

SELECTION 2021



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EDITO

2020 was unique in many ways. The pandemic that we all experienced, the same one that is still raging at the beginning of 2021, has clearly upset our daily lives. It was almost impossible to anticipate such an event when we presented our Selection at the beginning of 2020. Nevertheless, last year marked a return to "normality": the overperformance of small- and midcaps, with a decline limited to 1.3% for the CAC Mid&Small, vs. -7% for the CAC 40, followed two consecutive years of underperformance.

2021 should continue to benefit small caps, which are less exposed to macroeconomic shocks. 2020 was also marked by the impoverishment of French stocks, with a significant number of delistings (about 20 in all) and a limited number of new listings. We hope that 2021 will bring new opportunities for investors.

While 2021 is still full of uncertainty, we have decided to select 7 high-potential companies benefiting either from immunity from the pandemic (Sidetrade, LDLC Group, Ekinops) or a valuation level that is out of line with the company's fundamentals (Aures Group, Neodecortech, Audiovalley, Chargeurs). Thus, we are presenting stocks with an upside of more than 20% over the next 6-12 months.

With this being said, we sincerely wish you all the best for this new year!

Midcap Partners



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AUDIOVALLEY

Making Audio Great Again

11 January 2021

BUY

Target Price: €7
Upside: **+94%**

Digital Audio Specialist

AudioValley is a leading, pioneering group 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: A Story of Growth

Representing nearly 90% of AudioValley's revenue, Targetspot is a technological platform for aggregating and monetising digital audio content. Operating in North America and Europe (respectively 70% and 30% of revenue), Targetspot's business has a strong international footprint, with leading advertisers and publishers. Its various sites are all sources of growth, making it possible to capture a growing share of the advertising revenue that is being channelled into digital audio (Digital Radio, Streaming Services, Podcasting, etc.). The level of investment in Digital Audio, although growing strongly, is still far below 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 budget rotation for this medium is inevitable and will offer a formidable growth catalyst for Targetspot.

Jamendo: A Story of Disruption

Jamendo is a platform for managing rights and marketing music licences. Although its revenue is 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's goal is to shake up the collective management market (such as SACEM). To this end, the European Union wishes to revive this significant market (€6bn) by opening it up to competition in order to improve transparency, open it up to new applications that digital technology offers regarding music creation and broadcasting, and allow for better revenue allocation to rights holders.

Continued Strong Potential for Upgrading

AudioValley is an Ad Tech company with a formidable history of growth in extremely buoyant and evolving markets. Its international commercial footprint and its Digital Audio technologies guarantee it a strategic value that is not at all reflected in its current valuation. After a lacklustre 2020, the group has the potential for a strong revenue rebound in 2021. We are reiterating our Buy rating and TP of €7.

Market data

Industry	Media Technology
Share price (€)	3,6
Market cap (€m)	37,0
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)		2,5	1,8	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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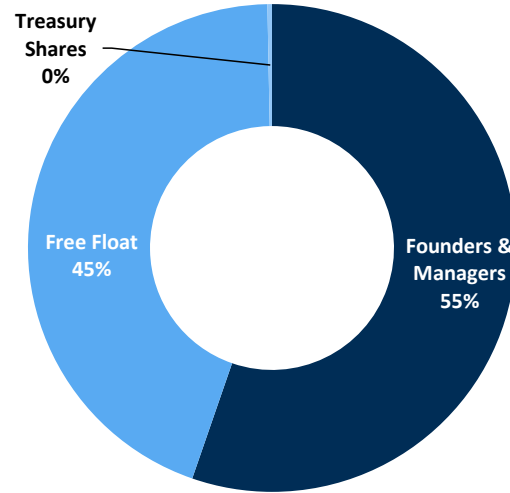


