

AUDIOVALLEY

Making Audio Great Again

10 December 2020

Digital Audio Specialist

AudioValley is a leading, pioneering group 100% dedicated to Digital Audio. After several structuring operations (repayment of Vivendi's debt, sale of Storever, buyout of Jamendo's minority interests) which enabled it to definitively settle its past and refocus on two very high-potential activities (Targetspot and Jamendo), the group now has its hands completely free to implement an ambitious development strategy.

Targetspot, the Group's Locomotive

Representing nearly 90% of AudioValley's revenue, Targetspot is a technological platform for aggregating and monetizing digital audio content. Operating in North America and Europe (respectively 70% and 30% of revenues), Targetspot's business has a strong international footprint, with leading advertisers and publishers. Its various locations are all sources of growth, making it possible to capture a growing share of the advertising revenues that are being channelled into digital audio (Digital Radio, Streaming Services, Podcasting, etc.). The level of investment in Digital Audio, although growing strongly, is very far from its audience levels, with FM Radio continuing to absorb the bulk of advertising budgets (75% in the US and 10% in Europe). But the appetite of advertisers for Digital Audio is such that a shift in budgets for this medium is inevitable. It will offer a formidable growth catalyst for Targetspot.

Jamendo, a Future Game Changer

Jamendo is a platform for managing rights and marketing music licences. Behind its revenues, which are still somewhat confidential (€2-3m), but thanks to its technological expertise in the field of digital audio and its approval as an Independent Management Entity, Jamendo has the ambition to shake up the market of collective management companies (such as SACEM). A considerable market (€6bn) that the European Commission wishes to reawaken by opening it up to competition in order to improve transparency, adapt it to the new uses that digital technology brings in terms of music creation and broadcasting, and allow for a better allocation of revenues to rights holders.

Coverage Initiation with a Buy rating & TP of €7

AudioValley is a great story of growth in extremely buoyant markets. Its international commercial footprint and its technologies in Digital Audio give it a strategic value that is not at all reflected in its current valuation.

BUY

Target Price: €7.0

Upside: +111%

Market data

Industry	Media Technology
Share price (€)	3.3
Market cap (€m)	34.1
Market Segment	Euronext Growth
Bloomberg	ALAVY FP

Shareholders

Founders/Managers	55.3%
Free float	44.4%
Treasury shares	0.3%

€m (31/12)	2019	2020e	2021e	2022e
Sales	22.0	20.8	29.4	39.5
Change (%)	29.6%	-5.3%	41.4%	34.5%
EBIT	-4.7	-4.4	-2.4	-0.3
as % of sales	-21.5%	-21.1%	-8.3%	-0.7%
Net profit	-4.7	-4.4	-2.4	-0.3
Diluted EPS (€)	0.50	-0.51	-0.31	-0.12
Change (%)	ns	ns	ns	ns
Dividend (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0%	0.0%	0.0%	0.0%
FCF	-5.0	-3.9	0.2	2.8
ROCE	ns	ns	ns	ns
EV/SALES (x)		2.4	1.7	1.2
EV/EBIT (x)		ns	ns	ns
PE (x)		ns	ns	ns
Net debt	16.3	14.9	14.7	11.9
Gearing (%)	113%	109%	154%	157%

Midcap Partners estimates

Next event: Q4 revenue - 01/27/2021

Past recommendations

Date	Recommendation
12/10/2020	Buy

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Overview of AUDIOVALLEY

Description

AudioValley is a specialist in the B2B Digital Audio market. As an interface between advertisers & media agencies and digital audio content publishers (Skyrock, Radio France, Deezer, Sonos, etc.), the group offers a portfolio of technologies enabling players to take advantage of the benefits of this medium: hosting and streaming of audio content, podcasting solutions, ad-serving technology, monetisation tools, reporting and analytics solutions (audience, revenues, etc.). The group is structured around two activities:

- Targetspot is an advertising platform enabling the monetisation of a global audience of more than 160m. In particular, it integrates the Shoutcast software solution (streaming platform used by more than 87,000 web radios)
- Jamendo is a music rights management platform (650,000 titles, 40,000 artists)

The group operates in North America (United States and Canada) as well as in Europe with offices in France, Germany, the United Kingdom, the Netherlands, Belgium and Spain.

Created in 2003, the group has been listed on Euronext Growth since July 2018.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • A rich portfolio of proprietary technologies to serve the Digital Audio market • An international presence with sales teams in about ten countries • The group is positioned in a structurally buoyant market (growth in audiences and advertising spending in Digital Audio). 	<ul style="list-style-type: none"> • The still limited scope of activity impacts the group's profitability • The Cash generation still very limited • The Sensitivity of advertising revenue to the economic context • A still high level of debt, even though the group has managed to rapidly extinguish its debt to Vivendi
Opportunities	Threats
<ul style="list-style-type: none"> • Acceleration of the shift of advertising budgets from traditional to Digital Audio • Opening up the copyright management market to competition • The platform model allows us to anticipate strong operational leverage in the long term • Target for a new entrant 	<ul style="list-style-type: none"> • Arrival of new hyper-powerful entrants (type GAFA) • Arrival of new technologies and/or new uses that the group does not anticipate in order to adapt to them quickly



Overview of AUDIOVALLEY

<h3>Revenue Breakdown</h3> <table border="1"> <tr><th>Company</th><th>Percentage</th></tr> <tr><td>Jamendo</td><td>12%</td></tr> <tr><td>Targetspot</td><td>88%</td></tr> </table>	Company	Percentage	Jamendo	12%	Targetspot	88%	<h3>Geographical Breakdown of Revenue</h3> <table border="1"> <tr><th>Region</th><th>Percentage</th></tr> <tr><td>Europe</td><td>41%</td></tr> <tr><td>US</td><td>59%</td></tr> </table>	Region	Percentage	Europe	41%	US	59%										
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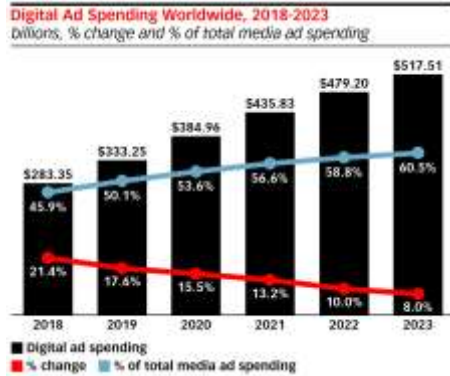


TargetSpot: Making Audio Great Again

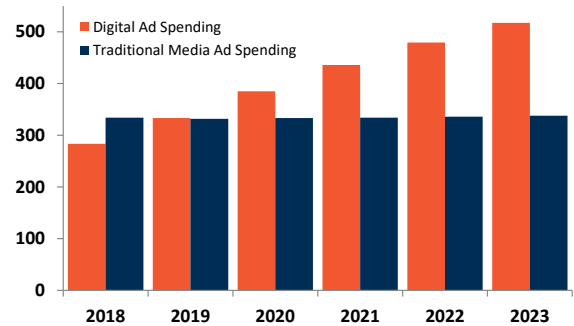
Audio Goes Digital

All human activities are being digitised and the media world is no exception. As digital uses become the majority, advertising revenue in turn switches to digital.

Worldwide Digital Ad Spending, 2018-2023



Breakdown of Worldwide Media Ad Spending



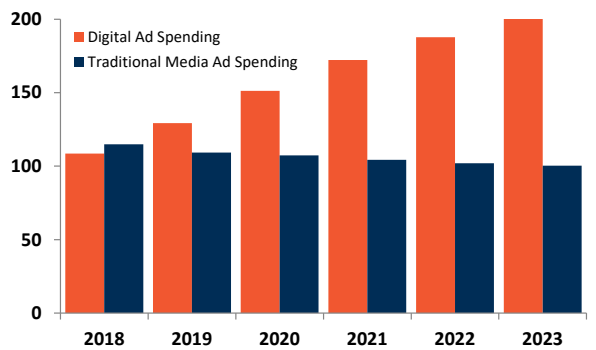
Source: eMarketer, February 2019

This switch is done at different speeds. Certain markets, led by the United States and the United Kingdom, are already well advanced in this transformation.

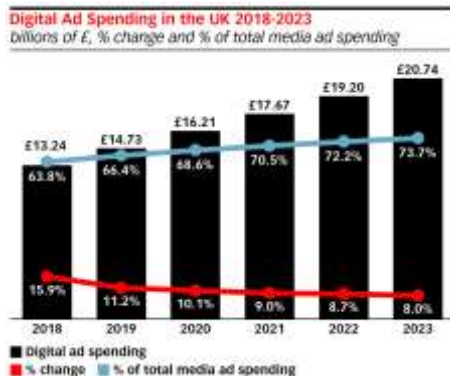
Digital Ad Spending in the US, 2018-2023



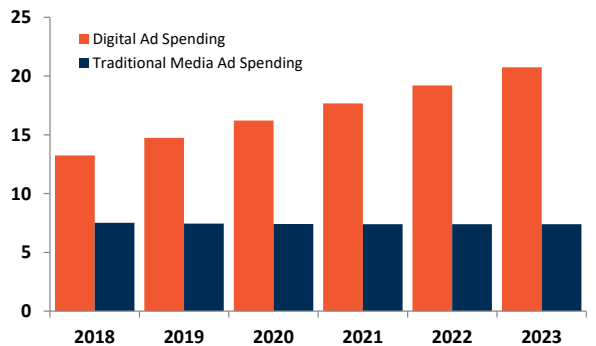
Breakdown of Media Ad Spending in the US



Digital Ad Spending in the UK, 2018-2023



Breakdown of Media Ad Spending in the UK



Source: eMarketer, February 2019



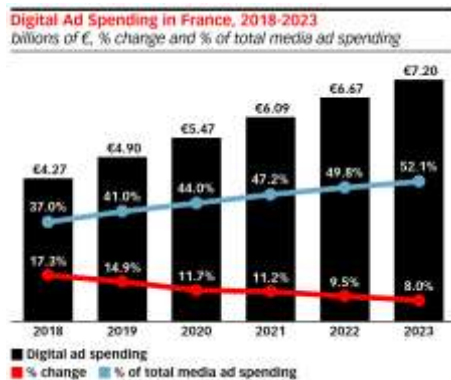
The European markets, on the other hand, are lagging behind. This is the case in the two main markets (France and Germany), where advertising investments on traditional (non-digital) media are still in the majority.

The only points common to all these markets are:

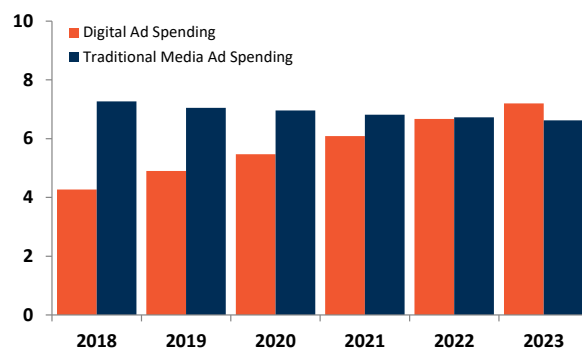
- The strong dynamic of advertising investments in digital
- Stable or even slightly declining advertising investments on non-digital media

Although the 2020-2023 forecasts have been revised downwards by eMarketer following the health crisis, the fund trends have not changed. The switch to digital is a structural movement that the crisis will not deflect. On the contrary, it should accelerate the movements already at work. The growth trajectory of investments in digital, to the detriment of traditional media, will thus be maintained over the next few years.

