



PUBLICATIONS

13 July 2021

AUDIOVALLEY

H1 2021 (+)

(Company)

Explosive Growth!

Audiovalley reports excellent H1 2021 revenue. The recovery was already underway in Q1, but it clearly accelerated in Q2, enabling the company to post +50% growth at constant exchange rates over the half-year (+45% in published figures). This represents revenue of €12.3m compared to €8.5m a year earlier. For the record, H1 2020 was down by only -12% at constant exchange rates, including -11% on Targetspot. Therefore, H1 2021 growth cannot only be explained by an extremely favourable base effect, but by a sustained recovery in activity.

As expected, Targetspot is the driving force behind this growth, with revenue of €11.2m, up by 56% at constant exchange rates (+51% as reported). The United States recorded a tremendous increase (+72% at constant exchange rates, with Q2 revenue more than doubling), while Europe has regained considerable momentum (+28% in H1 after an almost stable Q1), which is also very promising for the rest of the year.

These figures confirm the group's strong positioning in the digital audio market, which is expected to attract increasingly large advertising budgets. This publication also confirms that Targetspot is set to have an excellent year with an unprecedented level of activity. The company has thus perfectly retraced its hyper-growth trajectory (revenue almost doubled between 2017 and 2019).

Jamendo's business also returned to growth in Q2, even if the figures are more modest. Growth was +5% in H1, with revenue of €1.15m. But the challenge for 2021 lies elsewhere. This year, the group is working to create a service company for artists, particularly in the field of rights management, which should be fully operational by the end of the year. This activity responds to an emerging market that is likely to change the way the music industry operates over the next few years.

This publication should allow the stock to regain the attention it deserves. Perfectly positioned in two booming markets (monetisation of digital audio with Targetspot and artist services with Jamendo), the group has extremely favourable growth prospects which are still not being reflected in its valuation (the stock is still very close to its historical lows). The quality of this (and future) releases should serve as a catalyst for the stock. We are reiterating both our Buy rating and TP of €6.2.

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

Market Data

Industry	Media Technology
Share Price (€)	2,9
Market Cap (€M)	37,2
Market Segment	Euronext Growth
Bloomberg	ALAVY FP

Ownership structure

Founders/Managers	43,1%
Free float	56,7%
Treasury shares	0,2%

€M (31/12)	2020	2021e	2022e	2023e
Sales (€M)	19,6	28,0	37,6	47,2
Growth	-10,8%	42,7%	34,5%	25,5%
EBIT	-3,4	-2,4	-0,4	1,9
Op. Margin(%)	-17,1%	-8,4%	-1,0%	3,9%
Net income	-4,8	-3,5	-1,5	0,7
EPS dilué €	-0,39	-0,22	-0,07	0,08
EPS growth	ns	ns	ns	ns
Dividend	0,00	0,00	0,00	0,00
Yield (%)	0,0%	0,0%	0,0%	0,0%
FCF	-0,3	0,4	2,3	4,5
ROCE	ns	ns	ns	7,1%
EV/Sales (x)		1,5	1,1	0,8
VE/EBIT (x)		ns	ns	19,4
PE (x)		ns	ns	ns
Net Debt	14,5	5,5	3,2	-1,3
Gearing	98%	28%	18%	-7%

Midcap Partners estimates

Upcoming event : H1 - 20/10/2021

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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	2,85	Buy	E,G
EKINOPS	7,34	Buy	Nil
ELIOR	5,82	Sell	Nil
GROUPE CRIT	64,1	Buy	Nil
KAUFMAN & BROAD	39,35	Buy	Nil
PORTOBELLO	41,6	Buy	G

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Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	81%	86%
Hold	15%	13%
Sell	3%	0%
Tender	1%	2%

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

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