OVERVIEW

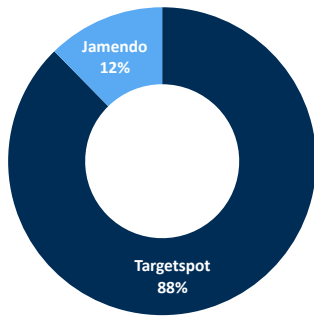
Description

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, Soundcloud, 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, revenue, etc.). The group is structured around two activities: 1/ Targetspot is an advertising platform enabling the monetisation of a global audience surpassing 160m. In particular, it integrates the Shoutcast software solution (streaming platform used by more than 87,000 web-radio stations), and 2/ Jamendo is a music rights management platform (650,000 titles, 40,000 artists)

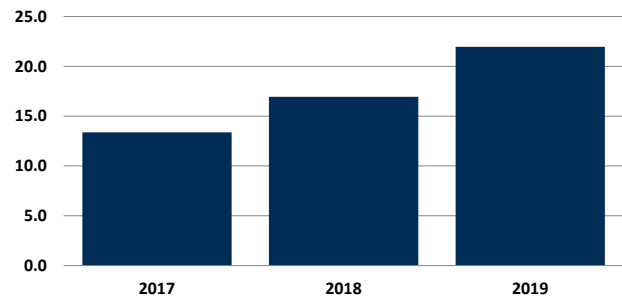
Shareholders



Revenue Breakdown by Segment



Business Trends



SWOT Analysis

Strengths

- A rich portfolio of proprietary technologies serving the Digital Audio market
- An international presence with sales teams in about ten countries
- The group is well positioned in a structurally buoyant market (audience growth & advertising spending in Digital Audio)

Weaknesses

- Still limited scope of activity impacts the group's profitability
- Limited cash generation
- The sensitivity of advertising revenue to the economic context
- A high level of debt, even though the group has managed to rapidly extinguish its debt to Vivendi

Opportunities

- Acceleration of the rotation of advertising budgets to Digital Audio
- Opening up the copyright management market to competition
- Operational leverage (platform model)

Threats

- Arrival of new powerful players (type GAFA)
- Arrival of new technologies and/or new uses that the group has not anticipated, thus cannot adapt quickly enough

Sources: Company, Midcap Partners



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
<i>Growth</i>	26,6%	29,6%	-5,3%	41,4%	34,5%	25,5%
<i>% of sales</i>	0,0%	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	0,0
EBITDA	-1,7	-0,5	0,2	2,5	5,1	7,9
<i>% of sales</i>	-9,9%	-2,5%	0,9%	8,6%	12,9%	16,0%
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
<i>% of sales</i>	-30,1%	-21,7%	-21,1%	-8,3%	-0,7%	4,3%
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
<i>Tax rate</i>	ns	6%	0%	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



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	-9%	-13%	-11%	1%	7%
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			2,5x	1,8x	1,2x
EV/EBITDA			268,4x	20,5x	9,6x
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	21,7	29,4	31,1	39,5	40,0
EBITDA	0,2	0,4	2,5	2,6	5,1	4,9
EBIT	-4,4	-4,2	-2,4	-2,3	-0,3	-0,5
EPS	-0,5	-0,5	-0,3	-0,3	-0,1	-0,2



CHARGEURS

Always A Winner

11 January 2021

BUY

Target Price: €24.0

Upside: +36%

A Historic Performance That Flew Under the Radar

The stage has been set for 2020, and Chargeurs is sure to end the year on an all-time high. This was a remarkable performance, especially for an industrial player. Despite this extraordinary year, Chargeurs' 2020 stock market performance was disappointing. It was sometimes penalised by fears related to the cyclical nature of its historic business, and sometimes by its erroneous status as a "COVID stock". Hopes were raised by the vaccine's arrival, a status inherited from the success of its new healthcare offering.

Playing the Recovery Card Also Means Betting on Chargeurs

Expectations of a recovery from the crisis already coincide with the return to grace of cyclical stocks, a situation that we believe should also benefit Chargeurs. Indeed, if the economic situation does improve, the group will undoubtedly benefit from construction's rebound, textiles' gradual return to normal after a black year, and museums' picking up again, thus taking advantage of the group's latest acquisitions. But on the other hand, if the pandemic persists, the group's new healthcare offer will continue to play its role as a buffer. For 2021, Chargeurs is for now taking a cautious stance, given the uncertainty and a demanding basis for comparison. The fact that expectations are low from the outset leaves much more room for pleasant surprises, especially since the group has repeatedly demonstrated its great agility in outperforming in a changing environment as a result of its past investments.

