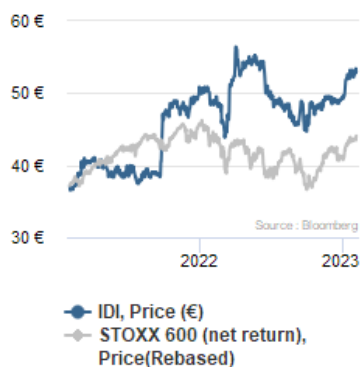


This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Opinion	<b>Buy</b>
Upside (%)	51.5
Price (€)	53
Target Price (€)	80.3
Bloomberg Code	IDIP FP
Market Cap (€M)	384
Enterprise Value (€th)	-160,303
Momentum	STRONG
Sustainability	3/10

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#### Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

# IDI

## A challenging environment for private equity after a record year

### PROS

- IDI strikes as a private equity firm more aligned to the interests of its stakeholders as its management has skin in the game at the holding and equity stakes level.
- IDI is not subject to investment time constraints like most PE funds, this flexible approach allows IDI to accompany the investee companies through the whole development process, enhancing value creation.
- IDI's investment model based on engaged and entrepreneurial ownership has proven successful, ensuring stable dividend payments, an attractive yield and a 15% average annual total shareholder return since 1991.

### CONS

- As a partnership limited by shares, minority shareholders could suffer from this legal set-up since the value of voting rights is essentially nil.
- Given its small size in absolute terms, IDI may fall below most investors' radars.

KEY DATA	12/20A	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	13.2	2.98	25.0	24.1	20.6
Dividend yield (%)	5.03	7.58	5.56	5.66	6.60
EV/EBITDA(R) (x)	21.4	11.6	8.41	5.22	2.69
Adjusted EPS (€)	3.00	15.0	2.01	2.20	2.57
Growth in EPS (%)	12.7	401	-86.6	9.21	17.1
Dividend (€)	2.00	3.40	2.80	3.00	3.50
Sales (€th)	3,880	5,098	5,225	5,487	5,761
Dividend contributions margin (%)	90.9	70.6	70.6	70.6	70.6
Attributable net profit (€th)	21,722	108,980	14,586	15,929	18,649
ROE (after tax) (%)	4.26	19.3	2.47	2.91	3.73
Gearing (%)	-3.83	-5.34	-5.64	5.33	21.4

Detailed financials at the end of this report

### Key Ratios

		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	x	2.98	25.0	24.1	20.6
EV/EBITDA	x	11.6	8.41	5.22	2.69
P/Book	x	0.53	0.64	0.73	0.81
Dividend yield	%	7.58	5.56	5.66	6.60
Free Cash Flow Yield	%	-8.80	-5.38	-7.94	-7.00
ROE (after tax)	%	19.3	2.47	2.91	3.73
ROCE	%	13.7	1.87	1.94	2.16
Net debt/EBITDA	x	1.93	0.26	-2.07	-4.46

### Consolidated P&L

		12/21A	12/22E	12/23E	12/24E
Sales	€th	5,098	5,225	5,487	5,761
EBITDA	€th	-29,218	-29,802	-30,696	-31,310
Underlying operating profit	€th	-29,649	-30,244	-31,160	-30,798
Operating profit (EBIT)	€th	111,650	15,263	16,623	19,375
Net financial expenses	€th	-480	-502	-502	-502
Pre-tax profit before exceptional items	€th	111,170	14,761	16,121	18,873
Corporate tax	€th	-2,190	-175	-191	-224
Attributable net profit	€th	108,980	14,586	15,929	18,649
Adjusted attributable net profit	€th	108,980	14,586	15,929	18,649

### Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
Total operating cash flows	€th	-28,069	-19,124	-29,969	-26,352
Capital expenditure	€th	-16.0	-16.0	-16.0	-16.0
Total investment flows	€th	77,870	28,054	18,207	13,369
Dividends (parent company)	€th	-23,429	-20,280	-20,280	-21,728
New shareholders' equity	€th	0.00			
Total financial flows	€th	-75,540	-57,672	-59,517	-62,902
Change in net debt position	€th	-10,720	-48,742	-71,279	-75,885
Free cash flow (pre div.)	€th	-28,565	-19,642	-30,487	-26,870

### Balance Sheet

		12/21A	12/22E	12/23E	12/24E
Goodwill	€th				
Total intangible	€th	0.00	0.00	0.00	0.00
Tangible fixed assets	€th	652	668	702	737
Right-of-use	€th	1,492	1,492	1,492	1,492
WCR	€th	-16,713	-27,567	-28,486	-33,669
Total assets (net of short term liabilities)	€th	574,944	578,720	607,792	634,099
Ordinary shareholders' equity (group share)	€th	612,432	567,828	525,427	475,646
Provisions for pensions	€th	393	0.00	0.00	0.00
Net debt / (cash)	€th	-56,387	-7,645	63,634	139,519
Total liabilities and shareholders' equity	€th	574,937	578,720	607,792	634,099

### Per Share Data

		12/21A	12/22E	12/23E	12/24E
Adjusted EPS (bfr goodwill amort. & dil.)	€	15.0	2.01	2.20	2.57
Net dividend per share	€	3.40	2.80	3.00	3.50
Free cash flow per share	€	-3.94	-2.71	-4.21	-3.71
Book value per share	€	84.6	78.4	72.5	65.7
Number of diluted shares (average)	Th	7,243	7,243	7,243	7,243

## Contents

Businesses & Trends.....	4
Money Making.....	8
Valuation.....	10
DCF.....	12
NAV/SOTP.....	13
Debt.....	14
Worth Knowing.....	15
Sustainability.....	16
Governance & Management.....	17
Environment.....	19
Social.....	21
Staff & Pension matters.....	22
Updates.....	23
Target Price & Opinion.....	30
Graphics.....	31
Financials.....	35
Methodology.....	42

## Businesses & Trends

IDI is a pioneer in the private equity arena in France, with over 50 years of experience in the field and a particular investment focus on SMEs. IDI is one of the first listed investment companies in France (1991), achieving an annualised IRR (dividends reinvested) of 15% over the past 30 years. Its NAV at the close of H1 21 stood at €577m, with an average discount to NAV of c.30% since 2014.

IDI strikes as a private equity firm effectively more aligned to the interests of its stakeholders than the industry mediocre record in that respect. This is in spite of its resorting to a partnership limited by shares as a legal shell. IDI differs as it has no time constraint and as its management has skin in the game at the holding level as well as at the equity stakes level. Indeed, what sets IDI apart from other private equity players, aside from the fact that most of the investment activity is funded by its own equity capital, is that it operates under a model that is not constrained by time to liquidity that most PE funds are subject to.

On the one hand, this flexible approach allows IDI to accompany the investee companies through the whole development process without having to resort to hasty value-pumping measures in order to appease investors waiting to be paid out. On the other hand, the liberty of not having to adhere to a calendar also allows the company to be agile and seize opportunities when they arise. This may result in IDI exiting investments faster than its more usual investment horizon of five to seven years, to capitalise on favourable market conditions and crystallise higher IRRs.

### **A resilient flexible investment approach in the face of a crisis**

This no-rush approach is conducted by a management team that, all combined, makes up the main shareholder base, accounting for 55% of the share capital, providing plenty of confidence that the company's equity capital is being allocated wisely in order to support long-term value creation. The lack of a liquidation schedule also allows IDI to time its exits better in periods of market downturn — as was the case in 2020 at the height of the Coronavirus pandemic — to capitalise on a subsequent recovery in market multiples to crystallise higher rates of return, which appears to be the case in 2021, judging by the several recent transactions announced since the beginning of the year (with an average IRR of 27.3%).

Demonstrating the resilience of the IDI model in a volatile market environment, as was the case in the midst of the COVID-19 pandemic, is the performance shown in 2020, posting a 6.11% NAV growth rate. This was mainly led by improved fair values of the Private Equity Europe assets (+€36m) and liquid assets (+€12m), with the former benefiting from improved operational performance and higher valuation multiples at the end of the year, as well as the capital gains on the exit of HEA Expertise under very favourable valuation conditions agreed before the sanitary crisis, securing a solid 35% IRR. Even after having invested €32m over the course of 2020, IDI closed the year with a €124m-strong total liquidity position (€142m in FY19), which swiftly rose to

€185m at the end of June 2021, attesting to the continued positive momentum of the portfolio.

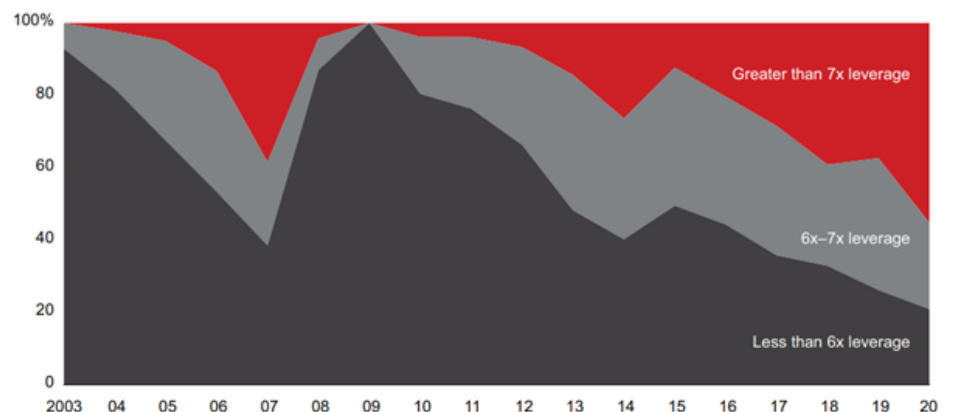
### IDI: a hands-on shareholder

In the holding company universe, one can distinguish three different types of management styles of the portfolio: first, there are those that keep their investments at arms-length and are content with collecting periodic dividends, secondly are those that get “down and dirty”, getting directly involved in the operations of their investee companies, which can quickly get complicated when new investments fall in completely different sectors.

Then, there is a third path, to which IDI ascribes to, a hands-on approach as a shareholder, as it is working in close relationship with the investee company's management and getting involved in the supervisory board, but leaving the day-to-day operations to skilled managers who have the valuable knowledge in the respective sectors of activity. This avoids spreading the HoldCo's resources too thin, which increases the likelihood of execution risks.

Regarding investment strategies, IDI specialises in LBO investments as well as growth capital investments in SMEs. The company's judicious investment approach extends to the near zero leverage maintained at the holdings level, with an average gearing ratio for its investments of 2.6x EBITDA in 2020, displaying exceptional prudence in a private equity market that has seen leverage ratios steadily climb for years (and accelerating further in 2020). One can look no further than the US private equity market, where leverage in the LBO market has reached ludicrous levels of more than 6.0x EBITDA in nearly 80% of deals carried out in 2020, as shown in the graphic below coming from Bain & Company's 2021 Global Private Equity Report.

