

HIGH FIVE WELCOME TO YOUR SMALL & MID CAP UNIVERSE

SMALL & MID CAPS EQUITY RESEARCH



WEDNESDAY 2nd JUNE 2021



PORTZAMPARC
BNP PARIBAS GROUP

Enlightened investors

JUNE 2021

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* PEA-PME

Next HIGH FIVE on Wednesday July 7

(+) CLASQUIN
FOUNTAIN PAJOT

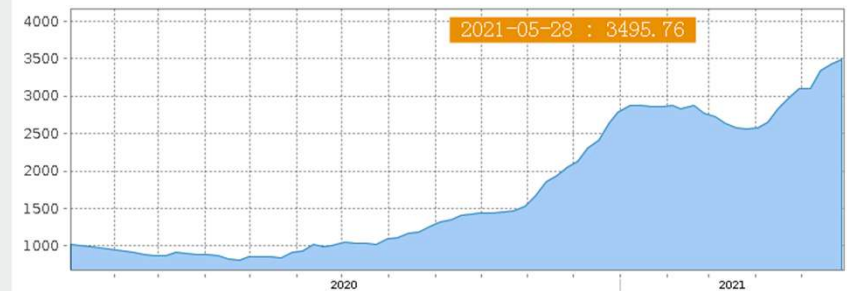
	Ticker	Closing price at 01/06/2021
CLASQUIN	ALCLA	45.00
FOUNTAIN PAJOT	ALFPC	109.20
REORLD MEDIA	ALREW	4.05
SII	SII	26.30
WAVESTONE	WAVE	37.60

(-) **DERICHEBOURG** – After a release above our expectations, we do not expect a significant newsflow in June.
VILMORIN – Little newsflow in the short term to continue the momentum of the stock.

Very strong start to the year

- MCB Q1 +37% at €24m.
- Volume +11%.
- Price +23%.
- Prices stay at a very high level →

Shanghai Containerized Freight Index



EPS to grow by more than 40% in 2021

- Dynamic top line (PZP +14%) with good margin level (PZP 12.8% +30bp) implies 42% EPS growth in 2021.
- Solid balance sheet (leverage 1.6x) allows bolt-on M&A (Spain, Belgium) to further accelerate in growth and reach €100m gross profit in the mid term.

Peers discount

- Current valuation implies a 56% discount on peers, based on EV/EBIT NTM multiple. 5 year average points a 31% discount.
- We believe a 35% discount, linked to stock liquidity would be fair. In this hypothesis, valuation would come at €71 per share.

Target Price: €56 vs. closing price on 01/06/21 at €45, Strong Buy (1)

Valuation Multiples: 2021 EV/EBIT 11.0x, FCF yield 13.4%

FOUNTAIN PAJOT Boating Confirms its Trend!



Double digit growth

- Order intake are still on a good pace since the start of the year, bringing the group's order book for the season to €194m.
- The management confirms the optimism at dealers, in particular in the North Am. And Europe zones.
- Pro clients selling part of their fleet, this offers a source of growth for the following seasons (reconstitution and renewal of fleets).
- The group's sales mix (Pro/individuals 30/70 at Fountaine Pajot and 20/80 at Dufour) is estimated to be 10/90 for this season, with a positive effect on margin (around +2pts).

Dufour: The group makes an opportunistic reorganization

- The group took advantage of the September-December slowdown period to 1 / restructure its production at the Dufour site with a unique production line and 2 / rationalize the way in which the brand's units are produced, allowing productivity gains (and a lower WC mobilization).

Low multiple valuation

- The stock corrected from its May highs (-8.8% vs. high at 119.8 on 03 May)
- Attractive valuation: EV / EBIT 2021e 8.8x, FCF Yield 2021e 8.1%; EV / EBIT 2022e 6.5x, FCF Yield 2022e 10.1%
- -50% discount in EV / EBIT 2022 vs Bénéteau; -25% in EV / Sales 2022

Target Price: €144 vs. closing price on 01/06/21 at €109.2, Strong Buy (1)

Valuation Multiples: EV/EBIT 8.8x 2021, 6.5x 2020

20% drop from annual high of €5.04

- The stock gave back 19,6% since its annual high of €5.04.

Potentially impacted by some Reworld Bashing and Laurence Franceschini's report

- Announced at the end of March, the departure of 9 journalists from the editorial staff of Science et Vie was widely reported by the press which denounces the group's business model.
- At the end of December, the mobilization of these same journalists prompted the Ministry of Culture to launch a mission aimed at examining a possible conditioning of aid to the press to the presence of journalist within the editorial staff.
- The summary of the report published at the end of April may have generated fears about the potential impact on Reworld Media.
- The risk seems very limited to us : the report's proposals are particularly vague (presence of at least one professional journalist in the editorial staff). The group is already in compliance : it has 200 journalists on permanent contracts present in all the newsrooms. In a worst case scenario, the group could quickly become compliant by recruiting journalists who currently work for the group (500 freelancers / 300 outsourced journalists).
- This situation remind us of September 2019 when Reworld stock price suffered (-20%) from bad press at the time of the integration of Mondadori France.

