04/08/2024 18:47

# EQUASENS

Euronext A – FR0012882389 – EQS

✓ **Slight decline in Q2 as expected**

- ✓ Group turnover €54.7M -3% (€55.9M expected) / -4.6% on a comparable basis;
  - o Acquisitions contribution +€1.7M;
  - o Ségur Effect +€0.3M vs. +€1.2M in Q2 2023;
- ✓ H1Revenue €108M -4.1% (€109.2M Expected) / -5.7% comparable basis;
- ✓ Return to growth in H2 but continued investments.

Q1 suffered from a very unfavorable base effect (Q1 2023 +14% / +11% excluding Segur) and a very degraded environment for equipment sales (€21.5M, -17.3%). Q2 started from a "lower point" with a Q2 2023 growth of +4% (+3.8% excluding perimeter and Segur effects). The slowdown in the decline in activity in Q2 2024 is logical and was expected. Equipment sales continue to weigh on activity, with a decrease of 8.2% in Q2 to €22.4M, particularly due to E-connect (H1 Revenue -32.3% to €5.5M), which had benefited from a regulatory opportunity. Conversely, evolutionary maintenance and professional training grew by 4.1%, ending the semester with +5.5% (€40M).

Software Solutions and subscriptions are almost stable for the semester at -0.9% (€22.7M) but declined by 5.1% in Q2 mainly due to the Segur base effect, particularly in Medical Solutions (-19.1% to €3.9M).

Pharmagest is the only division that returned to growth in Q2 with +2.1% and is close to recovering outside of Segur and perimeter effects. For H1, the decline is -5.1% excluding Segur and perimeter, whereas in Q1 the decline was -8.6%. The acquisitions made at the end of 2023 in Germany and early 2024 in France contributed €3.6M to the semester.

To summarize, the beginning of an activity inflection is appearing but remains light and quite volatile from quarter to quarter, as seen with Axigate Link, which grew by 8.4% in Q1 and slightly declined by 0.8% in Q2, ending the semester with +3.6%. Nonetheless, Equasens reports a semi-annual revenue close to our expectations, and the management's discourse, as well as the sector regarding the ongoing inflection, supports our annual expectations.

**Outlook**

The focus is on profitability expectations. Management mentions sustained investments, which, coupled with the decline in H1 revenue, will logically weigh on profitability, noting the term "measured" is indicated. It's quite new for management to express this way. Furthermore, investments will continue in H2 from a commercial, R&D, and infrastructure perspective.

Based on our discussions, we understand that the decline in profitability is "controlled" because, beyond the impact related to revenue, the choice was made to invest more than usual in human resources and infrastructure. This voluntary strategy aims to gain market share in a market poised to rebound. We underestimated this strategy of increased investments as well as the significant decline in the most profitable activities (e-Connect H1 2023 margin 44.5% / Medical Solutions 26.7%).
Thus, logically, our target for an operating margin of 24.4% vs. 25.4% in 2023 seems too high because it minimizes these elements. In H1, the margin will suffer from the revenue decline and even more from the significant decrease in the most profitable activities as well as the increase in investments. In H2, the margin will remain under pressure due to the continued investments. Therefore, we adjust our target for the operating margin to 22.1% vs. 24.4% previously.

Sequentially, on average since 2018, H1 shows a margin 2.2 points lower than H2. The gap should be more pronounced this year due to the sequence of revenue decline and investment increase explained above.

**Conclusion**

It is confirmed that 2024 is a year of investments in a still complicated market, but the first positive signals are appearing. Due to its size, Equasens cannot escape the context but invests more than usual at all levels to address it while maintaining solid fundamentals. This should be differentiating in the medium term, with the term "significant" acceleration being used again for 2025.

**Opinion & Target: Buy – €74 vs. €76.4**

The adjustment of our forecasts leads us to slightly lower our price target to €74 (DCF €75.3 vs. €78.6 - Comparables €71 vs. €71.2), offering a potential appreciation of +63%. Additionally, the stock has returned to its lowest levels seen over the past six years and shows ratios that we find particularly attractive and rarely seen for Equasens, which remains the market leader.

