



# MyHotelMatch

Travel Services / France

## Preparing to strengthen the balance sheet

Financing issue - 04/06/2024

MHM has announced that it will convene an EGM on 16 June 2024 to prepare for a normalisation of the balance sheet. A substantial adjustment to our target price is likely.

### Fact

- MHM is facing a cash shortage, and the auditors have issued a warning about the 2023 accounts.
- Equity injections are planned in the near future, including €1m in new cash.
- The AGM on 16 June will be used to prepare for the normalisation of the balance sheet. It will be supplemented by a second AGM before the end of the year, which will set out the final terms of the capital increase.
- The text of the resolutions for the 16 June AGM is not yet available.

### Analysis

#### Deficit in 2023

Given the heavy investment in the matching application, MHM's consolidated results will be significantly loss-making. This will also be due to the level of activity in the Concierge business, which has been impacted by the events (and their lasting after-effects) in the Middle East since 7 October 2023, which are weighing on profitability. This activity will therefore provide less support for the cash burn linked to the development of the app. The auditors highlighted late payments to suppliers and tax and social security authorities of around €850k (excluding shareholder debt, €2.1m of short term issues globally), which is significant given the size of the company. MHM does not have sufficient cash to meet these payments, which calls into question its ability to operate as a going concern.

#### Corrective measures

The initial strategic plan undoubtedly included the exercise of the warrants, the maturity of which had already been extended to December 2024. The weakness of MHM's share price meant that this objective, which would have raised several million euros, could not be achieved. The exercise price of the warrants is currently 136% higher than MHM's listed price (closing price on 3 June).

In addition to the forthcoming conversion of the reference shareholder's loan into new MHM shares, the company will be proposing to adapt the maturity of the warrants currently in circulation. From the outset, our price target was based on the exercise of these warrants at a given price, on which the dilution assumption was built. If only the maturity of the warrants were to be adjusted, but not their strike (€1.25), theoretically there would be an accretion favourable to our initial price target (which is higher than the strike of the warrants), since the probability of their being exercised, with the associated dilution, would then be low. In the event that the strike price of the warrants were to be significantly reduced, making it possible to exercise them, significant additional dilution would occur.

The reference shareholder, Mr Ott, had undertaken to support MHM's development by contributing equity. This support has been effective, as demonstrated by the conversion at the next AGM of €2m of Mr Ott's shareholder loan into new MHM



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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

<b>Buy</b>	<b>Upside: 1,183%</b>
Target Price (6 months)	€ 6.72
Share Price	€ 0.52
Market Cap. €M	3.03
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	0.51 ▶ 3.00
Sustainability score	2.6 /10
Credit Risk	DDD →
Bloomberg	MHM FP Equity
Reuters	MHM.PA

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PERF	1w	1m	3m	12m
MyHotelMatch	-50.1%	-50.3%	-34.9%	-82.5%
Hotel, Catering & Leisure	-2.31%	-1.42%	-3.39%	2.54%
STOXX 600	-0.45%	2.83%	4.48%	12.5%

Last updated: 09/08/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-19.8	-7.98	-0.44	-0.72
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-16.5	-7.88	-1.86	-3.97
Adjusted EPS (€)	-0.12	-0.24	-1.20	-0.73
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,753	13,800	15,780	19,569
EBIT margin (%)	-15.4	-14.8	-48.2	-24.8
Attributable net profit (€th)	-705	-1,399	-6,949	-4,211
ROE (after tax) (%)	39.6	56.8	126	49.2
Gearing (%)				

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shares. This operation, which has no impact on MHM's current cash position, would be supplemented by the entry of an investor for €1m in return for new shares to be issued. This new cash would enable a major portion of current overdue payments to be cleared.