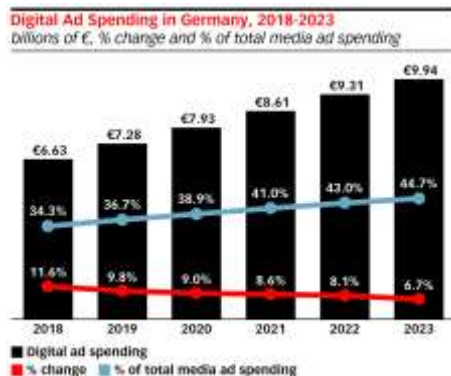
Digital Ad Spending in France, 2018-2023



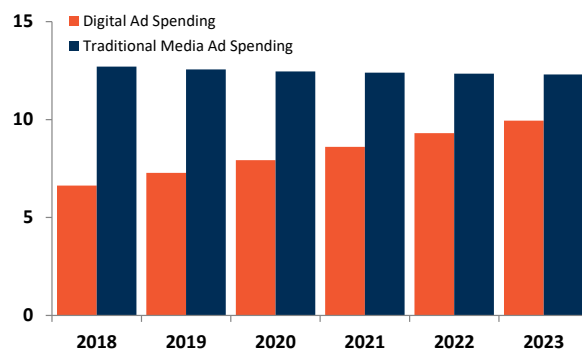
Breakdown of Media Ad Spending in France



Digital Ad Spending in Germany, 2018-2023



Breakdown of Media Ad Spending in Germany



Source: eMarketer, February 2019

This swing also reaches the world of Radio and, more globally, of Audio. Technology is changing its uses and in Audio, these changes are illustrated by two trends:

- the decline of traditional FM radio in favour of digital radio, which is causing a shift in advertising investments
- the development of new natively digital audio formats/supports (Streaming, Podcast, Connected Speaker, etc.) which considerably enriches the Audio landscape by multiplying the points of contact with listeners and consequently its ability to attract more advertising investments

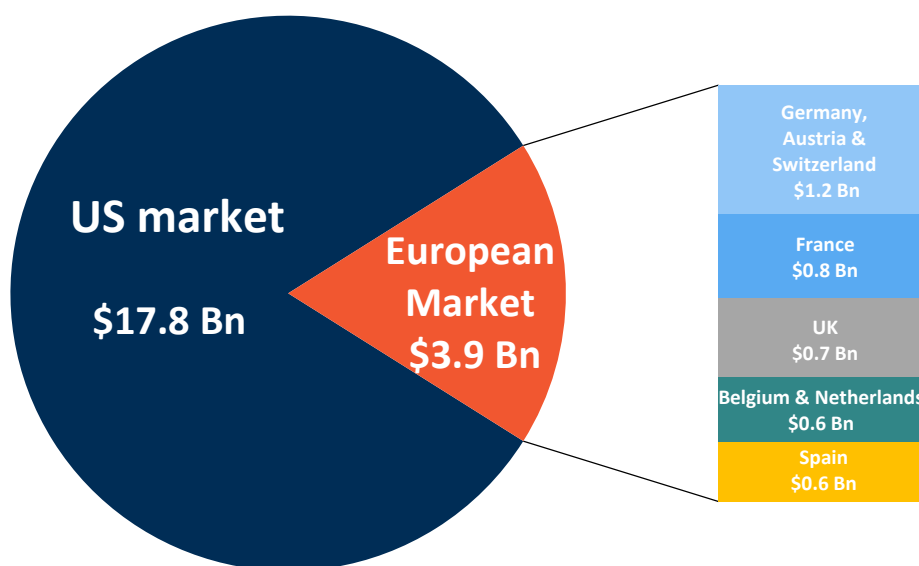


What is the market value of advertising expenditure invested in Radio?

Although radio remains a small advertising market compared to TV or the Internet (depending on the country, advertising expenditure on radio usually represents between 5% and 10% of total advertising expenditure), the absolute value of this advertising investment flow is still extremely high

Targetspot operates directly in about ten countries in North America (United States and Canada) and Europe (France, Germany, Austria, Switzerland, UK, Belgium, Netherlands, Spain). The North American market can be estimated at approximately \$18bn in 2019 and the European market, in the area where Targetspot is present, at about €4bn. This represents an addressable market of nearly €22bn.

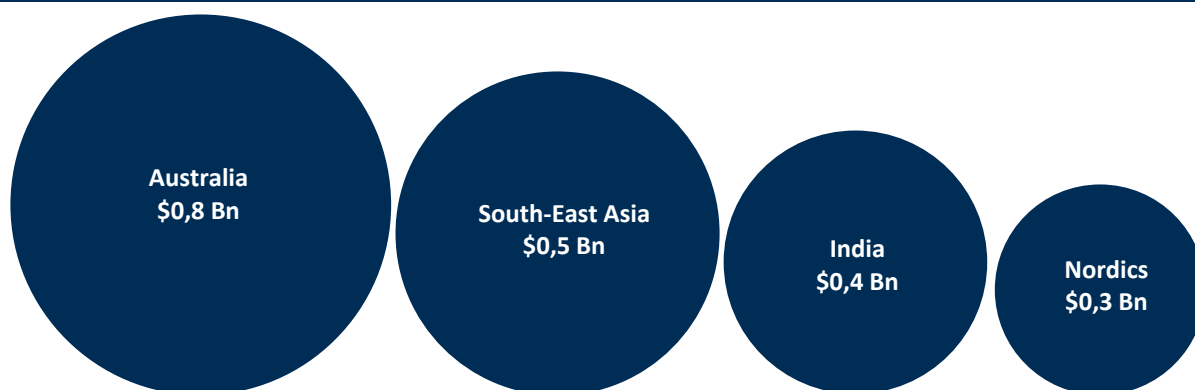
Radio Ad Spending (Targetspot's markets)



Sources: Worldwide Media Forecasts, Dec 2019, GroupM

The group also intends to address other regions, but without having to set up local sales forces. It plans to sign partnerships with local players to extend its footprint into Northern Europe (Denmark, Finland, Norway, Sweden) and Asia-Pacific (Australia, India, Malaysia, Philippines, Singapore, Thailand, Vietnam). These areas would extend its addressable market by \$2.0bn.

Radio Ad Spending From Other Markets Targeted by Targetspot



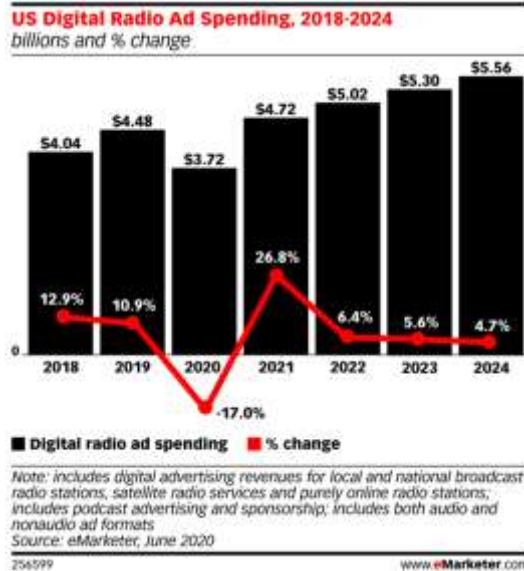
Sources: Worldwide Media Forecasts, Dec 2019, GroupM



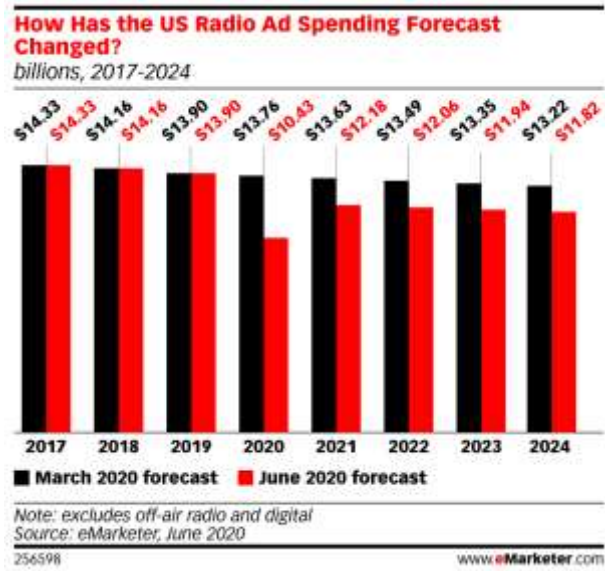
How Much Is Invested in US Digital Radio Advertising Revenue?

In the United States, where Digital Radio has a more mature market, the sector is already attracting significant budgets. The share of advertising expenditure in Digital Radio is approximately \$4.5bn, compared with nearly \$14bn in traditional radio. Digital thus still accounts for just under 25% of advertising investment in Radio. The episode of the health crisis will reduce these investments to respectively \$3.7bn and \$10.4bn, but the shift in advertising expenditure from traditional radio to digital radio will resume its progress in 2021.

US Digital Radio Ad Spending Forecast



US Legacy Radio Ad Spending Forecast

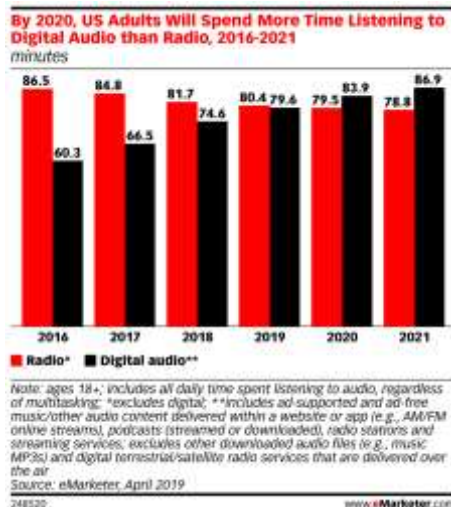


Source: eMarketer

On the basis of the figures expected for 2020, eMarketer estimates that digital radio advertising expenditure will grow by \$1.8bn to reach \$5.5bn in 2024, an average annual growth rate of +11%. At the same time, advertising expenditure in traditional radio will increase in 2021 boosted by a catch-up effect, before returning to its average rate of a very slow decline (-1% per year on average).

This switchover is totally logical, as advertising investments will only follow the shift in audiences from traditional radio to digital radio.

Digital Audio Time Listening Overtakes Radio



How Many US Consumers Listen Audio?

How Many US Consumers Listen to Various Forms of Audio?
2017-2021

	2017	2018	2019	2020	2021
Radio*	230.4	232.6	234.7	236.7	238.7
—% change	0.9%	0.9%	0.9%	0.9%	0.9%
—% of population	91.5%	91.5%	91.5%	91.5%	91.5%
Digital audio**	195.6	200.9	204.8	208.7	211.3
—% change	3.3%	2.7%	1.9%	1.9%	1.3%
—% of population	60.1%	61.3%	62.0%	62.7%	63.1%
—% of internet users	76.1%	76.7%	77.0%	77.4%	77.4%
Podcasts***	67.3	72.7	76.4	78.9	81.2
—% change	11.4%	8.1%	5.0%	3.3%	3.0%
—% of population	20.7%	22.2%	23.1%	23.7%	24.3%
—% of internet users	24.5%	26.0%	26.9%	27.4%	27.9%

Note: *ages 18+ who listen to radio at least once per month; includes terrestrial AM/FM radio and satellite radio; excludes digital; **internet users of any age who listen to music or other audio content (i.e., podcasts) via live-streaming on any device or via direct download on mobile devices at least once per month; ***internet users of any age who listen to a podcast via direct download or live stream on any device at least once per month
Source: eMarketer, April 2019

Source: eMarketer

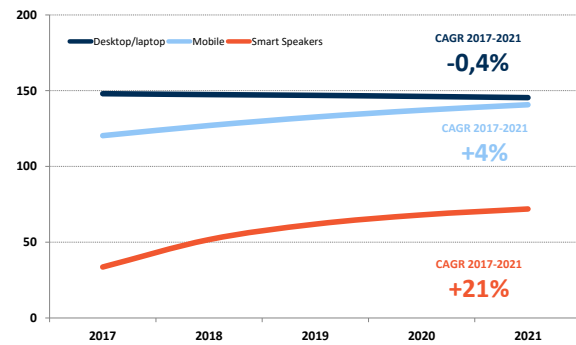
The eMarketer data shows that

broadcast radio's listening time, even if it

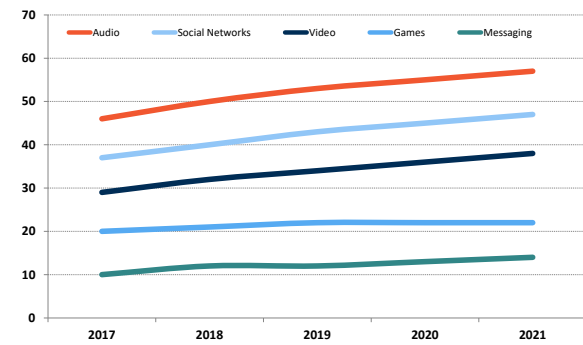


is falling, is not collapsing either. Between 2016 and 2021, it should decrease at an average annual rate of just under -2%. On the other hand, Digital Audio's listening time is growing at a sustained rate (+7.5% on annual average between 2016 and 2021). This growth is notably sustained by the development of mobile and connected loudspeakers.

US Digital Audio Listeners by Device, 2017-2021 (millions)



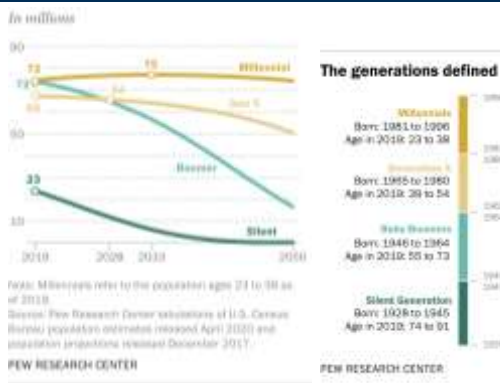
Mobile App Activities: Average Time Spent in the US (minutes per day)



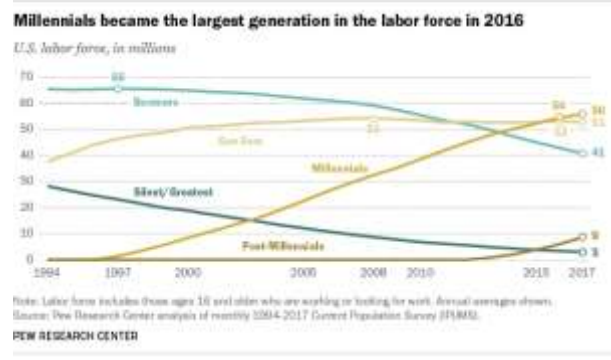
Source: eMarketer

These usage changes are naturally supported by demographic developments. Millennials are now the dominant generation in the United States. The audience shift from broadcast radio to digital audio should continue to increase (see the evolution trajectory of the different generations in the United States below). The Silent Generation and the Boomers have supported Radio as a mass medium. Their decline in the demographic mix is generating a new generational balance that will sustain the shift to Digital Audio in the long-term.

