29/09/2024 14:30

EQUASENS

Euronext A – FR0012882389 – EQS

✓ **Preparation for 2025**

- ✓ Group revenue €108M -4.1% (-5.7% like-for-like)
- ✓ Current Operating Income €20.9M (€21.4M expected) – margin 19.3% vs 25.4% in H1 2023
- ✓ Net Income (NI) €18.1M – margin 16.7% vs 20.3%
- ✓ Gearing -40% vs -30.1% on 12/31/23
- ✓ Net cash €88M vs €69M on 12/31/23

The lack of activity, combined with ongoing investments in sales and R&D, significantly impacted profitability. Furthermore, acquisitions made at the end of 2023 and early 2024 contributed €3.7M in revenue but no margin.

The gross margin improved by 0.9 points to 80.9%, while cost of goods sold at constant scope decreased by more than 10%, thanks, for example, to the development of SaaS offerings. However, there was a negative impact from the new entities.

Personnel costs weigh the most on profitability, increasing by +7.5% vs a revenue decline of -4.1%. They represent 41.2% of revenue, which is 4.5 points higher than in H1 2023. On a like-for-like basis, they increased by +2.8%, reflecting the group's investment strategy. The remaining (around +4.5%) is linked to the new scope.

Purchases and charges increased by a measured +1.7% (13.1% of revenue vs 12.4% / +0.7 points) and decreased by -3.2% at constant scope, roughly in line with activity at constant scope (-5.7%). The impact of acquisitions is again evident.

This is compounded by depreciation and provisions, which increased by +9.7% (+7.4% at constant scope).

In the end, the current operating margin stands at 19.3% (vs 19.9% expected) compared to 25.4% in H1 2023. The net margin decreased by 3.6 points vs 6.1 points for the COI, mainly due to a lower corporate tax than in H1 2023.

By entity, the majority of the group's profitability decline comes from Pharmagest, which posted a COI margin of 14.1% vs 22% in H1 2023 (19% expected). The "pharmacy" branch accounts for 76% of the group's revenue and is the main driver behind the acquisitions made at the end of 2023 and early 2024. This decline is mainly due to lower activity, coupled with team strengthening and the integration of Germany, among other factors, which has not yet yielded results. Currently, this region is far from the group's standards, as the decision was made to integrate a structure that allows for entry into a key market but requires significant consolidation efforts.

The positive surprise came from e-Connect, which, despite a 32% decline in activity to €5.5M, posted a margin of 45.5% vs 44.5%. This reflects the very high added value of its offering and the resilience of its business model. We expected a margin of 20%. The key now is to return to growth, but this shows the strong potential of this division.

For Medical Solutions, we expected a margin of 15% vs 26.7% in H1 2023, but it is just breaking even. The lack of volume due to the end of the Ségur program and significant investments to reorganize the sales force weighed heavily.

Finally, Axigate's margin eroded slightly (28.6% for revenue of €15.4M, +3.4% vs 30.9% in H1 2023 / 27% expected), mainly due to the focus on deploying the SaaS offering.

In terms of cash flow, Equasens continues to be largely surplus with a free cash flow before scope effect and financial investments of +€37.4M, with investments also up by €2M compared to last year during the same period. The group repaid €5.5M in financial debt. This, along with a dividend payment of €18.8M vs €17.9M, explains a financing outflow of -€26.7M vs -€17.9M in H1 2023.

The balance sheet remains excellent with a gearing of -40%, gross cash of €140M, and financial debt of €53M excluding lease liabilities of €10.8M.

Outlook

Management anticipates stable activity through the end of the year, implying growth in H2 of around +4.4% vs +6.4% expected. We align with this outlook.
The company remains committed to investments, so our expectation of a current operating margin of 22% is too high, as this would imply a margin of 24.7% in H2, whereas the investments made, particularly in human resources, will continue to weigh. We now expect an H2 margin of 22.4%, 3 points higher than in H1.

Conclusion

Equasens retains excellent fundamentals and has accelerated its investments, with a particular focus on SaaS, which will further secure the recurrence of its activity and gross margin. The key is to regain growth momentum, which will logically be accompanied by a rebound in profitability. In this context, 2025 will be a year to demonstrate that the investments made were worthwhile. This should highlight the added value that Equasens brings to the markets it serves.