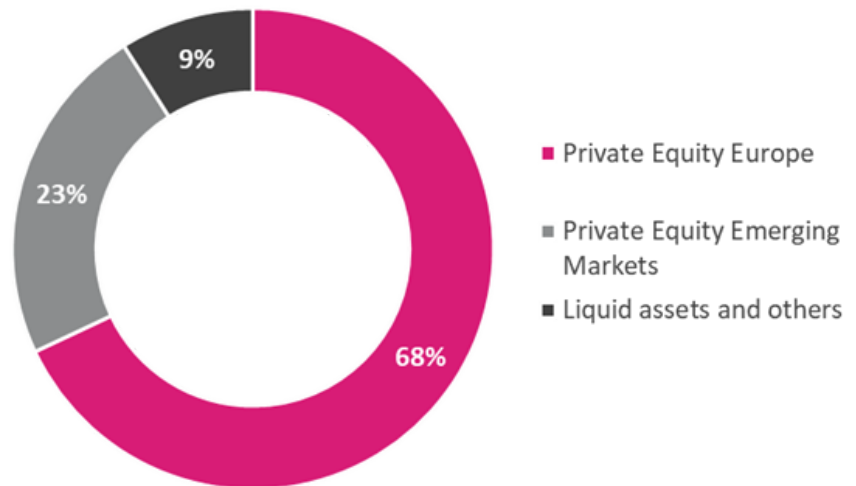
Share of US leveraged buyout market, by leverage level



Source: Refinitiv LPC

In terms of geographical breakdown, the lion's share of the portfolio is Europe-based (France in particular), accounting for 68% of the NAV (as per the FY20 annual report), with the emerging market exposure (9% of the NAV) being run through a third-party capital management model (combined with own equity capital investing) under the IDI Emerging Markets Partners umbrella.

### NAV breakdown as of December 2020



Source: IDI Annual FY20 report, AlphaValue

Concerning the size of the investments, IDI being a relatively smaller player in the private equity space, these range between €10 and €50m and can extend up to €150m with family office type co-investors, i.e. not time constrained as well. IDI is flexible in regards to the shareholding size, as its current portfolio includes majority, co-controlled and minority investments, usually determined by the scope of the deal.

#### An attractive high-growth portfolio

The portfolio is composed of 16 holdings as of September 2021, allocated across a variety of sectors, including many companies present in digitally-native businesses (reminding us of a smaller Kinnevik), which are supported by strong underlying trends with high-growth potential such as media streaming (Dubbing Bros), e-commerce (Group Label), the energy transition (TucEnergy) and social issues like education (Talis) and healthcare (WinnCare Group).

Regarding the more industrial-type businesses like Flex Composite Group, these follow a solution-based approach which bring added value and recurring revenue generation, setting them apart from more commoditised and, hence, cyclical peers. IDI's diversified asset base allows stakeholders to gain exposure to these unlisted, high-potential SMEs that may fall under the radar of equity investors.

## Divisional Breakdown Of Revenues

Sector	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E		
					€th	of % total	€th	of % total	
<b>Total sales</b>	<b>5,098</b>	<b>5,225</b>	<b>5,487</b>	<b>5,761</b>	<b>127</b> ↑	<b>100%</b>	<b>262</b> ↑	<b>100%</b>	
<b>PE Europe</b>	Holding Companies	3,810	3,905	4,101	4,306	95 ↑	75%	196 ↑	75%
<b>PE Emergents</b>	Holding Companies	741	760	798	837	19 ↑	15%	38 ↑	15%
<b>Actifs Liquides</b>	Invest Mgt-Advis Serv	336	344	362	380	8 ↑	6%	18 ↑	7%
Other		211	216	227	238	5 ↑	4%	11 ↑	4%

## Key Exposures

	Revenues	Costs	Equity
Dollar	25.0%	25.0%	25.0%
Emerging currencies	0.0%	0.0%	0.0%
Euro	75.0%	75.0%	75.0%
Long-term global warming	0.0%	0.0%	0.0%

## Sales By Geography

Europe	72.0%
Other	28.0%

We address exposures (eg. how much of the turnover is exposed to the \$ ) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling.

In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

## Money Making

IDI's holdings are not consolidated, regardless of the size of the stake held (majority or co-controlled), hence the company's accounts reflect solely the activity at the holding company level. Based on his pure-play investment company structure, the P&L is not particularly elucidating and is thus of lesser importance compared to the NAV, which stands as the chief performance indicator for this type of structure.

Focusing on cash generation, as is the case for pure investment companies, the lion's share of the cash stems from exits from investments and the capital gains realised from the sales. These capital gains are accounted for under 'Changes in fair value of financial assets', which comprises both realised and unrealised gains, which evidently carry very different cash implications. In 2020, changes to fair value of assets amounted to €39.6m, accounting for 91.6% of the result from investment activities.

In terms of recurring income, the main source comes from the dividend upstream from portfolio companies that pay out dividends, which is usually the case for the more mature larger assets. In 2020, IDI received €3.5m in dividend inflows, of which 76% (€2.7m) from investee companies under the Private Equity Europe segment.

Although marginal, the third-party capital management activity nesting in the IDI Emerging Markets Partners subsidiary also generates interest income from the invested AUMs, which, when combined with the carried interest earned from these funds, makes it the third — though quite minor — source of cash for the holding company. In 2020, interest income amounted to €108k, with the PE Emergents segments representing 57% of the result (€62k).

### **Attractive dividend yield stands out from peers**

IDI's flexible investment approach supports its ability to identify the best time for exits, allowing the company to achieve high IRRs (averaging 15-25% for its PE Europe activity) and realise sizeable capital gains. This, combined with a disciplined stance on maintaining an average share of 20% of liquid assets & cash in the portfolio, is translated into a robust dividend policy that is able to withstand a volatile market environment (to the benefit of the family-owners and minority shareholders alike); which was the case in 2020. Despite the impact of the global pandemic, IDI was able to distribute a dividend of €1.50 per share (modestly cut from a pre-pandemic proposal of €1.90), which represented a solid 5.0% dividend yield. This compared quite favourably to the 3.1% dividend yield averaged across holding companies under our coverage last year.

When market conditions improve, IDI is also keen to follow with more generous dividend pay-outs, which helps support IDI's case as an alluring investment proposition for investors that value attractive and dependable dividends as part of improving shareholder returns. Motivated by the successful disposals carried out in H1 21, and a €185m-strong liquidity position at the close of H1, the HoldCo decided to distribute a €1.10 per share interim dividend at the end of



September, ahead of the final dividend proposal on the FY21 results (to be decided at the next AGM in 2022). We currently expect a €2.10 dividend per share, which would correspond to a 5.10% yield, well above the 2.3% average yield that we forecast for its holding company peers.

### Divisional Dividend contributions

	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					€th	of % total	€th	of % total
<b>Total</b>	<b>3,600</b>	<b>3,690</b>	<b>3,875</b>	<b>4,068</b>	<b>90</b> ↑	<b>100%</b>	<b>185</b> ↑	<b>100%</b>
<b>PE Emergents</b>	635	651	683	718	16 ↑	18%	32 ↑	17%
<b>Actifs Liquides</b>	336	344	362	380	8 ↑	9%	18 ↑	10%
<b>PE Europe</b>	2,629	2,695	2,829	2,971	66 ↑	73%	134 ↑	72%
Other/cancellations	0.00	0.00	0.00	0.00	0 ↑	0%	0 ↑	0%

### Divisional Dividend contributions margin

	12/21A	12/22E	12/23E	12/24E
<b>Total</b>	<b>70.6%</b>	<b>70.6%</b>	<b>70.6%</b>	<b>70.6%</b>
<b>PE Emergents</b>	85.7%	85.7%	85.7%	85.7%
<b>Actifs Liquides</b>	100%	100%	100%	100%
<b>PE Europe</b>	69.0%	69.0%	69.0%	69.0%

## Valuation

The basis of our valuation starts with the NAV, which is estimated as an aggregate of the individual valuation of the 16 participations (as of September 2021) in the portfolio, segmented in IDI's two operating pillars, Private Equity Europe and Private Equity Emergents. Compared to IDI's understandably conservative valuation, we see substantial upside potential from its diversified roster of assets, as shown by the over 50% discount to our estimated NAV.

Being a pure-play investment company with no consolidated activities outside the parent, the DCF is not particularly elucidating when it comes to valuing this type of holding company structure. As a result, the DCF solely reflects the dividend flows from investee companies, since trying to estimate cash entries from potential disposals seems too vague of an exercise given IDI's investment profile, which is not subject to fund liquidation schedules like the majority of its private equity peers do. This was the case in 2020, where due to an unfavourable market environment brought by the COVID-19 pandemic, management held back on disposals, having just carried out the sale of HEA Expertise in April 2020 on conditions agreed before the sanitary and economic crisis (and realising a solid 35% IRR on its investment).

Regarding the peer metrics valuation, the approach is much more clear-cut. We base it on a group of family-type holding companies with a control/hands-on style in the management of the underlying assets. With many having assets in their respective portfolios that follow a service-based focus, which supports added value ambitions and recurring revenue generation, setting them apart from more commoditised and, hence, cyclical peers. The yield-based valuation jumps out, presenting a 2x upside potential, justified by IDI's solid 5.1% dividend yield expected for FY21, compared to a modest 2.0% for its peers.