Projected Population in the US by Generation



Labor Force by Generation



Source: Pew Research Center

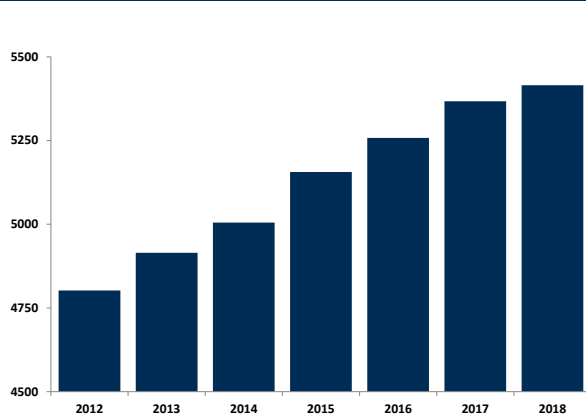


The Market for Digital Audio Is Emerging in Europe

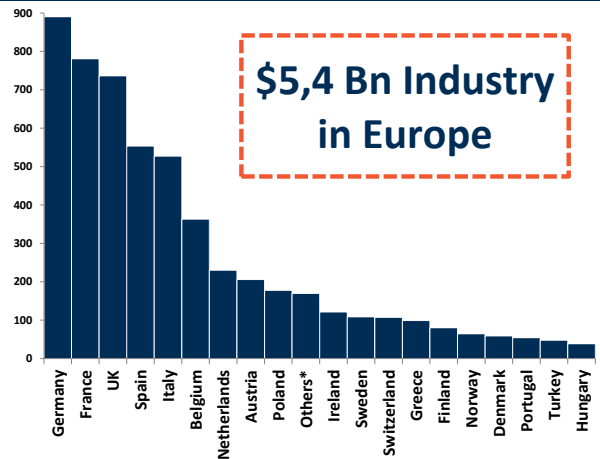
The amounts are still small, particularly in view of the flows invested in the United States, but growth there is extremely strong. Although Europe is lagging behind the United States, the trends observed on the other side of the Atlantic apply here.

The European radio market, valued at more than \$5bn, is home to a large pool of advertising spending that will likely shift to digital.

Radio Ad Spend Growth in Europe



Breakdown of European Radio Ad Spend Market

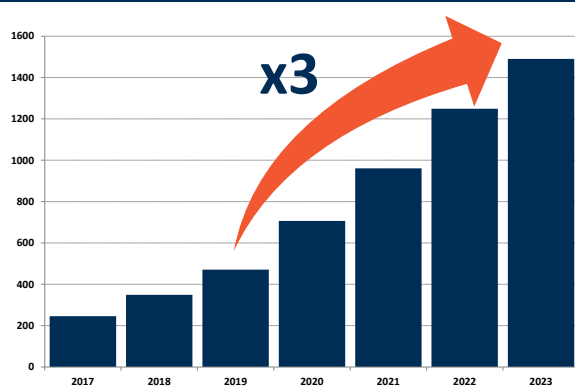


*Others: Bulgaria, Croatia, Czech Republic, Romania, Serbia, Sloviak Republic, Slovenia, Ukraine

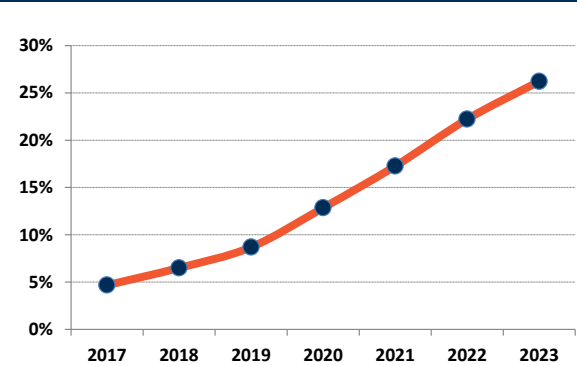
Sources: GroupM, IAB

In September 2019, the IAB estimated the volume of advertising expenditure in Digital Audio at less than €0.5bn, which represents less than 10% of the advertising expenditure invested in Radio. The IAB estimates that the market is expected to triple in four years and thus account for about a quarter of advertising spending on Radio.

Digital Audio Ads to become a €1.5 bn market



Digital Audio Ads in % of Radio Ads



*Others: Bulgaria, Croatia, Czech Republic, Romania, Serbia, Sloviak Republic, Slovenia, Ukraine

Sources: GroupM, IAB



Digital Audio's Different Habits

Digital Audio allows live or delayed listening to audio programmes via a digital broadcast channel (web radio, streaming platform, connected loudspeakers, etc.).

Audio formats today take different forms: Digital Radio, Podcast, Music Streaming, etc.

For advertisers, Digital Audio represents: 1/ a mass audience, 2/ addressable in a personalised way thanks to the targeting allowed by Digital, 3/ allowing to reach people in situations that no other media is capable of reaching.

Why Digital Audio Is Valuable

Traditional Strengths of Audio

- broad population coverage with a high penetration rate on all demographic targets.
- an affluent and educated audience which is therefore of high added value for advertisers.
- image and video remain the dominant media for capturing attention. But visual attention is unique. Indeed, it is impossible to watch a series or do network gaming while working, running, cooking, driving, etc. Audio consumption allows us to reach listeners engaged in any kind of activity requiring visual attention.
- Audio is the medium of movement. The majority of visual media demand a comfortable couch. Audio is the mobile media par excellence. It allows you to accompany the listener throughout the day in most of his activities. Listeners thus constitute a highly engaged audience.

What Are Digital Audio's Advantages?

- granular targeting, either because the listener is on a network where he or she is identified by a login (which makes it possible to know his or her age, sex, interests, etc.), or because the publisher has a strong positioning on a content theme (Skyrock, Nostalgia, France Info, etc.) which attracts a certain type of listener.
- geolocation made possible by IP listing. Reception media (Smartphone, etc.) reveal whether the listener is moving or not, his or her proximity to a commercial sign, etc.
- the integration of contextual elements relating to the environment (time, weather, etc.).

Targeting options allow strong personalisation of advertising content. Unlike traditional radio, which broadcasts an identical advertising message to its entire audience, advertising in Digital Audio adapts in real time according to the desired parameters (location, local weather, age, etc.). Targeted advertising thus makes it possible to expose the audience of the same Audio programme to different advertising messages, personalised to adapt to the profile or activity of each listener. This ability to target, which is highly valued by advertisers, positions Digital Audio as a media of the future capable of attracting a growing mass of advertising investment.

New Drivers to Develop Digital Audio Access

New media will help support access to Digital Audio, such as connected loudspeakers and connected vehicles. The diversification of points of diffusion allows for increased listener engagement, creating incremental opportunities for advertising spending with strong contextual targeting (home, car).



Podcast Enthusiasm

Although still limited in size, the Podcast market is an extremely dynamic Digital Audio market segment. The diversity and importance of the investments poured into this market suggest that it is considered to be one of the media formats of the future.

Podcast Market Consolidation

Buyer	Target	What	When	How
Spotify	Gimlet Media	Content Podcast	February 2019	€230m
	Anchor	Podcast Distribution and Monetization	February 2019	€154m
	Parcast	Content Podcast	April 2019	€56m
	The Ringer	Content Podcast	February 2020	Up to €195m
	The Joe Rogan Experience	Content Podcast	May 2020	€100m
	Warner Bros and DC	Content Podcast	June 2020	Terms not disclosed
Entercom	Kim Kardashian West	Content Podcast	June 2020	Terms not disclosed
	Megsphone	Podcast Hosting & Ad Monetization	November 2020	\$235m
New York Times	Cadence 13	Podcast Distribution and Monetization	August 2020	€50m
	Pineapple Street	Content Podcast	August 2020	€18m
SiriusXM	Serial Productions	Content Podcast	July 2020	€25m to €50m
	Simplecast	Podcast Distribution and Analytics	June 2020	\$28m
Apple	Stitcher	Podcast Distribution and Monetization	July 2020	€235m
	Scout FM	Distribution	October 2020	Terms not disclosed
iHeartMedia	Wondery*	Content Podcast	November 2020	\$300m to \$400m*
	Stuff Media	Content Podcast	September 2018	\$55m
	Voxnest	Monetization	October 2018	\$55m

* Rumor - no deal has been completed

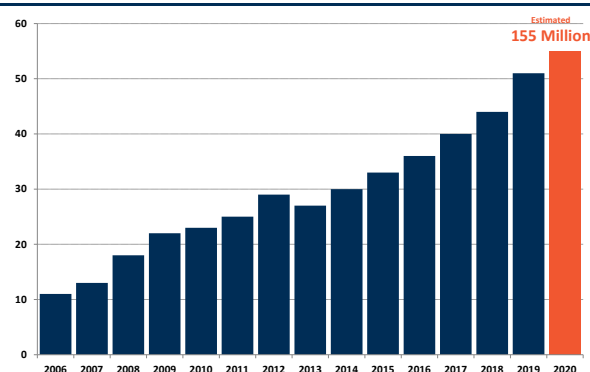
US Venture Capital Deal Flow In Podcast Companies 2019 data as of August 19



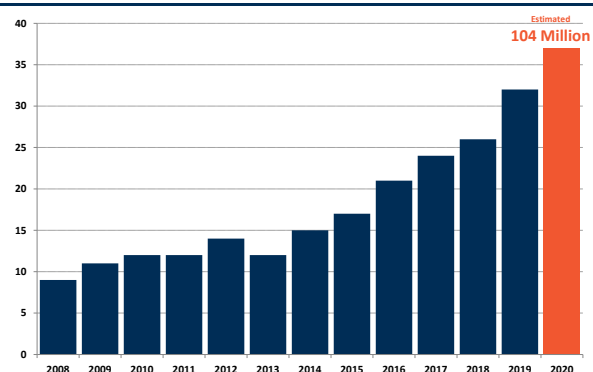
Sources: PwC, Companies, Axios

Until now, most investments have been concentrated on the upstream share of the market; in order for the market to be consistent and attract listeners in a sustainable way, content is inevitably needed. In this arms race, the players have therefore prioritised investment in production and programming in order to attract an ever-growing and loyal audience. Thus, in the United States, 104m people listen to Podcasts every month (more than 1 in 2 Americans). In France, they number 4.6m (representing 1 in 10 French people) according to Médiamétrie. And the penetration rate is expected to accelerate further in the coming years.

Podcast Listening in the US Population % Ever Listened to a Podcast



Monthly Podcast Listening % Listened to a Podcast in Last Month

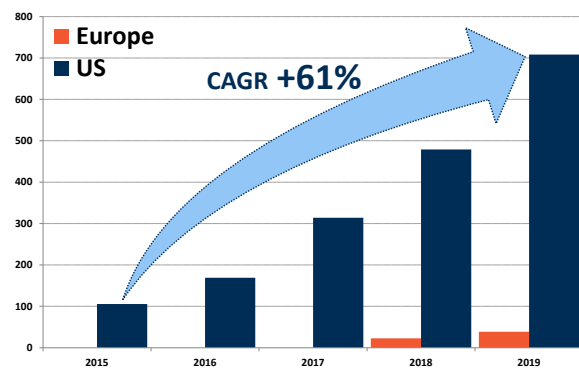


Sources: The Infinite Dial 2020, Edison Research, Triton

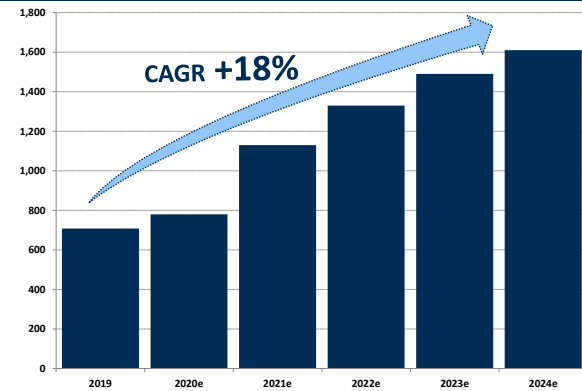
Now that the Podcast is attracting a growing mass of listeners, the subject of monetisation has inevitably been put on the table. Advertising should continue to be the main source of revenue for podcast publishers. In the United States, where the development of the podcast market is ahead of schedule, the volume of advertising investment is already significant, with its growth curve expected to increase sharply over the next few years. Europe is expected to catch up, but it is still behind by several years. Advertising revenue invested in European podcasting still only represent 5% of the expenditure invested in the United States. The IAB estimated that European podcast advertising expenditure is expected to grow at an average rate of over 50% between 2019 and 2023, to exceed €200m.



