



IDI

Holding Companies / France

FY22: IDI in a solid stand amidst an adverse environment

Earnings/sales releases - 13/04/2023

After a record-breaking FY2021, IDI enjoyed another solid and active year with NAV per share up 12%. This strong momentum was driven both by the robust operating performance of its portfolio companies against an inflationary backdrop (i) and disposals at attractive terms (ii). 2022 proved to be a milestone year in the equity story of IDI, which has decided to strengthen its presence in third-party management with the acquisition of Omnes' private equity and private debt activities under the newly created entity, IdiCo. While IDI is resilient in the face of macroeconomic headwinds, prudence remains the watchword.

Fact

Key FY22 figures

- IDI's NAV reached €673m at the end of FY22. The NAV per share stood at €89.45, up 12% yoy, corresponding to a significant 40.9% discount to NAV based on the current share price.
- Although below the €126.2m achieved in the peak year 2021, IDI recorded an impressive net result of €80.4m, well above the €32.4m of 2020.
- The company's total liquidity position stood at €124m at the end of 2021, down 13.8% yoy, with €60m of credit lines (€30m drawn in Q1 23) and a €5m overdraft facility.
- In 2022, IDI completed 15 transactions including 1 acquisition, 10 build-ups, 2 disposals, 1 reinvestment and the Omnes deal.
- The major strategic transaction with Omnes was completed on March 23, 2023. IDI acquired 40% in Omnes' renewable energy, venture capital and co-investment activities, and a 100% stake in IdiCo which regroups Omnes' small, lower, mid cap private equity and private debt activities.
- In terms of dividends, IDI has proposed a dividend of €2.5 per share or 2.8% of NAV and 4.57% of its average share price for 2022.

Analysis

Strong performance in a hostile private equity environment

While our HoldCo universe has not been spared by the equity market downturn and the hostile 2022 environment, IDI has proven resilient with NAV up 12% yoy to €673m (vs €611m) or €89.45 per share. A notable feat in today's climate explained by (i) the excellent operational performances of the portfolio companies in the face of inflationary pressures and (ii) the active investment activity in 2022.

IDI's investment activity was buoyant in 2022, with 15 deals completed, including one acquisition, ten build-ups, two disposals, one reinvestment and the signature of the agreement with Omnes. In terms of exits also, IDI is thriving regardless of the current environment, with notably the sale of the SaaS software publisher Groupe Positive (ex-Sarbacane), which allowed IDI to record a cash-on-cash multiple of 3.1x and a net IRR of more than 70%, and the sale of Formalian for a multiple of 3x and an IRR of 32%. The healthy performance of the Private Equity business in Europe allowed the HoldCo to post a significant result from investment activities of €94.2 million, below the €146 million recorded in the exceptional year



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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: 43.2%
Target Price (6 months)	€ 82.2
Share Price	€ 57.4
Market Cap. €M	416
Price Momentum	STRONG
Extremes 12Months	44.7 ▶ 57.8
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	1.41%	11.7%	9.54%	9.58%
Other Financials	-0.41%	4.82%	-0.77%	3.40%
STOXX 600	1.27%	4.42%	2.70%	1.25%

Last updated: 06/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	2.98	25.0	26.1	22.3
Dividend yield (%)	7.58	5.56	5.23	6.10
EV/EBITDA(R) (x)	11.6	8.41	4.18	1.67
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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of 2021, but well above the €40 million recorded in 2020.

A new era impelled by the Omnes acquisition

If 2022 was a busy year for investments, 2023 is also shaping up nicely for IDI, which has already completed 4 deals: the external growth of Talis Education into the Fore group and 2 disposals, including that of Freeland, the French leader in services to the self-employed, to MML Capital, enabling IDI to achieve a solid investment multiple of 2.2x and an IRR of c. 24% in less than 4 years.