*Please also read section 'Worth Knowing' about the impact of the SCA status on valuation*

### Valuation Summary

Benchmarks		Values (€)	Upside	Weight
NAV/SOTP per share		88.4	67%	55%
Dividend Yield	Peers	106	100%	20%
DCF		37.2	-30%	10%
P/E	Peers	39.4	-26%	10%
P/Book	Peers	55.3	4%	5%
<b>Target Price</b>		<b>80.3</b>	<b>51%</b>	

### Comparison based valuation

Computed on 18 month forecasts	P/E (x)	P/Book (x)	Yield(%)
Peers ratios	25.7	0.78	2.06
IDI's ratios	23.1	0.75	5.90
Premium	-33.0%	0.00%	0.00%
<b>Default comparison based valuation (€)</b>	<b>39.4</b>	<b>55.3</b>	<b>106</b>
Bolloré	33.5	0.78	1.17
GBL	33.5	0.63	3.54
Ackermans & van Haaren	11.3	1.24	1.97
Kinnevik Investment	65.8	0.68	0.00
Wendel	22.2	1.48	3.29
Corporacion Financiera Alba	15.1	0.64	2.22

### DCF Valuation Per Share

WACC	%	8.34	Avg net debt (cash) at book value	€th	27,994
PV of cashflow FY1-FY11	€th	-164,7...	Provisions	€th	3,873
FY11CF	€th	-21,465	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	€th	610,381
Sustainability "g"	%	1.65	Minorities interests (fair value)	€th	0.00
Terminal value	€th	-320,9...	Equity value	€th	269,594
PV terminal value	€th	-144,1...	Number of shares	Th	7,243
PV terminal value in % of total value	%	46.7	<b>Implied equity value per share</b>	€	<b>37.2</b>
Total PV	€th	-308,9...	Sustainability impact on DCF	%	3.04

### Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	0.00
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	3.50
Tax advantage of debt finance (normalised)	%	30.0	<b>Company beta (leveraged)</b>	<b>x</b>	<b>0.95</b>
Average debt maturity	Year	5	Company gearing at market value	%	-1.99
Sector asset beta	x	0.97	Company market gearing	%	-2.03
Debt beta	x	0.00	<b>Required return on geared equity</b>	<b>%</b>	<b>8.27</b>
Market capitalisation	€th	383,862	Cost of debt	%	2.45
Net debt (cash) at book value	€th	-7,645	<b>Cost of ungeared equity</b>	<b>%</b>	<b>8.34</b>
Net debt (cash) at market value	€th	-7,645	WACC	%	8.34

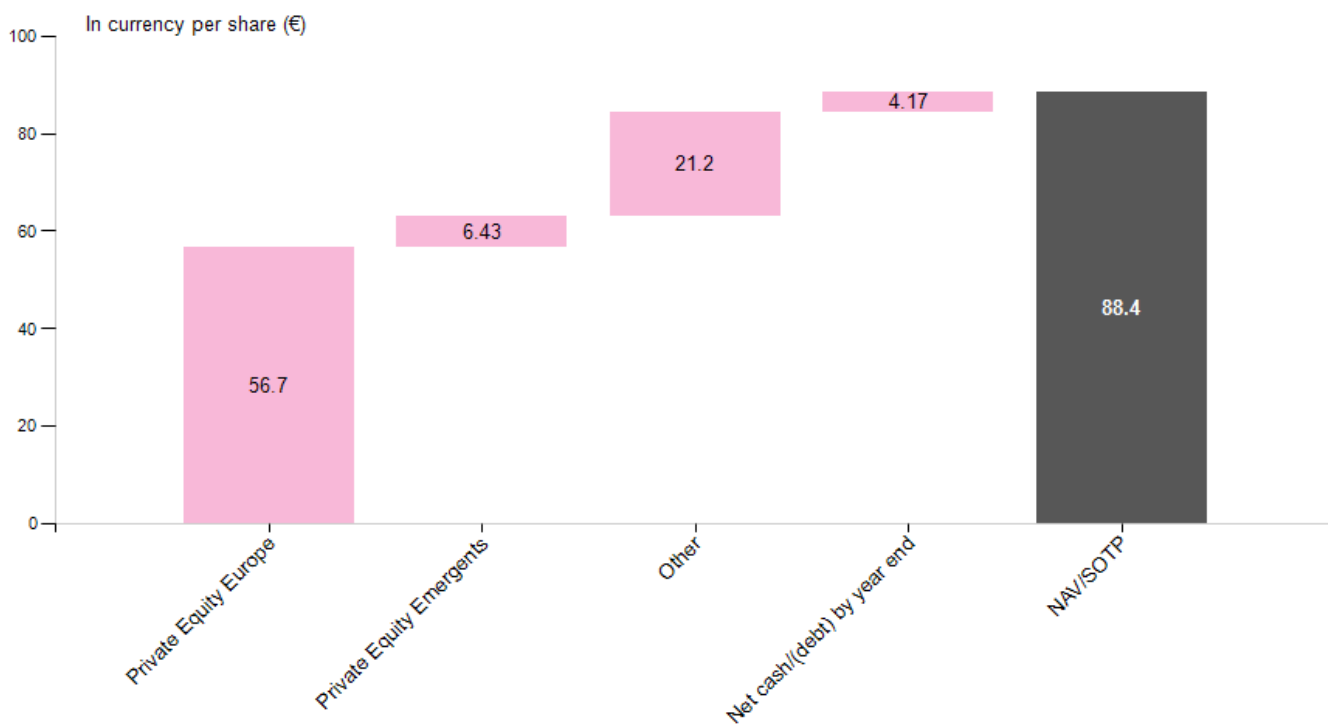
### DCF Calculation

		12/21A	12/22E	12/23E	12/24E	Growth	12/25E	12/32E
Sales	€th	5,098	5,225	5,487	5,761	2.00%	5,876	6,750
EBITDA	€th	-29,218	-29,802	-30,696	-31,310	-2.00%	-30,684	-26,638
EBITDA Margin	%	-573	-570	-559	-543		-522	-395
Change in WCR	€th	4,440	10,854	919	5,183	2.00%	5,287	6,073
Total operating cash flows (pre tax)	€th	-25,879	-18,948	-29,778	-26,127		-25,398	-20,565
Corporate tax	€th	-2,190	-175	-191	-224	3.00%	-231	-284
<b>Net tax shield</b>	<b>€th</b>	<b>-144</b>	<b>-151</b>	<b>-151</b>	<b>-151</b>	<b>2.00%</b>	<b>-154</b>	<b>-176</b>
Capital expenditure	€th	-16.0	-16.0	-16.0	-16.0	2.00%	-16.3	-18.7
Capex/Sales	%	-0.31	-0.31	-0.29	-0.28		-0.28	-0.28
Pre financing costs FCF (for DCF purposes)	€th	-28,205	-19,265	-30,111	-26,493		-25,798	-21,044
Various add backs (incl. R&D, etc.) for DCF purposes	€th							
<b>Free cash flow adjusted</b>	<b>€th</b>	<b>-28,205</b>	<b>-19,265</b>	<b>-30,111</b>	<b>-26,493</b>		<b>-25,798</b>	<b>-21,044</b>
<b>Discounted free cash flows</b>	<b>€th</b>	<b>-28,205</b>	<b>-19,265</b>	<b>-27,794</b>	<b>-22,572</b>		<b>-20,289</b>	<b>-9,449</b>
Invested capital	€	568	572	601	628		640	735

## NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Private Equity Europe	100%	AlphaValue valuation		410,500	410,500	56.7	67.3%
Private Equity Emerg...	100%	NAV		46,600	46,600	6.43	7.63%
Other					153,300 <sup>(1)</sup>	21.2	25.1%
<b>Total gross assets</b>					<b>610,400</b>	<b>84.3</b>	<b>100%</b>
Net cash/(debt) by year end					30,177	4.17	4.94%
Commitments to pay							
Commitments received							
NAV/SOTP					640,577	88.4	105%
<b>Number of shares net of treasury shares - year end (Th)</b>					<b>7,243</b>		
<b>NAV/SOTP per share (€)</b>						<b>88.4</b>	
<b>Current discount to NAV/SOTP (%)</b>						<b>40.1</b>	

1. Corresponds to other non-cash liquid assets.



## Debt

IDI exemplifies a conservative approach to leverage, a rarity among private equity peers, by not recurring to debt at the holding company level in order to fund its acquisitions. It also monitors judiciously the leverage ratios of its portfolio companies, standing at a prudent 2.6x net debt/EBITDA at the close of 2020, compared to an average of 5.8x for European PE-sponsored deals last year. It is important to note that, even in the case that one of the participations runs into difficulties, the holdings are siloed so as to not impact any of the other assets nor IDI itself.

The company made use of a single €15m credit facility at the end of 2020. Overall, gross debt on the consolidated accounts amounted to €86.1m at the end of June 2021 (it stood at €129.5m at close of 2020), but this mainly corresponds to intra-group current accounts and a small portion in uncalled capital commitments on the IDI Emerging Markets funds. IDI maintains a net cash position, and held €184.5m in cash and liquid assets in H1 21, increasing from €123m in December 2020.

As part of its investment strategy, IDI maintains a healthy level of liquid assets as a percentage of the total portfolio, averaging c.20% historically (23% in 2020, down from 27% in 2019).

Detailed financials at the end of this report

### Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	€th	-29,218	-29,802	-30,696	-31,310
Funds from operations (FFO)	€th	-33,610	-30,480	-31,390	-32,036
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>612,432</b>	<b>567,828</b>	<b>525,427</b>	<b>475,646</b>
Gross debt	€th	87,306	87,306	87,306	87,306
+ Gross Cash	€th	143,693	94,951	23,672	-52,213
<b>= Net debt / (cash)</b>	<b>€th</b>	<b>-56,387 <sup>(1)</sup></b>	<b>-7,645 <sup>(1)</sup></b>	<b>63,634 <sup>(1)</sup></b>	<b>139,519</b>
Gearing (at book value)	%	-5.34	-5.64	5.33	21.4
Equity/Total asset (%)	%	107	98.1	86.4	75.0
Adj. Net debt/EBITDA(R)	x	1.93	0.26	-2.07	-4.46
Adjusted Gross Debt/EBITDA(R)	x	-3.13	-3.06	-2.98	-2.92
Adj. gross debt/(Adj. gross debt+Equity)	%	13.0	13.8	14.8	16.1
Ebit cover	x	-61.8	-60.2	-62.1	-61.3
FFO/Gross Debt	%	-36.7	-33.4	-34.4	-35.0
FFO/Net debt	%	59.6	399	-49.3	-23.0
FCF/Adj. gross debt (%)	%	-31.2	-21.5	-33.4	-29.3
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	2.53	1.65	-0.15	-1.74
"Cash" FCF/ST debt	x	-0.64	-0.43	-0.67	-0.59

1. Includes all current and non-current financial debt minus cash, short-term placements, as well as the fair value of liquid assets, which historically averages at c.20% of the total portfolio.

## Worth Knowing

IDI's inception as a standalone investment corporation was rather unique in that it came from a privatisation process back in 1988 when France put an end to its vision of socialism. The then and still CEO saw an opportunity to list IDI and organise for himself to become a reference shareholder.

One legal device was to set up in 1990 a *commandite par actions* (SCA), i.e. a partnership limited by shares. The *Associés Commandités* are the general partners: they have the power and shoulder all risks (rather a nominal concept these days). This legal set up in effect splits the economic interests and the decision-making process as the voting rights held by the 'associés commanditaires' provide them with no leverage to unseat the management/general partners. French 'commandites' are very robust/difficult to break. So that the value of voting rights is essentially nil with no simple formula to assess how much of a discount this creates on the valuation. As for anything listed, the lack of voting rights is only relevant when the going gets rough and when markets are risk averse.