Podcast Ad Spend: US vs Europe (€M)



US Podcast Ad Spending Should More Than Double



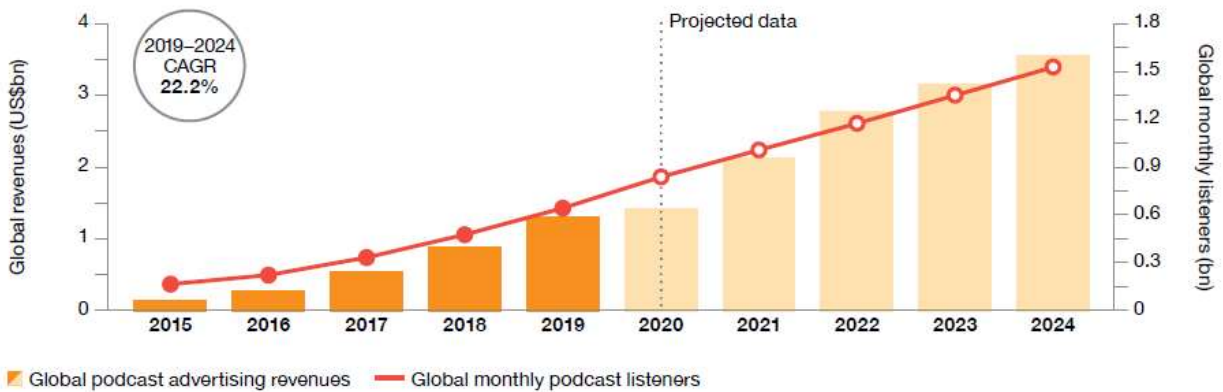
Sources: IAB-PwC, eMarketer

As an intimate and engaging format, targeting a rather young, educated audience with strong purchase power naturally sought after by advertisers, Podcasting should continue to attract brands and increasingly large advertising budgets to it.

Global Podcast Advertising Revenues Raises As The Audience Soars

Listening up

As the audience for podcasts soars, ads follow.



Note: 2019 is the latest available data. 2020–2024 values are forecasts.

Source: PwC Global Entertainment & Media Outlook 2020–2024 (www.pwc.com/outlook), Omdia

Source: IAB-PwC



Targetspot's Value Proposition and Business Model

Targetspot is a technology company offering an independent Digital Audio advertising platform to monetise an international audience of over 160 million people.

A Technology Portfolio for Digital Audio



Source: Company

The platform enables the main national advertisers to be connected to content publishers (Digital Radio, Streaming Platform, Podcasters, etc.). The company's activity consists of selling the publishers' advertising space to the largest advertisers (such as Renault, Carrefour, etc.) as well as to the main media agencies (such as Havas, Publicis, etc.).

80 Digital Audio Publishers

More than 200 advertisers and agencies



Source: Company

Targetspot offers publishers a wide range of proprietary technologies to monetise their audiences. Some of the solutions available include:

- a streaming platform (Shoutcast), used by more than 87k web stations
- an Ad Serving solution (PassPort) that integrates with the main DSPs on the market, enabling the right ad to be delivered to the right audience, at the right time, in the right place, thanks to targeting (Ad stitching, Ad replacement, dynamic insertion of advertisements)
- Analytics: Targetspot's solutions offer extensive reporting capabilities from audience analysis of streams and podcasts to campaign and monetisation reports with



dashboards to track revenue and live KPIs

- a podcasting platform for hosting, broadcasting and monetising content

Symmetrically, Targetspot gives advertisers the opportunity to reach a large and engaged audience. Thanks to the richness of its portfolio of publishers, the company offers them access to listener targets available anytime, anywhere and on any type of device. Targetspot naturally offers all digital audio advertising formats (Preroll, Midroll, Dynamic Creation, etc.) and reports measuring the impact of campaigns.

Advertising inventory purchases can be made directly, through Targetspot's local teams, or through programmatic purchases.

The activity is marketed through local teams based directly in about ten countries in North America (United States and Canada) and Europe (including France, Belgium, Germany, the Netherlands, Spain and England).

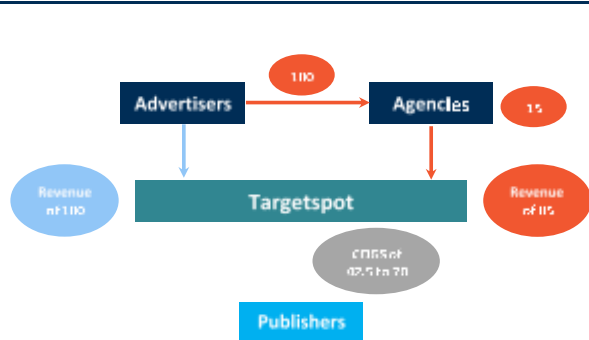
Sales are made either directly (to advertisers) or indirectly (through agencies), the latter model being largely dominant in the market, with the largest agencies (less than ten) concentrating the bulk of the market in value terms.

- In the direct model, for a sale of 100, the company will recognise revenue of 100 and record as a sales cost, the retrocession made to the publisher who has signed a management contract with Targetspot. If the retrocession is 50%, then the gross margin will be 50%.
- In the indirect model, a sale of 100 will be made through an agency that manages an advertiser's media purchases. The revenue recognised by the company will be reduced by the commission taken by the agency. If the commission is 15, the recognised revenue will be 85. Then, the company will record as sales cost the retrocession made to the publisher who wishes to monetise its audience.

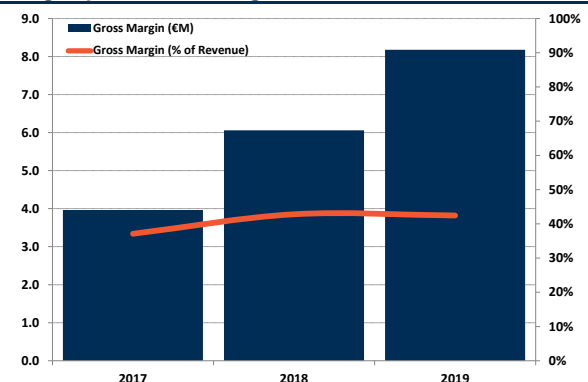
Retrocession rates to publishers depend on the extent of the technological tools used by the latter; they vary between 50% and 70%.

- For a "Tier 1" using the only monetisation solution, the retrocession rate will be at the upper end of the range.
- For a small local publisher, using all the group's solutions (in particular the Shoutcast radio streaming software solution), the retrocession rate will be at the lower end of the range.

Value Breakdown



Targetspot's Gross Margin



Source: Company, Midcap Partners

The development strategy involves balancing the growth of advertisers and publishers in a fair way in order to optimise audience monetisation. If there are too many advertisers and not enough publishers, then there will not be enough audience and therefore advertising inventory to monetise in relation to



the budgets to be invested. If there are too many publishers but not enough advertisers, then there simply won't be enough money to monetize audiences.

Growth Drivers

- Advertising investments in Digital Audio are lagging behind their audience levels. This gap should be mechanically reduced since advertising revenue always ends up being poured into the media where the audience is oriented. Today, advertising investment in Digital Audio is far from reflecting the power of this new audience. While most of the advertising expenditure still goes to traditional radio, we are anticipating a powerful shift redistributing this financial windfall towards Digital Audio.
- The constant audience migration to digital is part of an inevitable turnover. Today, advertising expenditure in Digital Audio amounts at best to only a few tens of €M in a country like France, whereas traditional radio still concentrates 90% to 95% of advertising investments. Eventually, in five to ten years-time, a large part of the advertising investment pool will have switched to Digital Audio.
- In France, the value of this redistribution is estimated at several hundred million euros, if we consider that radio advertising revenue amounts to a little over €700m. On a European scale, the size of the total pie is valued at several billion euros. For the French market alone, the following table presents Targetspot's revenue potential according to two parameters: 1/ the market share captured by Digital in advertising expenditure invested in Radio, 2/ the market share that Targetspot will manage to capture.

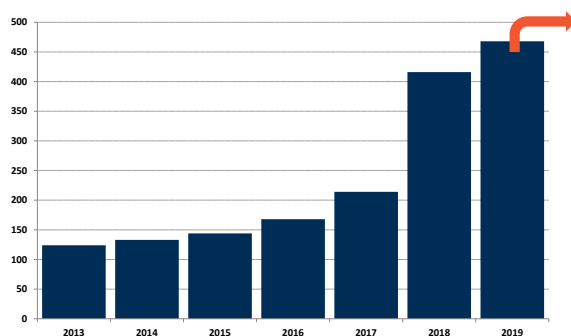
What is the revenue potential in the €700m French market?

Targetspot's Revenue On French Digital Radio Market		Ad Spending Switchover Rate In Digital Radio				
		10%	33%	50%	75%	100%
Targetspot Market Share	2.5%	2	6	9	13	18
	5.0%	4	12	18	26	35
	7.5%	5	17	26	39	53
	10.0%	7	23	35	53	70
	15.0%	11	35	53	79	105

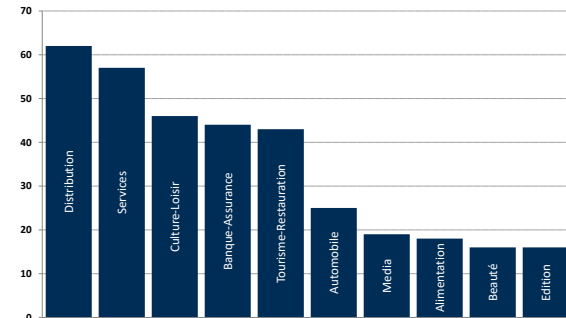
Source: Midcap Partners

- The growth of the digital audio market will continue to be driven by the arrival of new advertisers, since as its audience grows, it is logically going to attract a growing number of advertisers.

Number of Advertisers in Audio Digital in France



Top 10 Sector Breakdown in Audio Digital in France



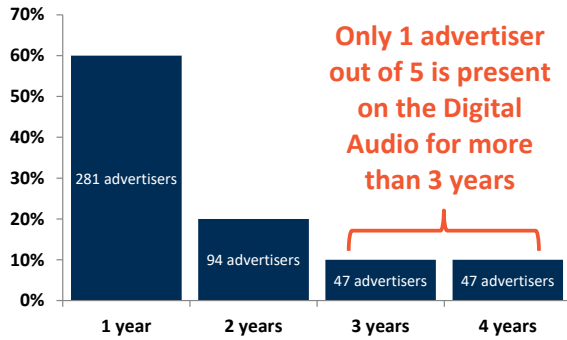
Source: Kantar

- The advertising market in Digital Audio is still, like that of traditional radio, concentrated on a few dozen or even hundreds of large advertisers. Testing of Digital Audio

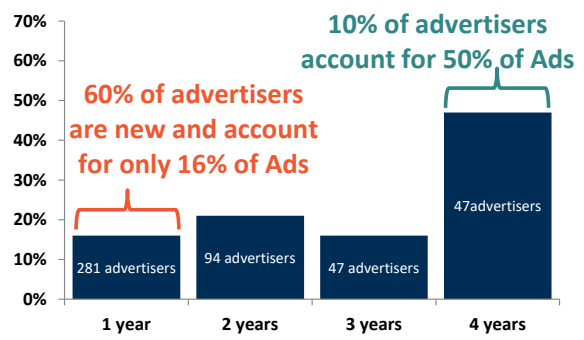


advertising began only a few years ago with very limited budgets. Supported by positive feedback and a growing familiarity with this universe, budgets dedicated to Digital Audio are increasing rapidly, quickly doubling or tripling from one year to the next. Thus, even in the absence of new advertisers, the market could grow based solely on the growth in spending by the largest advertisers in traditional radio.

