



IDI

Holding Companies / France

FY21: IDI displays strong NAV progression, excellent dividend pay-out

Earnings/sales releases - 17/03/2022

IDI reported solid NAV growth of +28% yoy, boosted by a very active 2021 in terms of deal flow. This strong dynamic has been accompanied by an improvement in shareholder remuneration with an excellent total dividend pay-out of €3.40 per share. Regarding the current geopolitical environment, IDI's cautious valuation profile and a lower leverage at the underlying company level versus PE peers should result in a portfolio that is less vulnerable to external shocks, supporting a resilient outlook for the group.

Fact

Key FY21 figures

- IDI's NAV rose by 28.2% yoy to €612m at the close of FY21. The NAV per share stood at €82.2 (37% discount to NAV based on the current share price).
- The net result (group share) came in at €126m in FY21, substantially above the €32m reported the year prior.
- Based on the strong results, IDI will propose an ordinary dividend of €2.30 per share, which stands above our €2.10 estimate. Moreover, the company has already paid out an extraordinary dividend of €1.10 per share, amounting to a total pay-out of €3.40 per share.
- The company's total liquidity position amounted to €148m at the close of 2021, rising from €124m the year before.

Analysis

Strong performance that supports increased shareholder returns

IDI's investment activity was strongly dynamic in 2021 with 16 transactions exceeding a total value of €300m, of which €140m in capital deployed (new investments and build-ups) and €172m in disposals, achieving an average exit multiple of 3.25x, moreover, the IRR of the realised exits exceeded 30%, a solid execution that should accompany increased shareholder returns. The strong dynamic in the investment activity has historically supported special dividend pay-outs to shareholders, as seen in 2018 (following the disposal of Albingia at very favourable terms) and now in 2021.

Based on the total €3.40 per share pay-out, the dividend yield stands at a notable 6.3% (based on the current share price), substantially above the 2.3% average yield among our holding company coverage.

Following a very active 2021, IDI pursues the strong momentum in 2022, having announced four deals already: the Culturespaces acquisition aforementioned, two build-up transaction involving Newlife and Dubbing Brothers, and a new strategic investment (currently in exclusive negotiations) for the company that would see IDI expanding its portfolio into third-party asset management through a minority stake in Omnes, a major alternative asset management player in France with over €5.0bn in AUM.

Solid financial standing to affront challenges



Jorge VELANDIA

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 49.4%
Target Price (6 months)	€ 78.6
Share Price	€ 52.6
Market Cap. €M	381
Price Momentum	STRONG
Extremes 12Months	39.0 ▶ 53.0
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	13.1%	4.78%	2.33%	25.6%
Other Financials	6.88%	-0.45%	-5.46%	0.67%
STOXX 600	3.22%	-2.71%	-5.90%	5.07%

Last updated: 15/10/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	13.2	20.0	21.6	20.5
Dividend yield (%)	5.03	4.68	3.99	3.99
EV/EBITDA(R) (x)	14.1	13.4	9.89	9.60
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](#)

The liquidity position at the close of 2021 provide IDI with plenty of financial flexibility to pursue new investment opportunities in 2022 as well as absorb external shocks in view of the volatile geopolitical environment. Obviously, the visibility for 2022 has been affected by the Ukraine-Russia war.

However, IDI's cautious valuation profile should result in a NAV that is less vulnerable to drastic adjustments in times of crisis. In addition, the leverage of the underlying companies of 2.9x is sensibly below those of other PE players; IDI prioritises nourishing the growth of its investee companies rather than resorting to increased leverage to quickly boost returns, which should support their resilience in spite of increased market volatility.

Regarding the current geopolitical environment, IDI comments that the impact from the Ukraine-Russia war and its ripple effects on the global economy cannot be accurately assessed at this point. Nonetheless, the company notes that its holdings have little overall exposure to the conflict zones, hence any potential impact is likely to stem from the wider macro-economic effects on the French and overall European economy. Two holdings are directly impacted by the ongoing conflict; one of them very modestly and the other one in a more significant manner. Nonetheless, in overall terms, the direct impact on the portfolio is quite subdued.

Governance changes

IDI will propose the appointment of Cyrille Chevrillon, CEO of Groupe Chevrillon, as the new member of the Supervisory Board. As a reminder, IDI has partnered with Groupe Chevrillon in several deals, most recently for the acquisition of Culturespaces (announced in January 2022). Both companies share an engaged and entrepreneurial investment DNA and a flexible approach not subject to the time constraints of most PE funds.

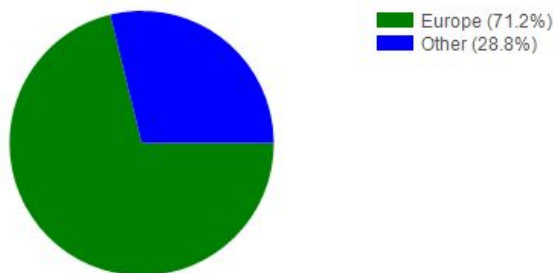
Making progress on the ESG path

On the ESG front, IDI is raising its engagement in the integration of ESG criteria through the investment selection process and the management of the portfolio companies, for this, the company has established a dedicated ESG committee chaired by H el ene Molinari, and is expected to sign the UN's PRI pact to confirm its commitment.

■ Impact

While IDI has not undertaken major revisions to the valuation of the underlying companies, listed peer group multiples are likely to contract following the recent market correction. We will be incorporating the FY21 figures into our model and roll forward our estimates until 2024. The solid FY21 results continue to support our positive stance on the stock.

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	€ 95.1	20%	● Bolloré
DCF	€ 35.3	10%	● Corporacion Financ...
P/E	€ 40.8	10%	● GBL
P/Book	€ 66.7	5%	● Kinnevik Investment
TARGET PRICE	€ 78.6	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	20.0	21.6
Free cash flow yield	%	-8.91	-2.64	-6.87
P/Book	x	0.56	0.59	0.70
Dividend yield	%	5.03	4.68	3.99

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	288,050	324,730	380,965
+ 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	249,921	185,771
EV/EBITDA(R)	x	14.1	13.4	9.89
EV/Sales	x	-64.4	-51.5	-37.9

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