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# BUY

## Q2 Sales + Contact

Eligible PEA

| TARGET | PREVIOUS |
|---|---|
| € 74 | € 76.4 |
| **PRICE (8/2/24)** | **POTENTIAL** |
| € 45.45 | + 63% |
| **MARKET CAP.** | **FREE FLOAT** |
| € 689m | € 166m |

| Ratios | | 2024e | 2025e | 2026e |
|---|---|---|---|---|
| EV/Sales | | 2,8 | 2,6 | 2,5 |
| EV/EBIT | | 12,8 | 10,7 | 10,0 |
| P/E | | 15,2 | 12,8 | 11,7 |
| P/CF | | 11,6 | 10,2 | 9,6 |
| Dividend Yield | | 2,9% | 3,2% | 6,7% |

| Data per share | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|
| EPS | 3,22 | 3,00 | 3,55 | 3,89 |
| *%Change* | 0% | -7% | 18% | 10% |
| FCF | 2,59 | 3,75 | 3,74 | 3,95 |
| *%Change* | -16% | 45% | -1% | 6% |
| Dividend | 1,25 | 1,31 | 1,44 | 3,03 |

| Income Statement (€m) | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|
| Net Sales | 219,8 | 222,0 | 238,1 | 249,9 |
| *%Change* | *2,7%* | *1,0%* | *7,3%* | *5,0%* |
| Gross Margin | 178,2 | 180,0 | 193,2 | 202,7 |
| *% Sales* | *81,1%* | *81,1%* | *81,2%* | *81,1%* |
| EBITDA | 67,0 | 63,6 | 73,1 | 78,2 |
| *% Sales* | *30,5%* | *28,7%* | *30,7%* | *31,3%* |
| EBIT | 55,8 | 49,1 | 58,6 | 62,9 |
| *% Sales* | *25,4%* | *22,1%* | *24,6%* | *25,2%* |
| Net Result | 48,9 | 45,5 | 53,8 | 59,1 |
| *% Sales* | *22,2%* | *20,5%* | *22,6%* | *23,6%* |

| Cash Flow Statement (€m) | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|
| FCF | 39,3 | 57,0 | 56,7 | 60,0 |
| Net Debt | -60,2 | -88,2 | -125,0 | -163,1 |
| Shareholder Equity | 227,6 | 254,1 | 288,0 | 325,2 |
| Gearing | -26% | -35% | -43% | -50% |
| ROCE | 15% | 13% | 16% | 17% |

| Shareholders | |
|---|---|
| Marque Verte Santé | 60,5% |
| La Coopérative Welcoop | 6,1% |
| Founders | 2,7% |
| Auto Control | 1,5% |
| Free Float | 29,2% |

| Performances | 2024 | 3m | 6m | 1 Year |
|---|---|---|---|---|
| Equasens | -25,6% | -22,8% | -14,1% | -45,2% |
| CAC Mid&Small | -3,9% | -8,6% | -4,1% | -5,4% |
| 12 months Low-High | 43,75 | 83,7 | | |

| Liquidity | 2024 | 3m | 6m | 1 Year |
|---|---|---|---|---|
| Cumulative volume (000) | 1 605 | 702 | 1 306 | 2 253 |
| % of capital | 10,6% | 4,6% | 8,6% | 14,8% |
| % of Free Float | 43,9% | 19,2% | 35,7% | 61,6% |
| € Million | 88,1 | 39,8 | 71,8 | 130,3 |

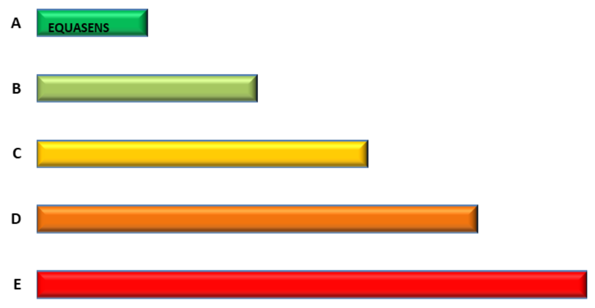
**Next Event** H1 results : september, 27

