

**AUDIOVALLEY**
**Must read: the UnitedMasters CEO interview (+)**

(MBW)

UnitedMasters is a service platform for independent artists that recently announced a \$50M round led by Apple (see our morning of 01/04/2021).

Its founder gave an insightful interview on how he sees the evolution of the music industry (read it here). Its founder gave an insightful interview on how he sees the evolution of the music industry (read it here). A vision that joins in many points the analysis of most new entrants who want to disrupt this industry, as AudioValley.

If the disruption is coming through the hyper-growth segment of independent artists, it will spread to the entire market in the long run (a top artist will need even less of a label for his new recordings).

The main messages:

- the backing of companies like Apple is a strong signal on the market potential of independent artists and an increased competitive pressure for traditional labels;

- The issue of the loss of artists' rights and the inequity of the sharing of the value created by artists is not a new one (Prince, Taylor Swift, Kanye West, etc.) and is likely to intensify in the future. If the capture of value by labels could be explained in the past (production of CDs, ability to distribute to thousands of points of sale, etc.), it no longer has any basis today with the dematerialization of music listening and its distribution;

- for the new generation of artists, the interest in being signed to a major label makes little sense unless they want to capitalize on the media where labels traditionally express their strength best (TV/Radio) because of their historical relationships with these media. An emerging artist must now invest in new networks (social media, distribution platforms) in order to build a community of committed fans;

Through the activities of Jamendo and Winamp, AudioValley is perfectly in line with this breakthrough trajectory. Thanks to technology, the group will provide artists with services that are essential to their financial emancipation (rights management, development of audiences/fan communities, better remuneration, etc.). The recent €8.6m fundraising will help accelerate the launch of these services, which should provide significant growth leverage.

Buy, TP of €6,2 - Jean-Pierre Tabart : +33 1 78 95 71 60

**Market Data**

<b>Industry</b>	Media Technology
<b>Share Price (€)</b>	3,2
<b>Market Cap (€M)</b>	42,3
<b>Market Segment</b>	Euronext Growth
<b>Bloomberg</b>	ALAVY FP

**Ownership structure**

<b>Founders</b>	54,4%
<b>Free float</b>	45,4%
<b>Treasury shares</b>	0,2%

€M (31/03)	2019	2020e	2021e	2022e
<b>Sales (€M)</b>	22,0	19,5	28,0	37,6
<i>Growth</i>	29,6%	-11,3%	43,6%	34,5%
<b>EBIT</b>	-4,7	-3,3	-2,3	-0,3
<i>Op. Margin(%)</i>	-21,5%	-17,1%	-8,2%	-0,8%
<b>Net income</b>	4,8	-4,8	-3,7	-1,7
<b>EPS €</b>	0,50	-0,39	-0,24	-0,09
<i>EPS growth</i>	ns	ns	ns	ns
<b>Dividend</b>	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
<b>FCF</b>	-5,0	-0,3	0,5	2,1
<b>ROCE</b>	ns	ns	ns	ns
<b>EV/Sales (x)</b>		2,9	1,7	1,2
<b>VE/EBIT (x)</b>		ns	ns	ns
<b>PE (x)</b>		ns	ns	ns
<b>Net Debt</b>	16,3	14,5	5,4	3,3
<i>Gearing</i>	113%	97%	27%	18%

Midcap Partners estimates

**Upcoming event : Sales Q2 - 27/07/21**

## 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](mailto:marketing@midcapp.com).

## Conflict of Interests

Company	Closing price (€)	Rating	Warning
ATARI	0,9	Buy	E,G
AUDIOVALLEY	3,24	Buy	G
GROUPE LDC	97	Buy	Nil
ITALIAN WINE BRANDS	28,5	Buy	G
PHARMASIMPLE	8,56	Buy	F,G
VALBIOTIS	8,22	Buy	G
VOYAGEURS DU MONDE	94,2	Buy	Nil

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As of 01/04/2021, the ratings issued by the Midcap research team were as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	75%	80%
Hold	19%	18%
Sell	3%	0%
Under review	1%	0%
Tender	2%	2%

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

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