When money is cheap and the sky is blue, hope reigns supreme and voting rights do not matter. The point here is really that the SCA structure is a negative but that it need not have a great impact in current market conditions. A limited number of occurrences, spread over decades, whereby an SCA becomes a limited company (SA) does not provide much light on the implied discount of holding a share in an SCA as opposed to a SA.

At IDI, the *Associés Commandités* (general partners) take the form of a corporation named Ancelle et Associés. The control of Ancelle provides the control of IDI. Ancelle as the *Associé Commandité* will provide limitless guarantees to debtors of IDI while other shareholders' risk are limited to their ownership. The indefinite risk of Ancelle is obviously a very limited one in real life as IDI's business is indeed not to pile up debt and risks at the corporate level. Obviously, as well, the fact that the general partner is a corporate entity means that risks are also absorbed at this level.

*See Governance section to review this dimension*

## Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Ancelle & Associés	67.8%	85.5%	0.00%
Allianz IARD	5.26%	3.29%	5.26%
<b>Apparent free float</b>			<b>32.2%</b>

## Sustainability

AlphaValue's automated Sustainability scoring is not applicable to IDI, given that several data inputs necessary for the computation of the Environment and Social scores do not pertain nor apply to holding company-type structures such as IDI. Hence, the Sustainability score calculation is not relevant in this issuer's case.

## Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
<b>Governance</b>		
Independent directors rate	5/10	25%
Board geographic diversity	0/10	20%
Chairman vs. Executive split	✓	5%
<b>Environment</b>		
CO <sup>2</sup> Emission	1/10	25%
Water withdrawal	1/10	10%
<b>Social</b>		
Wage dispersion trend	0/10	5%
Job satisfaction	3/10	5%
Internal communication	10/10	5%
<b>Sustainability score</b>	<b>2.9/10</b>	<b>100%</b>



## Governance & Management

The four active managers are part of an executive committee. Checks and balances are provided by a supervisory board of 11 members (six of whom we judge as independent based on AlphaValue's criteria) with three of them sharing responsibilities on an Audit committee.

The supervisory board has a limited sway as, ultimately, the general partner (Ancelle et Associés; see *Worth Knowing*) has all the power. Ancelle is as per the by-laws not represented on the supervisory board but two members of the controlling family (Langlois-Meurine) have seats.

### Governance score

Company (Sector)









5.1 (5.6)

Independent board























Yes

Parameters	Company	Sector	Score	Weight
Number of board members	11	9	7/10	5.0%
Board feminization (%)	45	33	9/10	5.0%
Board domestic density (%)	100	64	0/10	10.0%
Average age of board's members	58	59	6/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	54	42	5/10	20.0%
One share, one vote			✗	10.0%
Chairman vs. Executive split			✓	0.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✓	5.0%
Disclosure of performance anchor for bonus trigger			✗	5.0%
Compensation committee reporting to board of directors			✗	5.0%
Straightforward, clean by-laws			✓	15.0%
<b>Governance score</b>			<b>5.1/10</b>	<b>100.0%</b>

### Management

Name	Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
					Cash	Equity linked
Christian LANGLOIS-MEURINNE	M   CEO	1944	1971			
Julien BENTZ	M   Managing Partner	1975	2005			
Marco DE ALFARO	M   Partner	1961	2004			
Tatiana NOURISSAT	F   General Secretary	1969	2004			

## Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Luce GENDRY	F	 	President/Chairman of th...	2023	1950	2008		18.0 (2021)	
Gilles BABINET	M	 	Member	2022	1967	2019		8.00 (2021)	
Nathalie BALLA	F	 	Member	2023	1967	2021			
Philippe CHARQUET	M	 	Member	2023	1963	2011		12.0 (2021)	
Grégoire CHERTOK	M	 	Member	2023	1966	2017		8.00 (2021)	
Aimery LANGLOIS-MEURINNE	M	 	Member	2023	1943	2008		0.00 (2021)	
Iris LANGLOIS-MEURINNE	F	 	Member	2023	1976	2017		4.80 (2021)	
Domitille MEHEUT	F	 	Member	2023	1973	2014		12.0 (2021)	
Hélène MOLINARI	F	 	Member	2023	1963	2020		8.00 (2021)	
Corentin PETIT	M	 	Member	2023	1986	2021			
Jacques RICHIER	M	 	Member	2023	1955	2016		8.00 (2021)	

## Environment

AlphaValue's automated Environment scoring is not applicable to IDI, given that several data inputs necessary for the computation of the Environment score do not pertain nor apply to holding company-type structures such as IDI.

### Environmental score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
CO <sup>2</sup> Emission	1/10	5/10	30%
Water withdrawal	1/10	3/10	30%
Energy	1/10	4/10	25%
Waste	2/10	3/10	15%
<b>Environmental score</b>	<b>1.2</b>		<b>100%</b>

Company (Sector)

**1.2** (3.6)








### Environmental metrics

Company		2021	2022	2023
		1.3	1.0	1.2

### Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO <sub>2</sub> Emissions (in tons)	Water Withdrawal (in m <sup>3</sup> )	Waste (total, in tons)
En+		2/10	326,400,000	52,100,000	872,100,000	213,300,000
DWS		4/10		4,329		
AURELIUS		4/10		507		
Adyen		5/10	49,969	2,443		
Nexi		5/10	95,571	6,471	974,300	751
HBM Healthcare Investments		1/10				
<b>IDI</b>		<b>1/10</b>				
Wise		4/10	7,486	807		
Prosus		3/10	81,408	23,561	n/a	n/a
EdenRed		4/10	53,334	7,427	32,312	467
Vivendi		7/10	536,722	38,194		20,237
Deutsche Boerse		7/10	275,915	3,989	74,633	22
Porsche SE		1/10				
Bouygues		2/10	30,772,800	2,250,000	1,000,000	
GBL		4/10		140		
Investor		6/10	4,165	77		
Hal Trust		1/10				
Heineken Holding		6/10	20,900,000	1,303,000	90,200,000	4,253,600
London Stock Exchange Group		5/10	240,876	4,138	1,166	185
Eurazeo		1/10	10,062,709	790,076	37,181,108	41,600
Industrivärden		4/10		24		
Corporacion Financiera Alba		9/10	28,055	4,957	34,990	40,890
Kinnevik Investment		4/10		11		
Sonae		8/10	2,733,179	190,357	1,906,820	97,190
Ackermans & van Haaren		4/10		229	811	
Partners Group		4/10		578,076	2,374,472	
Exor		4/10		72		
Bolloré		10/10	1,002,974	377,805	1,641,115	35,823
Wendel		4/10		128		
D'leteren Group		5/10	2,436,594	150,015		170,502

## IDI (Buy)

<b>Tessenderlo Group</b>		5/10	2,026			17,254,251	n/a
<b>MPC Capital</b>		1/10					
<b>Deutsche Beteiligungs AG</b>		4/10		210			
<b>Picanol</b>		1/10					
<b>Amundi</b>		10/10	69,739	2,932		19,753	161
<b>Euronext NV</b>		4/10	23,522	4,660		253,892	
<b>Worldline</b>		10/10	336,781	8,993		16,826	1,501

## Social

AlphaValue's automated Social scoring is not applicable to IDI, given that several data inputs necessary for the computation of the Social score do not pertain nor apply to holding company-type structures such as IDI.

### Social score

Company (Sector)

# 5.0

(5.5)

### Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	4/10	20%
Average wage trend	10/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
<b>Quantitative score</b>	<b>4.8/10</b>	<b>100%</b>

### Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	5/10	35%
Pay	0/10	20%
Job satisfaction	3/10	10%
Internal communication	10/10	10%
<b>Qualitative score</b>	<b>5.6/10</b>	<b>100%</b>

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

### Qualitative score

Parameters	Yes ✓ / No ✗	Weight
<b>Accidents at work</b>		<b>25%</b>
Set targets for work safety on all group sites?	✓	10.0%
Are accidents at work declining?	✓	15.0%
<b>Human resources development</b>		<b>35%</b>
Are competences required to meet medium term targets identified?	✓	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✗	3.5%
Is there a training strategy tuned to the company objectives?	✗	3.5%
Are employees trained for tomorrow's objectives?	✗	3.5%
Can all employees have access to training?	✗	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✓	3.5%
Have key competences stayed?	✓	3.5%
Are managers given managerial objectives?	✓	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✓	3.5%
Is mobility encouraged between operating units of the group?	✗	3.5%
<b>Pay</b>		<b>20%</b>
Is there a compensation committee?	✗	6.0%
Is employees' performance combining group AND individual performance?	✗	14.0%
<b>Job satisfaction</b>		<b>10%</b>
Is there a measure of job satisfaction?	✗	3.3%
Can anyone participate ?	✓	3.4%
Are there action plans to prop up employees' morale?	✗	3.3%
<b>Internal communication</b>		<b>10%</b>
Are strategy and objectives made available to every employee?	✓	10.0%
<b>Qualitative score</b>	<b>5.6/10</b>	<b>100.0%</b>

## Staff & Pension matters

IDI's portfolio holdings have never been consolidated, hence staff costs are limited to the holding company and its 14 employees (as of 2021). Staff expenses amounted to €1.97m in 2020.

## Recent updates

25/01/2023

### What does the future hold for private equity in 2023?

Significant news

**H2 2022 marked the worst second half of the year since 2017 for the European private equity landscape, which was not spared by rising interest rates, bank funding withdrawals, looming recession and soaring inflation. Still, 2023 doesn't look quite as bleak and the trend may well tip over in late 2023. The difficulties associated with fundraising, leveraged buyout financing and institutional investor withdrawal may be lessened but there are still many challenges ahead.**

#### Fact

- After a record FY 2021, H2 2022 marked the worst second half since 2017 for Private Equity.
- According to Refinitiv, in H2 2022, acquisition volume fell to \$49.6bn (1,600 deals), a 76% drop versus H1 2022.
- According to Les Echos, high yield debt issuance has fallen by more than 80% in 2022 and 69% for LBO loans.
- The companies in our coverage exposed to European Private Equity are Eurazeo with 82% of its GAV, IDI with 67% of its GAV and GBL, 13.6% of its GAV.

#### Analysis

##### A review of the lacklustre 2022

Private equity was not the sector of choice in 2022 and will likely continue to be impacted by rising interest rates, withdrawal of bank financing, impending recession and rising inflation in early 2023. As expected since the onset of the current macroeconomic and geopolitical crisis, H2 marked a decline in private equity funds in Europe, which recorded their worst half-year since 2017, according to Refinitiv, with acquisition volume at \$49.6bn in H2 22, down 76% from H1 22. Worse, given that unlisted valuations lag those of listed companies and that the cost of LBO debt remains high at around 10%, according to Lionel Assant, head of Blackstone's European Private Equity, we expect the valuations of the unlisted assets of private equity funds to continue to adjust downwards.