Breakdown of Advertisers by Seniority in France



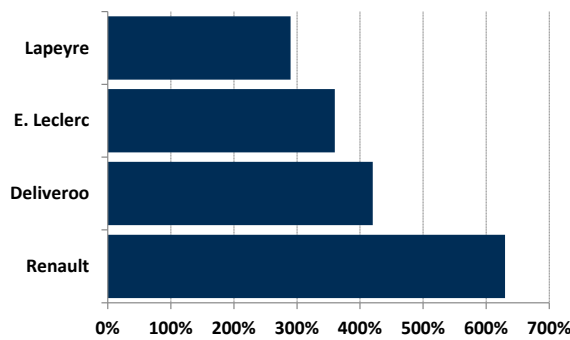
10% of Advertisers Account for ~50% of Ads in France



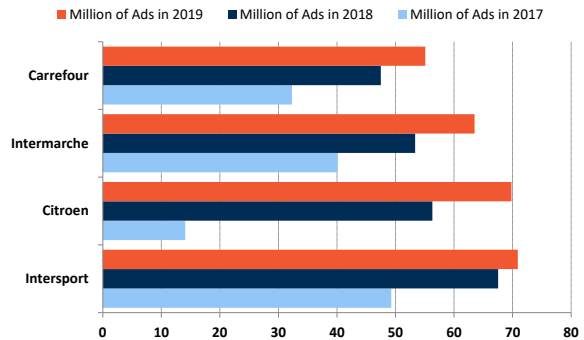
Source: Kantar

By way of illustration, the Digital Audio barometer released by Kantar reveals the progress of some of the market's biggest advertisers:

Growth in the Number of Digital Audio Ads in 2019 for Some of the Biggest Audio Digital Advertisers in France



Millions of Digital Audio Ads for Some of the Biggest Audio Digital Advertisers in France



Source: Kantar

This increasing momentum naturally benefits Targetspot, which counts some of France's biggest advertisers among its customers. Thus, out of the 13 advertisers composing the TOP 10 over the last two years, 11 are the company's customers. The market is an emerging one but is growing at a sustained rate. Having the most mature advertisers on this market is a demonstration of trend's its increasing force: first, limited budgets (about €5k) to test the market, followed by a significant increase (between €15k to €20k) which then increasingly accelerates (some advertisers are now spending €50k per month).

Most of the 2018 or 2019 Top 10 Advertisers in France Audio Digital Market are Targetspot's clients



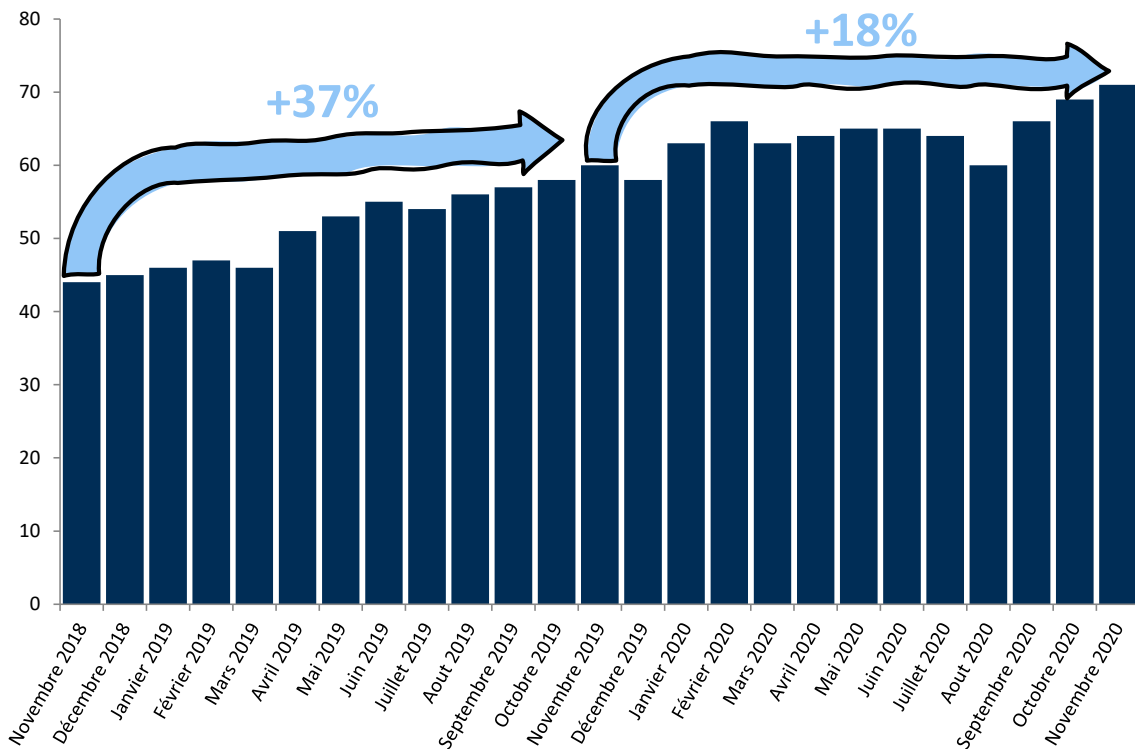
Targetspot's Global Presence



Source: Company

The development of Targetspot's international footprint can be seen in particular over the last two years through the growth of the company's workforce, which now exceeds 70 employees, up by nearly 20% over one year and more than 60% over two years. About 30 employees are now present on the North American market, compared with about 40 in Europe, half of whom are in Belgium.

Targetspot Staff Estimated Growth



Source: LinkedIn



Jamendo: A Possible Game Changer

Created in 2005, Jamendo was originally a music platform bringing together independent artists under a Creative Commons licence that was not linked to collective rights management companies. It enables the listening and downloading of music according to a dual model:

- Free of charge for private use (Jamendo Music)
- Fees for commercial use cases (Jamendo Licensing)

[Jamendo homepage](#)



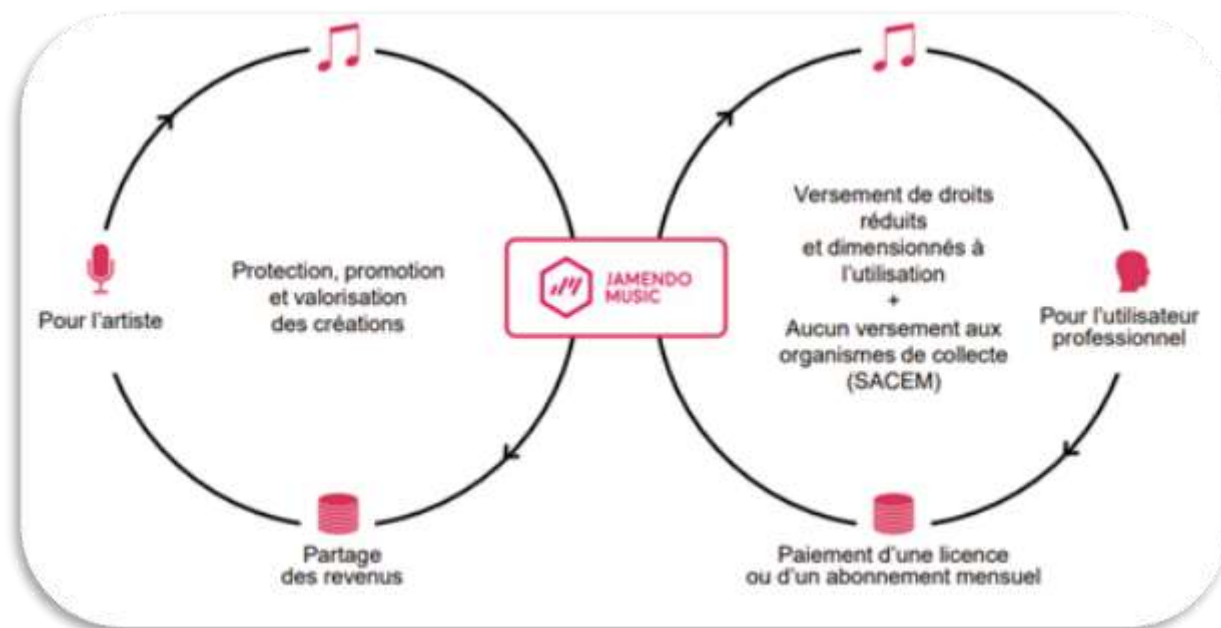
Source: Company

The platform meets the expectations of three different audiences:

- Independent amateur artists, whose creations can be released and shared using Jamendo. After signing an online Creative Commons licence, the artist can put his titles online and benefit from the platform's possibilities to develop an audience and monetize his or her works. The license granted to Jamendo may be exclusive or not. Revenue sharing between the company and the artist depends on the artist's reputation and whether or not the licence granted to Jamendo is exclusive. The remuneration rate is between 30% and 65%.
- Private users, for whom Jamendo is a means of discovering and listening to thousands of independent artists free of charge and without advertising.
- Professional users, for whom Jamendo provides access to a large catalogue of music at a licence cost that is significantly lower than the fees payable to copyright collective management companies (such as SACEM in France).

The listening platform's music catalogue includes 650,000 titles from more than 40,000 artists in 194 countries. It is enriched every day by about 100 titles, which comes out to about 36k new titles per year. Jamendo's Licensing activity is based on a marketing right for 240,000 titles.

Jamendo's ecosystem



Source: Company

Jamendo Licensing: Business as Usual

To date, Jamendo has derived all of its revenue from its licensing business. This consists of marketing licences or subscriptions to companies and allowing them to use a musical work for sound design purposes (for a TV programmes, films, advertising spots, company videos, video games, etc.) or for broadcasting as background music in public places (shops, hotels, airports, etc.).

For synchronisation (use of musical works to adorn audiovisual content), the price of individual licences varies between €49 and €299 (unlimited duration) depending on the work's application. The price of subscriptions (offering unlimited access to the catalogue) is €49 per month or €399 per year.

For in-store music, the company sells monthly subscriptions whose rates vary according to the surface area of the space (from €4.99 for less than 50 m² to €19.99 for 401 m² to 1000 m²).

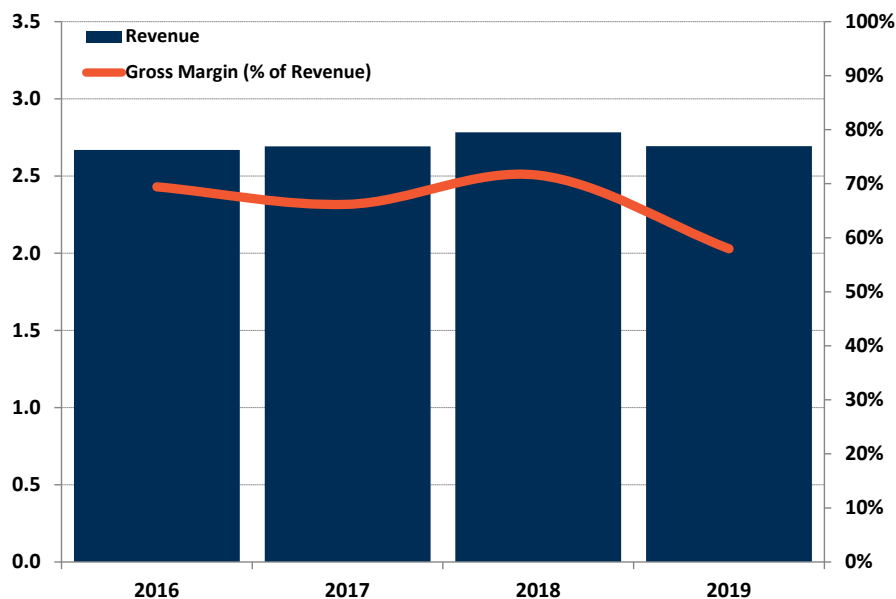
Jamendo Licensing has generated the same level of revenue in recent years, approximately €2.7m. This year's revenue are expected to fall by about -20%, to approximately €2.4m, notably impacted by covid and government-imposed business closures.

Among the year's highlights, Jamendo signed an extremely promising partnership in terms of revenue and image enhancement with Adobe, the world reference in the field of video content creation. Adobe now integrates Jamendo's music catalogue into its video editing solution Adobe Premiere Pro and its object library service (video, image, audio, etc.) Adobe Stock. This partnership is the first step towards enabling Jamendo to monetise its catalogue of titles outside its own platform. It will thus make it possible to considerably broaden contracted artists' exposure. This strategy of diversifying its music content's distribution sources should continue and fuel the growth of this activity over the next few years.

While management is optimistic about the growth trajectory of the Licensing business, which has the potential to at least triple in size over the next few years, the group's (big) ambitions for Jamendo are now clearly focused on the field of Rights Management.

Jamendo Revenue and Gross Margin





Source: Company

Jamendo Rights: Towards the Conquest of New Markets

For the moment, it still looks like a blank sheet of paper, but the group's ambitions are huge.

A Bit of History

Beginning in France at the end of the 18th century, the collective management of authors' rights continued to develop throughout Europe on a roughly comparable model. Regarding music, it was also in France that the first collective management body was created in 1851 to manage the collection and distribution of copyrights due to authors, composers and music publishers, with SACEM.

The idea behind collective management is the most practical interface for centrally managing relations between rights holders and users. The mass use of musical works did not allow individual management of these rights: a broadcaster could not individually contract its creators. Conversely, a creator could not negotiate individually (and fairly) with all broadcasters (the situation of an artist having to contact each radio station to negotiate licences and remuneration for the use of his songs).

Collective rights management was therefore the most appropriate practical response. Since then, the system has changed very little while the world has changed radically under the effect of digital technology, which has completely reshaped the economy of music creation and broadcasting. The system has become partly unsuitable and inefficient, while the economic stakes are particularly high.

