



MyHotelMatch

Travel Services / France

MHM will use AI

Earnings/sales releases - 13/06/2023

Fiscal year 2022 was the first year to prepare the full commercial launch of the group's application awaited in early 2024. MHM will use Artificial Intelligence to improve clients' experiences.

Fact

- Revenue was in line with previous releases, welcoming the contribution of MyAgency (acquired in 2022, consolidated in H2 22, full consolidation in FY 23) and with nil contribution from the under-development Matching application.
- Profits benefited from a higher contribution than initial estimates from MyAgency, whereas fixed costs will accelerate further in 2023-24 to launch the Matching platform.
- Beta test platform of Matching app in late 2023 was confirmed with full commercial launch in early 2024.
- The partnership with a leader worldwide in bookings was confirmed and the name of the partner was revealed: AMADEUS.
- AGM of 16 June should agree a prolongation of warrants maturities from December 2023 to December 2024.
- No guidance was given on 2023, nor for out-years, for revenue, cash development costs or profit.
- Reverse split should occur in 2023.

Analysis

Back to MyAgency, the FY 22 full set of figures and perspectives

Bottom line was a negative €0.8m vs. €-0.3m initially expected. The contribution of MyAgency was much better than expected a year ago with EBIT of €0.4m in FY 22 vs. a deficit of €0.2m expected initially in H2 22. On top of this, annual fixed costs for developing Matching App were higher than initially expected. MHM doesn't release 2022 pro forma figures and doesn't analyse a breakdown of costs / net loss by sub-business (MyAgency on the one hand vs. Matching App). Due to the expected contribution of MyDriver, EBIT of My Agency as a sub-group could stand at around €0.5m (AV estimate).

In 2023, expenses related to Matching App will accelerate further. It is likely to increase consolidated net loss yoy significantly. With the bulk of referencing expenses (Google) being activated in 2024, we should reduce our expected net loss significantly as far as FY 23 is concerned. We are unlikely to change either the 2024 or 2025 forecasts significantly, nevertheless.

Matching app

MHM (as the parent company) welcomes the development of the group's Matching App. It spent €1m in FY 22. We expect cash expenses will accelerate in FY 23 (€2.5m, AV estimate, no guidance was given) and even more in FY 24 with the marketing referencing (Google). As a reminder, we don't expect economic breakeven of Matching App before 2026 should the commercial launch be considered as successful.

Shareholders and reverse split



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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: 75.7%
Target Price (6 months)	€ 0.05
Share Price	€ 0.03
Market Cap. €M	5.98
Price Momentum	GOOD
Extremes 12Months	0.01 ▶ 0.04
Sustainability score	2.6 /10
Credit Risk	DD ↗
Bloomberg	MHM FP Equity
Reuters	MHM.PA

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PERF	1w	1m	3m	12m
MyHotelMatch	-4.20%	-4.86%	-12.7%	3.79%
Hotel, Catering & Leisure	0.48%	1.17%	9.77%	28.4%
STOXX 600	0.17%	-1.02%	1.54%	8.99%

Last updated: 02/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-46.4	-1.92	-2.27
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-41.6	-26.0	-2.12	-3.52
Adjusted EPS (€)	0.00	0.00	-0.01	-0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	0.00	5,000	10,219	11,828
EBIT margin (%)	ns	-6.02	-88.9	-65.7
Attributable net profit (€th)	-15.0	-301	-8,282	-6,973
ROE (after tax) (%)	0.29	10.8	337	101
Gearing (%)				

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

87% of the convertible bonds have been converted to date. They are neutral from the cash side. 235m warrants remain to be exercised in 31 December 2022 on the 350m issued initially (341m remaining to be exercised in 31 December 2021). 90m warrants exercised in 2022 (linked to the acquisition of MyAgency and the group's application), are equivalent to a capital increase of €2m with no cash issue. In 2022, the full number of existing shares was up 66% to 305m. The number of shares of 579m on a fully-diluted basis was unchanged. A reverse split is scheduled on 2023. It should lead to an impoverished MHM's penny stock status on top of reducing share price volatility.

The maturity of remaining warrants should be prolonged from December 2023 to December 2024. Such warrants are currently in (or around) the money. Residual cash of €5m should be spread over 2023 and 2024 in our to be revised estimates. In 31 December 2022, Group OTT was managing a stake of 29% in MHM. The DUMENIL family owned 11% through FIPP.

Balance sheet

Gross cash was amounting to €1.4m in December 2022, i.e. a net debt of c.€2m ex IFRS 16. Gross cash is equivalent to less than one year of cash burn. Shareholders' equity was still a by €0.3m (ex-minorities). In the short term, the company's liquidity still depends on Group's OTT support. Auditors mentioned that gross cash should stand at around €1.5m in December 2023. A detailed business plan or parameters leading to such an assumption were unavailable.

Other key elements of the FY 22 Annual Report

MHM's Business Model was confirmed with commissions of c.10-15% applied to hoteliers, whereas competitors like Booking.com and other Online Travel Agencies (OTA) are billing 20-25%. MHM's ambition is to become the "Instagram of travellers" with independent hoteliers as first targets (ex-big networks). The company considers its market worldwide as being 900,000 hotels and 17.5m rooms (including large brands / networks). MHM doesn't communicate on targets for market shares nor on key elements of its business plan.