A New Strategic Plan Devised for Acceleration

While 2021 is uncertain, one thing is: growth should accelerate drastically from 2022 onwards in a more favourable economic environment thanks to the first effects of the various recovery plans. The forthcoming announcement of the new strategic plan "Leap Forward 2025" should enable the group to achieve revenue of between €1bn and €1.5bn by 2025 with a sharp increase of the return on capital. The coming years should be equally bright for Chargeurs. With an even healthier financial structure now in place, the possibility of further acquisitions should not be ruled out.

A Catch-Up Is in the Cards

It seems to us that Chargeurs' market performance is completely uncorrelated to its current operating performance and outlook for the coming years. Regardless of the market environment, we believe that Chargeurs still has everything it needs to emerge a winner once again. We are reiterating our Buy rating and TP of €24.

Market data

Industry	Textile
Share price (€)	17,6
Market cap (M€)	422,0
Market segment	Euronext B
Bloomberg	CRI FP

Shareholders

Colombus Holding	27,8%
Sycomore AM	10,4%
Amundi	5,3%
Treasury stock	4,9%
Free float	51,6%

€m (12/31)	2018	2019e	2020e	2021e
Sales	626,2	822,3	663,6	835,9
<i>Change</i>	9,2%	31,3%	-19,3%	26,0%
Op. EBIT	41,4	74,9	44,5	71,9
<i>as % of sales</i>	6,6%	9,1%	6,7%	8,6%
Net profit	16,1	37,5	18,3	38,7
EPS €	0,68	1,64	0,80	1,70
<i>Change in EPS</i>	-40,0%	142,3%	-51,2%	111,8%
Dividend (€)	0,40	0,82	0,44	0,93
<i>Yield</i>	2,3%	4,7%	2,5%	5,3%
FCF	-8,6	38,0	20,0	25,0
ROCE	8,0%	12,1%	7,2%	11,3%
EV/Sales (x)		0,7	0,9	0,7
EV/EBIT (x)		7,7	12,9	7,8
PE (x)		11,3	23,1	10,9
Net debt	122,4	152,9	151,6	136,7
Gearing	53%	59%	59%	48%

Midcap Partners estimates

Next event : Net results 2020 - 02/18/2021

Past recommendations

Date	Recommendation
11/19/2020	Buy

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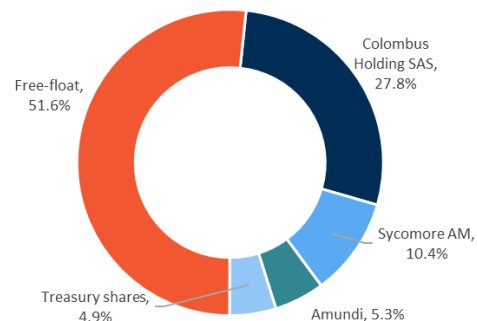


OVERVIEW

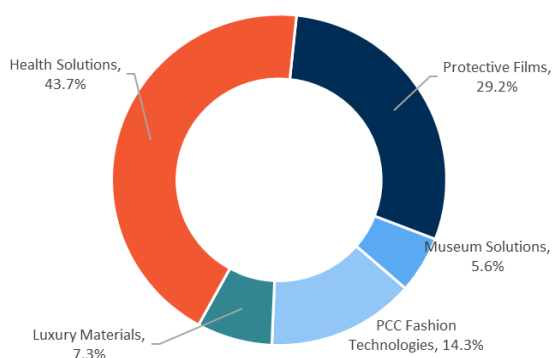
Description

Chargeurs, a global industrial and services group, holds a leading position in the niche businesses of temporary surface protection, interlining, museum solutions, worsted wool and sanitary equipment. Chargeurs employs more than 2,400 people in 45 countries on five continents, serving a diverse customer base in more than 90 countries. The group generated sales of €688.2m in 9M 2020.