An attractive valuation

- Valuation is still attractive : for 2021 0,6x EV/Sales; 5,1x EV/EBITDA and 5,8x EV/EBIT.

Target Price : €4.9 vs. closing price on 01/06/21 at €4.05, Strong Buy (1)

Valuation Multiples : EV/EBIT 2021 5.8x, 2022 5.0x

Valuation does not reflect the quality of the fundamentals

- The stock underperforms on a year-to-date basis with only +5.2%.
- At 8.7x EV/EBIT March-23, the first year in our scenario with recovered profitability post-crisis, the stock still seems very affordable given its track-record and the significant potential for upward revision of the scenario.

Q4 has sent a positive signal on earnings rebound in H2

- After Q3 was above our expectations (-2,4% vs PZP -5,0%), Q4 has confirmed the positive trend and has, symbolically, shown a return to organic growth.
- Q4-sales : €183.6m +3.8%, +5.6% L/L vs PZP €173,9m.
- Above all, the continuation of the recovery in France (Q1 -21%, Q2 -13%, Q3 -6%, Q4 +3%) supports the expected rebound of profitability as soon as H2.
- H2-activity margin : PZP 5.0% vs 3.7% in H1.

Profitability scenario : revision upward potential

- We currently value the stock factoring in 6.5% activity margin for March-23, at the bottom of historical range of 6-8% even as several levers are identified : 1/ mix effect due to the ever-increasing contribution of Poland (1/3 of sales now), 2/ positive effect of growth to absorb the central structure that was strengthened before the crisis and 3/ recovery in Germany and Spain, if necessary after some one-off costs.

Target Price : €30.9 vs. closing price on 01/06/21 at €26.3, Strong Buy (1)

Valuation Multiples: EV/EBIT 13.5x March-22, 8.7x March-23

A resilient March-21 FY

- EBIT margin 12,8%, ie only a 40bp erosion in a crisis year and without any public subsidy.
- The strength of the recovery has exceeded expectations since the summer and Q4 was no exception : +4% vs PZP -2%.

Back to growth...

- Excluding WGroup which was facing a very demanding comparison basis, the rest of the group came back to organic growth since Q3.
- Backlog largely reconstructed (4,1 months or +0,6 yoy), above the normative 3-4 months.
- Hiring was relaunched several months ago.
- Favorable context : small missions are still under pressure but large transformation projects are numerous at clients.
- M&A resumes during the new FY, strategically in the US (acquisition of Everest in May) and tactically in France.

...and confident outlook on profitability despite the will to reinvest

- Price pressure is manageable : price/cost ratio was optimal and the solid backlog allows to defend prices.
- Activity rate 71% in 2020-21 but 75% in H2 alone, suggesting an important leverage this year.
- Wavestone targets ~13% EBIT margin in 2021-22 despite expenses resumption to fuel growth.

Target Price : €45.6 vs. closing price on 01/06/21 at €37.6, Strong Buy (1)