The contract with AMADEUS will provide some visibility to Matching App by multiplying potential referencings with hoteliers. This was still included in our ramp-up expectation and doesn't lead to revising our forecasts upward on its own. MHM will have to work on its marketing to popularise both acceptance and final use of its platform.

Group OTT concluded a management fees contract with MHM with a limit of €0.5m p.a. €0.3m was charged in FY 22.

MyAgency (ex-MyDriver) showed a gross margin of 14% in 2022 (20% in 2021 which wasn't representative due to the low level of billings) and a high economic profitability of c.21% (EBIT / gross margin). As a reminder, the EBIT margin (EBIT / full revenue) was around 3% in FY 22.

■ Impact

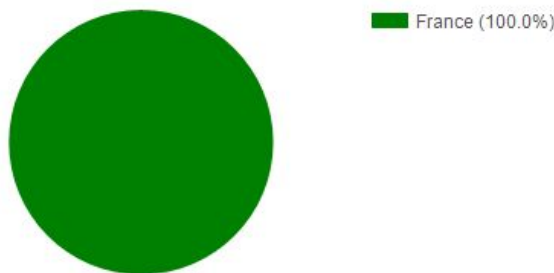
We will have to revise our expected FY 23 net losses significantly downward to account for lower cash expenses on the Matching App and a better contribution from MyAgency as a whole (including MyDriver). Our target price should react positively despite a much higher number of existing shares in late 2022.

The investment case remains directly linked to the commercial success of Matching App. The latter won't be observable before the 2025-26 horizon, beyond the ramp-up phase. The ramp-up should coincide with high opex (as fixed costs) vs. a low level of revenue in 2024-25. Therefore, we still expect significant accrued

net losses in 2024-26.

Based on the contribution of €0.5m at the EBIT level (AV estimate) being applied a 10x multiple, MyAgency as a sub-group could be valued at around €5m in EV. As a reminder, MHM's current market cap is €7m (€14m fully diluted). In comparison, the market was valuing the Matching App at around €3m (EV) in December 2022, on an undiluted basis.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	0.00	5,000	10,219
Change in sales	%	-100.0	ns	104
Change in staff costs	%	-67.7	7,400	91.7
EBITDA	€th	-236	-300	-9,081
EBITDA(R) margin	%	ns	-6.00	-88.9
Depreciation	€th	0.00	0.00	0.00
Underlying operating profit	€th	-236	-300	-9,081
Operating profit (EBIT)	€th	11.0	-301	-9,082
Net financial expense	€th	-26.0	-0.01	-0.01
of which related to pensions	€th	0.00	0.00	0.00
Exceptional items & other	€th	0.00	0.00	800
Corporate tax	€th	0.00	0.00	0.00
Equity associates	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Adjusted attributable net profit	€th	-262	-300	-8,282
NOPAT	€th	7.70	-211	-6,358

Cashflow Statement

EBITDA	€th	-236	-300	-9,081
Change in WCR	€th	208	-418	0.00
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	0.00	0.00
Exceptional items	€th	0.00	0.00	0.00
Other operating cash flows	€th	0.00	0.00	0.00
Total operating cash flows	€th	-27.6	-718	-9,081
Capital expenditure	€th	0.00	0.00	-300
Total investment flows	€th	0.00	0.00	-300
Net interest expense	€th	-26.0	-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	3,209	1,805	8,513
Total financial flows	€th	782	758	7,928
Change in cash position	€th	755	39.9	-1,454
Free cash flow (pre div.)	€th	-53.6	-718	-9,381

Per Share Data

No. of shares net of treas. stock (year...	Th	182,305	218,395	578,876
Number of diluted shares (average)	Th	578,876	578,876	578,876
Benchmark EPS	€	0.00	0.00	-0.01
Restated NAV per share	€	0.04	0.04	0.04
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 0.04	75%	● HomeToGo SE
DCF	€ 0.06	25%	● Amadeus IT Group
TARGET PRICE	€ 0.05	100%	● AccorHotels

NAV/SOTP Calculation

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

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th	0.00	0.00	0.00
Total intangible	€th	0.00	0.00	0.00
Tangible fixed assets	€th	54.0	53.0	52.0
Financial fixed assets	€th	2.00	2.00	2.00
WCR	€th	48.2	466	466
Other assets	€th	0.00	0.00	0.00
Total assets (net of short term liab.)	€th	104	521	520
Ordinary shareholders' equity	€th	-3,528	-2,025	-2,893
Quasi Equity & Preferred	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
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	0.00	0.00	0.00
Net debt (cash)	€th	3,632	2,546	3,413
Total liab. and shareholders' equity	€th	104	521	520

Capital Employed

Capital employed after depreciation	€th	104	521	520
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Profits & Risks Ratios

ROE (after tax)	%	0.29	10.8	337
ROCE	%	7.39	-40.4	-1,223
Gearing (at book value)	%			
Adj. Net debt/EBITDA(R)	x	-15.4	-8.49	-0.38
Interest cover (x)	x	-9.08	-	-
			30,000	908,125

Valuation Ratios

Reference P/E (benchmark)	x	ns	-46.4	-1.92
Free cash flow yield	%	-0.87	-13.7	-59.1
P/Book	x	-1.75	-2.59	-5.48
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	6,176	5,253	15,861
+ 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	3,632	2,546	3,413
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	9,808	7,798	19,275
EV/EBITDA(R)	x	-41.6	-26.0	-2.12
EV/Sales	x	ns	1.56	1.89

Analyst : Christian Auzanneau, Changes to Forecasts : 02/09/2022.