

paragon Group

Auto Parts / Germany

Baader Europe

Rather positive Q3 preliminary results

Earnings/sales releases - 25/10/2023

paragon group announced a good set of preliminary 9M figures even though sales suffered from supply chain disruption. The group notably again lowered its net debt and positively adjusted its guidance for FY23.

Fact

- Sales increased by 2.9% from €118.5m to €122m yoy, which implies a slowdown in Q3 23 with €35.4m of revenue compared to €37.8m a year ago
- EBITDA amounted to €23.8m after 9 months (including €7.6m from discontinued operations)
- Significant reduction in net gearing, now standing at 1.7x (net debt <€50m compared to <€60m at H1 23)
- The outlook for FY23 saw a positive adjustment

Analysis

Supply chain woes weigh on sales

The 6.3% decline observed in Q3 23 was primarily due to the discontinuation of a sensor product as well as extended plant vacations by automotive manufacturers. Nevertheless, the EBITDA amounted to €23.8m after 9 months (including €7.6m from discontinued operations) compared to €12m a year ago, pointing to strong growth in profitability with a 19.5% EBITDA margin (9M 22: 10.1%). We will learn more about the drivers in the official results release.

An improving financial profile

The significant reduction in net debt resulted from the use of the cash proceeds (mid-single digit million range) following the asset deal with Clarios on the Power business unit, which was not disclosed during this deal announcement. We see this move as positive for the stock as the debt level had been a sword of Damocles overhanging the share price.

A rather positive outlook adjustment

The company now expects FY23 EBITDA (including discontinued operations) of between €25m and €27m (vs €20-25m previously) and sales of between €160 and €170m (approximately €170m previously). This guidance update is rather positive in our view as the management is confident on the margin side despite lower orders.

Impact

We will revise our estimates downward to reflect the reduced sales guidance as well as a lower EBITDA stemming from continuing operations than in our previously overly-optimistic forecast.

Buy **Upside: 129%**

Target Price (6 months)	€ 10.3
Share Price	€ 4.51
Market Cap. €M	20.4
Price Momentum	NEGATIVE
Extremes 12Months	3.81 ▶ 6.30
Sustainability score	2.7 /10
Credit Risk	BB →
Fundamental Strength	0 /10
Bloomberg	PGN GY Equity
Reuters	PGNG.DE


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PERF	1w	1m	3m	12m
paragon Group	-3.01%	-3.84%	-21.7%	12.8%
Autos	-5.67%	-7.62%	-14.3%	10.8%
STOXX 600	-3.26%	-4.01%	-6.57%	8.27%

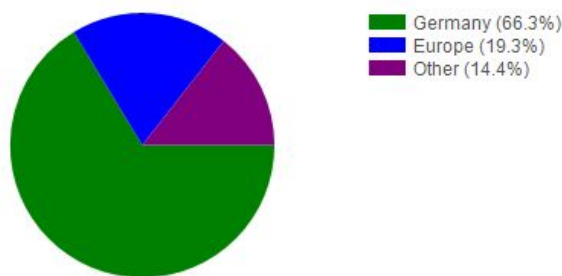
Sector Opinion	Underweight
Strongest upside	Forvia
Worst potential	BMW

[Complete Sector Analysis](#)

Last updated: 25/10/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-2.65	8.58	5.64	3.70
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	10.8	3.11	2.60	1.97
Adjusted EPS (€)	-1.84	0.53	0.80	1.22
Growth in EPS (%)	n/a	n/a	52.2	52.4
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	160	167	180	198
EBITDA/R margin (%)	7.21	13.2	12.9	12.7
Attributable net profit (€M)	-3.37	9.38	1.62	3.52
ROE (after tax) (%)	-170	66.0	5.22	9.11
Gearing (%)	ns	266	122	76.0

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

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€M 160	167	180
Change in sales	% 9.12	3.91	7.79
Change in staff costs	% -8.07	9.80	11.1
EBITDA	€M 11.6	21.9	23.1
EBITDA(R) margin	% 7.21	13.2	12.9
Depreciation	€M -14.3	-14.0	-14.5
Underlying operating profit	€M -2.71	7.94	8.62
Operating profit (EBIT)	€M -3.05	5.94	6.62
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	-0.16	-0.69
Equity associates	€M		
Minority interests	€M 0.00	0.00	0.00
Adjusted attributable net profit	€M -8.34	2.38	3.62
NOPAT	€M -2.04	6.00	6.57

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€M 11.6	21.9	23.1
Change in WCR	€M 7.91	-12.2	-2.49
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M 0.00	-0.16	-0.69
Exceptional items	€M		
Other operating cash flows	€M -0.07	2.00	2.00
Total operating cash flows	€M 19.4	11.6	21.9
Capital expenditure	€M -7.73	-7.33	-9.88
Total investment flows	€M 0.59	39.7	-9.88
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	-9.33	7.88
Free cash flow (pre div.)	€M 3.99	-1.17	7.75

Per Share Data

		12/22A	12/23E	12/24E
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
Benchmark EPS	€	-1.84	0.53	0.80
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 15.2	35%	● Continental
NAV/SOTP per share	€ 13.3	20%	● Valeo
EV/Ebitda	€ 7.69	20%	● Forvia
P/E	€ 5.24	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 5.03	5%	
TARGET PRICE	€ 10.3	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	37.8	34.1
Tangible fixed assets	€M 15.5	14.2	13.2
Financial fixed assets	€M 1.64	1.64	1.64
WCR	€M -14.9	-2.71	-0.22
Other assets	€M 46.0	13.1	14.1
Total assets (net of short term liab.)	€M 107	78.5	76.6
Ordinary shareholders' equity	€M 0.66	27.8	34.2
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
Net debt (cash)	€M 102	45.6	37.7
Total liab. and shareholders' equity	€M 107	78.5	76.6

Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 60.7	65.4	62.6

Profits & Risks Ratios

		12/22A	12/23E	12/24E
ROE (after tax)	%	-170	66.0	5.22
ROCE	%	-3.36	9.17	10.5
Gearing (at book value)	%	16,373	266	122
Adj. Net debt/EBITDA(R)	x	10.1	2.74	2.23
Interest cover (x)	x	-0.35	1.49	2.06

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	-2.65	8.58	5.64
Free cash flow yield	%	18.1	-5.71	38.0
P/Book	x	33.4	0.73	0.60
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€M	22.1	20.4	20.4
+ 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	31.1	23.9
+ 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	68.2	60.2
EV/EBITDA(R)	x	10.8	3.11	2.60
EV/Sales	x	0.78	0.41	0.34

Analyst : Alexandre DESPREZ, Changes to Forecasts : 25/10/2023.

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