

# paragon Group

Auto Parts / Germany

## FY22/Q1 23 results: Decent operational activity, financial health restored

German automotive group with Chinese exposure - 05/07/2023

### Change in Target Price

€ 17.1 vs 17.0 **+0.25%**

paragon Group published its FY22 results after the Q1 23 results to take into account the closing of the sale of paragon semvox, raising around €40m. This situation leads to a modification in our 2022 EPS as the digital assistance BU is accounted as a discontinued operation.

The proceeds were used to repay the CHF bond in April 2023 and the remainder should be used for the partial repayment of the €50m EUR bond this year. Net debt is thus expected to be halved from €102m in 2022 to €54m in 2023 according to our estimates. This reduction in net debt should make the company more attractive from a financial standpoint in that it gains more room for maneuver.

The revenue loss from the sale of semvox should be recouped this year with sales expected to be €170m thanks to decent growth across all the business units; this was already evident at the Q1 23 stage (+14.6% vs Q1 22 to €44.7m).

Overall, our target price slightly increases with the positive effects from a reduced negative cash flow impact being largely offset by a decrease in the 2022 EBITDA.

### Change in EPS

2023 : € 0.87 vs 1.13 **-23.1%**  
2024 : € 2.08 vs 1.99 **+4.39%**

The 2022 EPS has seen the €4.7m negative impact on EBITDA from the sale of semvox as well as the €3.4m of one-time negative effects (FX loss, losses on the sale of real estate etc.) which had not previously been accounted for.

The 2023 EPS now looks likely to come in slightly lower than we had expected following the release of the EBITDA guidance of €20-25m for 2023. We have thus lowered our estimate from €25.5m to €24m, which has a knock-on effect for our EPS forecast.

Our 2024 EPS forecast is now slightly higher due to the cost-saving measures announced to counteract the increase in price pressure.

### Change in NAV

€ 17.3 vs 19.0 **-8.57%**

Our NAV decreases because of a lower valuation for the Electronics business (representing 96% of our NAV value) based on an EV/EBITDA multiple. The 2022 EBITDA has effectively been negatively impacted to the tune of €4.7m by the disposal of the semvox business as well as one-time effects totaling €3.4m (FX loss, losses on the sale of real estate etc.)

### Change in DCF

€ 29.0 vs 28.0 **+3.58%**

Our DCF has increased due to lower forecast CAPEX and change in WCR than previously anticipated following the sale of paragon semvox. This reduced negative impact on FCF more than offsets the lower operating cash flow in 2022 due to this sale.

## Baader Europe

### Buy

Upside : 188%

Target Price (6 months)	€ 17.1
Share Price	€ 5.94
Market Cap. €M	26.9
Price Momentum	<b>STRONG</b>
Extremes 12Months	3.74 ► 6.30
Fundamental Strength	0 / 10
Bloomberg	PGN GY Equity
Reuters	PGNG.DE


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PERF	1w	1m	3m	12m
paragon Group	4.21%	-2.62%	16.0%	37.2%
Autos	2.70%	3.80%	8.69%	38.1%
SXXR Index	1.89%	-0.03%	2.25%	15.8%

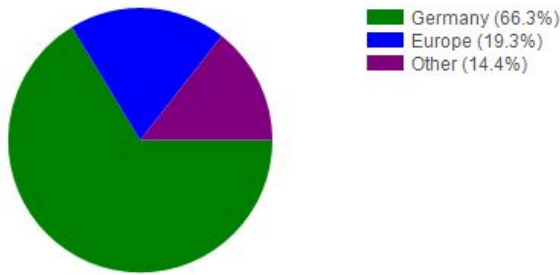
Sector Opinion	<b>Underweight</b>
Strongest upside	paragon Group
Worst potential	BMW

[Complete Sector Analysis](#)

Last updated: 05/07/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-2.65	6.82	2.86	2.27
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	10.8	3.43	2.22	1.56
Adjusted EPS (€)	-1.84	0.87	2.08	2.61
Growth in EPS (%)	n/a	n/a	139	25.7
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	160	170	188	207
EBITDA/R margin (%)	7.21	14.2	16.7	16.6
Attributable net profit (€M)	-3.37	1.94	7.41	9.83
ROE (after tax) (%)	-170	18.7	28.1	24.4
Gearing (%)	ns	388	145	68.6

