



IDI

Holding Companies / France

H1 22: a new milestone for IDI

Earnings/sales releases - 14/09/2022

IDI reported a solid and eventful first half of the year, marked by a 4.7% increase in its NAV to €83.62 per share or €622.5m. As of H1 22, IDI has a high investment capacity of €153.6m. September also marks the beginning of a new chapter for IDI, which intends to strengthen its presence in third-party asset management with the acquisition of 80% of Omnes' private equity and private debt activities.

Fact

- IDI's NAV rose by 4.7% in H1 22 compared to the December 2021 level to €622.5m. The NAV per share stood at €83.62 bringing the discount to the reported NAV (using current share price) at 42%.
- IDI's investment capacity as of June 2022 stands at €153.6m. Since 5 July 2022, IDI has two credit lines of €30m each, one of which is dedicated to financing investments in the Private Equity Europe segment.
- Subject to conditions precedent, IDI will become a 45% shareholder in Omnes' renewable energy, venture capital and co-investment activities.
- IDI will become an 80% majority shareholder of the private equity and private debt activities of Omnes alongside the 22 existing professionals. The structure consolidated under the name IdiCo will manage €900m.
- Omnes, the former private equity arm of Crédit Agricole, currently manages €4.2bn of AuM.

Analysis

Resilient performance despite market turmoil

Despite a decline in net income from €84.1m in H1 21 to €30.1m in H1 22, IDI reported a resilient first half marked by a 4.7% ytd increase in its NAV to €622.5m or €83.6 per share from €612.4m at the end of 2021. This near 5% bump in NAV is an achievement in the context of fast-declining valuations across all markets. It is even more so with a view to a history of extreme caution on the part of management when it comes to putting a price on its stable of assets. As of June 2022, IDI has a strong balance sheet with equity of €622.5m. In terms of liquidity, since 5 July, the group has two credit lines of €30m each, one of which is dedicated to financing investments in the Private Equity Europe segment. Investment-wise, the group has a high investment capacity of €153.6m. IDI's investment activity has been dynamic in the first half of the year with seven transactions completed, including one acquisition, five build-ups and a strategic transaction with Omnes and its partners (see below).

IDI's new chapter in third-party management

IDI is about to take another step forward. On 12 September 2022, IDI signed an agreement with Omnes, under which IDI would become a 45% minority shareholder in Omnes' renewable energy, venture capital and co-investment activities and be an 80% majority shareholder in Omnes' private equity and private debt activities. In doing so, IDI has taken grip of the former private equity arm of Crédit Agricole, which became independent in 2011 and now manages nearly €4.2bn of AuM with a team of c.70 people. The transaction, which is expected to close in Q4 22, will result in the creation of IdiCo (regrouping Omnes' private



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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: 62.1%
Target Price (6 months)	€ 77.8
Share Price	€ 48.0
Market Cap. €M	348
Price Momentum	UNFAVORABLE
Extremes 12Months	38.4 ▶ 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	4.35%	0.00%	-9.43%	24.2%
Other Financials	0.62%	-6.09%	8.76%	-20.6%
STOXX 600	1.63%	-4.48%	2.09%	-9.96%

Last updated: 06/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	2.98	23.8	21.8	18.6
Dividend yield (%)	7.58	5.83	6.25	7.29
EV/EBITDA(R) (x)	11.6	8.99	6.40	3.85
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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equity and private debt activities). Alongside the €900m of assets managed by IdiCo, IDI will double in size with a total of c.€1.5bn of AuM. By strengthening its foothold in the universe of third-party asset management, IDI is following in the footsteps of its peers Eurazeo and GBL. It changes the firing power of IDI in future deals with both teams planned to work under the same roof.

This operation brings memories of similar moves with Idinvest. Back in 2018, IDI had multiplied the value of its stake by 10 when it sold Idinvest to Eurazeo. However, the transaction is more complex than the Idinvest deal. According to sources in *Les Echos*, Omnes has an enterprise value of around €120m. The motivations behind such a transaction are many. Thanks to this transaction, IDI should be able to: i) diversify its source of revenues, ii) expand its third-party management activities, iii) benefit from a size effect and thus increase deal flow, iv) share competences between IDI and Omnes' managers, and v) create synergies in ESG. All in all, a deal more than promising on paper that should generate revenues for the holding. The value of the deal is unknown at pixel time and will only emerge in the 2022 accounts to be released by April 2023. This is a complete change of business structure for IDI as 2023 revenues may jump from €5m to €25m or so and the cost base jump due to the addition of c. 30 investment professionals. The NAV itself is not supposed to change for now as new assets are matched by net liquid assets attrition.

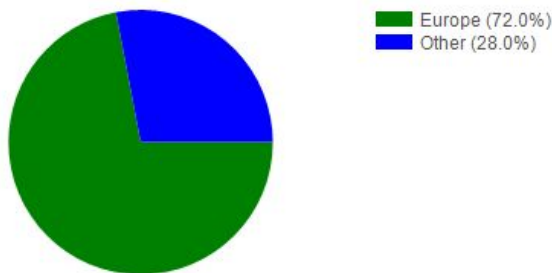
Outlook 2022

Despite a half year marked by geopolitical tensions with the war in Ukraine, macro-economic tensions with the rise in interest rates, the record-high inflation, and strong pressure on valuations, Christian Langlois-Meurinne remains confident in the resilience of IDI's business model, its long-term vision and the quality of its results. Thus, the long-term outlook for the group remains more than attractive after this shift up in gear. We maintain our positive view on the stock and believe that the current discount to NAV of 42% is very attractive.

■ Impact

We will revise our NAV estimate in accordance with the results. We will also incorporate the impact of the acquisition of the 80% stake in Omnes' private equity and private debt activities (IdiCo) and the 45% stake in the other activities on the financial statements.

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	€ 96.0	20%	● Bolloré
DCF	€ 38.0	10%	● Corporacion Financ...
P/E	€ 35.8	10%	● GBL
P/Book	€ 51.8	5%	● Kinnevik Investment
TARGET PRICE	€ 77.8	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	23.8	21.8
Free cash flow yield	% -8.80	-5.65	-8.77
P/Book	x 0.53	0.61	0.66
Dividend yield	% 7.58	5.83	6.25

EV Calculation

	12/21A	12/22E	12/23E
Market cap	€th 324,730	347,649	347,649
+ 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	267,996	196,516
EV/EBITDA(R)	x 11.6	8.99	6.40
EV/Sales	x -66.6	-51.3	-35.8

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