Opinion & Target: Buy – €74

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BUY

H1 Results + Contact

Eligible PEA

TARGET	PREVIOUS
€ 74	€ 74
PRICE (9/27/24)	POTENTIAL
€ 52.1	+ 42%
MARKET CAP.	FREE FLOAT
€ 791m	€ 191m

Ratios	2024e	2025e	2026e
EV/Sales	3,3	3,1	2,9
EV/EBIT	15,7	13,0	11,7
P/E	17,5	14,8	13,1
P/CF	14,2	12,3	11,4
Dividend Yield	2,5%	2,8%	5,8%

Data per share	2023	2024e	2025e	2026e
EPS	3,22	2,98	3,51	3,96
%Change	0%	-7%	18%	13%
FCF	2,59	2,64	3,47	3,75
%Change	-16%	2%	32%	8%
Dividend	1,25	1,31	1,44	3,03

Income Statement (€m)	2023	2024e	2025e	2026e
Net Sales	219,8	219,9	236,0	247,7
%Change	*2,7%*	*0,1%*	*7,3%*	*5,0%*
Gross Margin	178,2	177,9	191,4	200,9
% Sales	*81,1%*	*80,9%*	*81,1%*	*81,1%*
EBITDA	67,0	59,5	69,9	75,9
% Sales	*30,5%*	*27,1%*	*29,6%*	*30,7%*
EBIT	55,8	46,0	55,5	61,9
% Sales	*25,4%*	*20,9%*	*23,5%*	*25,0%*
Net Result	48,9	45,2	53,3	60,1
% Sales	*22,2%*	*20,6%*	*22,6%*	*24,3%*

Cash Flow Statement (€m)	2023	2024e	2025e	2026e
FCF	39,3	40,0	52,7	56,9
Net Debt	-68,5	-88,5	-121,3	-156,3
Shareholder Equity	227,6	254,1	287,4	325,6
Gearing	-30%	-35%	-42%	-48%
ROCE	15%	12%	14%	16%

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	-14,7%	-2,3%	1,6%	-28,1%
CAC Mid&Small	0,7%	4,8%	-5,0%	4,7%
12 months Low-High	42,95	74,3		

Liquidity	2024	3m	6m	1 Year
Cumulative volume (000)	1 852	499	1 126	2 337
% of capital	12,2%	3,3%	7,4%	15,4%
% of Free Float	50,6%	13,7%	30,8%	63,9%
€ Million	99,7	24,4	61,9	129,8

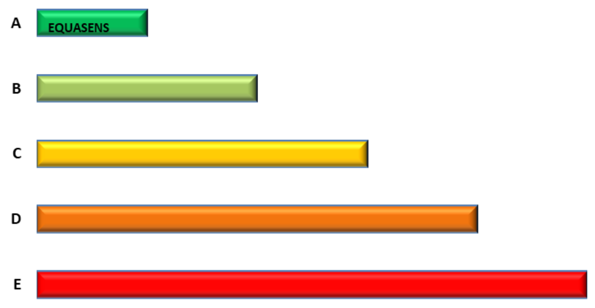
Next Event Q3 Sales : november, 7

GreenSome has signed a research contract with Equasens

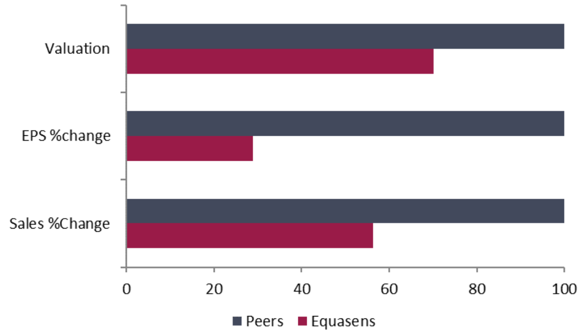
Snapshot EQUASENS

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
8/2/24	Q2 Sales	Buy	€ 45.45	€ 74
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