The European Directive [2014/26/UE](#)

Noting that "problems in the functioning of collective management organisations lead to an inefficient exploitation of copyright and related rights in the internal market, to the detriment of the members of collective management organisations, rightholders and users", the European Directive 2014/26/EU aims to:

- improve the governance of collecting companies
- promote transparency for right-holders
- allow multi-territorial licensing of rights in musical works for online use
- introduce more competition in a market where competition is severely restricted due to the



dominant positions of national collective management organisations (SACEM-type) established for decades. The Directive thus enshrines the freedom of rightholders to entrust the management of their rights to Independent Management Entities which, unlike national collective management organisations which are non-profit organisations, are commercial companies.

This European directive was transposed into French law in December 2016. And into Luxembourg law in April 2018 (see here). And it was in Luxembourg that Jamendo was able to adopt the status of Independent Management Entity with the ambition to operate throughout the European continent. Natively mastering Digital Audio technologies, Jamendo is naturally very well positioned to contribute to bring the rights market into the digital age. The value proposition is twofold:

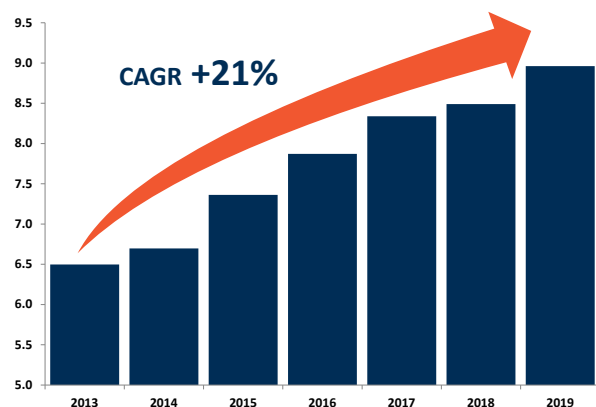
- Enabling rights users (such as audio streaming platforms) to access licences for online use of musical works more easily and efficiently
- Enable rights holders to freely choose the management organisation offering them the highest quality of services and remuneration

A Disruptive Market

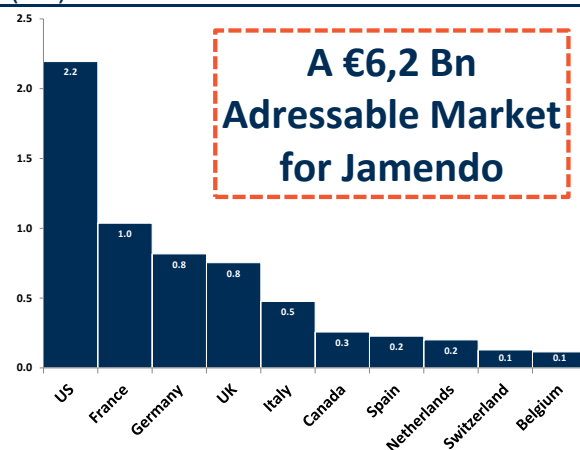
Music rights revenue amounts to approximately \$30bn, of which slightly more than 60% is generated by labels and one third by collective management organisations (such as SACEM in France). In 2019, according to the International Confederation of Societies of Authors and Composers (CISAC), the amounts collected by the latter amounted to nearly €9bn, compared with about €6.5bn in 2013, representing an average annual growth rate of more than 20% over the period. The share generated by online music represents €2bn, or 23% of the total.

With €1bn of funds collected, France is ranked 2nd in the world behind the United States. All the countries where AudioValley operates represent an addressable market of €6.2bn, which will now be accessible to Independent Management Entities such as Jamendo. Thanks to Digital, the value sharing will evolve in the artists' favour and Jamendo, as a new entrant, with no income from a situation to be protected, intends to act as a driver for this redistribution.

Music Collections by Collective Management Organisation (€Bn)



Music Collections Breakdown by Country (€Bn)

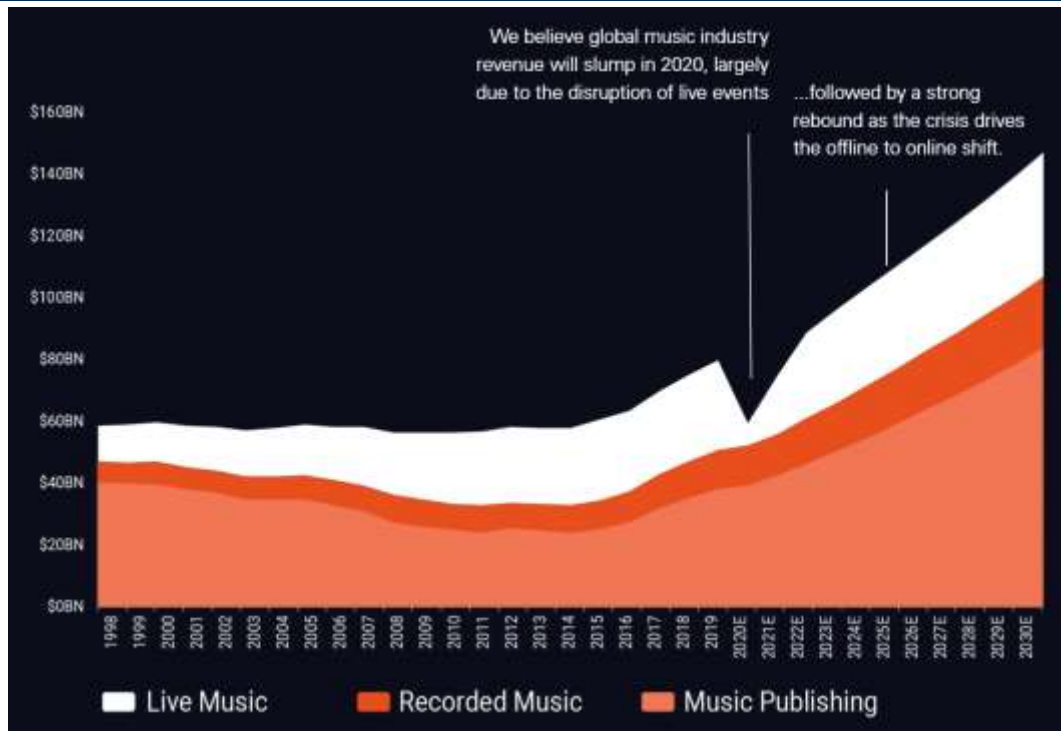


Source: CISAC



The covid crisis will above all heavily disrupt the live industry, while other markets should remain resilient. It should not, however, cause the industry's long-term growth trajectory to deviate.

Global Music Industry Revenues

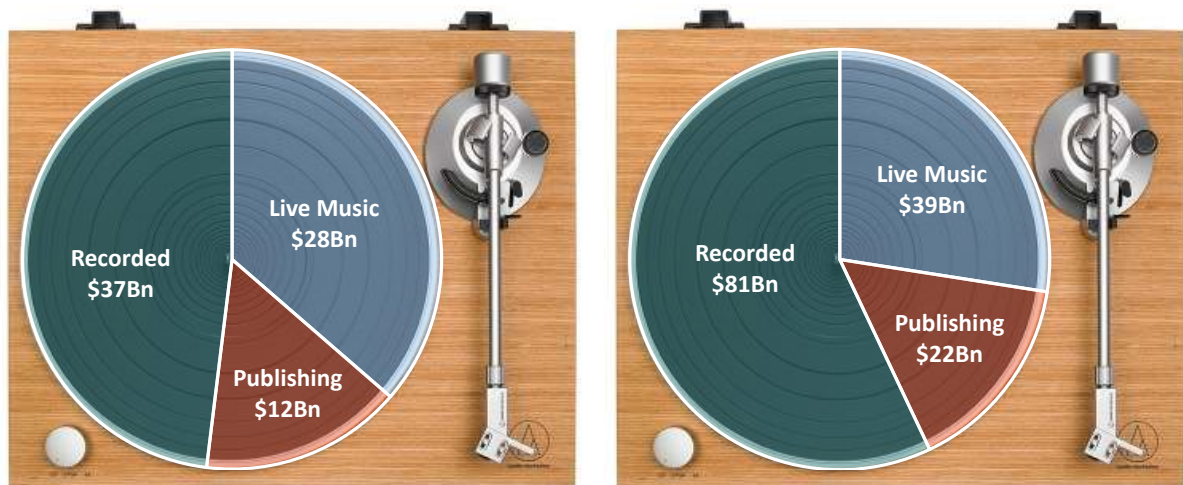


Source: Goldman Sachs Global Investment Research

The global rights market is expected to grow strongly over the next decade, driven in particular by the development of streaming and the ever-increasing use of music in films, TV programmes, video games, etc. This long-term trend will provide Jamendo with a very significant growth area. If the company manages to capture even 1% or 2% of the SACEM market, this will represent a revenue increase of €10m to €20m for the group in France alone. If it were able to capture the same market share internationally, Jamendo could realise revenue of €100m to €200m. It is therefore a nascent but extremely promising market which has the potential to completely change the group's size and scope.

2019 Global Music Revenue Breakdown

2030 Forecast Global Music Revenue



Sources: IFPI, Goldman Sachs Global Investment Research



Labels need the artists, but is it reciprocal?

The music industry is fairly conservative and traditionally has little appetite for innovations that could upset the established order. In the past, the arrival of new technologies was at first the spearhead of piracy. It has taken some time to integrate Digital to its own advantage and develop it as a powerful growth driver.

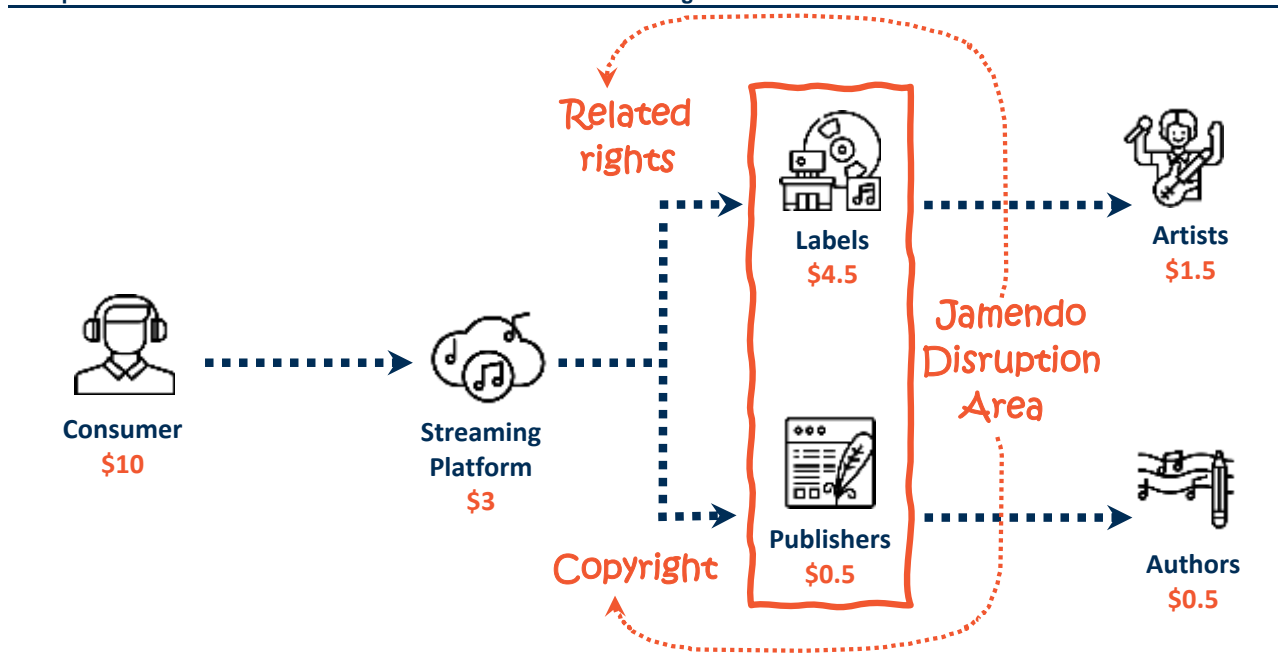
While digital is now taking its rightful place in the music industry, the question of fair remuneration for the stakeholders (platforms, producers, performers and songwriters) remains as open as ever. Songwriters and artists, in particular, receive only a small share of the revenue pie that the music industry generates through their work.

The traditional system bases the remuneration of rights holders on the market share their works represent as the total number of works played or listened to. This method naturally favours major labels' most popular artists, to the detriment of independent artists or those who are less well known or still operating in more specialised or niche musical genres. An alternative to this system that is skewed in favour of headliners, would be, thanks to the tracking made possible by digital technology, to remunerate the rights holders on the basis of individual listening. A more transparent and fairer method would be to remunerate the rights holders on the basis of actual listening.

Digital technology opens up new perspectives for authors and artists, both in terms of the way they work and in the monetisation of their work. From self-publishing to direct distribution on streaming platforms, via self-promotion on social networks, digital makes it possible to almost completely disintermediate the traditional ecosystem of the music industry - provided that they have access to the technologies that allow it.