##### 2023 is not all doom and gloom

It is true that the level of deals was much lower in 2022 than in 2021, with fewer opportunities and more caution, as evidenced by Eurazeo which recorded a drop in its investment to €3.8bn in 9m 22 compared to €4.1bn in 9m 21. Nevertheless, the deal-flow outlook in 2023 looks brighter. Indeed, the same factors that have slowed down the sector, namely a high cost of debt for LBOs and the withdrawal of financing, is expected to drive the sector in the coming years. The private equity giants are betting on a recovery in deal flow as early as H2 2023, driven by the use of private equity funds to strengthen the

equity and thus reduce the debt of distressed companies. Furthermore, although exits will be more difficult given the expected decline in valuations, this will at the same time create more opportunities to deploy dry powder. In short, once buyers and sellers finally change their expectations, deal flow should pick up.

### **Fundraising remains sensitive**

Fundraising remains a sensitive issue at a time when institutional investors are in the midst of the “denominator effect”. The decline in financial markets has mechanically increased the relative weight of unlisted companies in institutional portfolios. The allocation of institutional investors to unlisted stocks should therefore be reduced. This is particularly true for Eurazeo, which recorded a sharp drop in its private equity fundraising in 2022, from €2.1 billion in 9m 21 to €1.1 billion in 9m 22. However, if the recent market rally persists, the denominator effect could fade and lead to a recovery in the asset class driven by institutions but, if not, fundraising will continue to remain less accommodating than in previous years.

### **The return of debt financing?**

Financing is likely to remain complicated in 2023, but the situation seems to be improving compared to 2022. According to Les Echos, leveraged LBO financing may well pick up as indicated by the positive trend observed in Q4 with hedge funds and credit funds increasingly willing to take on more risk.

### **A half-tone year expected in 2023**

While we see several positive factors that could revive the private equity universe, we need to keep our feet on the ground, as 2023 is shaping up to be tough with an expected recession in Europe. The beginning of the year will therefore be difficult for companies exposed to European private equity in our coverage, including Eurazeo (private equity represented €23.4bn AuM in Q3 2022 and 82% of its GAV), IDI (with European private equity representing 67% of AV’s estimated GAV), and GBL (13.6% of its GAV), whose Q4 results are expected to be worse than H1. We also do not expect materially better results in H1 2023 and a significant decline from 2021 should be felt. Whether H2 2023 will actually be more positive remains to be seen. In a nutshell we expect a difficult H1 23 but we might see a recovery as early as H2 23.

**11/01/2023**

### **Faced with macroeconomic woes, IDI proves resilient**

Latest

**While 6 months ago we published a paper highlighting the difficulties that are expected to disrupt the private equity landscape, we are bullish on IDI’s outlook for the years to come. In the space of a few months, IDI has announced a major transaction with Omnes Capital, and demonstrated the resilience of its NAV (+3.6% YTD) and its ability to create value through its latest sale of the Formalian Group, achieving a significant IRR of 32%.**



## Fact

- In H1, IDI announced the acquisition of 100% of Omnes' private equity and private debt businesses and a 45% stake in the renewable energy business, venture capital and co-investment activities.
- In Q3, IDI's NAV per share reached €82.72, up 3.6% YTD but down 1% qoq (€83.62 in H1 22, IDI only revaluates its liquid and listed assets in Q3).
- In 2022, several external growth transactions took place:
  1. Freeland (formerly Newlife) has further strengthened its position in the freelance services market with the acquisition of Codeur in June 2022 and Intervia in October 2022.
  2. CDS Groupe acquired the "Travel" business unit of Rydoo (renamed Goelett) in July 2022.
  3. In the first half of 2022, Dubbing Brothers (European dubbing specialist) made four strategic acquisitions in Europe: Ad Hoc Studios, Interopa, Sedif and Eurotroll.
  4. Flex Composite Group (FCG, formerly ORCA Développement), strengthened its position in the advanced composites market with the acquisition of Selcom in October 2022.
  5. In November 2022, Groupe Positive (formerly Sarbacane) developed its data expertise with the acquisition of Marketing 1BY1.
  6. On December 5, IDI announced the acquisition of Herida Medical by Winnicare (a healthcare asset in IDI's portfolio).
- In terms of disposals:
  1. On November 7, IDI announced that it had completed the majority of its investment in Groupe Positive (ex-Sarbacane) and reinvested a portion of the proceeds alongside EMZ, achieving a net investment multiple of 3.1x and a net IRR of 70%.
  2. On December 19, 2022, IDI completed its latest exit, selling Formalian for an investment multiple of nearly 3x and an IRR of 32%.

## Analysis

### The Private Equity landscape

The Private Equity universe has been a hot topic since the beginning of the current macroeconomic and geopolitical crisis. In our last sector note we mentioned Amundi's CIO claiming that private equity could be a "big bubble" akin to a Ponzi scheme, the chairwoman of the FTC alluding to possible regulations, the US antitrust authority, Linda Khan, willing to dig into anticompetitive practices and the scares caused by rising interest rates along with the withdrawal of banks from the sector.

### Omnes acquisition marks a new chapter for IDI

Despite these headwinds, private equity players, including IDI, are proving resilient. On September 12, IDI opened a new chapter in third-party management with the acquisition of 100% of Omnes's private equity and

private debt business and 45% of Omnes' renewable energy, venture capital and co-investment activities. This significant transaction will double IDI's third-party management size to approximately €1.5 billion AuM (which includes the \$620m AuM of IDI Emerging Markets).

### **Resilient Q3 results and solid disposals**

While there was a slight 1% decline in the NAV from €83.62 in H1 22 to €82.72 in Q3 22 with the drop in the IHS valuation (African Tower Co), investors shouldn't worry about the NAV progression in 2022. It is worth mentioning that IDI only revalued liquid and listed assets, including IHS, in Q3 (not the unlisted assets). Furthermore, the NAV is up 3.6% YTD, and growth should have remained in positive territory for 2022, a feat given the unfavourable macroeconomic environment. While it is true that the environment is increasingly adverse, IDI is not showing any fragility on the portfolio rotation side. In November 2022, IDI realized the majority of its investment in Groupe Positive (ex-Sarbacane) and reinvested a portion of the proceeds alongside EMZ, achieving a net investment multiple of 3.1x and an impressive net IRR of 70% over 2 years. On December 19, 2022, IDI sold its entire stake in the Formalian group to the Caille family's investment holding company, Vivalto SAS. This last transaction allowed IDI to realize a cash-on-cash multiple of nearly 3x and an IRR of 32%, which is in line with the historical multiples realized by IDI. Although Formalian and Groupe Positive do not, in our view, represent a significant portion of the NAV, these latest transactions bode well for IDI's ability to make disposals at attractive levels.

### **Positive outlook despite the challenging environment**

With the NAV up 3.6% YTD and the current 42% discount to NAV, IDI looks increasingly compelling. Furthermore, we see the Omnes deal as positive since the HoldCo will diversify its revenues and pocket a regular source of income. IDI should also benefit from a size effect for future deals. Finally, despite the challenging environment, IDI is doing well as evidenced by its last two exits. If financing is scarce, IDI can count on a professional team, a quality portfolio and privileged relationships with funds to overcome the economic downturn. In short, IDI is well positioned to surmount the challenges ahead.

### **Impact**

We will revise our NAV estimate following the publication of the annual results in March 2022 and incorporate the Omnes acquisition at that time. The essential figures concerning Omnes are effectively yet to be made available to assess the full impact on IDI's new balance of business which is likely to be more labour intensive.

**14/09/2022**

### **H1 22: a new milestone for IDI**

Earnings/sales releases

**IDI reported a solid and eventful first half of the year, marked by a 4.7% increase in its NAV to €83.62 per share or €622.5m. As of H1 22, IDI has a high investment capacity of €153.6m. September also marks the beginning of a new chapter for IDI, which intends to strengthen its presence in third-party asset management with the acquisition of 80% of Omnes' private equity and private debt activities.**

### Fact

- IDI's NAV rose by 4.7% in H1 22 compared to the December 2021 level to €622.5m. The NAV per share stood at €83.62 bringing the discount to the reported NAV (using current share price) at 42%.
- IDI's investment capacity as of June 2022 stands at €153.6m. Since 5 July 2022, IDI has two credit lines of €30m each, one of which is dedicated to financing investments in the Private Equity Europe segment.
- Subject to conditions precedent, IDI will become a 45% shareholder in Omnes' renewable energy, venture capital and co-investment activities.
- IDI will become an 80% majority shareholder of the private equity and private debt activities of Omnes alongside the 22 existing professionals. The structure consolidated under the name IdiCo will manage €900m.
- Omnes, the former private equity arm of Crédit Agricole, currently manages €4.2bn of AuM.

### Analysis

#### Resilient performance despite market turmoil

Despite a decline in net income from €84.1m in H1 21 to €30.1m in H1 22, IDI reported a resilient first half marked by a 4.7% ytd increase in its NAV to €622.5m or €83.6 per share from €612.4m at the end of 2021. This near 5% bump in NAV is an achievement in the context of fast-declining valuations across all markets. It is even more so with a view to a history of extreme caution on the part of management when it comes to putting a price on its stable of assets. As of June 2022, IDI has a strong balance sheet with equity of €622.5m. In terms of liquidity, since 5 July, the group has two credit lines of €30m each, one of which is dedicated to financing investments in the Private Equity Europe segment. Investment-wise, the group has a high investment capacity of €153.6m. IDI's investment activity has been dynamic in the first half of the year with seven transactions completed, including one acquisition, five build-ups and a strategic transaction with Omnes and its partners (see below).

#### IDI's new chapter in third-party management

IDI is about to take another step forward. On 12 September 2022, IDI signed an agreement with Omnes, under which IDI would become a 45% minority shareholder in Omnes' renewable energy, venture capital and co-investment activities and be an 80% majority shareholder in Omnes' private equity and private debt activities. In doing so, IDI has taken grip of the former private equity arm of Crédit Agricole, which became independent in 2011 and now manages nearly €4.2bn of AuM with a team of c.70 people. The transaction, which is expected to close in Q4 22, will result in the creation of IdiCo

(regrouping Omnes' private equity and private debt activities). Alongside the €900m of assets managed by IdiCo, IDI will double in size with a total of c. €1.5bn of AuM. By strengthening its foothold in the universe of third-party asset management, IDI is following in the footsteps of its peers Eurazeo and GBL. It changes the firing power of IDI in future deals with both teams planned to work under the same roof.

