

Q1'19 first take: Soft start, guidance confirmed

Telecommunications solutions provider Gigaset published Q1'19 figures. Sales were mainly affected by a strong Christmas business in FY'18 that led to subdued demand from consumers during the first three months of the current business year. The underlying growth trend in the cordless phones market continues to point downwards. However, Gigaset is gaining market share, which alleviates the negative sales effect of the structurally declining business to some extent. Management confirmed the FY'19 guidance, which seems achievable, in our view, given that the typically stronger quarters Q2 and especially Q4 are yet to come.

EUR m	Q1 2019	Q1 2018	yoy
Sales	45.8	51.1	-10%
EBITDA	-1.9	1.6	nm
<i>EBITDA margin</i>	<i>-4.1%</i>	<i>3.1%</i>	<i>-728 BP</i>
EBIT	-5.4	-1.7	nm
<i>EBIT margin</i>	<i>-118%</i>	<i>-3.3%</i>	<i>-853 BP</i>
FCF	-10.4	-23.2	nm

Source: Pareto, Company data

Q1 demand burdened by strong previous quarter

Following a strong finish in 2018 that profited from good consumer demand during the Christmas season, demand for Gigaset's products has cooled down again in Q1'19. Mainly driven by the structurally declining market for cordless and corded consumer products (segment Phones), down 11% yoy in Q1 (-10% in FY'18), total sales declined by 10.4% yoy. The decline in Phones was somewhat dampened by increasing market share of Gigaset (+2.7pp in units), as targeted by the company. According to the company, there are signs of diminishing investment propensity at major peers, which may open up new opportunities to expand into niche market segments. The relatively small growth segment "Smart home" almost doubled revenues (+98% yoy) to EUR 0.6m.

FY'19 guidance confirmed

Gigaset's management confirmed the guidance of slightly rising revenues, stable EBITDA and a clear improvement in FCF. With typically 18-22% of FY revenues in Q1 the last three years, Q1 has typically had under-representative character for the full-year, which is why we would not read too much into today's earnings release with regard to FY'19 targets. Overall, with the relatively strong quarters Q2 and Q4 yet to come, FY'19 targets are achievable, in our view.

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