**GreenSome has signed a research contract with Equasens**

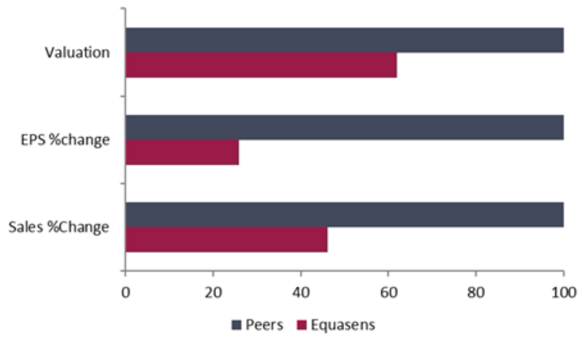
## Snapshot EQUASENS

EQUASENS is the French leader in computational informatics with 44% of market share. With more than 1,240 employees, the EQUASENS's strategy revolves around a core business, IT innovation in the service of healthcare and the development of two priority areas: 1 / services and technologies for patients and health professionals, including support for the pharmacist in monitoring adherence; 2 / Technology areas that can improve the efficiency of health systems. EQUASENS has developed specialized professions: computational informatics, solutions for e-Health, solutions for health professionals, solutions for pharmaceutical laboratories, applications and connected health objects, marketplace in sales financing ... These activities are divided into 5 Divisions: Pharmegest, Axigate Link, E-Connect, Fintech and Medical Solutions.

## Fondamental Matrix




## Investment Profile




## Price Target and Rating History

| DATE | TYPE | OPINION | PRICE | TARGET PRICE |
|---|---|---|---|---|
| 5/7/24 | Q1 Sales | Buy | € 55.5 | € 76.4 |
| 3/28/24 | 2023 Annual Results | Buy | € 51.3 | € 82.5 |
| 2/6/24 | 2023 Sales | Buy | € 53.3 | € 82.5 |
| 1/2/24 | Acquisition in France | Buy | € 59.9 | € 94.6 |
| 11/23/23 | Acquisition in Germany | Buy | € 57.6 | € 94.6 |
| 11/9/23 | Q3 Sales | Buy | € 69.1 | € 94.6 |
| 9/29/23 | H1 Results | Buy | € 72.9 | € 94.6 |
| 8/3/23 | Q2 Sales | Buy | € 82.2 | € 94.6 |

# Financial Data

| Income Statement (€ m) | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| Revenues | 193,1 | 214,1 | 219,8 | **222,0** | **238,1** | **249,9** |
| Purchase | 36,9 | 40,7 | 41,5 | **42,0** | **44,9** | **47,2** |
| Gross Margin | 156,2 | 173,4 | 178,2 | **180,0** | **193,2** | **202,7** |
| Externals costs | 22,4 | 27,8 | 27,6 | **28,9** | **30,0** | **31,5** |
| Personnals Costs | 68,7 | 75,4 | 80,8 | **84,4** | **86,8** | **89,6** |
| EBITDA | 62,2 | 67,1 | 67,0 | **63,6** | **73,1** | **78,2** |
| Amortization | 12,3 | 12,3 | 13,2 | **15,5** | **15,5** | **16,2** |
| other | 0,5 | 2,0 | 2,0 | **1,0** | **1,0** | **1,0** |
| EBIT | 50,5 | 56,8 | 55,8 | **49,1** | **58,6** | **62,9** |
| Financial Result | 0,3 | 0,9 | 3,2 | **0,7** | **1,2** | **2,0** |
| Tax | 10,6 | 6,2 | 9,7 | **4,3** | **6,0** | **6,9** |
| Net Result | 41,2 | 48,6 | 48,9 | **45,5** | **53,8** | **59,1** |
| Group Net Result | 39,1 | 46,4 | 47,0 | **43,4** | **51,4** | **56,4** |

