



# IDI

Holding Companies / France

## Q3-24: Navigating 2024 with a thoughtful investment approach

Earnings/sales releases - 14/11/2024

IDI ended Q3 2024 with minimal activity on the investment front. Including its recent minority stake in TTK, a liquid leak detection specialist, IDI completed only three transactions YTD, compared to 14 in the same period last year. Though IDI's net income is likely to suffer accordingly, this underlines IDI's savvy investment approach in persistently uncertain market conditions. With substantial investment capacity ready to be tapped when the time is right, IDI remains an attractive player poised for selective growth.

### Fact

- IDI's NAV amounted to €697m or €91.94 per share in Q3-24, i.e., stable YTD.
- The discount to IDI's NAV stands at 25.8%.
- IDI made no investments in Q3-24, but did invest in TTK, a designer and manufacturer of liquid leak detection instruments, at the end of October 2024.
- IDI has an investment capacity of €300m as of Q3-24.

### Analysis

#### Flat NAV yet a much lower discount than its peers

2024 looks set to be a quiet year for IDI, both in terms of NAV and investment activity. The holding company ended Q3-24 with a NAV per share of €91.94, virtually stable YTD and slightly below the H1-24 level of €92.35. At this level, IDI is currently traded at a discount of 26%, almost unchanged from June 2024's 25%. If the discount remains meaningful, it underlines IDI's attractiveness relative to its peers in the private equity space, such as Wendel, GBL, and Eurazeo, all of which are trading at a 40-plus% discount.

#### Investment activity on the wane

After two banner years for IDI, marked by 36 transactions, the pace slowed in 2024. To date, IDI has only completed three deals, including the acquisition of a stake in Exsto, a group specializing in high-performance elastomer solutions, and the Talis Group (77.3%-owned by IDI) acquisition of Aston, a school specializing in IT, digital, and cybersecurity training, in H1-24. While IDI did not record any new operations in Q3-24, the holding company did announce at the end of October the acquisition of a minority stake in TTK, a designer and manufacturer of liquid leak detection instruments. These three transactions remain modest compared with the 14 recorded as of September 2023, indicating a shrewd investment approach on the part of IDI.

We feel that the decline in the Group's investments underlines the absence of attractive opportunities in the current environment, shaped by uncertainties and what still seems to be too wide a bid-ask spread in the unlisted universe.

#### TTK, a particularly attractive investment

IDI has a keen eye when it comes to finding hidden gems in which to invest. Indeed, the holding company's track record is impressive. Among the most notable transactions of recent years was of course the landmark sale of Flex



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<b>Buy</b>	<b>Upside: 47.5%</b>
Target Price (6 months)	€ 101
Share Price	€ 68.2
Market Cap. €M	490
Price Momentum	<b>NEGATIVE</b>
Extremes 12 Months	58.7 ▶ 74.2
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	0.29%	-0.29%	-1.45%	14.1
Other Financials	-2.09%	-3.61%	4.86%	19.8
STOXX 600	-1.02%	-4.42%	-0.01%	12.3

Last updated: 02/09/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	6.15	7.43	7.22	6.96
Dividend yield (%)	8.29	4.40	4.84	5.57
EV/EBITDA(R) (x)	23.6	15.5	13.2	10.8
Adjusted EPS (€)	9.81	9.18	9.44	9.80
Growth in EPS (%)	-11.6	-6.41	2.78	3.86
Dividend (€)	5.00	3.00	3.30	3.80
Sales (€th)	9,775	11,102	11,473	11,595
Dividend contributions marg...	8.80	8.13	8.26	7.79
Attributable net profit (€th)	70,812	66,025	67,859	70,476
ROE (after tax) (%)	10.1	9.04	9.26	9.51
Gearing (%)	-22.7	-38.9	-32.7	-26.7

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

Composite Group to Michelin for €700m, corresponding to a stellar cash-on-cash multiple of 12x IDI's initial investment and an IRR of 38%.

We believe that IDI's latest investment illustrates the point once again. Exclusive TTK patented technology to locate leaks accurately and quickly positions TTK to benefit from the strong demand in the universe of critical environments such as data centers which require highly reliable systems to prevent costly water damage. TTK's offer is all the more attractive now that governments have made it a matter of growing priority. In particular, the European Union has allocated €12.6bn after COVID and until 2026 to support its member states in improving water infrastructure and addressing leaky water pipes. Overall, TTK stands uniquely positioned to win public sector funding and to position IDI in an ESG-tied investment.

#### **A prime balance sheet**

Although IDI's balance sheet is slightly down on H1-24, it remains rock solid with €697m of consolidated shareholders' equity. The Group has one of its highest levels of investment capacity, with €300m at its disposal to seize opportunities as they arise. At the risk of sounding redundant, IDI is clearly not short of ammunition, but once again, seems better off keeping its powder dry for now.

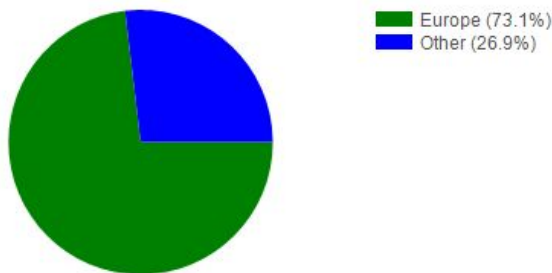
#### **Looking to 2024**

IDI does not offer any guidance for the full year. However, in line with the fall in investments, IDI recorded a net decline in income from investment activities in 9M-24, from €84.7m to €14.8m. As a result, Group net income came to €3.2m, compared with €72m last year. We therefore expect 2024 to be a lean year on the net income front, as IDI is an astute investor, not wary of a slow year. Investors do not need to panic, however, as IDI certainly goes about its business in the right way, which is indeed its greatest asset: not being constrained by time when the environment does not lend itself to investments.

