



IDI

Holding Companies / France

Private equity aligned to stakeholders does pay off

Initiation cov. - 24/09/2021

We initiate coverage of IDI with a “Buy” recommendation. IDI strikes us as a private equity firm more aligned to the interests of its stakeholders than the industry’s mediocre record in that respect. Its investment model based on engaged and entrepreneurial ownership has proven successful, ensuring stable dividends at an attractive yield and an accomplished track-record in value creation. We see substantial upside potential from its diversified roster of assets, as shown by a discount to NAV of over 50%.

A pioneer in the private equity arena in France

With over 50 years of experience in the field and a particular investment focus on SMEs. IDI is one of the first listed investment companies in France (1991), achieving an annualised IRR (dividends reinvested) of 15% over the past 30 years. Its NAV at the close of H1 21 stood at €577m, with an average discount to NAV of c.30% since 2014.

Flexible investment approach supports value creation

IDI differs from its PE peers as it has no time constraints and as its management has skin in the game at the holding level as well as at the equity stakes level, bringing confidence that capital is being allocated wisely to support long-term value creation. By not being subject to the vagaries of time, IDI can accompany the investee companies through the whole development process without having to resort to hasty value-pumping measures in order to appease investors waiting to be paid out.

On the other hand, the liberty of not having to adhere to a calendar also allows the company to be agile and seize opportunities when they arise. This may result in IDI exiting investments faster than its more usual investment horizon of five to seven years, to capitalise on favourable market conditions and realise higher IRRs.

An attractive high-growth portfolio

The portfolio is composed of 16 main holdings as of September 2021, allocated across a variety of sectors, including many companies present in digitally-native businesses (reminding us of a smaller Kinnevik), which are supported by strong underlying trends with high-growth potential such as media streaming (Dubbing Bros), e-commerce (Group Label), the energy transition (TucoEnergie) and social issues like education (Talis) and healthcare (Winnicare Group).

Regarding the more industrial-type businesses like Flex Composite Group, these follow a solution-based approach which bring added value and recurring revenue generation, setting them apart from more commoditised and, hence, cyclical peers. IDI’s diversified asset base allows stakeholders to gain exposure to these unlisted, high-potential SMEs that may fall under the radar of equity investors.

Strong dynamic in NAV growth and high yield support valuation

Our estimated NAV of €88.40 per share provides ample upside potential compared to the current share price, as well as IDI’s (understandably) more conservative valuation of €77.90 per share (end of June 2021). The solid



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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: 58.7%
Target Price (6 months)	€ 80.3
Share Price	€ 50.6
Market Cap. €M	366
Price Momentum	STRONG
Extremes 12Months	33.6 ▶ 50.6
Sustainability score	3.0 /10
Credit Risk	C →
Bloomberg	IDIP FP Equity
Reuters	IDVP.PA

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PERF	1w	1m	3m	12m
IDI	3.27%	25.3%	24.1%	37.6%
Other financials	3.38%	-0.16%	2.34%	27.4%
STOXX 600	2.08%	1.13%	2.70%	27.1%

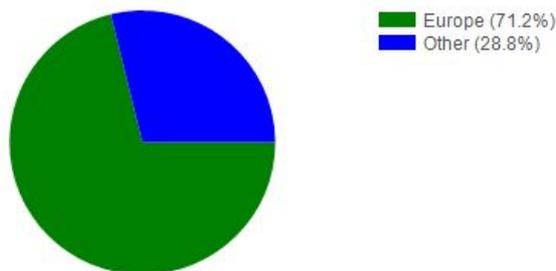
Last updated: 15/10/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	13.2	22.6	20.8	19.7
Dividend yield (%)	5.03	4.15	4.15	4.15
EV/EBITDA(R) (x)	14.1	11.2	10.7	10.3
Adjusted EPS (€)	3.00	2.24	2.44	2.57
Growth in EPS (%)	12.7	-25.5	8.82	5.40
Dividend (€)	2.00	2.10	2.10	2.10
Sales (€th)	3,880	4,851	4,900	5,145
Dividend contributions marg...	90.9	88.6	88.6	88.6
Attributable net profit (€th)	21,722	16,208	17,637	18,590
ROE (after tax) (%)	4.26	3.02	3.21	3.40
Gearing (%)	-3.83	-2.52	-2.23	1.23

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

execution in H1 21 (NAV progression of +19.5% ytd) points to a very active year for IDI in terms of portfolio rotation. With 10 deals taking place since the start of the year, including three exits in quite favourable conditions (cash-on-cash multiples of 3.3x to 3.9x).

