

# Vantiva

Q1 update

## Good broadband growth supports FY23 prospects

Vantiva's Q1 trading update shows the group is on track to meet FY23 guidance, with a strong performance from the larger Connected Home (CH) segment (80% of Q123 revenue), and a more difficult trading backdrop for Supply Chain Solutions (SCS). CH's revenue was up 8.7% on Q122 at constant currency (ccy), with good growth in North America and double-digit progress in Europe and Latin America driven by improved supply conditions and growing market share. SCS's revenue retrenched 25.4%, weighed down by delays in releases by the major studios. Our forecasts are unchanged, and the shares still sit well below our DCF valuation.

Year end	Revenue (€bn)	PBT* (€m)	EPS* (c)	DPS (c)	EV/EBITDA (x)	P/E (x)
12/21	2.25	(126)	(61)	0	3.2	N/A
12/22	2.78	(497)	(197)	0	2.1	N/A
12/23e	2.72	(16)	(14)	0	2.3	N/A
12/24e	2.75	(7)	(8)	0	2.1	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Good progress in broadband

The Q1 update outlined revenues over the period by segment, with no commentary on earnings beyond unchanged full-year guidance. We detailed our forecasts in our [recent update](#) following the publication of Vantiva's maiden accounts. The Q1 presentation highlighted the good progress particularly in broadband products, in EMEA and Latin America, and market share gains in fibre. In North America, Wi-Fi 6 is stimulating demand, along with Android TV. Broadband revenues were up 14.0% (ccy). Demand for video products has tailed off, notably in Latin America and India, with revenues down 10.9% (ccy) on Q122. At SCS, revenues decreased 25.4% (ccy), with delays in major studio releases affecting optical disc sales. The diversification investment programme is pushing ahead and capacity in vinyl pressing is a little ahead of plan. Group revenues were down 0.6% (ccy) reflecting the business mix.

## Circumspection on demand outlook

The trading environment continues to be mixed and management remains cautious on demand from the network service providers, key customers of the CH segment. However, relationships are very close and there is plenty of co-operation on technical developments that should drive medium-term demand, such as Wi-Fi 7 and 10G. The current volatility looks to us to be reflected in the full year guidance.

## Valuation: Below DCF indication

An earnings-based valuation would be premature, given the Technicolor spin-out and current uncertain economic backdrop, and revenue-based metrics are inappropriate for the business. We have therefore run a discounted cash flow (DCF) based on modest sales and margin gains post the forecast period. Using a WACC of 10% and terminal growth of 1%, we derive a value of €0.57 per share, with the TCS shareholding worth an additional €0.06 per Vantiva share at current prices (prior to the intended further refinancing), unchanged on our last report.

### Technology hardware

28 April 2023

**Price** €0.22

**Market cap** €78m

US\$1.10/€

Net financial debt (€m), IFRS basis at 31 December 2022 263

Shares in issue 355.4m

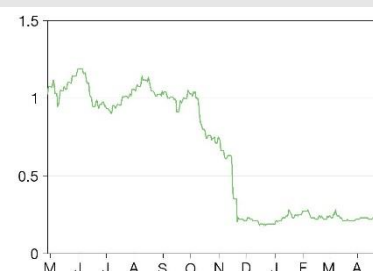
Free float 86%

Code VANTI

Primary exchange Euronext Paris

Secondary exchange OTCQX

### Share price performance



% 1m 3m 12m

Abs 9.2 (8.8) (77.8)

Rel (local) 3.6 (12.9) (80.5)

52-week high/low €1.2 €0.2

### Business description

Vantiva consists of two businesses: Connected Home, a leading global supplier of strategic customer-premises equipment solutions, and Vantiva Supply Chain Services, a global leader in the production of discs and associated logistical fulfilment.

### Next events

H123 figures July 2023

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**Exhibit 1: Financial summary**

	€m	2021	2022	2023e	2024e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>					
Revenue		2,250	2,776	2,724	2,753
Cost of Sales		(1,976)	(2,439)	(2,388)	(2,394)
Gross Profit		274	336	336	359
EBITDA		105	161	151	164
EBITA		40	57	66	79
Amortisation of acquired intangibles		(30)	(28)	(24)	0
Exceptionals		27	20	(8)	0
Reported operating profit		(13)	(11)	19	64
Net Interest		(117)	(177)	(67)	(70)
Joint ventures & associates (post tax)		0	(311)	0	0
Profit Before Tax (norm)		(126)	(497)	(16)	(7)
Profit Before Tax (reported)		(129)	(499)	(48)	(7)
Reported tax		(14)	(30)	(36)	(22)
Profit After Tax (norm)		(143)	(529)	(52)	(29)
Profit After Tax (reported)		(143)	(529)	(84)	(29)
Minority interests		0	0	0	0
Discontinued operations		4	680	0	0
Net income (normalised)		(143)	(529)	(52)	(29)
Net income (reported)		(140)	151	(84)	(29)
Average Number of Shares Outstanding (m)		236	269	355	355
EPS - normalised (c)		(61)	(197)	(14)	(8)
EPS - normalised fully diluted (c)		(61)	(197)	(14)	(8)
Dividend per share (c)		0.00	0.00	0.00	0.00
Revenue growth (%)		(9)	23	(2)	1
Gross Margin (%)		12.2	12.1	12.4	13.0
EBITDA Margin (%)		4.7	5.8	5.6	5.9
EBITA Margin (%)		1.8	2.0	2.4	2.9
<b>BALANCE SHEET</b>					
Fixed Assets		1,730	1,053	1,004	989
Intangible Assets		1,283	782	737	722
Tangible Assets		305	154	149	149
Investments & other		59	84	84	84
Deferred tax and other		83	34	34	34
Current Assets		1,268	1,290	1,205	1,197
Stocks		335	452	455	425
Debtors		359	343	345	323
Cash & cash equivalents		196	167	76	120
Other		377	329	329	329
Current Liabilities		(1,360)	(1,389)	(1,348)	(1,357)
Creditors		(671)	(855)	(839)	(848)
Tax and social security		(29)	(18)	(18)	(18)
Short term borrowings		(65)	(24)	(24)	(24)
Other		(594)	(492)	(467)	(467)
Long Term Liabilities		(1,505)	(633)	(625)	(625)
Long term borrowings		(1,170)	(407)	(398)	(398)
Deferred tax		(20)	(3)	(3)	(3)
Other long term liabilities		(315)	(224)	(224)	(224)
Net Assets		134	320	236	204
Minority interests					
Shareholders' equity		134	320	236	205
<b>CASH FLOW</b>					
Net profit		(143)	(529)	(84)	(29)
Depreciation and amortisation		139	135	100	90
Working capital		(98)	57	(21)	62
Tax and interest		(70)	(83)	(75)	(61)
Exceptional & other		61	506	103	92
Operating Cash Flow		(111)	86	24	154
Capex		(69)	(81)	(75)	(80)
Acquisitions/disposals		0	0	0	0
Equity financing		0	284	0	0
Dividends		0	0	0	0
Other		(33)	(14)	(40)	(30)
Net Cash Flow		(214)	275	(91)	44
Opening net debt/(cash)		812	1,039	263	346
FX		16	(25)	0	0
Discontinued		63	501	0	0
Other non-cash movements		(92)	25	8	0
Closing net debt/(cash)		1,039	263	346	302

Source: Company accounts, Edison Investment Research

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