This operation brings memories of similar moves with Idinvest. Back in 2018, IDI had multiplied the value of its stake by 10 when it sold Idinvest to Eurazeo. However, the transaction is more complex than the Idinvest deal. According to sources in *Les Echos*, Omnes has an enterprise value of around €120m. The motivations behind such a transaction are many. Thanks to this transaction, IDI should be able to: i) diversify its source of revenues, ii) expand its third-party management activities, iii) benefit from a size effect and thus increase deal flow, iv) share competences between IDI and Omnes' managers, and v) create synergies in ESG. All in all, a deal more than promising on paper that should generate revenues for the holding. The value of the deal is unknown at pixel time and will only emerge in the 2022 accounts to be released by April 2023. This is a complete change of business structure for IDI as 2023 revenues may jump from €5m to €25m or so and the cost base jump due to the addition of c. 30 investment professionals. The NAV itself is not supposed to change for now as new assets are matched by net liquid assets attrition.

### Outlook 2022

Despite a half year marked by geopolitical tensions with the war in Ukraine, macro-economic tensions with the rise in interest rates, the record-high inflation, and strong pressure on valuations, Christian Langlois-Meurinne remains confident in the resilience of IDI's business model, its long-term vision and the quality of its results. Thus, the long-term outlook for the group remains more than attractive after this shift up in gear. We maintain our positive view on the stock and believe that the current discount to NAV of 42% is very attractive.

### Impact

We will revise our NAV estimate in accordance with the results. We will also incorporate the impact of the acquisition of the 80% stake in Omnes' private equity and private debt activities (IdiCo) and the 45% stake in the other activities on the financial statements.

**06/09/2022**

### Revision to EPS expectations in view of the challenges ahead

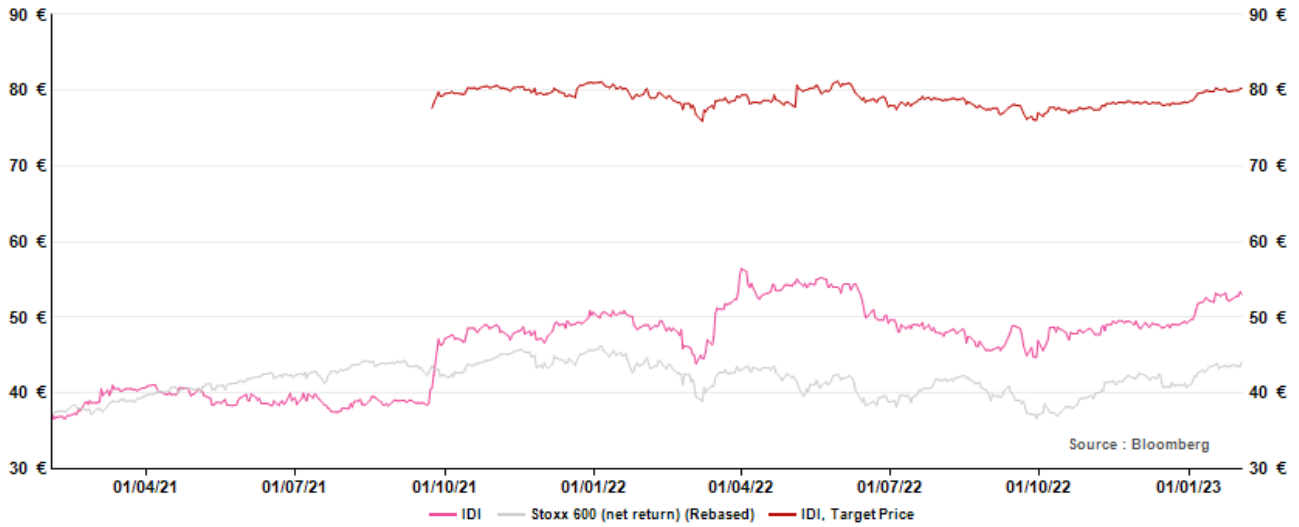
#### Change in EPS

2022 : € 2.01 vs 2.44	-17.3%
2023 : € 2.20 vs 2.57	-14.3%

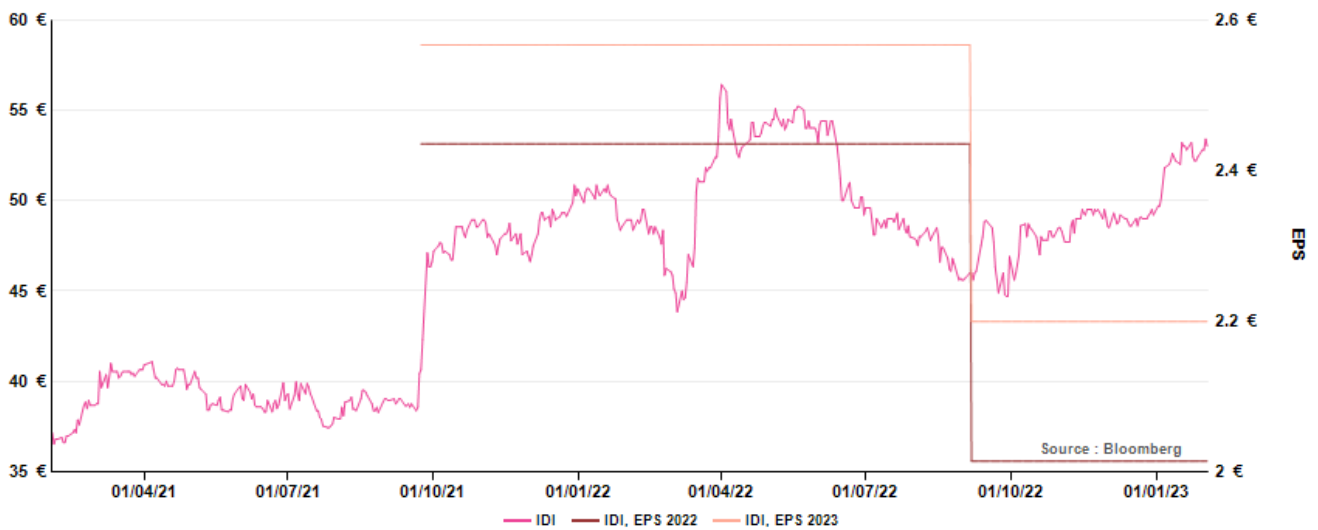
Despite a record year in 2021, marked by a €141.3m increase in net income driven by IDI's dynamic investment activity, we have revised downwards our estimates for the years 2022 and 2023. We believe that the difficult

environment should weigh on the private equity universe and that the coming years will not be as good as 2021.

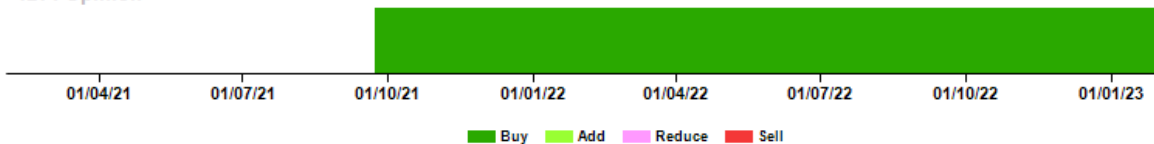
Stock Price and Target Price



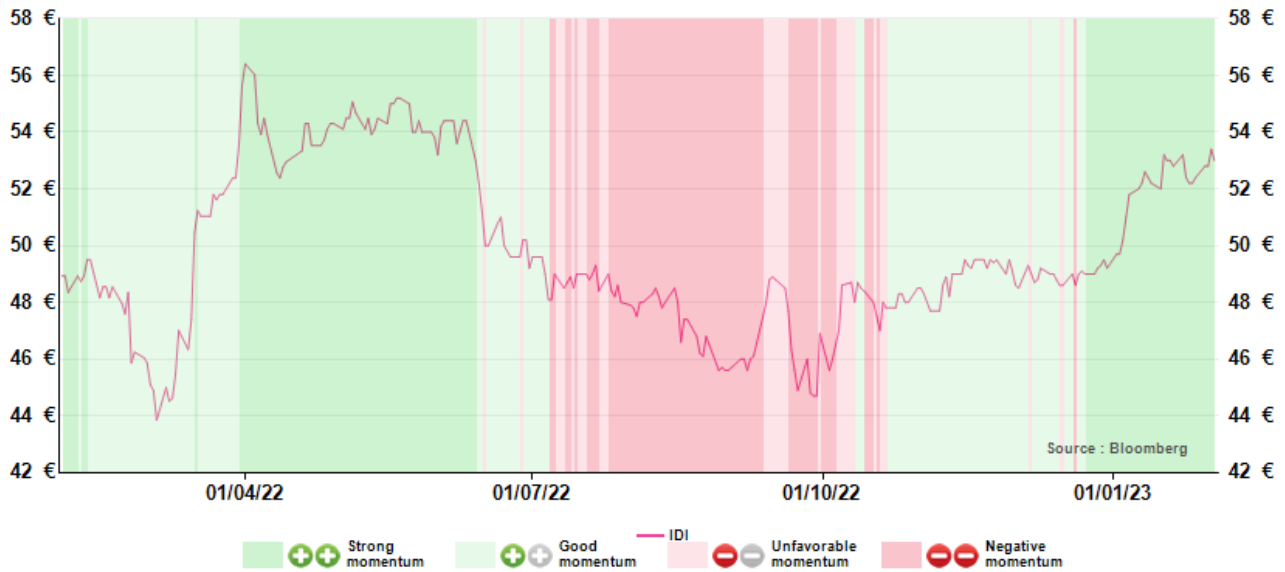
Earnings Per Share & Opinion



IDI : Opinion



## Momentum






Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.



The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.


