

# paragon

## Focused on growing automotive technology

paragon's renewed focus on its core Automotive operations should soon be confirmed by the divestment of Voltabox. The refreshed strategy remains to drive sustainable, profitable growth through the development of innovative proprietary technology solutions and expanding geographical penetration and footprint. Despite the pandemic disruption to global car production, paragon Automotive is delivering strong sales growth. FY21 revenue guidance is for €145m with EBITDA margins of 12–15%. We expect a recovery in car output and new products to drive growth from FY22.

### Leveraging the technical knowledge

paragon has built its Automotive operations through innovative new product development and targeted acquisitions. The financial issues, centred on Voltabox, should soon be resolved as the protracted divestment process completes, although paragon is acquiring the auto-related battery products as part of the deal. paragon should return to an automotive-focused group where the refreshed growth strategy is being implemented. Despite the ongoing impact of the global semiconductor shortage on automotive output, paragon Automotive's FY21 sales are expected by management to show strong growth, with healthy margin expansion as operational leverage is enhanced by the previously implemented cost reduction measures.

### Roadmap to the future portfolio and footprint

Almost a year ago management set out a reinvigorated strategy for the development of the product portfolio. Notably, the product strategy is being reset into activity related product lines: Breathe & Protect, Feel & Relax, Listen & Act See & Assist, and Move & Support. See & Assist encompasses the group's growing AI capabilities that will be integral to new products across the other segments as well as for external non-automotive applications. New R&D facilities have been set up in India and are being expanded in China as local production increases, while new optimum cost country facilities are also being established. Revenue share from China and the United States is targeted to increase to c 70% from 54% in 2020.

### Established a base for profitable growth

As it executes its strategy the focused paragon is targeting sustained profitable growth, which should be augmented in FY22 as customers' output returns to normal levels. Success should see a more globally oriented company with an increasingly sophisticated product offering as interconnectivity increases. Margins are already healthier and the unwelcome distraction of Voltabox should hopefully dissipate when the agreed divestment completes.

#### Historical financials

Year end	Revenue (€m)	EBIT (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	135.9	(15.5)	(2.39)	0.00	N/A	0.0
12/20	127.2	(10.7)	(1.65)	0.00	N/A	0.0
12/21e	N/A	N/A	N/A	N/A	N/A	N/A
12/22e	N/A	N/A	N/A	N/A	N/A	N/A

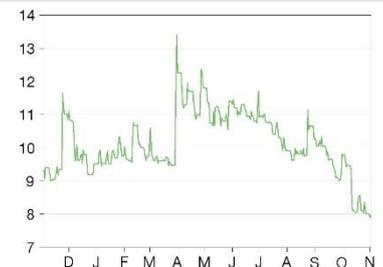
Source: Company reports. Note: \*Edison Investment Research estimates (paragon Automotive only).

## Automobiles & parts

4 October 2021

**Price** €7.96  
**Market cap** €36m

#### Share price graph



#### Share details

Code PGN  
 Shares in issue 4.53m  
 Net debt at 30 June 2021 €127.1m

#### Business description

paragon designs and supplies automotive electronics and solutions, selling directly to OEMs, including sensors, interiors, digital assistance and body kinematics. Production facilities are in Germany, the United States and China. paragon's disposal of its remaining stake in its listed subsidiary Voltabox (battery systems) is nearing completion.

#### Bull

- Continued focus on increasing sensor penetration globally and extending the customer base from traditional German premium manufacturers.
- Positive financial performance is being delivered in FY21 despite auto production constraints caused by the global semiconductor shortage.
- Car makers production recovery and application of the refreshed strategy should bolster progressive growth from FY22.

#### Bear

- Current global vehicle production constraints have tempered demand and may persist into FY22.
- Company needs to build a track record of sustained profit growth and cash generation.
- Voltabox exit has been extremely protracted which has not helped sentiment with bond refinancing due in FY22 and FY23.

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