#### **■ Impact**

We are likely to revise our EPS estimates downwards for FY 24 in line with the lower level of transactions. For all that, we maintain a very positive view on the stock.

## Sales by Geography



## Consolidated P&L Accounts

	12/23A	12/24E	12/25E
Sales	€th 9,775	11,102	11,473
Change in sales	% -0.23	13.6	3.34
Change in staff costs	% 154	2.50	2.50
EBITDA	€th -17,164	-19,582	-19,978
<b>EBITDA(R) margin</b>	<b>% -176</b>	<b>-176</b>	<b>-174</b>
Depreciation	€th -973	-1,332	-1,377
Underlying operating profit	€th -14,526	-17,484	-17,753
<b>Operating profit (EBIT)</b>	<b>€th 71,296</b>	<b>70,484</b>	<b>72,414</b>
Net financial expense	€th -890	-890	-890
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th 495	-3,480	-3,576
Equity associates	€th		
Minority interests	€th -89.0	-89.0	-89.0
<b>Adjusted attributable net profit</b>	<b>€th 70,812</b>	<b>66,025</b>	<b>67,859</b>
NOPAT	€th 53,472	52,863	54,310

## Cashflow Statement

	12/23A	12/24E	12/25E
EBITDA	€th -17,164	-19,582	-19,978
Change in WCR	€th 5,361	4,197	1,463
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -876	-3,480	-3,576
Exceptional items	€th		
Other operating cash flows	€th -2,953		
Total operating cash flows	€th -15,632	-18,865	-22,091
Capital expenditure	€th -1,980	-1,980	-1,980
Total investment flows	€th 299,639	23,449	18,970
Net interest expense	€th -890	-890	-890
Dividends (parent company)	€th -19,566	-35,943	-21,566
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 218		
Total financial flows	€th -18,696	-50,330	-36,627
Change in cash position	€th 265,311	-45,746	-39,748
<b>Free cash flow (pre div.)</b>	<b>€th -18,502</b>	<b>-21,735</b>	<b>-24,961</b>

## Per Share Data

	12/23A	12/24E	12/25E
No. of shares net of treas. stock (year...	Th 7,189	7,189	7,189
Number of diluted shares (average)	Th 7,215	7,189	7,189
<b>Benchmark EPS</b>	<b>€ 9.81</b>	<b>9.18</b>	<b>9.44</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 5.00</b>	<b>3.00</b>	<b>3.30</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 92.0	55%	● GBL
Dividend Yield	€ 136	20%	● Corporacion Financ...
DCF	€ 58.1	10%	● Kinnevik Investment
P/E	€ 134	10%	● Ackermans & van H...
P/Book	€ 68.7	5%	● Bolloré
TARGET PRICE	€ 101	100%	● Wendel

### NAV/SOTP Calculation

## Balance Sheet

	12/23A	12/24E	12/25E
Goodwill	€th 5,119	5,119	5,119
Total intangible	€th 5,120	5,119	5,119
Tangible fixed assets	€th 2,048	2,150	2,258
Financial fixed assets	€th 439,769	483,746	532,120
WCR	€th -19,224	-23,421	-24,884
Other assets	€th 1,513	3,513	3,513
Total assets (net of short term liab.)	€th 442,627	484,844	532,549
<b>Ordinary shareholders' equity</b>	<b>€th 732,410</b>	<b>728,546</b>	<b>736,503</b>
Quasi Equity & Preferred	€th		
Minority interests	€th 963	963	963
Provisions for pensions	€th 605	0.00	0.00
Other provisions for risks and liabilities	€th -298	635	635
Total provisions for risks and liabilities	€th 307	635	635
Tax liabilities	€th 454	454	454
Other liabilities	€th 14,659	14,659	14,659
<b>Net debt (cash)</b>	<b>€th -306,160</b>	<b>-</b>	<b>-</b>
Total liab. and shareholders' equity	€th 442,633	484,844	532,549

## Capital Employed

	12/23A	12/24E	12/25E
Capital employed after depreciation	€th 427,713	467,595	514,614

## Profits & Risks Ratios

	12/23A	12/24E	12/25E
<b>ROE (after tax)</b>	<b>% 10.1</b>	<b>9.04</b>	<b>9.26</b>
ROCE	% 12.5	11.3	10.6
<b>Gearing (at book value)</b>	<b>% -22.7</b>	<b>-38.9</b>	<b>-32.7</b>
Adj. Net debt/EBITDA(R)	x 17.8	13.3	11.0
Interest cover (x)	x -16.3	-19.6	-19.9

## Valuation Ratios

	12/23A	12/24E	12/25E
<b>Reference P/E (benchmark)</b>	<b>x 6.15</b>	<b>7.43</b>	<b>7.22</b>
Free cash flow yield	% -4.27	-4.43	-5.09
P/Book	x 0.59	0.67	0.67
<b>Dividend yield</b>	<b>% 8.29</b>	<b>4.40</b>	<b>4.84</b>

## EV Calculation

	12/23A	12/24E	12/25E
Market cap	€th 433,629	490,265	490,265
+ Provisions	€th 307	635	635
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th -319,561	-	-
		274,150	235,088
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 520,035	520,035	520,035
+ Minority interests (fair value)	€th 0.00	0.00	0.00
= EV	€th -405,660	-	-
		303,285	264,223
<b>EV/EBITDA(R)</b>	<b>x 23.6</b>	<b>15.5</b>	<b>13.2</b>
EV/Sales	x -41.5	-27.3	-23.0

Analyst : Saima Hussain, Changes to Forecasts : 02/09/2024.