A miss with Q3 results and FY guidance modified

Gigaset releases Q3'22 headlines including sales up 8% to EUR 56.4m (PASe: 61m) with a weak performance in the Professional division largely offsetting the improvement in the Phones segment. There was a heavy decline with EBITDA at EUR 1.9m (PASe: EUR 4.1m), down from the Q3'21 level of EUR 6.8m impacted by weak gross margins and an acceleration in other operating expenses. Annual guidance has been raised for revenues but cut for EBITDA and our model will need to be revised to reflect that.

Mixed experience in the Q3 segment revenue performance but FY guidance raised

Gigaset announces Q3 sales up 8.4% at EUR 56.4m (PASe EUR 61m), with telecommunication sales recovering slightly against a weak Q3'21 comparative. By division, the main Phone segment generated sales of EUR 38.9m (+31% despite a declining market); Professional EUR 14.7m (-18%, was the main deviation to the Pareto model in terms of revenue miss); Smartphones a disappointing EUR 2.6m (-35%); and Smart Home EUR 0.4m. After six months group sales are 3.8% ahead but FY 2022 guidance has been positively revised, now calling for EUE 235m-250m, given good availability of chip components (previous guidance called for a slight increase from EUR 217m).

Component availability and adverse FX negatively impact Q3 profitability and FY guidance

EBITDA of EUR 1.9m (PASe EUR 4.1m) fell back from EUR 6.8m in Q3'21 taking the ytd 9M result to EUR 7.7m, down from EUR 11m in 9M'21. A 440bp decline in the quarterly gross profit margin and 37% jump in other operating expenses (transportation and energy costs) were the main deviation to Pareto model with the profit miss in Q3. FY 2022 guidance also needs to be revised now calling for EBITDA in the EUR 6m-15m range (previously slight growth from 2021's EUR 16.5m), with the appreciation of the USD (in which key components are priced) being the background to the lower outlook.

Changed guidance means revisions to Pareto model required for 2022 and 2023

We will need to revise our model, increasing the top line (PASe currently EUR 235m) but cutting our EBITDA target (PASe EUR 19.5m). It is likely that some of these effects will also continue into 2023. Our EUR 0.54 will likely be lowered, and we will then review our Buy rating.

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