| Balance Sheet (€ m) | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| Fixed Assets | 207,7 | 213,6 | 261,8 | **268,3** | **267,1** | **267,4** |
| Stock Inventories | 8,9 | 9,3 | 10,3 | **9,2** | **9,9** | **10,4** |
| Accounts Recevaible | 37,4 | 46,5 | 52,8 | **43,2** | **46,3** | **48,6** |
| Other Currents Assests | 11,2 | 13,3 | 14,4 | **12,3** | **13,2** | **13,9** |
| Cash & Equivalents | 64,8 | 68,0 | 54,7 | **72,7** | **100,5** | **130,6** |
| TOTAL Assets | 330,0 | 350,8 | 394,0 | **405,7** | **437,0** | **470,9** |
| Shareholders' Equity | 165,2 | 196,8 | 227,6 | **254,1** | **288,0** | **325,2** |
| Provisions | 5,5 | 5,6 | 7,1 | **6,1** | **6,5** | **6,8** |
| Financial Debt | 84,1 | 66,7 | 69,3 | **59,3** | **50,3** | **42,3** |
| Accounts Payables | 16,3 | 16,8 | 16,1 | **18,5** | **19,8** | **20,8** |
| Others Liabilities | 54,3 | 61,2 | 68,2 | **61,7** | **66,1** | **69,4** |
| TOTAL Liabilitites | 330,0 | 350,8 | 394,0 | **405,7** | **437,0** | **470,9** |

| Cash Flow Statements (€ m) | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| Cash Flow from Operating Activities | 50,0 | 62,6 | 61,6 | **59,7** | **67,4** | **71,6** |
| Change in Net Working Capital | -2,5 | -5,6 | -3,9 | **8,4** | **1,2** | **0,9** |
| Cash Flow from Operations | 47,5 | 57,0 | 57,7 | **68,1** | **68,6** | **72,5** |
| Cash Flow from Investing | -10,3 | -10,1 | -18,4 | **-11,1** | **-11,9** | **-12,5** |
| Capital Increase | -20,1 | -17,5 | -17,9 | **-19,0** | **-19,9** | **-21,9** |
| Funding Flow | 10,3 | -20,8 | 1,8 | **-10,0** | **-9,0** | **-8,0** |
| Cash Flow from Financing | -35,7 | -46,5 | -21,5 | **-39,0** | **-28,9** | **-29,9** |
| Net Change in cash position | 1,6 | 0,3 | 17,8 | **18,0** | **27,8** | **30,1** |

| RATIOS | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| Gross Margin | 80,9% | 81,0% | 81,1% | **81,1%** | **81,2%** | **81,1%** |
| Ebitda Margin | 32,2% | 31,3% | 30,5% | **28,7%** | **30,7%** | **31,3%** |
| EBIT Margin | 26,1% | 26,5% | 25,4% | **22,1%** | **24,6%** | **25,2%** |
| Net Margin | 21,3% | 22,7% | 22,2% | **20,5%** | **22,6%** | **23,6%** |
| | | | | | | |
| ROE | 24,9% | 24,7% | 21,5% | **17,9%** | **18,7%** | **18,2%** |
| ROCE | 17,5% | 18,6% | 14,7% | **13,0%** | **15,7%** | **16,9%** |
| Gearing | -16,7% | -28,6% | -26,4% | **-34,7%** | **-43,4%** | **-50,1%** |
| | | | | | | |
| FCF per share | 2,5 | 3,1 | 2,6 | **3,8** | **3,7** | **4,0** |
| EPS (€) | 2,6 | 3,2 | 3,2 | **3,0** | **3,5** | **3,9** |
| Dividend per share ( €) | 1,1 | 1,2 | 1,3 | **1,3** | **1,4** | **3,0** |
| Dividen Yield | 2,3% | 2,5% | 2,8% | **2,9%** | **3,2%** | **6,7%** |
| Distribution rate | 43,7% | 38,3% | 36,8% | **38,8%** | **43,8%** | **40,7%** |

*GreenSome Finance Estimates*

# Rating Definition

| BUY | NEUTRAL | SELL |
| --- | --- | --- |
| Upside > +10% | -10% < Upside < +10% | Upside < -10% |

# Disclosures

| Corporate Finance operation in progress or completed during the last 12 months | GreenSome Consulting and affiliate owns common equity securities of this subject company | Financial Analysis Contract | Notice to the company before publication | Liquidity Contract | Liquidity Provider |
| --- | --- | --- | --- | --- | --- |
| NO | NO | YES | YES | NO | NO |

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