



Gaussin

Engineering-Heavy Constr. / France

CSG could take the wheel

Shareholding structure - 23/10/2023

Last week Gaussin announced a strategic partnership with Czechoslovak Group (CSG) that will also lead to an injection of €15-25m in funds which is (much) needed for the advancement of Gaussin's ambitions. As a consequence of this partnership there will be changes to the company's Board and Executive Committee, and some possible dilution.

Fact

Key highlights

- First tranche of €15m already paid
- The remaining €10m to be paid as required
- Shareholder's meeting on 22 November
- €25m is likely to be converted into shares

Analysis

CSG is now likely to become a majority shareholder

CSG is a diversified Czech conglomerate spanning various industries including engineering, automotive, rail, aviation and defence. The group's focus on export markets has helped it build a customer base that spans all continents. The Group's portfolio ranges from wristwatches to railroad brakes, trucks, radar systems and navigation systems for the civil and military industries.

On October 12, Gaussin announced a partnership with CSG that would give Gaussin access to €15-25m of financing. So far, CSG, through its investment arm Tablon S.A., has already injected €15m into Gaussin North America and the remaining €10m will be injected as and when needed. This financing, however, will see CSG have 6 additional directors take seats in Gaussin's Board and will also see the appointment of a key person as the group COO. So, effectively future decisions on strategy and expansion would require CSG's backing.

Heavy dilution on the cards

Gaussin has proposed a Shareholder's meeting on 22 November, to vote on the appointment of 6 directors and the COO as well as on resolutions that will allow CSG to convert their €25m financing into equity. The price for this conversion will be equal to the volume-weighted average closing price of GAUSSIN SA shares over the 20 trading days preceding conversion, less a 20% discount, provided that this price is not less than one euro. Assuming one euro as the floor price, the conversion will lead to an issuance of 25m shares. This represents dilution of c.40% of the company's current share capital (c. 37m shares). Once converted, CSG would hold c.52% of Gaussin on a non-diluted basis and c.40% on a diluted basis.

For the other shareholders the calculation is as below:



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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: 255%
Target Price (6 months)	€ 2.84
Share Price	€ 0.80
Market Cap. €M	35.2
Price Momentum	NEGATIVE
Extremes 12Months	0.77 ▶ 5.00
Sustainability score	2.8 /10
Credit Risk	BB ↗
Bloomberg	ALGAU FP Equity
Reuters	ALGAU.PA



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PERF	1w	1m	3m	12m
Gaussin	-20.0%	3.90%	-62.4%	-80.9%
Capital Goods	-6.01%	-9.48%	-14.5%	13.3%
STOXX 600	-3.44%	-5.85%	-6.51%	8.77%

Last updated: 06/08/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-4.28	28.0	7.10	2.92
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.6	4.04	3.18	2.00
Adjusted EPS (€)	-1.09	0.03	0.11	0.27
Growth in EPS (%)	n/a	n/a	294	143
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	73.4	126	148	167
EBIT margin (%)	-42.0	2.00	4.20	7.80
Attributable net profit (€M)	-29.7	0.84	4.76	11.9
ROE (after tax) (%)	-205	10.3	30.8	44.1
Gearing (%)	425	287	206	96.2

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

Impact on equity

For information purposes, the impact of the capital increase resulting from the full conversion of the financing into shares on the proportion of shareholders' equity per share (theoretical calculations based on a price for conversion at today's date, shareholders' equity at June 30, 2023* and the number of shares making up the Company's share capital at today's date (37,078,664) would be as follows:

- equity per share (in euros): 0,52 euro
- after issue of the 25,000,000 new shares on a non-diluted basis: 0,72 euro**
- after issue of the 25.000.000 news shares on a diluted basis: 1,07 euro**

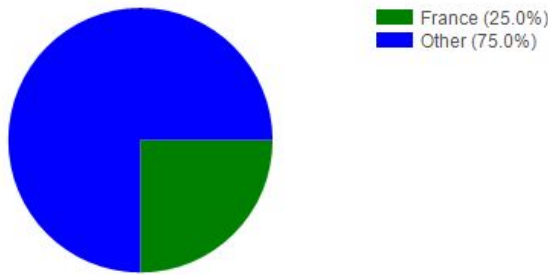
2023 sales guidance withdrawn

Lastly, in light of its partnership with CSG, Gaussin has withdrawn its 2023 sales target of more than €100m.

