

Nice recovery in EBITDA record in Q2/H1

Gigaset releases Q2'22 headlines including sales up 1% to EUR 52.2m (PAsE: 54m) with a strong uptick in the Professional division largely offsetting a large decline in the Phones segment. There was a strong recovery with EBITDA of EUR 5.3m (PAsE: 2.1m), double the Q2'21 level with all four divisions said to be ahead of last year's profits. Annual guidance continues to call for a "slight" increase in sales and EBITDA and a "moderately positive" free cash flow. We currently have a Buy rating and EUR 0.54 TP.

Strong Professional and Smartphone segments compensate weak Phones and Smart Home

Gigaset announces Q2 sales up 1.3% at EUR 52.2m (PAsE EUR 54m), with telecommunication sales generally depressed by a difficult economic environment. By division, the main Phone segment generated sales of EUR 30.9m (-12% in a declining market with lower ASPs); Professional EUR 15.6m (+35%, with the first desktop phones delivered as part of the Unify contract); Smartphones EUR 5.4m (+18%); and Smart Home EUR 0.3m (-25%). After six months group sales are 1.4% ahead and FY 2022 guidance calls for a slight increase.

Good control of expenses supports profits despite higher purchasing costs

EBITDA of EUR 5.3m (PAsE EUR 2.1m) doubled in the quarter and increased the cumulative H1 result to EUR 5.8m, compared to EUR 4.2m in H1'21. Despite a 470bp decline in the H1'22 gross profit margin (restricted component availability) positive changes in inventories and a tight reign over expenses supported this. Personnel costs decreased 3% to EUR 30.0m whilst Other Operating costs rose 4% to EUR 31.1m. Again, FY 2022 guidance calling for slight EBITDA growth has been confirmed today.

We may refine our model slightly, which is a touch above annual guidance, but Buy rating retained

We currently have a Buy rating and EUR 0.54 TP. It could be that our EUR 19.5m 2022E EBITDA estimate (2021: EUR 16.5m) is a touch higher than "slight increase" but our model is still likely to approach that level after dissecting these results. Beyond the current year, the spill-over effects from greater digitalisation are likely to bring additional opportunities for Gigaset. In particular, the trend to home office brings a widespread need to update the European IT infrastructure and the technology employed in allowing the digital requirements of tomorrow.

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