



Gaussin

Engineering-Heavy Constr. / France

Greening up transport in closed spaces

Initiation cov. - 03/02/2023

Founded in 1880 by Eugène Gaussin, and currently headed by Christophe Gaussin, Gaussin is an engineering company that designs, assembles, and sells innovative products and services in the transport and logistics sectors. Gaussin's know-how spans across off- and on-road vehicles (manned and autonomous), with expertise in the integration of all types of batteries (electric and hydrogen fuel cells). It also owns a subsidiary in Metalliance, which specialises in the design and construction of industrial and mobile equipment used in transport infrastructure.

Catering to attractive markets

According to various market reports, the global terminal tractor market stood at c. \$700m in 2020 and is expected to grow to \$1.05bn by 2027 at a CAGR of 6%. The company's main markets are Logistics, Seaports, Airports, and Mobility, with the first two markets being the key addressable markets in the near term but all of them offering strong potential. For example, within Logistics, there are about 150,000 warehouses globally with a third located within the EU and the US. An average warehouse uses 2-10 vehicles for movement within the premises and, assuming a conversion rate of 10% from diesel to electric vehicles, the case for demand is solid. Similarly, attractive business cases exist for other markets.

With a wide customer base

Even before entering into purchase contracts with Amazon and UPS, Gaussin's customer base comprised of global, regional and national customers. To date, it has signed contracts with more than 60 customers across various sectors including Logistics, Seaports, and Airports. Such a diverse base validates the company's products, minimises customer concentration risk, and ensures a stable revenue stream. Additionally, this diversified customer base offers resilience under volatile demand environments.

And an entrenched partner network

Over many years of operation, Gaussin has developed a number of collaborative partnerships including ecosystem partners, suppliers, and strategic stakeholders. With the help of its ecosystem partners Gaussin can fulfil the majority of its customers' requirements and facilitate the ease of transition as the latter increasingly opt for sustainable solutions. These partners include companies such as Plug Power, McPhy, Lhyfe, HRS, etc., to support the hydrogen-run products to names such as ABB, and EDN for charging solutions. In addition to its ecosystem partners, Gaussin also has several partners to ensure the supply of critical components and technologies. These include NVIDIA, Meritor, Plastic Omnium, Faurecia, Bosch, and more.

Diverse revenue streams

Gaussin's revenue stream comes from three main sources: sale of products, licensing, and services. In the products category, the company generates revenues from the sale of its innovative modular vehicles and underground works (Metalliance). The second category, i.e. licensing, is the most recently developed and has become a key pillar for the company's growth over the last four years. This category capitalises on the strengths of the company and is a lucrative avenue for future growth (please see Money Making for a detailed description).



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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: 86.1%
Target Price (6 months)	€ 4.97
Share Price	€ 2.67
Market Cap. €M	76.2
Price Momentum	NEGATIVE
Extremes 12Months	2.65 ▶ 6.87
Sustainability score	2.8 /10
Credit Risk	BBB →
Bloomberg	ALGAU FP Equity
Reuters	ALGAU.PA

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PERF	1w	1m	3m	12m
Gaussin	-12.3%	-21.2%	-40.5%	-57.5%
Capital Goods	2.40%	10.4%	21.5%	-2.26%
STOXX 600	1.15%	5.76%	11.1%	-3.73%

Last updated: 03/02/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-28.6	-6.12	9.47	6.16
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	67.4	-17.4	5.25	3.37
Adjusted EPS (€)	-0.29	-0.76	0.28	0.43
Growth in EPS (%)	n/a	n/a	n/a	53.6
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	74.5	74.3	119	143
EBIT margin (%)	-9.49	-27.0	8.50	12.1
Attributable net profit (€M)	-7.31	-21.0	9.36	17.0
ROE (after tax) (%)	-33.4	-141	30.5	25.8
Gearing (%)	51.9	435	26.9	-9.91

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

Finally, there is services whose scope covers the potential opportunities arising from aftersales across its deployed fleet. Currently small, this category holds potential for expansion.

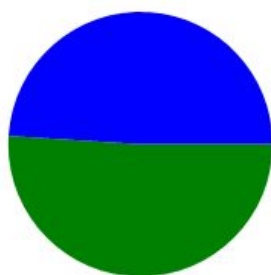
Aiming to improve profitability

Despite an increase in licensing revenues in the recent past and their strong drop-down to profitability, Gaussin has been unable to break-even consistently at the EBIT level. Moving forward, Gaussin is determined to change this by pulling various levers. First, as the end-markets become more conducive, Gaussin will be selling significantly more units per annum than it has done in the recent past. This will improve unit economics as the company will have more purchasing power due to increased scale. Secondly, being a first mover in its markets, the company can, and will, execute planned price increases to generate stronger revenue growth. Finally, it is dedicated to improving margins by reining in discretionary spend (some marketing expenses, prototyping expenses, etc.) by c. €3m per year. Going forward, provided proper execution, these levers will help Gaussin become a consistently profitable company.