The €185m-strong liquidity position at the end of June — €159m after the September dividend payment — ensures that IDI will count with the flexibility to pursue this strong investment dynamic through H2 21 and 2022, with positive implications for future NAV growth. In addition to the 51% discount to NAV, our target price is also supported by an attractive dividend yield of 5.0%, standing well above the 2.3% average across our holding company coverage.

Sales by Geography



Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	3,880	4,851	4,900
Change in sales	%	45.3	25.0	1.00
Change in staff costs	%	-62.6	5.00	2.00
EBITDA	€th	-17,714	-18,600	-18,786
EBITDA(R) margin	%	-457	-383	-383
Depreciation	€th	-441	-463	-468
Underlying operating profit	€th	-17,640	-19,063	-19,253
Operating profit (EBIT)	€th	21,932	24,466	26,452
Net financial expense	€th	-1,881	-1,956	-1,956
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	1,671	-6,303	-6,859
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	21,722	16,208	17,637
NOPAT	€th	15,352	17,127	18,517

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-17,714	-18,600	-18,786
Change in WCR	€th	-2,867	18,295	1,445
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-1,671	-6,303	-6,859
Exceptional items	€th	0.00		
Other operating cash flows	€th	-1,499		
Total operating cash flows	€th	-23,751	-6,608	-24,200
Capital expenditure	€th	-24.0	-24.0	-24.0
Total investment flows	€th	14,456	33,485	28,520
Net interest expense	€th	-1,881	-1,956	-1,956
Dividends (parent company)	€th	-12,453	-14,485	-15,210
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	0.00		
Total financial flows	€th	493	-17,044	-17,774
Change in cash position	€th	-8,802	9,833	-13,454
Free cash flow (pre div.)	€th	-25,656	-8,588	-26,180

Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	7,243	7,243	7,243
Number of diluted shares (average)	Th	7,232	7,243	7,243
Benchmark EPS	€	3.00	2.24	2.44
Restated NAV per share	€			
Net dividend per share	€	2.00	2.10	2.10

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 88.4	55%	● Ackermans & van H...
Dividend Yield	€ 101	20%	● Bolloré
DCF	€ 34.7	10%	● Corporacion Financ...
P/E	€ 42.3	10%	● GBL
P/Book	€ 73.9	5%	● Kinnevik Investment
TARGET PRICE	€ 80.3	100%	● Wendel

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th			
Total intangible	€th	0.00	0.00	0.00
Tangible fixed assets	€th	662	695	702
Financial fixed assets	€th	531,341	557,908	563,487
WCR	€th	-11,133	-29,428	-30,873
Other assets	€th	4,622	22,350	22,350
Total assets (net of short term liab.)	€th	527,415	553,429	557,570
Ordinary shareholders' equity	€th	518,395	554,445	545,092
Quasi Equity & Preferred	€th			
Minority interests	€th	8.00	8.00	8.00
Provisions for pensions	€th	399	0.00	0.00
Other provisions for risks and liabilities	€th	3,834	4,026	4,066
Total provisions for risks and liabilities	€th	4,233	4,026	4,066
Tax liabilities	€th	2,506	2,506	2,506
Other liabilities	€th	11,318	11,318	11,318
Net debt (cash)	€th	-9,040	-18,873	-5,419
Total liab. and shareholders' equity	€th	527,420	553,429	557,570

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	520,870	529,175	533,317

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	4.26	3.02	3.21
ROCE	%	2.95	3.24	3.47
Gearing (at book value)	%	-3.83	-2.52	-2.23
Adj. Net debt/EBITDA(R)	x	0.51	1.01	0.29
Interest cover (x)	x	-9.38	-9.75	-9.84

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	13.2	22.6	20.8
Free cash flow yield	%	-8.91	-2.34	-7.14
P/Book	x	0.56	0.66	0.67
Dividend yield	%	5.03	4.15	4.15

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	288,050	366,480	366,480
+ Provisions	€th	4,233	4,026	4,066
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-10,963	-20,777	-7,323
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	531,341	557,908	563,487
+ Minority interests (fair value)	€th	8.00	8.00	8.00
= EV	€th	-250,013	-	-
EV/EBITDA(R)	x	14.1	11.2	10.7
EV/Sales	x	-64.4	-42.9	-40.9

Analyst : Jorge Velandia, Changes to Forecasts : 15/10/2021.