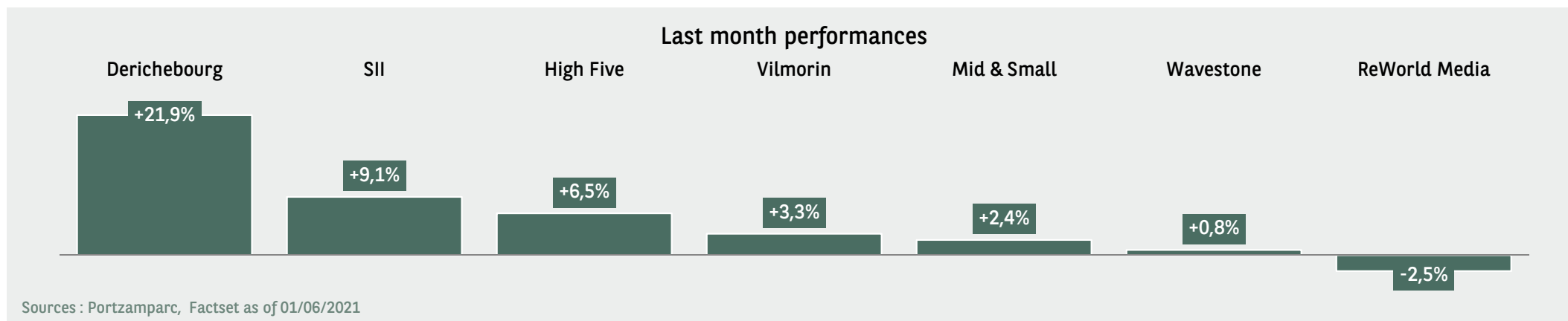
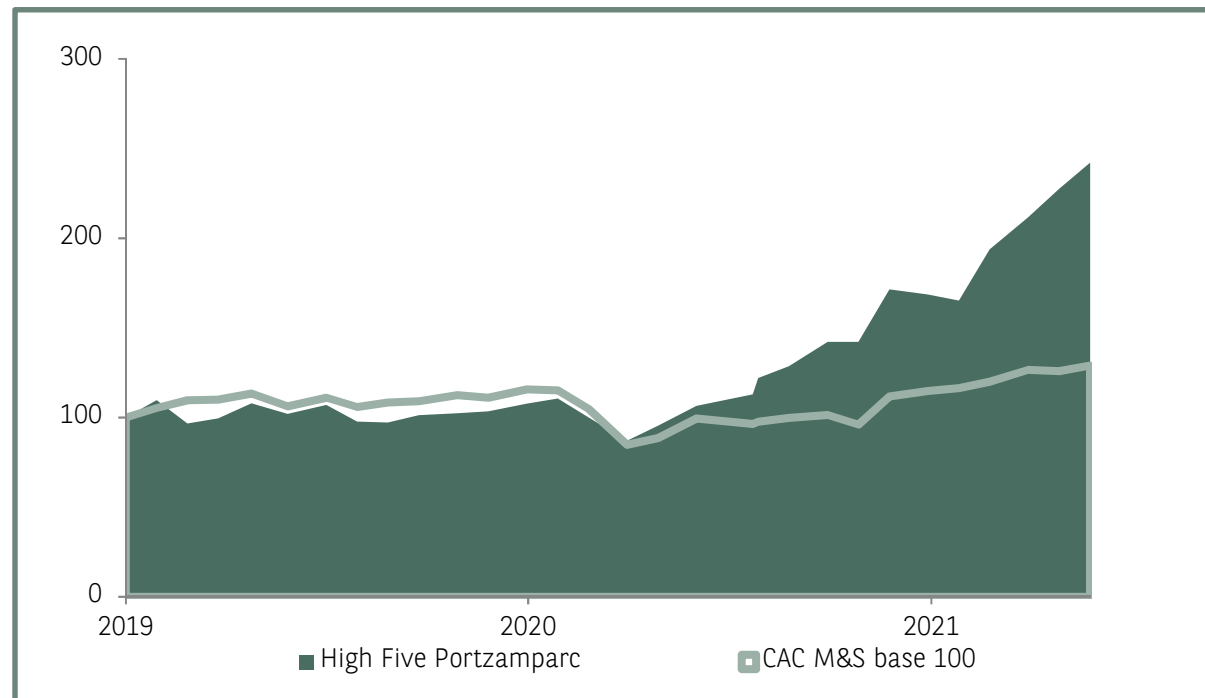
Valuation Multiples: EV/EBIT 12.2x March-22, 10.2x March-23

RESULTS CALENDAR

CLASQUIN – Q2 Sales	1 st September
FOUNTAINÉ PAJOT – H1 earnings	20 th June
REORLD MEDIA – H1 sales & earnings	September
SII – FY earnings	9 th June
WAVESTONE – Q1 Sales	26 th July

PERFORMANCE SINCE JANUARY 2019

	High Five	CAC Mid&Small
Since May 04, 2021	6,5%	2,4%
Since January 05, 2021	43,7%	12,4%
Since January 07, 2020	125,1%	11,4%
Since January 08, 2019	142,3%	29,0%



HIGH FIVE PRINCIPLES

1

The 5 stocks are selected based on two complementary approaches: excellent fundamentals and short term growth potential

2

Liquidity: free float >€10m

3

The performance indicated is based on the closing price the day before the publication. It is given for information purpose and is not representative of a performance management (average purchase price/ securities sales, Stock market fees, etc)

4

Weighing : 20% for each stock

5

New Entries / Exits : monthly

6

Being removed from the High Five does not imply a rating downgrade. The short term development is simply deemed less attractive than that of the 5 other stocks

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Rating and Target price history <http://www.midcaps.portzamparc.fr/wp-content/fileadmin/pubt/avertissements.pdf>

Potential Conflicts of Interest BNP PARIBAS

Companies in which BNP PARIBAS detains participations: <https://wealthmanagement.bnpparibas/fr/conflict-of-interest.html>

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