Conclusion

Following a sustained development in R&D (c. €22m between 2017-22 and c. 100 patents) and testing, Gaussin is now scaling up its operations. With material orders from customers such as Amazon and UPS, the company has indicated that, in 2023, it will sell over 400 units compared to only 30 units in 2022. Additionally, the company is also actively seeking licensing partners across the globe to expand its geographical footprint. Lastly, the company is committed to improving profitability across the board to generate operating profits consistently. So, with increased demand from its main end-markets, there is ample room for Gaussin to grow and differentiate itself as a pioneer.

Sales by Geography



■ France (51.0%)
■ Other (49.0%)

Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	74.5	74.3	119
Change in sales	%	28.0	-0.26	60.8
Change in staff costs	%	42.7	18.8	51.7
EBITDA	€M	3.45	-9.66	20.9
EBITDA(R) margin	%	4.63	-13.0	17.5
Depreciation	€M	-6.00	-5.94	-5.97
Underlying operating profit	€M	-6.83	-20.1	10.2
Operating profit (EBIT)	€M	-7.07	-20.4	9.85
Net financial expense	€M	-0.22	-0.60	-0.60
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	0.00	0.00	0.00
Corporate tax	€M	-0.01	0.00	0.09
Equity associates	€M	0.00	0.00	0.00
Minority interests	€M	-0.02	-0.02	0.01
Adjusted attributable net profit	€M	-7.07	-20.7	9.66
NOPAT	€M	-5.12	-15.0	7.62

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	3.45	-9.66	20.9
Change in WCR	€M	0.98	-1.95	-13.7
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M		0.00	0.09
Exceptional items	€M			
Other operating cash flows	€M	-4.86	-5.00	-4.00
Total operating cash flows	€M	-0.43	-16.6	3.28
Capital expenditure	€M	-11.5	-8.92	-9.56
Total investment flows	€M	-12.5	-9.92	-10.6
Net interest expense	€M	-0.22	-0.60	-0.60
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	11.8	12.0	40.0
Total financial flows	€M	10.7	8.93	61.4
Change in cash position	€M	-2.10	-17.6	54.1
Free cash flow (pre div.)	€M	-12.2	-26.1	-6.88

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...)	Mio	25.8	28.5	40.0
Number of diluted shares (average)	Mio	24.5	27.2	34.3
Benchmark EPS	€	-0.29	-0.76	0.28
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 7.58	35%	<ul style="list-style-type: none"> ● KION Group ● Jungheinrich Pref.
NAV/SOTP per share	€ 6.62	20%	
EV/Ebitda	€ 2.42	20%	
P/E	€ 4.22	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 1.60	5%	
TARGET PRICE	€ 4.97	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€M	7.35	6.38	6.38
Total intangible	€M	7.35	6.38	6.38
Tangible fixed assets	€M	17.7	20.1	23.9
Financial fixed assets	€M	1.63	2.00	2.00
WCR	€M	1.55	3.50	17.2
Other assets	€M	10.4	9.00	10.0
Total assets (net of short term liab.)	€M	44.7	40.9	59.5
Ordinary shareholders' equity	€M	24.3	5.42	56.0
Quasi Equity & Preferred	€M			
Minority interests	€M	0.43	0.40	0.50
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M	3.97	4.00	4.00
Total provisions for risks and liabilities	€M	3.97	4.00	4.00
Tax liabilities	€M			
Other liabilities	€M			
Net debt (cash)	€M	16.0	31.1	-0.99
Total liab. and shareholders' equity	€M	44.7	40.9	59.5

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	28.3	31.9	49.5

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	-33.4	-141	30.5
ROCE	%	-18.1	-47.1	15.4
Gearing (at book value)	%	51.9	435	26.9
Adj. Net debt/EBITDA(R)	x	4.64	-3.22	-0.05
Interest cover (x)	x	-30.7	-33.4	16.9

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	-28.6	-6.12	9.47
Free cash flow yield	%	-5.73	-19.7	-6.45
P/Book	x	8.77	24.5	1.91
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	213	133	107
+ Provisions	€M	3.97	4.00	4.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	16.0	31.1	-0.99
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	233	168	110
EV/EBITDA(R)	x	67.4	-17.4	5.25
EV/Sales	x	3.12	2.26	0.92

Analyst : Kulwinder Rajpal, Changes to Forecasts : 03/02/2023.