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

## Sales by Geography



## Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€M	160	170	188
Change in sales	%	9.12	6.07	10.3
Change in staff costs	%	-8.07	9.80	11.1
EBITDA	€M	11.6	24.2	31.4
<b>EBITDA(R) margin</b>	<b>%</b>	<b>7.21</b>	<b>14.2</b>	<b>16.7</b>
Depreciation	€M	-14.3	-14.0	-14.5
Underlying operating profit	€M	-2.71	10.2	16.9
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>-3.05</b>	<b>8.17</b>	<b>14.9</b>
Net financial expense	€M	-7.69	-5.40	-4.31
of which related to pensions	€M		-0.06	-0.13
Exceptional items & other	€M			
Corporate tax	€M	2.06	-0.83	-3.18
Equity associates	€M			
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>-8.34</b>	<b>3.94</b>	<b>9.41</b>
NOPAT	€M	-2.04	7.68	12.8

## Cashflow Statement

EBITDA	€M	11.6	24.2	31.4
Change in WCR	€M	7.91	-12.4	-2.57
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	0.00	-0.83	-3.18
Exceptional items	€M			
Other operating cash flows	€M	-0.07	2.00	2.00
Total operating cash flows	€M	19.4	12.9	27.7
Capital expenditure	€M	-7.73	-7.48	-10.3
Total investment flows	€M	0.59	32.5	-10.3
Net interest expense	€M	-7.69	-5.40	-4.31
Dividends (parent company)	€M	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	-1.89	-63.1	-4.18
Change in cash position	€M	17.6	-17.6	13.2
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>3.99</b>	<b>0.04</b>	<b>13.0</b>

## Per Share Data

No. of shares net of treas. stock (year...	Mio	4.53	4.53	4.53
Number of diluted shares (average)	Mio	4.53	4.53	4.53
<b>Benchmark EPS</b>	<b>€</b>	<b>-1.84</b>	<b>0.87</b>	<b>2.08</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 29.0	35%	● Valeo
NAV/SOTP per share	€ 17.3	20%	● Continental
EV/Ebitda	€ 11.0	20%	● Forvia
P/E	€ 10.1	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 5.21	5%	
TARGET PRICE	€ 17.1	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	€M	5.75	5.75	5.75
Total intangible	€M	43.1	37.9	34.5
Tangible fixed assets	€M	15.5	14.2	13.4
Financial fixed assets	€M	1.64	1.64	1.64
WCR	€M	-14.9	-2.51	0.06
Other assets	€M	46.0	13.3	14.7
Total assets (net of short term liab.)	€M	107	79.1	78.1
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>0.66</b>	<b>20.1</b>	<b>32.7</b>
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M	2.38	3.80	3.65
Other provisions for risks and liabilities	€M			
Total provisions for risks and liabilities	€M	2.38	3.80	3.65
Tax liabilities	€M	1.60	1.28	1.02
Other liabilities	€M	0.00	0.00	0.00
<b>Net debt (cash)</b>	<b>€M</b>	<b>102</b>	<b>53.9</b>	<b>40.8</b>
Total liab. and shareholders' equity	€M	107	79.1	78.1

## Capital Employed

Capital employed after depreciation	€M	60.7	65.8	63.4
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## Profits & Risks Ratios

<b>ROE (after tax)</b>	%	<b>-170</b>	<b>18.7</b>	<b>28.1</b>
ROCE	%	-3.36	11.7	20.1
<b>Gearing (at book value)</b>	<b>%</b>	<b>16,373</b>	<b>388</b>	<b>145</b>
Adj. Net debt/EBITDA(R)	x	10.1	2.83	1.74
Interest cover (x)	x	-0.35	1.91	4.04

## Valuation Ratios

<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-2.65</b>	<b>6.82</b>	<b>2.86</b>
Free cash flow yield	%	18.1	0.16	48.4
P/Book	x	33.4	1.34	0.82
<b>Dividend yield</b>	<b>%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

Market cap	€M	22.1	26.9	26.9
+ Provisions	€M	2.38	3.80	3.65
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	86.7	39.4	26.9
+ Leases debt equivalent	€M	15.3	14.6	13.8
- Financial fixed assets (fair value)	€M	1.64	1.64	1.64
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	125	83.0	69.7
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>10.8</b>	<b>3.43</b>	<b>2.22</b>
EV/Sales	x	0.78	0.49	0.37

Analyst : Alexandre DESPREZ, Changes to Forecasts : 05/07/2023.

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