The biggest deal in 2023, however, remained the acquisition of a significant stake (>40%) in Omnes' renewable energy, venture capital and co-investment businesses (representing €5bn of AuM) and 100% of IdiCo, a newly-created entity that combines Omnes' private equity and private debt businesses. IdiCo is designed to be IDI's new European third-party management arm, managing €1bn of AuM. The transaction, which closed on March 23, 2023 instead of in the expected Q4-22, totally transforms IDI in that it will double the size of IDI's third-party management business to €1.5 billion in assets under management (including \$620 million for Emerging Markets IDI). Although no figures have been disclosed, the deal will change IDI's financial statements in terms of revenues, with stable management fees and some performance fees on IdiCo's fee-paying AuM. In terms of costs, we expect the transaction to result in an increase in personnel costs owing to some 30 additional people according to our estimates. We see the transaction as a way for IDI to leverage its size in investment opportunities. Details of the transaction and integration dates have not yet been disclosed although, according to sources in Les Echos, Omnes has an enterprise value of around €120m.

Looking ahead to 2023

In terms of outlook, despite the acquisition of Omnes, IDI's core business remains direct investment in SMEs/ITCs, with a target of 12 to 15 companies in its portfolio. The company does not limit itself in terms of sectors but rather looks for opportunities. In view of its growing balance sheet, IDI expects to invest in tickets above €25m with co-investments of up to €100m.

Although the macroeconomic context is unfavorable, IDI can pride itself on a portfolio of quality companies with a degree of pricing power. Moreover, in an environment of rising interest rates and difficult financing, IDI has the financial strength and privileged relationships to face the challenges. Valuation-wise as well, the HoldCo looks attractive with a 41% discount to NAV at present. Finally, we see the acquisition of Omnes as being positive for IDI, which will be able to (i) diversify its revenues (ii) pocket a steady stream of income from stable management fees (iii) position itself on larger tickets with a scale effect (iv) share competencies between IDI and Omnes managers and (v) create synergies in the field of ESG. However, even if IDI is well positioned to meet the challenges ahead, caution remains our watchword for the comprehensive PE industry as the tightening in financial condition at a precipitated clip in 2022 will inevitably take its toll in 2023.

Making progress on the ESG front

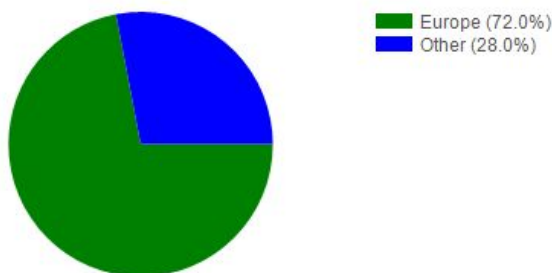
On the ESG front, IDI has strengthened its commitment with the creation of an ESG committee at the supervisory board level. 2022 marked the formalization of IDI's ESG approach, which is integrated into the entire investment cycle from due diligence, to the investment decision and the investment agreement, to the management of IDI's holdings. Finally, in line with the objectives of the PRI, to which IDI has become a signatory, IDI is in the process of setting up an effective reporting system. By 2023, IDI intends to establish its first carbon footprint (Scopes 1, 2 and 3) measurements at both the holding and the portfolio company

level.

■ Impact

We will revalue the underlying companies to estimate our NAV with the revision of the listed peer group multiples. We will incorporate the FY22 numbers into our model and roll forward our estimates to 2025 taking into account the Omnes acquisition which brings a significant twist to the original business model (third party money, more staff). The strong FY22 results continue to support our positive stance on the stock even if we remain dubious about private equity players in the prevailing context.

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	€ 115	20%	● Bolloré
DCF	€ 37.3	10%	● Corporacion Financ...
P/E	€ 40.9	10%	● GBL
P/Book	€ 55.2	5%	● Kinnevik Investment
TARGET PRICE	€ 82.2	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	26.1
Free cash flow yield	% -8.80	-5.38	-7.33
P/Book	x 0.53	0.64	0.79
Dividend yield	% 7.58	5.56	5.23

EV Calculation

	12/21A	12/22E	12/23E
Market cap	€th 324,730	365,039	415,730
+ 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	128,435
EV/EBITDA(R)	x 11.6	8.41	4.18
EV/Sales	x -66.6	-48.0	-23.4

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