For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

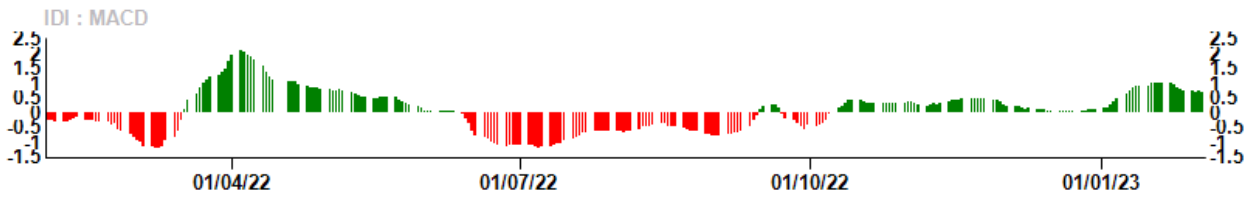
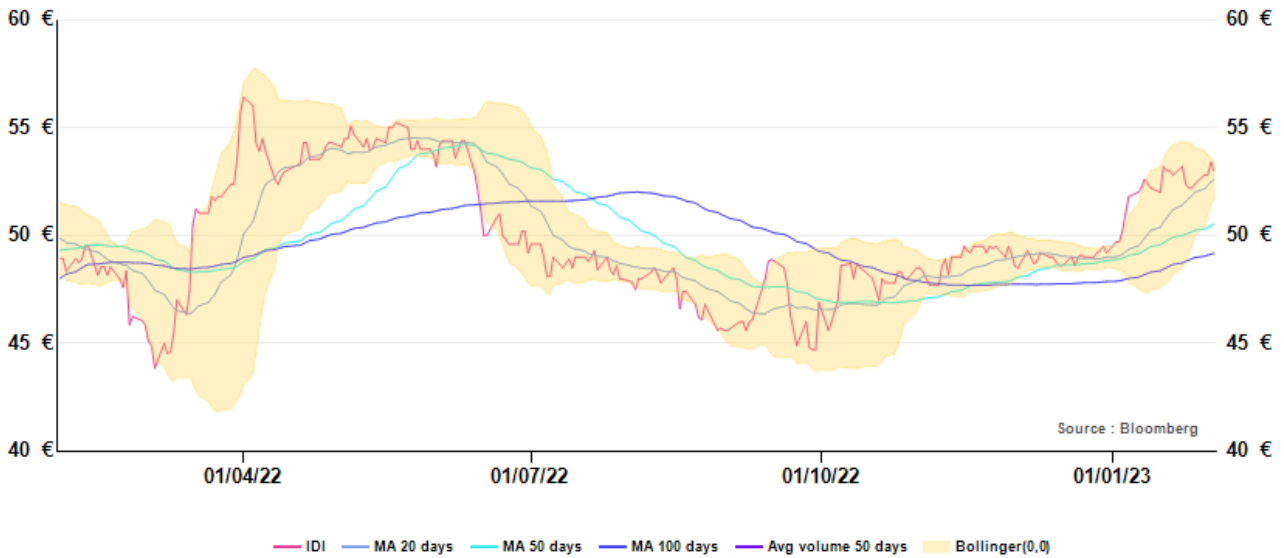
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

  : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

  : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

 : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

## Moving Average MACD & Volume





## €/\$ sensitivity



## Euro sensitivity



## Sector Other Financials



## Detailed Financials

Valuation Key Data		12/21A	12/22E	12/23E	12/24E
<b>Adjusted P/E</b>	x	<b>2.98</b>	<b>25.0</b>	<b>24.1</b>	<b>20.6</b>
Reported P/E	x	2.98	25.0	24.1	20.6
<b>EV/EBITDA(R)</b>	x	<b>11.6</b>	<b>8.41</b>	<b>5.22</b>	<b>2.69</b>
EV/EBIT	x	11.4	8.29	5.14	2.73
EV/Sales	x	-66.6	-48.0	-29.2	-14.6
<b>P/Book</b>	x	<b>0.53</b>	<b>0.64</b>	<b>0.73</b>	<b>0.81</b>
<b>Dividend yield</b>	%	<b>7.58</b>	<b>5.56</b>	<b>5.66</b>	<b>6.60</b>
<i>Free cash flow yield</i>	%	-8.80	-5.38	-7.94	-7.00
Average stock price	€	44.8	50.4	53.0	53.0

<b>Consolidated P&amp;L</b>		<b>12/21A</b>	<b>12/22E</b>	<b>12/23E</b>	<b>12/24E</b>
<b>Sales</b>	€th	<b>5,098</b>	<b>5,225</b>	<b>5,487</b>	<b>5,761</b>
<i>Sales growth</i>	%	31.4	2.50	5.00	5.00
<i>Sales per employee</i>	€th	364	373	392	412
Purchases and external costs (incl. IT)	€th	-3,517	-3,605	-3,785	-3,974
Staff costs	€th	-3,443	-3,667	-3,850	-4,004
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th				
<b>EBITDA</b>	€th	<b>-29,218</b>	<b>-29,802</b>	<b>-30,696</b>	<b>-31,310</b>
EBITDA(R)	€th	-29,218	-29,802	-30,696	-31,310
<i>EBITDA(R) margin</i>	%	-573	-570	-559	-543
<i>EBITDA(R) per employee</i>	€th	-2,087	-2,129	-2,193	-2,236
Depreciation	€th	-443	-454	-477	-501
<i>Depreciations/Sales</i>	%	8.69	8.69	8.69	8.69
Amortisation	€th				
Additions to provisions	€th	12.0	12.1	12.7	13.4
Reduction of provisions	€th	0.00	0.00	0.00	1,000
<b>Underlying operating profit</b>	€th	<b>-29,649</b>	<b>-30,244</b>	<b>-31,160</b>	<b>-30,798</b>
<i>Underlying operating margin</i>	%	-582	-579	-568	-535
Other income/expense (cash)	€th				
Other inc./ exp. (non cash; incl. assets revaluation)	€th	141,299 <sup>(2)</sup>	45,508 <sup>(2)</sup>	47,783 <sup>(2)</sup>	50,172
Impairment charges/goodwill amortisation	€th				
<b>Operating profit (EBIT)</b>	€th	<b>111,650</b>	<b>15,263</b>	<b>16,623</b>	<b>19,375</b>
Interest expenses	€th	-1,101	-1,123	-1,123	-1,123
<i>of which effectively paid cash interest expenses</i>	€th	-1,101			
Financial income	€th				
Other financial income (expense)	€th	621	621	621	621
<b>Net financial expenses</b>	€th	<b>-480</b>	<b>-502</b>	<b>-502</b>	<b>-502</b>
<i>of which related to pensions</i>	€th		0.00	0.00	0.00
<b>Pre-tax profit before exceptional items</b>	€th	<b>111,170</b>	<b>14,761</b>	<b>16,121</b>	<b>18,873</b>
Exceptional items and other (before taxes)	€th				
Current tax	€th	-1,320	-175	-191	-224
Deferred tax	€th	-870	0.00	0.00	0.00
<b>Corporate tax</b>	€th	<b>-2,190</b>	<b>-175</b>	<b>-191</b>	<b>-224</b>
<i>Tax rate</i>	%	1.97	1.19	1.19	1.19
<i>Net margin</i>	%	ns	279	290	324
Equity associates	€th				
<i>Actual dividends received from equity holdings</i>	€th				
Minority interests	€th				
Income from discontinued operations	€th				
<b>Attributable net profit</b>	€th	<b>108,980</b>	<b>14,586</b>	<b>15,929</b>	<b>18,649</b>
Impairment charges/goodwill amortisation	€th	0.00	0.00	0.00	0.00
Other adjustments	€th				
<b>Adjusted attributable net profit</b>	€th	<b>108,980</b>	<b>14,586</b>	<b>15,929</b>	<b>18,649</b>
<b>Fully diluted adjusted attr. net profit</b>	€th	<b>108,980</b>	<b>14,586</b>	<b>15,929</b>	<b>18,649</b>
<b>NOPAT</b>	€th	<b>78,155</b>	<b>10,684</b>	<b>11,636</b>	<b>13,562</b>

2. Corresponds to realised and unrealised changes to the fair value of financial assets.

**Cashflow Statement**

		12/21A	12/22E	12/23E	12/24E
EBITDA	€th	-29,218	-29,802	-30,696	-31,310
Change in WCR	€th	4,440	10,854	919	5,183
<i>of which (increases)/decr. in receivables</i>	€th	-617	417	-52.3	-144
<i>of which (increases)/decr. in inventories</i>	€th		0.00	0.00	0.00
<i>of which increases/(decr.) in payables</i>	€th	6,552	9,163	1,311	5,711
<i>of which increases/(decr.) in other curr. liab.</i>	€th	-1,495	1,273	-340	-384
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th	-2,190	-175	-191	-224
Exceptional items	€th	0.00			
Other operating cash flows	€th	-1,101			
<b>Total operating cash flows</b>	<b>€th</b>	<b>-28,069</b>	<b>-19,124</b>	<b>-29,969</b>	<b>-26,352</b>
Capital expenditure	€th	-16.0	-16.0	-16.0	-16.0
<i>Capex as a % of depreciation &amp; amort.</i>	%	3.61	3.52	3.36	3.20
Net investments in shares	€th	74,891	25,000	15,000	10,000
Other investment flows	€th	2,995 <sup>(3)</sup>	3,070 <sup>(3)</sup>	3,223 <sup>(3)</sup>	3,385
<b>Total investment flows</b>	<b>€th</b>	<b>77,870</b>	<b>28,054</b>	<b>18,207</b>	<b>13,369</b>
Net interest expense	€th	-480	-502	-502	-502
<i>of which cash interest expense</i>	€th	-1,101	-502	-502	-502
Dividends (parent company)	€th	-23,429	-20,280	-20,280	-21,728
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	0.00			
<i>of which (acquisition) release of treasury shares</i>	€th	-574			
(Increase)/decrease in net debt position	€th	-15,019	0.00	0.00	0.00
Other financial flows	€th	-35,991	-36,891	-38,735	-40,672
<b>Total financial flows</b>	<b>€th</b>	<b>-75,540</b>	<b>-57,672</b>	<b>-59,517</b>	<b>-62,902</b>
Change in cash position	€th	-25,739	-48,742	-71,279	-75,885
Change in net debt position	€th	-10,720	-48,742	-71,279	-75,885
Free cash flow (pre div.)	€th	-28,565	-19,642	-30,487	-26,870
Operating cash flow (clean)	€th	-28,069	-19,124	-29,969	-26,352
Reinvestment rate (capex/tangible fixed assets)	%	2.45	2.39	2.28	2.17

3. Includes dividends from investee companies.

**Balance Sheet**

		12/21A	12/22E	12/23E	12/24E
Goodwill	€th				
Total intangible	€th	0.00	0.00	0.00	0.00
Tangible fixed assets	€th	652	668	702	737
Right-of-use	€th	1,492	1,492	1,492	1,492
Financial fixed assets (part of group strategy)	€th	584,534 <sup>(4)</sup>	599,147 <sup>(4)</sup>	629,105 <sup>(4)</sup>	660,560
Other financial assets (investment purpose mainly)	€th				
WCR	€th	-16,713	-27,567	-28,486	-33,669
<i>of which trade &amp; receivables (+)</i>	€th	3,242	2,825	2,877	3,021
<i>of which inventories (+)</i>	€th				
<i>of which payables (+)</i>	€th	17,048	26,211	27,522	33,233
<i>of which other current liabilities (+)</i>	€th	2,907	4,180	3,841	3,457
Other current assets	€th	4,979	4,979	4,979	4,979
<i>of which tax assets (+)</i>	€th				
Total assets (net of short term liabilities)	€th	574,944	578,720	607,792	634,099
Ordinary shareholders' equity (group share)	€th	612,432	567,828	525,427	475,646
Minority interests	€th	8.00	8.00	8.00	8.00
Provisions for pensions	€th	393	0.00	0.00	0.00
Other provisions for risks and liabilities	€th	3,835	3,873	4,067	4,270
Deferred tax liabilities	€th	3,376	3,376	3,376	3,376
Other liabilities	€th	11,280	11,280	11,280	11,280
Net debt / (cash)	€th	-56,387 <sup>(1)</sup>	-7,645 <sup>(1)</sup>	63,634 <sup>(1)</sup>	139,519
Total liabilities and shareholders' equity	€th	574,937	578,720	607,792	634,099
Average net debt / (cash)	€th	-32,714	-32,016	27,994	101,576

4. Adjusted by the fair value of liquid assets which we include in the calculation of the net debt/cash position, as these assets can be easily mobilised to service financial debts.