If we take for granted that the system will probably continue to exist as it is set-up now, since it brings value to certain types of artists, we can consider that a significant fringe of authors and artists will, on the other hand, wish to work outside a system that is certainly not tailored to them. Knowing that a minority of artists are actually signed by a label, there is a longtail of authors and artists who are likely to be interested in using technologies that allow them to exist and monetise their work directly to audiences on streaming platforms.

Simplified Model of the Value Breakdown Generated on Streaming Platforms

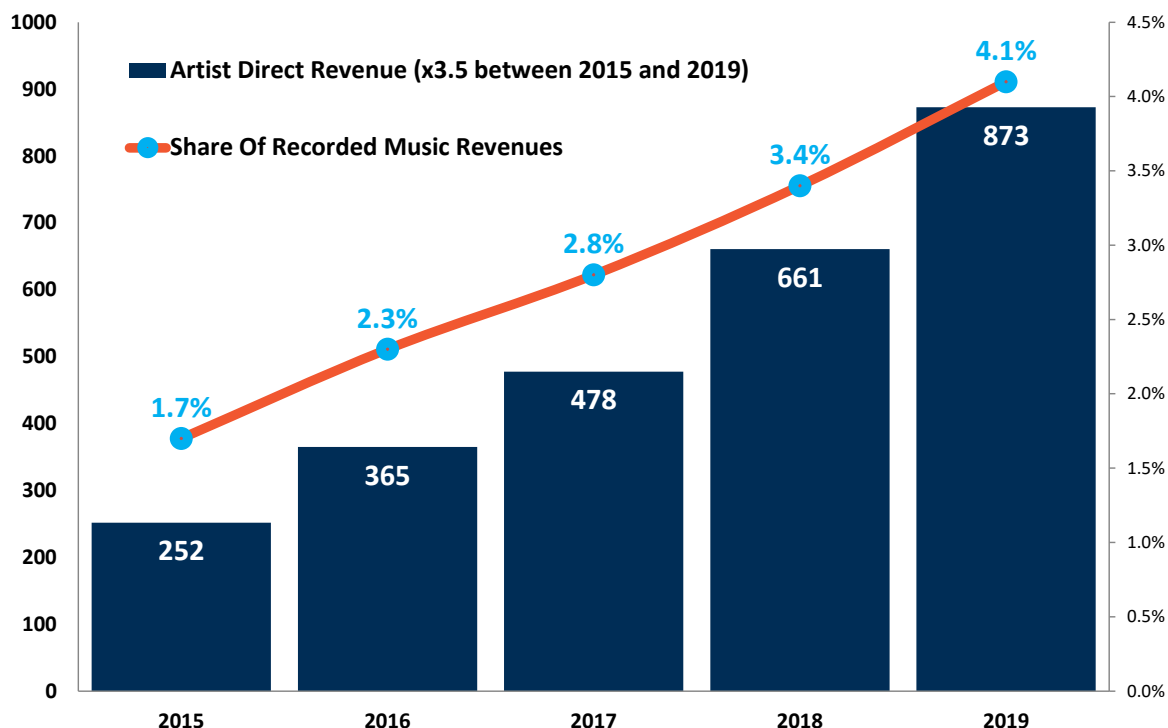


Source: Midcap Partners from SNEP & EY, ADAMI, Companies, Goldman Sachs



The proportion of independent artists, without labels, connecting directly to streaming platforms thanks to the digital technologies offered by companies such as Tunecore (Believe), CD Baby (Downtown) and tomorrow Jamendo, has been rising sharply in recent years. It constitutes a nascent market with very strong growth. According to MIDiA, the volume of revenue generated directly by independent artists, without any intermediation from labels, was approaching \$900m in 2019, coming mainly (≈80%) from streaming. This revenue would have progressed at an average annual rate of +36% over the last four years... This is obviously only the beginning of the story, as the increasing penetration of Digital, a powerful vector of disintermediation in the music industry, should continue to make this market grow. Other sources (such as RAINE) put forward an even higher estimate at \$1.6bn (see here).

Global Artist Direct Revenue And Its Share Of All Recorded Music Revenue, 2015-2019



Source: MIDiA Research Music Model

Jamendo wishes to position itself, thanks to its technological know-how, as a one-stop shop for authors and artists:

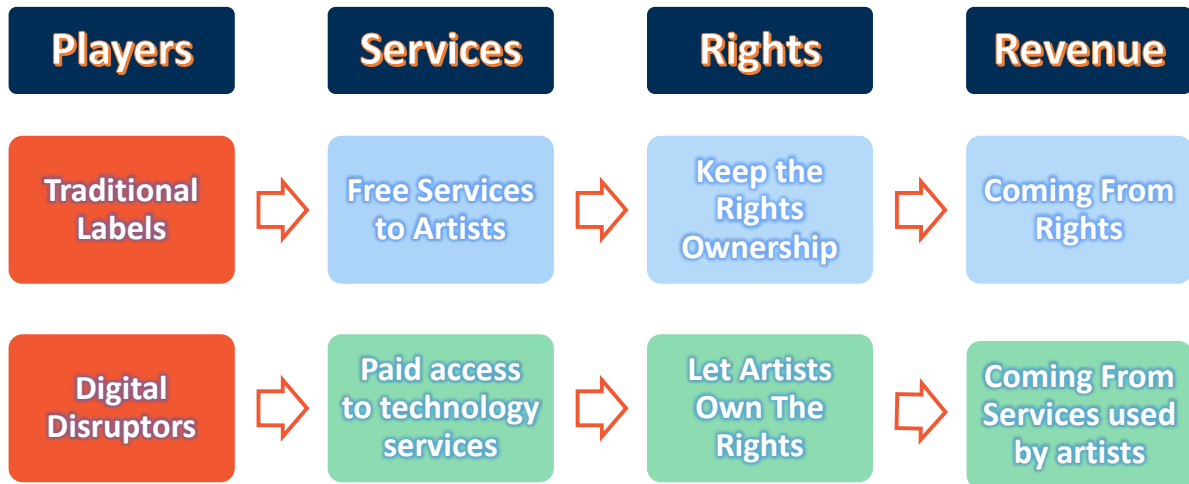
- to connect directly to the platforms
- to manage all copyright and related rights associated through this distribution
- to receive the associated remuneration in a transparent and rapid manner, without any other form of intermediation (collective management bodies and/or labels) and therefore without loss of value
- to have monitoring and analytical tools (streams, revenue, etc.)

The music industry market is transforming, technology providers are the vectors of this transformation. Responding to the system's inefficiencies and lack of transparency, the market disrupters want to bring the artists the services that the players in place are denying mass audiences.

The value proposition provided by pure digital players is radically changing the way the industry operates. Artists are no longer dispossessed of their rights and can therefore retain the integrability or the majority of the income that these rights allow them to generate.



Paradigm Shift



Source: Midcap Partners

Today, there is no definitive business plan for Jamendo Rights... yet. The group needs to structure its offer, as well as the specialists who will be in charge of developing it and bringing it to the market. While we should not expect large revenue in the short-term, Jamendo's arrival on this considerable market offers an important upside to the group's long-term development prospects.



A Clean Slate Moving Forward & a Refocused Scope

Sale of Storever

Created in 2003, Storever was AudioValley group's original, historic activity. The company was specialised in the marketing of audio solutions at the point of sale. A highly profitable business (EBITDA margin above 25%) which represented €6.6m in 2017 revenue (or 47% of total revenue) and €7.7m in 2018 (or 31% of revenue).

Storever's sale to M-Cube took place in December 2019 for an EV of €15m (of which €11.5m of equity held at 80.97% by AudioValley, valuing the group's stake at €9.3m). In its 2019 financial statements, this sale generated a capital gain of €7.1m and contributed €8.1m in cash, which notably helped to wipe out its debt to Vivendi.

Settlement of Vivendi Debt

As of 30 June 2020, there was still a residual debt of €3m, which was paid in July 2020. The debt owed to Vivendi is thus completely settled.

As a reminder, Vivendi had acquired a 64.4% stake in Radionomy (the company operating Targetspot's activities) in December 2015 for nearly €24m (nearly €37m for 100%). In August 2017, AudioValley reached an agreement with Vivendi to buy back its stake for €30.4m. The repayment schedule originally provided for repayments to be staggered until 2025. The group succeeded in settling this debt in three years, enabling it to now devote all of its resources and energy to developing its business.

Buyout of Jamendo's Minority Shareholders

In June 2019, AudioValley purchased the stake of Jamendo's two minority shareholders (28.84%). The group is now Jamendo's sole shareholder, which will also enable it to accelerate the implementation of the development strategy for this business.

These various operations have enabled the group to refocus on two high-potential business lines. Freed from the burden of debt owed to Vivendi, freed from the minority shareholders who were hindering the development of the group's activities, and very well positioned in high-potential markets, AudioValley now has a particularly attractive profile. With its hands free, the company can now take the path of ambitious growth.



AudioValley Valuation

DCF Valuation

Our valuation is based on the following assumptions:

- Sustained revenue growth with a CAGR of +28% over the next five years, driven by a transfer of advertising expenditure from traditional radio to digital audio and the group's international footprint. The group should thus be able to triple in size within four to five years. Beyond that, we expect a slowdown in revenue growth (CAGR of +4% over 2025-2030), allowing it to converge towards our hypothesis of a growth rate to infinity (+1%).
- Assuming a stable gross margin of 45% of revenue, the strong revenue growth expected over the next few years should make it possible to generate a significant leverage effect on results. Ebitda should become positive as early as 2020 and reach its normative level of 15% to 20% by 2025.
- A zero-tax rate, given that current profit before tax should still be negative in 2021 and 2022 and that the group has loss carry-forwards of nearly €33m at 31 December 2019 (which will be enriched by the losses expected in 2020-2022). Beyond 2025, we use a tax rate of 25%.
- WCR representing -23% of revenue.
- Capex representing 2% of revenue.
- A WACC of 10.1% and a growth rate to infinity of +1%.
- A total of 10.3 million shares.

DCF Model

DCF valuation method											
Risk-free rate	-0.35%	Cost of equity	11.5%	WACC	10.1%						
Market risk premium	8.0%	Interest rate a.t.	6.8%								
Beta	1.5	Terminal growth rate	1.0%								
€M	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Sales	20.8	29.4	39.5	49.6	60.0	71.1	77.4	80.7	82.4	83.2	
Change	-5.3%	41.4%	34.5%	25.5%	21.0%	18.4%	8.9%	4.3%	2.1%	1.0%	
Current Ebit	-4.4	-2.4	-0.3	2.1	4.9	7.9	8.9	10.0	11.4	13.2	
Margin	-21%	-8%	-1%	4%	8%	11%	12%	13%	14%	15%	
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	2.2	2.5	2.9	3.3	
NOPAT	-4.4	-2.4	-0.3	2.1	4.9	7.9	6.7	7.5	8.6	9.9	
D&A	4.6	5.0	5.4	5.8	6.1	6.4	6.1	5.6	2.3	1.7	
in % of sales	22.0%	16.9%	13.6%	11.7%	10.1%	9.0%	7.9%	7.0%	2.8%	2.0%	
ΔBFR	-0.2	2.0	2.5	2.4	2.3	2.4	1.5	0.8	0.4	0.2	
CAPEX (including capitalized production)	-2.3	-2.6	-3.2	-3.6	-4.1	-4.4	-3.4	-2.9	-2.3	-1.7	
in % of sales	-11.0%	-9.0%	-8.0%	-7.3%	-6.8%	-6.3%	-4.4%	-3.6%	-2.8%	-2.0%	
Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	-2.3	1.9	4.4	6.7	9.3	12.2	10.9	11.0	9.0	10.1	
Discounted FCF	-2.3	1.7	3.6	5.0	6.3	7.5	6.1	5.6	4.1	4.2	
Sum of discounted FCF	42										
Discounted Terminal Value	47										
EV	88										
(-) Net debt	16										
(-) Minorities	--										
(-) Others liabilities	--										
Equity value	72										
Number of shares	10										
Value per share	7.0										

Midcap Partners Estimations

Sensitivity Table



Value per Share		Growth rate				
		0.0%	0.5%	1.0%	1.5%	2.0%
WACC	10.2%	8.0	8.3	8.5	8.8	9.1
	11.2%	7.3	7.5	7.7	7.9	8.2
	12.2%	6.7	6.9	7.0	7.2	7.4
	13.2%	6.2	6.4	6.5	6.6	6.8
	14.2%	5.8	5.9	6.0	6.1	6.3

Value per Share		Ebit margin				
		10.0%	12.5%	15.0%	17.5%	20.0%
WACC	10.2%	8.1	8.3	8.5	8.7	9.0
	11.2%	7.3	7.5	7.7	7.9	8.1
	12.2%	6.7	6.9	7.0	7.2	7.4
	13.2%	6.2	6.3	6.5	6.6	6.8
	14.2%	5.8	5.9	6.0	6.1	6.3

Midcap Partners Estimations



Valuation Through Transactions

Digital Audio Advertising Agency Activity

Regarding the Digital Audio audience monetisation activity operated by Targetspot, two relevant transactions are worth noting. They concern the company's two main competitors:

- The acquisition of Adswizz in March 2018 for \$145m by Pandora (in turn acquired by Sirius XM). At the time of this acquisition, Adswizz had an estimated revenue of \$38m. The company was recording a heavy loss. Adswizz's business remains very concentrated on the United States. Its workforce now stands at about 235 employees, compared with about 165 two years ago.
- The acquisition of Triton Digital by Scripps in October 2018 for \$150m. Triton had revenue of around \$40m, half of which was generated by advertising sales and the other half by audience measurement. The company was highly profitable. Its business is also very concentrated in the United States. It has a workforce of about 165 employees compared to 150 two years ago.