■ Impact

We will update our share count and estimates to take into account the unfolding events, which will result in a drop in our target price.

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€M 73.4	126	148
Change in sales	% -1.46	72.3	17.3
Change in staff costs	% 15.5	11.5	30.0
EBITDA	€M -14.1	20.2	24.8
EBITDA(R) margin	% -19.3	16.0	16.7
Depreciation	€M -10.1	-10.7	-11.1
Underlying operating profit	€M -30.7	2.53	6.23
Operating profit (EBIT)	€M -30.9	2.33	6.03
Net financial expense	€M -1.56	-1.50	-1.50
of which related to pensions	€M	0.00	0.00
Exceptional items & other	€M 2.70	0.00	0.00
Corporate tax	€M 0.00	0.01	0.23
Equity associates	€M 0.00	0.00	0.00
Minority interests	€M 0.00	0.00	0.00
Adjusted attributable net profit	€M -29.5	1.04	4.96
NOPAT	€M -23.0	1.90	4.67

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€M -14.1	20.2	24.8
Change in WCR	€M 3.40	-18.6	-3.71
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M	0.01	0.23
Exceptional items	€M		
Other operating cash flows	€M -6.07	-5.00	-5.00
Total operating cash flows	€M -16.8	-3.37	16.3
Capital expenditure	€M -10.4	-11.4	-11.9
Total investment flows	€M -10.4	-12.4	-11.9
Net interest expense	€M -1.56	-1.50	-1.50
Dividends (parent company)	€M		
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 8.96	0.00	0.00
Total financial flows	€M 22.7	24.0	-3.50
Change in cash position	€M -4.44	8.25	0.93
Free cash flow (pre div.)	€M -28.7	-16.3	2.93

Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...	Mio	28.5	44.0	44.0
Number of diluted shares (average)	Mio	27.2	36.3	44.0
Benchmark EPS	€	-1.09	0.03	0.11
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.42	35%	● KION Group ● Jungheinrich Pref.
NAV/SOTP per share	€ 5.30	20%	
EV/Ebitda	€ 0.59	20%	
P/E	€ 0.90	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.40	5%	
TARGET PRICE	€ 2.84	100%	

NAV/SOTP Calculation

Balance Sheet

	12/22A	12/23E	12/24E
Goodwill	€M 7.07	7.07	7.07
Total intangible	€M 7.07	7.07	7.07
Tangible fixed assets	€M 17.7	19.0	19.3
Financial fixed assets	€M 1.73	1.70	1.70
WCR	€M 2.12	20.7	24.4
Other assets	€M 7.74	10.0	11.0
Total assets (net of short term liab.)	€M 36.4	58.5	63.5
Ordinary shareholders' equity	€M 4.75	11.5	19.4
Quasi Equity & Preferred	€M		
Minority interests	€M 0.44	0.40	0.40
Provisions for pensions	€M	0.00	0.00
Other provisions for risks and liabilities	€M 6.86	5.00	5.00
Total provisions for risks and liabilities	€M 6.86	5.00	5.00
Tax liabilities	€M		
Other liabilities	€M		
Net debt (cash)	€M 24.3	41.6	38.7
Total liab. and shareholders' equity	€M 36.4	58.5	63.5

Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 28.6	48.5	52.5

Profits & Risks Ratios

		12/22A	12/23E	12/24E
ROE (after tax)	%	-205	10.3	30.8
ROCE	%	-80.4	3.91	8.90
Gearing (at book value)	%	425	287	206
Adj. Net debt/EBITDA(R)	x	-1.72	2.05	1.56
Interest cover (x)	x	-19.7	1.69	4.15

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	-4.28	28.0	7.10
Free cash flow yield	%	-21.6	-46.1	8.31
P/Book	x	28.0	3.07	1.81
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€M	133	35.2	35.2
+ Provisions	€M	6.86	5.00	5.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	24.3	41.6	38.7
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	164	81.8	78.9
EV/EBITDA(R)	x	-11.6	4.04	3.18
EV/Sales	x	2.24	0.65	0.53

Analyst : Kulwinder Rajpal, Changes to Forecasts : 06/08/2023.