Financial Data

Income Statement (€ m)	2021	2022	2023	2024e	2025e	2026e
Revenues	193,1	214,1	219,8	219,9	236,0	247,7
Purchase	36,9	40,7	41,5	42,0	44,6	46,8
Gross Margin	156,2	173,4	178,2	177,9	191,4	200,9
Externals costs	22,4	27,8	27,6	28,6	29,5	31,0
Personnals Costs	68,7	75,4	80,8	86,8	88,7	90,5
EBITDA	62,2	67,1	67,0	59,5	69,9	75,9
Amortization	12,3	12,3	13,2	14,5	15,3	15,0
other	0,5	2,0	2,0	1,0	1,0	1,0
EBIT	50,5	56,8	55,8	46,0	55,5	61,9
Financial Result	0,3	0,9	3,2	3,4	3,7	4,3
Tax	10,6	6,2	9,7	4,2	5,9	7,1
Net Result	41,2	48,6	48,9	45,2	53,3	60,1
Group Net Result	39,1	46,4	47,0	43,2	50,9	57,4

Balance Sheet (€ m)	2021	2022	2023	2024e	2025e	2026e
Fixed Assets	207,7	213,6	261,8	259,9	258,6	260,0
Stock Inventories	8,9	9,3	10,3	10,3	11,1	11,6
Accounts Recevaible	37,4	46,5	52,8	52,8	56,7	59,5
Other Currents Assests	11,2	13,3	14,4	14,4	15,5	16,3
Cash & Equivalents	64,8	68,0	54,7	62,4	86,2	113,2
TOTAL Assets	330,0	350,8	394,0	399,9	428,1	460,6
Shareholders' Equity	165,2	196,8	227,6	254,1	287,4	325,6
Provisions	5,5	5,6	7,1	7,1	7,6	8,0
Financial Debt	84,1	66,7	69,3	56,9	47,9	39,9
Accounts Payables	16,3	16,8	16,1	18,3	19,7	20,6
Others Liabilities	54,3	61,2	67,6	61,1	65,5	68,8
TOTAL Liabilitites	330,0	350,8	394,0	399,9	428,1	460,6

Cash Flow Statements (€ m)	2021	2022	2023	2024e	2025e	2026e
Cash Flow from Operating Activities	50,0	62,6	61,6	55,6	64,3	69,1
Change in Net Working Capital	-2,5	-5,6	-3,9	-4,6	0,2	0,2
Cash Flow from Operations	47,5	57,0	57,7	51,0	64,5	69,3
Cash Flow from Investing	-10,3	-10,1	-18,4	-11,0	-11,8	-12,4
Capital Increase	-20,1	-17,5	-17,9	-19,3	-19,9	-21,9
Funding Flow	10,3	-35,8	-16,1	-10,0	-9,0	-8,0
Cash Flow from Financing	-35,7	-64,0	-62,2	-32,3	-28,9	-29,9
Net Change in cash position	1,6	0,3	-5,0	7,7	23,8	27,0

RATIOS	2021	2022	2023	2024e	2025e	2026e
Gross Margin	80,9%	81,0%	81,1%	80,9%	81,1%	81,1%
Ebitda Margin	32,2%	31,3%	30,5%	27,1%	29,6%	30,7%
EBIT Margin	26,1%	26,5%	25,4%	20,9%	23,5%	25,0%
Net Margin	21,3%	22,7%	22,2%	20,6%	22,6%	24,3%
ROE	24,9%	24,7%	21,5%	17,8%	18,5%	18,5%
ROCE	17,5%	18,6%	14,6%	11,9%	14,5%	16,1%
Gearing	-16,7%	-28,6%	-30,1%	-34,9%	-42,2%	-48,0%
FCF per share	2,5	3,1	2,6	2,6	3,5	3,8
EPS (€)	2,6	3,2	3,2	3,0	3,5	4,0
Dividend per share (€)	1,1	1,2	1,3	1,3	1,4	3,0
Dividen Yield	2,0%	2,2%	2,4%	2,5%	2,8%	5,8%
Distribution rate	43,7%	38,3%	35,6%	38,4%	44,0%	41,1%

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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