



IDI

Holding Companies / France

Shielded against macro-economic turmoil

Earnings/sales releases - 26/09/2023

The uncertain macro-economic environment has left IDI unscathed, with NAV growth of 12.4% in H1 23 to €97.73 per share. The first half was particularly active for IDI, which announced 14 transactions, including the sale of Flex Composite Group to Michelin for more than 12x IDI's initial investment, representing an IRR of 38%. All in all, these are outstanding results for IDI, which ended H1 23 with shareholders' equity of €730m (+8.6%), investment capacity of €74.1m, and net income of €77.5m (vs. €30.1m in H1 22).

Fact

- IDI's NAV per share rose by 12.4% ytd to €97.73 compared to €86.95 at the end of 2022, bringing the NAV discount to 31% (from 42% in H1 22). On an absolute basis, NAV rose from €672.8m to €730.7m in H1 23.
- In H1 23, IDI's shareholders' equity reached €730m (+8.6% ytd) and IDI's investment capacity (net of debt) amounted to €74.1m, plus an undrawn investment credit of €30m and an overdraft facility of €5m.
- Ytd, IDI has announced 14 transactions: 5 disposals, 4 external growths and 5 new acquisitions. In particular, IDI and Andera Partners sold Flex Composite Group for an EV of €700m in June, representing an investment multiple of 12x IDI's initial investment and an IRR of 38%.
- The net result (group share) came in at €77.5m in H1 23, substantially above the €30.1m reported the year before.

Analysis

A commendable performance in a persistently challenging environment

The persistently uncertain macro-economic environment failed to dampen IDI's resilience in H1 23, with NAV per share up 12.4% ytd to €97.73 compared to €86.95 at the end of 2022. The positive development of NAV is explained by the solid operating performance of IDI's investment portfolio and, above all, by the integration of the sale value of Flex Composite Group. A feat in a context of fast-declining valuations.

H1 23 was a particularly busy period for IDI, which announced 14 transactions, including 5 disposals, 4 external growths and 5 acquisitions. IDI continues to thrive, as demonstrated by the main deal of Q2 23: the sale of Flex Composite Group to Michelin for an EV of €700m, i.e. 12x its initial investment and an IRR of 38%. Beyond this transaction, IDI also finalised i) the acquisition of 40% of Omnes' energy transition and innovation activities, ii) the disposal and subsequent reinvestment in Freeland to MML for a cash on cash multiple of 2.2x and an IRR of 24%, and iii) the disposal of Fidinav, a group specialising in the maritime transport of dry bulk, for an IRR of 6%. IDI also acquired a significant minority stake in Natural Grass, a major European player in the hybrid turf market, and carried out two external growth operations for Talis, a network of post-baccalaureate schools.

The solid performance of the private equity business, with the successful sale of Flex Composite Group enabled IDI to post a sizeable investment result of €89.5m compared with €34.4m in H1 22.



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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: 42.4%
Target Price (6 months)	€ 96.0
Share Price	€ 67.4
Market Cap. €M	488
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	-2.88%	0.90%	4.98%	56.9%
Other Financials	-1.38%	-0.47%	-5.81%	6.36%
STOXX 600	-1.38%	-0.21%	-0.60%	15.4%

Last updated: 04/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	4.54	10.4	8.29	7.67
Dividend yield (%)	4.96	4.15	4.45	4.75
EV/EBITDA(R) (x)	47.3	37.2	-33.2	-47.7
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](#)

Solid balance sheet to face the challenges ahead

As of June 2023, IDI's balance sheet is stronger than ever, with equity of €730m up 8.6% ytd, crossing the €700m threshold. The group's investment capacity remains healthy at €74.1m, with an additional €30m of undrawn investment credit and €5m of undrawn overdraft facility. As a reminder, the value of the sale of Flex Composite Group was included solely in the NAV and was not included in the group's liquidity position. Including the sale of Flex Composite Group, IDI should be sitting on a considerable liquidity hoard, which should enable it to finance new investments.

Looking ahead to the full year 2023

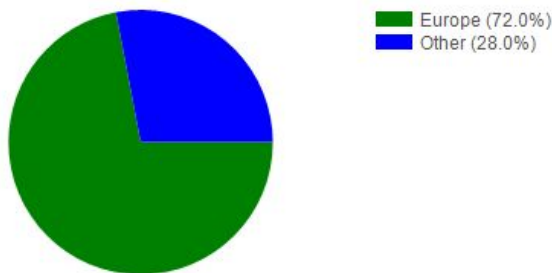
IDI had an excellent H1 23, with buoyant investment activity at a time when the private equity landscape was expected to be hit by the slowdown in dealflow and cutbacks in financing. As was the case in H1, H2 23 is looking particularly good for IDI, with five deals already in the pipeline or completed post-close including the acquisition of Prévost Laboratory Concept, the sale of B2B telecoms operator VOIP, two external growth deals and the winding-up of Dee Tech.

Clearly, the macro-economic environment remains lacklustre for private equity players, whose valuations are likely to suffer from rising interest rates alongside persistently high inflation. Yet, with a discount to NAV of around 31% and an undeniable track record of creating value, we remain positive on the stock, which we believe is a long-term hold.

■ Impact

We will revise our estimates in line with the H1 23 publication. Our figures will include the consolidation of IdiCo from 2023 and we will treat the stake in Omnes' infrastructure business like the other financial investments. We will also include in our figures the capital gain on the sale of Flex Composite Group, which should boost our EPS for 2023.

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

	12/22A	12/23E	12/24E
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	€ 132	20%	● Bolloré
DCF	€ 45.4	10%	● Corporacion Financ...
P/E	€ 135	10%	● GBL
P/Book	€ 61.3	5%	● Kinnevik Investment
TARGET PRICE	€ 96.0	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

	12/22A	12/23E	12/24E
Capital employed after depreciation	€th 636,431	762,538	778,094

Profits & Risks Ratios

	12/22A	12/23E	12/24E
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

	12/22A	12/23E	12/24E
Reference P/E (benchmark)	x 4.54	10.4	8.29
Free cash flow yield	% -6.25	-4.06	-3.02
P/Book	x 0.54	0.67	0.67
Dividend yield	% 4.96	4.15	4.45

EV Calculation

	12/22A	12/23E	12/24E
Market cap	€th 365,005	488,111	488,111
+ 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	120,630	103,453
EV/EBITDA(R)	x 47.3	37.2	-33.2
EV/Sales	x -32.5	-11.7	-3.53

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