1. Includes all current and non-current financial debt minus cash, short-term placements, as well as the fair value of liquid assets, which historically averages at c.20% of the total portfolio.

**EV Calculations**

		12/21A	12/22E	12/23E	12/24E
EV/EBITDA(R)	x	11.6	8.41	5.22	2.69
EV/EBIT	x	11.4	8.29	5.14	2.73
EV/Sales	x	-66.6	-48.0	-29.2	-14.6
EV/Invested capital	x	-0.60	-0.44	-0.27	-0.13
Market cap	€th	324,730	365,039	383,862	383,862
+ Provisions (including pensions)	€th	4,228	3,873	4,067	4,270
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€th	-57,879	-9,137	62,142	138,027
+ Right-of-use (from 2019)/Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th	610,381	610,381	610,381	610,381
+ Minority interests (fair value)	€th	8.00	0.00	8.00	8.00
<b>= Enterprise Value</b>	<b>€th</b>	<b>-339,294</b>	<b>-250,606</b>	<b>-160,303</b>	<b>-84,214</b>

## Per Share Data

		12/21A	12/22E	12/23E	12/24E
<b>Adjusted EPS (bfr goodwill amort. &amp; dil.)</b>	€	<b>15.0</b>	<b>2.01</b>	<b>2.20</b>	<b>2.57</b>
<i>Growth in EPS</i>	%	401	-86.6	9.21	17.1
Reported EPS	€	15.0	2.01	2.20	2.57
<b>Net dividend per share</b>	€	<b>3.40</b>	<b>2.80</b>	<b>3.00</b>	<b>3.50</b>
Free cash flow per share	€	-3.94	-2.71	-4.21	-3.71
Operating cash flow per share	€	-3.88	-2.64	-4.14	-3.64
Book value per share	€	84.6	78.4	72.5	65.7
<b>Number of ordinary shares</b>	Th	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>
Number of equivalent ordinary shares (year end)	Th	7,243	7,243	7,243	7,243
Number of shares market cap.	Th	7,243	7,243	7,243	7,243
Treasury stock (year end)	Th				
Number of shares net of treasury stock (year end)	Th	7,243	7,243	7,243	7,243
<b>Number of common shares (average)</b>	Th	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>
Conversion of debt instruments into equity	Th				
Settlement of cashable stock options	Th				
Probable settlement of non mature stock options	Th				
Other commitments to issue new shares	Th				
Increase in shares outstanding (average)	Th	0.00	0.00	0.00	0.00
<b>Number of diluted shares (average)</b>	Th	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>	<b>7,243</b>
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	15.0	2.01	2.20	2.57
EPS before goodwill amortisation (non-diluted)	€	15.0	2.01	2.20	2.57
<b>Payout ratio</b>	%	<b>22.6</b>	<b>139</b>	<b>136</b>	<b>136</b>
<b>Capital payout ratio (div +share buy back/net income)</b>	%	<b>19.1</b>	<b>139</b>	<b>136</b>	

## Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	€th	-29,218	-29,802	-30,696	-31,310
Funds from operations (FFO)	€th	-33,610	-30,480	-31,390	-32,036
<b>Ordinary shareholders' equity</b>	€th	<b>612,432</b>	<b>567,828</b>	<b>525,427</b>	<b>475,646</b>
Gross debt	€th	87,306	87,306	87,306	87,306
o/w Less than 1 year - Gross debt	€th	45,541	45,541	45,541	45,541
o/w 1 to 5 year - Gross debt	€th	41,765	41,765	41,765	41,765
+ Gross Cash	€th	143,693	94,951	23,672	-52,213
<b>= Net debt / (cash)</b>	€th	<b>-56,387 <sup>(1)</sup></b>	<b>-7,645 <sup>(1)</sup></b>	<b>63,634 <sup>(1)</sup></b>	<b>139,519</b>
Bank borrowings	€th	87,306	87,306	87,306	87,306
Other financing	€th	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-5.34	-5.64	5.33	21.4
Equity/Total asset (%)	%	107	98.1	86.4	75.0
Adj. Net debt/EBITDA(R)	x	1.93	0.26	-2.07	-4.46
Adjusted Gross Debt/EBITDA(R)	x	-3.13	-3.06	-2.98	-2.92
Adj. gross debt/(Adj. gross debt+Equity)	%	13.0	13.8	14.8	16.1
Ebit cover	x	-61.8	-60.2	-62.1	-61.3
FFO/Gross Debt	%	-36.7	-33.4	-34.4	-35.0
FFO/Net debt	%	59.6	399	-49.3	-23.0
FCF/Adj. gross debt (%)	%	-31.2	-21.5	-33.4	-29.3
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	2.53	1.65	-0.15	-1.74
"Cash" FCF/ST debt	x	-0.64	-0.43	-0.67	-0.59

1. Includes all current and non-current financial debt minus cash, short-term placements, as well as the fair value of liquid assets, which historically averages at c.20% of the total portfolio.

**ROE Analysis (Dupont's Breakdown)**

		12/21A	12/22E	12/23E	12/24E
Tax burden (Net income/pretax pre excp income)	x	0.98	0.99	0.99	0.99
EBIT margin (EBIT/sales)	%	2,190	292	303	336
Assets rotation (Sales/Avg assets)	%	0.92	0.91	0.92	0.93
Financial leverage (Avg assets /Avg equity)	x	0.97	0.98	1.09	1.24
<b>ROE</b>	<b>%</b>	<b>19.3</b>	<b>2.47</b>	<b>2.91</b>	<b>3.73</b>
ROA	%	-695	-56.7	-59.8	-58.8

**Shareholder's Equity Review (Group Share)**

		12/21A	12/22E	12/23E	12/24E
Y-1 shareholders' equity	€th	23,590	109,141	567,828	525,427
+ Net profit of year	€th	108,980	14,586	15,929	18,649
- Dividends (parent cy)	€th	-23,429	-20,280	-20,280	-21,728
+ Additions to equity	€th	0.00	0.00	0.00	0.00
<i>o/w reduction (addition) to treasury shares</i>	€th	<i>-574</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
- Unrecognised actuarial gains/(losses)	€th	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€th		464,380	-38,050	-46,702
<b>= Year end shareholders' equity</b>	<b>€th</b>	<b>109,141</b>	<b>567,828</b>	<b>525,427</b>	<b>475,646</b>

**Staffing Analytics**

		12/21A	12/22E	12/23E	12/24E
Sales per staff	€th	364	373	392	412
Staff costs per employee	€th	-246	-262	-275	-286
<i>Change in staff costs</i>	<i>%</i>	<i>74.2</i>	<i>6.50</i>	<i>5.00</i>	<i>4.00</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>61.8</i>	<i>6.50</i>	<i>5.00</i>	<i>4.00</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>-13.4</i>	<i>-14.0</i>	<i>-14.3</i>	<i>-14.7</i>

<b>Average workforce</b>	<b>unit</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>
Europe	unit	14.0	14.0	14.0	14.0
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
<b>Total staff costs</b>	<b>€th</b>	<b>-3,443</b>	<b>-3,667</b>	<b>-3,850</b>	<b>-4,004</b>
Wages and salaries	€th	-3,443	-3,667	-3,850	-4,004
Pension related costs	€th		0.00	0.00	0.00

**Divisional Breakdown Of Revenues**

		12/21A	12/22E	12/23E	12/24E
<b>Total sales</b>	<b>€th</b>	<b>5,098</b>	<b>5,225</b>	<b>5,487</b>	<b>5,761</b>
PE Europe	€th	3,810	3,905	4,101	4,306
PE Emergents	€th	741	760	798	837
Actifs Liquides	€th	336	344	362	380
Other	€th	211	216	227	238

**Divisional Breakdown Of Earnings**

		12/21A	12/22E	12/23E	12/24E
<b>Dividend contributions Analysis</b>					
PE Emergents	€th	635	651	683	718
Actifs Liquides	€th	336	344	362	380
PE Europe	€th	2,629	2,695	2,829	2,971
Other/cancellations	€th	0.00	0.00	0.00	0.00
<b>Total</b>	<b>€th</b>	<b>3,600</b>	<b>3,690</b>	<b>3,875</b>	<b>4,068</b>
Dividend contributions margin	%	70.6	70.6	70.6	70.6



Revenue Breakdown By Country		12/21A	12/22E	12/23E	12/24E
Europe	%	72.0	72.0		
Other	%	28.0	28.0		

ROCE		12/21A	12/22E	12/23E	12/24E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	13.7	1.87	1.94	2.16
CFROIC	%	-5.02	-3.43	-5.07	-4.28
Goodwill	€th	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	€th	0.00	0.00	0.00	0.00
All intangible assets	€th	0.00	0.00	0.00	0.00
Accumulated intangible amortisation	€th	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	€th	0.00	0.00	0.00	0.00
Capitalised R&D	€th	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	652	668	702	737
Accumulated depreciation	€th	0.00	0.00	0.00	0.00
WCR	€th	-16,713	-27,567	-28,486	-33,669
Other assets	€th	584,534	599,147	629,105	660,560
Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
<b>Capital employed after deprec. (Invested capital)</b>	<b>€th</b>	<b>568,473</b>	<b>572,249</b>	<b>601,321</b>	<b>627,628</b>
Capital employed before depreciation	€th	568,473	572,249	601,321	627,628

Divisional Breakdown Of Capital Employed		12/21A	12/22E	12/23E	12/24E
PE Emergents	€th				
Actifs Liquides	€th				
PE Europe	€th				
Other	€th	568,473	572,249	601,321	627,628
<b>Total capital employed</b>	<b>€th</b>	<b>568,473</b>	<b>572,249</b>	<b>601,321</b>	<b>627,628</b>

## Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

## Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%