

AUDIOVALLEY
The Emergence of the Market for Technological Services to Artists (+)

This week, a number of strategic announcements have served as a reminder that the music industry continues to evolve along a path that aims to better serve the unaddressed needs of artists, particularly independent artists.

1/ Soundcloud's decision to implement a new remuneration system for independent artists. While the platforms traditionally operate on a so-called market-centric model (where the artist is remunerated in proportion to his market share in the number of total listens) - a model that favours the top international artists of the major labels, Soundcloud will implement a so-called user-centric system (where the artist will be remunerated according to his actual number of listens) - a fairer model where the subscriber pays for the tracks he actually listens to. This is a movement already initiated by Deezer and which is moving the system towards greater transparency and value sharing.

2/ the acquisition of the TIDAL streaming platform by fintech SQUARE for \$297m. SQUARE's objective would be to offer the artist population access to new financial tools and services enabling them to become financially emancipated. The PR states as follows: "Together, TIDAL and Square will be artist-focused while we explore new artist tools, listener experiences, and access to financial systems that help artists be successful." A marriage that is not easy to grasp at first glance, but which makes sense if we consider that the two companies are above all two digital platforms having in common a strategy structured around data technologies designed to serve the needs of millions of users.

Within the music industry, these initiatives reinforce the growing importance of the DIY artist segment (a movement observed in the Spotify streams, see Mark Mulligan's analysis here) and the need to provide them with the services and technologies that will allow them to operate independently. Jamendo will help to address this issue in the area of copyright management by developing a technological infrastructure that will provide artists with a quality of service, remuneration and transparency that does not exist today.

Buy, TP of €7 - Jean-Pierre Tabart : +33 1 78 95 71 60

Market Data

| | |
|------------------------|------------------|
| Industry | Media Technology |
| Share Price (€) | 3,2 |
| Market Cap (€M) | 33,0 |
| Market Segment | Euronext Growth |
| Bloomberg | ALAVY FP |

Ownership structure

| | |
|----------------------------|-------|
| Founders/Management | 55,3% |
| Free float | 44,4% |
| Treasury shares | 0,3% |

| €M (31/12) | 2019 | 2020e | 2021e | 2022e |
|----------------------|--------|--------|-------|-------|
| Sales (€M) | 22,0 | 19,5 | 29,4 | 39,5 |
| <i>Growth</i> | 29,6% | -11,3% | 50,7% | 34,5% |
| EBIT | -4,7 | -4,8 | -2,5 | -0,3 |
| <i>Op. Margin(%)</i> | -21,5% | -24,7% | -8,4% | -0,8% |
| Net income | -4,7 | -4,8 | -2,5 | -0,3 |
| EPS diluted € | 0,50 | -0,55 | -0,31 | -0,13 |
| <i>EPS growth</i> | ns | ns | ns | ns |
| Dividend | 0,00 | 0,00 | 0,00 | 0,00 |
| <i>Yield (%)</i> | 0,0% | 0,0% | 0,0% | 0,0% |
| FCF | -5,0 | -4,5 | 0,5 | 2,7 |
| ROCE | ns | ns | ns | ns |
| EV/Sales (x) | | 2,5 | 1,6 | 1,1 |
| EV/EBIT (x) | | ns | ns | ns |
| PE (x) | | ns | ns | ns |
| Net Debt | 16,3 | 15,5 | 15,0 | 12,2 |
| <i>Gearing</i> | 113% | 117% | 165% | 172% |

Midcap Partners estimates

Upcoming event : 2020 Results - 14/04/2021

DISCLAIMER

This document may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Rating structure

- ☐ Buy: expected to outperform the market by more than 10% over a 6 - 12 months horizon
- ☐ Hold: expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- ☐ Sell: expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at marketing@midcapp.com.

Conflict of Interests

| Company | Closing price (€) | Rating | Warning |
|--------------|-------------------|--------|---------|
| AUDIOVALLEY | 3,19 | Buy | G |
| DEVOTEAM | 103,4 | Hold | Nil |
| GL EVENTS | 11,58 | Sell | Nil |
| MR BRICOLAGE | 9,6 | Buy | D,F,G |
| NEODECORTECH | 3,4 | Buy | G |

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| Rating | Midcap Partners coverage universe | of which Investment banking services* |
|--------------|-----------------------------------|---------------------------------------|
| Buy | 74% | 79% |
| Hold | 20% | 17% |
| Sell | 2% | 0% |
| Under review | 1% | 0% |
| Tender | 3% | 4% |

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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