The new shares to be issued (€3.0m vs. MHM's current market cap of €1.9m, at market closing price on 3 June) should, in theory, be priced at around or below the current share price (€0.53 at market close on 3 June), representing dilution of c.2.4x that associated with the potential exercise of warrants (for similar amount in €m), excluding any discount to the issue price of the new shares vs. the current share price. As a result, the net cumulative dilution will be greater than the accretion resulting from the non-exercise of the warrants (symmetrically: cumulative dilutive effect in the event of a sharp fall in the strike price of the warrants). In short, the final dilution will result in a significant adjustment to our price target, given the size of the capital increase and the likely price of the new shares.

In addition to this mechanical adjustment, we will also have to take account of a lower profitability for the Concierge business (rebound in 2026?) and a higher level of risk for the matching application: not on its development costs but on the speed of product roll-out, and therefore the outlook for revenue, profits and time to breakeven. As things stand, a full commercial launch will not result in full visibility of the product's potential until around the end of 2025, in our opinion. There is therefore a significant period of residual uncertainty. Even though most of the cash costs of development have probably already been spent by now, a technical team still has to be financed over the long term to finalise the product and bring it to market, in the absence of any substantial revenues for another 18 months or so (assumption AV).

### **Planning, guidance, disposal of assets**

MHM does not provide guidance or a cash burn schedule. The profits generated by the Concierge business may not yet be sufficient to ensure a consolidated cash balance by 2025. For this reason, asset disposals are envisaged.

The most obvious hypothesis would be to retain the main Concierge activity vs. a disposal of peripheral activities, including the majority of MyDriver, a successful and profitable chauffeur de maître business in which MHM holds a 51% stake.

The Company is also likely to take up the option of spreading its tax and social security liabilities over time, which would free up cash in the short term and defer any further need to raise new cash.

### **Governance**

The capital increase is expected to put Mr Ott significantly above the 30% threshold. In such cases, an exemption from the obligation to launch an offer for the entire share capital is generally requested from the AMF. We will work on the assumption that, until the company provides further details: i/ this exemption is granted; ii/ no further warrants are converted; and iii/ new shares are issued at the current price, without any discount. On these bases, and at the end of the projected transactions (AV estimates): i/ there will be no takeover bid; ii/ Mr Ott will cross the threshold of 50% ownership of MHM without reaching two-thirds; iii/ the investors injecting €1m into the company would own c.20% of the capital.

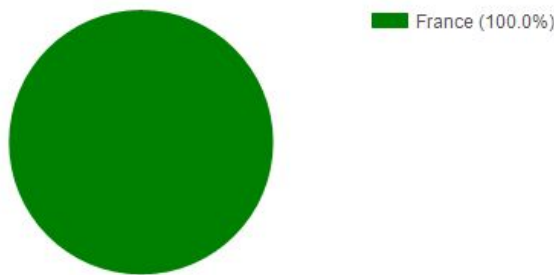
In terms of governance, Mr Ott was already the reference shareholder and will remain so. A change in the Board of Directors to allow for the representation of new investors is a possibility.

## ■ Impact

Our price target will be revised significantly downwards once the final details of the balance sheet strengthening are public.

The application project is taking longer than expected to reach maturity, despite the significant precautionary margins that we had already taken at the outset. The Concierge business remains a profitable asset, but the key issue for MHM remains the success of its matching application, for which it will not be possible to reach a conclusion before the end of 2025 (AV estimate).

## Sales by Geography



## Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€th 7,753	13,800	15,780
Change in sales	% ns	78.0	14.3
Change in staff costs	% 7,444	24.3	1.50
EBITDA	€th -567	-2,048	-7,598
<b>EBITDA(R) margin</b>	<b>% -7.31</b>	<b>-14.8</b>	<b>-48.1</b>
Depreciation	€th 0.00	0.00	0.00
Underlying operating profit	€th -567	-2,048	-7,598
<b>Operating profit (EBIT)</b>	<b>€th -657</b>	<b>-2,049</b>	<b>-7,599</b>
Net financial expense	€th 285	-0.01	-0.01
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th -143	800	800
Corporate tax	€th -55.0	0.00	0.00
Equity associates	€th 0.00	0.00	0.00
Minority interests	€th -135	-150	-150
<b>Adjusted attributable net profit</b>	<b>€th -705</b>	<b>-1,399</b>	<b>-6,949</b>
NOPAT	€th -493	-1,537	-5,699

## Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€th -567	-2,048	-7,598
Change in WCR	€th -1,250	-2,637	0.00
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -55.0	0.00	0.00
Exceptional items	€th 588	0.00	0.00
Other operating cash flows	€th 0.00	0.00	0.00
Total operating cash flows	€th -1,284	-4,685	-7,598
Capital expenditure	€th -588	-300	-300
Total investment flows	€th -588	-300	-300
Net interest expense	€th 285	-0.01	-0.01
Dividends (parent company)	€th 0.00	0.00	0.00
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 4,496	778	5,569
Total financial flows	€th 3,997	317	9,517
Change in cash position	€th 2,125	-4,668	1,619
<b>Free cash flow (pre div.)</b>	<b>€th -1,587</b>	<b>-4,985</b>	<b>-7,898</b>

## Per Share Data

	12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...	Th 3,050	3,402	5,789
Number of diluted shares (average)	Th 5,789	5,789	5,789
<b>Benchmark EPS</b>	<b>€ -0.12</b>	<b>-0.24</b>	<b>-1.20</b>
Restated NAV per share	€ 0.04	0.04	0.04
<b>Net dividend per share</b>	<b>€ 0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 5.70	75%	● Amadeus IT Group
DCF	€ 9.79	25%	● AccorHotels
TARGET PRICE	€ 6.72	100%	● Intercontinental Hot...

### NAV/SOTP Calculation

- Melia Hotels Intern...
- Seera Group Holding
- TUI Group

## Balance Sheet

	12/22A	12/23E	12/24E
Goodwill	€th 1,518	1,818	2,118
Total intangible	€th 1,518	1,818	2,118
Tangible fixed assets	€th 154	153	152
Financial fixed assets	€th 124	124	124
WCR	€th -52.0	2,585	2,585
Other assets	€th 0.00	0.00	0.00
Total assets (net of short term liab.)	€th 1,745	4,681	4,980
<b>Ordinary shareholders' equity</b>	<b>€th -36.0</b>	<b>-4,892</b>	<b>-6,125</b>
Quasi Equity & Preferred	€th 0.00	0.00	0.00
Minority interests	€th 227	377	527
Provisions for pensions	€th 0.00	0.00	0.00
Other provisions for risks and liabilities	€th 0.00	0.00	0.00
Total provisions for risks and liabilities	€th 0.00	0.00	0.00
Tax liabilities	€th 0.00	0.00	0.00
Other liabilities	€th -229	0.00	0.00
<b>Net debt (cash)</b>	<b>€th 1,783</b>	<b>9,196</b>	<b>10,578</b>
Total liab. and shareholders' equity	€th 1,745	4,681	4,980

## Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€th 1,744	4,680	4,979

## Profits & Risks Ratios

	12/22A	12/23E	12/24E
<b>ROE (after tax)</b>	<b>% 39.6</b>	<b>56.8</b>	<b>126</b>
ROCE	% -28.3	-32.8	-114
<b>Gearing (at book value)</b>	<b>%</b>		
Adj. Net debt/EBITDA(R)	x -3.14	-4.49	-1.39
Interest cover (x)	x 1.99	-	-

## Valuation Ratios

	12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x -19.8</b>	<b>-7.98</b>	<b>-0.44</b>
Free cash flow yield	% -21.6	-76.0	-260
P/Book	x -204	-1.34	-0.50
<b>Dividend yield</b>	<b>% 0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

	12/22A	12/23E	12/24E
Market cap	€th 7,346	6,560	3,033
+ Provisions	€th 0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 1,782	9,195	10,577
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th		
+ Minority interests (fair value)	€th 227	377	527
= EV	€th 9,355	16,132	14,137
<b>EV/EBITDA(R)</b>	<b>x -16.5</b>	<b>-7.88</b>	<b>-1.86</b>
EV/Sales	x 1.21	1.17	0.90

Analyst : Christian Auzanneau, Changes to Forecasts : 09/08/2023.