These two operations both point to a transaction multiple close to 4x the revenue, which would lead to a valuation of approximately €75m for Targetspot.

Rights Management Activity

We have not identified any recent transactions on this market that would establish a valuation benchmark.

In the field of Licensing, the group is notably in competition with two players who, for information purposes, have raised significant funds:

- **Artist** (approximately 120 employees) is an Israeli company founded in 2016. It raised \$48m in June 2020, notably from KKR.
- **Epidemic Sound** (approximately 430 employees) is a Swedish company founded in 2009 which last raised \$20m (out of an estimated total of \$60m) in June 2019, based on a valuation of \$370m. The company generated revenue of \$42m in 2019, compared to \$24m in 2018 (and \$4m in 2015). Its operating loss reached \$23m. According to Bloomberg, the company is considering the possibility of a sale or an IPO on a valuation that could reach €1.0bn.








In the field of rights management and distribution to streaming platforms, several major players are already operating, including:

- **Tunecore** (about 280 employees) based in New York. Founded in 2006, the company was acquired in 2015 by Believe, a French player among the independent leaders in music distribution on streaming platforms. Tunecore enabled its artists to earn approximately \$1.5bn since its creation.
- **Kobalt** (nearly 600 employees) based in London, founded in 2000, Kobalt generated revenue of \$543m in 2019 (closed on 30 June), an increase of +35% after +25% in 2018. The company, which has never been profitable, recorded an operating loss of -€44m in 2019 after -€41m in 2018. In 2019, rights collected increased by +25% to reach \$616m. The company is reported to have raised a total of \$330m. Its most recent raising (\$90m in 2017) was based on a valuation approaching \$800m. Bloomberg revealed last September that the company was working on several strategic options including a sale on a valuation that could exceed \$1.0bn.
- **CD Baby** (nearly 450 employees) is one of the pioneers of digital distribution in the United States. The group was acquired in March 2019 for \$200m by Downtown Music Publishing. Downtown is expected to generate revenue of about \$500m this year.
- **Amuse** (110 employees) is a Swedish company founded in 2016 which in 2019 had revenue of just under \$10m for an operating loss of nearly \$11m. The company raised \$15.5m in May 2018.



Annexes

ANNEX 1: Governance

Board of Directors	Description
	Alexandre Saboundjian – CEO, Founder, Administrator Linkedin
	Camille Saboundjian – Director Linkedin
	Xavier Faure – Independent Director Linkedin
Executive Committee	Description
	Alexandre Saboundjian – CEO Linkedin
	Erik Portier – CFO, Targetspot Linkedin
	Jocelyn Seilles – General Manager, Jamendo Linkedin
	Sébastien Veldeman – CFO, AudioValley Linkedin



ANNEX 2: Statutory auditors and certification of financial statements

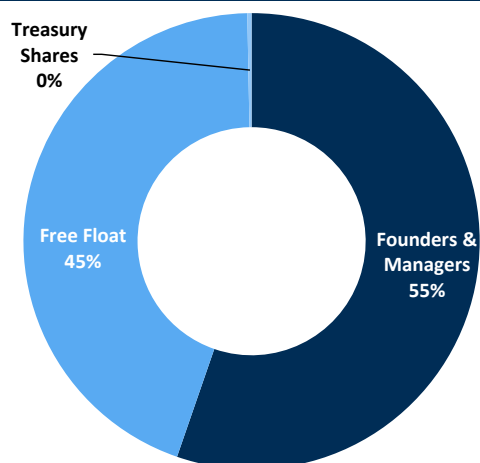
Accounting standards	IFRS
Statutory auditors	EY
Certified accounts	Certified without reserve
Key audit points	Goodwill, Invoices receivable for copyrights and neighboring rights

Fees	Missions	2015	2016	2017	2018	2019
EY	Statutory audit	nd	nd	nd	0.15	0.14
	Others services	nd	nd	nd	0.01	0.01
Total (€m)		nd	nd	nd	0.16	0.15
in % of revenue		nd	nd	nd	0.9%	0.7%

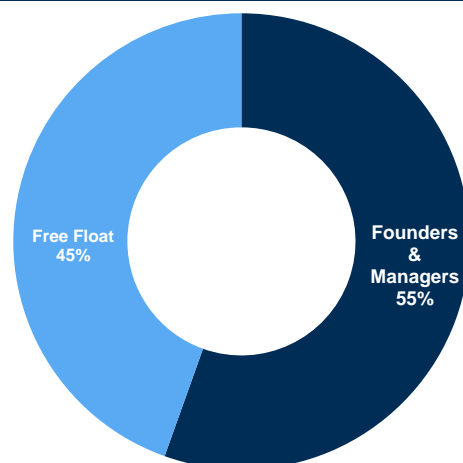
Source : Société

ANNEX 3: Shareholders

Breakdown of capital (%)



Distribution of voting rights (%)



Source: Company

Financial Data

Income statement

€M	2018	2019	2020e	2021e	2022e	2023e
Net sales	16.9	22.0	20.8	29.4	39.5	49.6
Growth	26.6%	29.6%	-5.3%	41.4%	34.5%	25.5%
	% of sales	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of sales	8.9	12.2	11.5	16.2	21.7	27.2
Personnel costs	6.1	7.0	6.7	7.7	9.2	10.6
Other expenses	3.6	3.3	2.4	3.0	3.6	3.9
		0.0	0.0	0.0	0.0	0.0
EBITDA	-1.7	-0.5	0.2	2.5	5.1	7.9
	% of sales	-9.9%	-2.5%	0.9%	8.6%	12.9%
Amortization	0.7	1.5	1.9	2.2	2.7	3.1
"Technologies" Amortization	2.7	2.7	2.7	2.7	2.7	2.7
EBIT	-5.1	-4.8	-4.4	-2.4	-0.3	2.1
	% of sales	-30.1%	-21.7%	-21.1%	-8.3%	-0.7%
Gains on disposal	0.0	7.1	0.0	0.0	0.0	0.0
Financial result	-1.3	2.3	-1.7	-1.7	-1.7	-1.4
Income tax	0.4	-0.3	0.0	0.0	0.0	0.0
	Tax rate	ns	6%	0%	0%	0%
Net income	-5.3	4.8	-6.0	-4.1	-1.9	0.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net income group share	-5.3	4.8	-6.0	-4.1	-1.9	0.7

Balance sheet

€M	2018	2019	2020e	2021e	2022e	2023e
Goodwill	13.8	9.2	9.2	9.2	9.2	9.2
Tangible & intangible fixed assets	28.0	25.9	23.6	21.3	19.0	16.8
Other fixed assets	1.2	1.7	1.7	1.7	1.7	1.7
Accounts receivables	6.2	7.3	6.9	9.8	13.2	16.6
Other currents assets	1.1	0.7	0.7	0.7	0.7	0.7
Cash	1.0	1.9	3.2	3.5	6.2	11.5
Assets	51.2	46.7	45.3	46.2	50.1	56.5
Shareholder's equity	10.6	14.4	13.6	9.5	7.6	8.3
Minority interests	0.5	0.0	0.0	0.0	0.0	0.0
Provisions	1.0	0.8	0.8	0.8	0.8	0.8
Financial debt	23.4	18.2	18.2	18.2	18.2	18.2
Accounts payable	12.6	11.1	10.6	15.0	20.2	25.3
Other currents liabilities	2.9	2.2	2.2	2.7	3.3	4.0
Liabilities	51.2	46.7	45.3	46.2	50.1	56.5

Cash flow statement

€M	2018	2019	2020e	2021e	2022e	2023e
Cash flow from operations	-1.7	-1.3	-3.3	-1.2	1.1	3.9
Change in WCR	-0.7	-2.1	-0.2	2.0	2.5	2.4
Operating cash flow	-2.4	-3.6	-3.5	0.8	3.5	6.3
Capex	-1.0	-1.4	-0.4	-0.6	-0.8	-1.0
FCF	-3.4	-5.0	-3.9	0.2	2.8	5.3
Disposal of fixed assets	0.1	7.7	0.0	0.0	0.0	0.0
Impact of changes of scope	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	7.7	0.0	5.3	0.0	0.0	0.0
Purchase/sale of shares	-0.1	0.1	0.0	0.0	0.0	0.0
Change in debt	-4.5	-1.4	0.0	0.0	0.0	0.0
Other	-0.1	-0.5	0.0	0.0	0.0	0.0
Net change in cash	-0.3	0.8	1.4	0.2	2.8	5.3



Financial Data

KEY RATIOS	2018	2019	2020e	2021e	2022e
Sales growth	27%	30%	-5%	41%	34%
Ebit margin	-30%	-22%	-21%	-8%	-1%
Net margin	-31%	22%	-29%	-14%	-5%
EPS	-1.0	0.5	-0.6	-0.4	-0.2
Dividend per share	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0%	0%	0%	0%	0%
WCR as % of sales	-49%	-24%	-25%	-24%	-24%
DIO	ns	ns	ns	ns	ns
DSO	133	122	122	122	122
DPO	ns	ns	ns	ns	ns
FCF	-3.4	-5.0	-3.9	0.2	2.8
FCF yield	-10%	-15%	-12%	1%	8%
Conversion rate (FCF/EBITDA)	ns	ns	ns	9%	54%
CAPEX/Sales	6%	8%	2%	2%	2%
ROE	ns	ns	ns	ns	ns
ROA	ns	ns	ns	ns	ns
ROCE	ns	ns	ns	ns	ns
Gearing	201%	113%	109%	154%	157%
EV/CA			2.4x	1.7x	1.2x
EV/EBITDA			253.4x	19.4x	9.0x
EV/EBIT			ns	ns	ns
PE			ns	ns	ns

MIDCAP PARTNERS vs CONSENSUS

	2020e		2021e		2022e	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Sales	20.8	22.6	29.4	32.7	39.5	40.5
EBITDA	0.2	0.5	2.5	2.6	5.1	4.6
EBIT	-4.4	-4.1	-2.4	-2.3	-0.3	-0.6
EPS	-0.5	-0.4	-0.3	-0.2	-0.1	-0.2



Disclaimer

This document may refer to valuation methods defined as follows:

- 1/DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.
- 2/ Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and be applied to the company's financial aggregates to determine its valuation. The sample is constituted by the analyst according to the company's characteristics (size, growth, profitability, etc.). The analyst may also apply a premium/discount based on his perception of the company's characteristics.
- 3/ Asset-based method: estimation of the value of the equity on the basis of the revalued assets and corrected for the value of the liability.
- 4/ Discounted dividend method: discounted future value of estimated dividend flows. The discount rate applied is generally the cost of capital.
- 5/ Sum of the parts method: this method consists of estimating the different activities of a company, by using the most appropriate assessment method for each, then calculating the total.

Recommendation scale:

Buy: expected over-performance above 10% compared to the market within 6 to 12 months
 Hold: expected to outperform or under-perform the market within a range of +10% and -10%, within 6 to 12 months
 Sell: expected to under-perform the market by more than 10% within 6 to 12 months

Detection of conflicts of interest:

Company	Closing price (€)	Recommendation	Warning
AUDIOVALLEY	3.3	Buy	G

A LOUIS CAPITAL MARKETS – MCP or any legal entity related to it holds more than 5% of the issuer's total issued capital;
 B The issuer holds over 5% of the totality of capital issued by LOUIS CAPITAL MARKETS - MCP or a related legal entity;
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 F LOUIS CAPITAL MARKETS - MCP or any legal entity related to it is a party to any other agreement with the issuer concerning the provision of investment services relating to the corporate activity;
 G LOUIS CAPITAL MARKETS - MCP and the issuer have agreed on the supply by the former to the latter of a service for the production and circulation of the investment recommendation concerning the said issuer.

Breakdown of recommendations

At 1st of December 2020, the recommendations issued by the Midcap research team at LOUIS CAPITAL MARKETS – MCP break down as follows:

Recommendation	Companies covered	of which "Corporate" clients
Buy	63%	74%
Hold	29%	24%
Sell	5%	0%
Tender	3%	2%

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