)	x -61.8	-60.2	-62.1

Valuation Ratios

	12/21A	12/22E	12/23E
Reference P/E (benchmark)	x 2.98	25.0	23.7
Free cash flow yield	% -8.80	-5.38	-8.06
P/Book	x 0.53	0.64	0.72
Dividend yield	% 7.58	5.56	5.75

EV Calculation

	12/21A	12/22E	12/23E
Market cap	€th 324,730	365,039	378,068
+ Provisions	€th 4,228	3,873	4,067
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th -57,879	-9,137	62,142
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 610,381	610,381	610,381
+ Minority interests (fair value)	€th 8.00	0.00	8.00
= EV	€th -339,294	250,606	166,097
EV/EBITDA(R)	x 11.6	8.41	5.41
EV/Sales	x -66.6	-48.0	-30.3

Analyst : Saima Hussain, Changes to Forecasts : 06/09/2022.