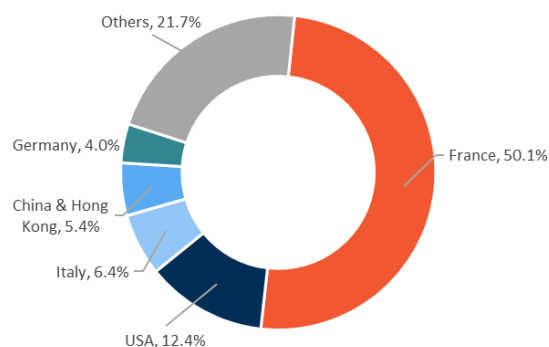
Shareholders



9M Revenue Breakdown by Division



S1 2020 Revenue Breakdown by Region



SWOT Analysis

Strengths

- Leading position in a niche market with high added value
- Innovative
- Sound financial structure
- A global presence
- Management quality

Opportunities

- External growth operations still extremely accretive
- International roll-out of its new healthcare offer
- Development of the museum market
- Rebound expected in the clothing market

Weaknesses

- Cyclical nature of CPF
- Textile market at a standstill
- Margin dilution of luxury materials

Threats

- Evolution of raw material prices
- Economic slowdown
- Price pressure on sanitary facilities
- Difficulties in finding new targets



Financial Data

Income statement (€m)	2016	2017	2018	2019	2020e	2021e	2022e
Turnover	506,4	533,0	573,3	626,2	822,3	663,6	835,9
Change	1,5%	5,3%	7,6%	9,2%	31,3%	-19,3%	26,0%
Gross margin	130,0	141,6	154,3	167,0	218,7	172,3	220,5
% of sales	25,7%	26,6%	26,9%	26,7%	26,6%	26,0%	26,4%
Sales and marketing costs	-54,80	-56,40	-61,60	-75,10	-90,46	-73,50	-91,94
Administrative costs	-32,60	-36,60	-39,80	-46,40	-47,79	-49,73	-50,97
R&D expenses	-3,70	-4,20	-3,90	-4,10	-5,59	-4,51	-5,69
EBITDA	48,8	54,6	59,8	60,0	94,2	64,7	92,4
% of sales	9,6%	10,2%	10,4%	9,6%	11,5%	9,8%	11,0%
D&A	-9,9	-10,2	-10,8	-18,6	-19,3	-20,2	-20,5
Operating EBIT	38,9	44,4	49,0	41,4	74,9	44,5	71,9
% de CA	7,7%	8,3%	8,5%	6,6%	9,1%	6,7%	8,6%
Non recurring items	-5,0	-5,9	-6,8	-9,5	-9,5	-9,5	-9,5
Financial result	-2,0	-8,5	-10,6	-10,5	-10,7	-10,6	-10,6
Share of profit (loss) of associates	-2,0	-0,8	0,1	-0,4	-0,4	-0,4	-0,4
Income tax	-4,9	-4,0	-5,1	-4,9	-16,8	-5,7	-12,6
Tax rate	-16%	-14%	-16%	-23%	-31%	-24%	-25%
Net profit group share	25,0	25,2	26,6	16,1	37,5	18,3	38,7
Balance sheet (€m)	2016	2017	2018	2019	2020e	2021e	2022e
Tangible and intangible assets	153,9	151,5	238,8	260,4	321,3	321,5	323,2
Financial assets	17,8	14,8	20,1	20,4	20,4	20,4	20,4
Right-of-use assets	0,0	0,0	0,0	25,8	25,8	25,8	25,8
Deferred tax asset	29,0	30,3	32,0	33,4	33,4	33,4	33,4
Current assets	228,6	235,3	224,5	228,7	252,5	236,7	264,7
Treasury	161,5	214,8	110,0	93,9	63,4	64,7	79,6
Assets	590,8	646,7	625,4	662,6	716,8	702,5	747,2
Shareholders' equity	227,3	229,9	237,2	232,4	260,1	258,3	285,7
Minority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	20,3	20,2	21,4	26,1	26,0	25,9	25,8
Deferred tax liabilities	0,0	0,0	4,8	5,7	5,7	5,7	5,7
Current liabilities	183,6	189,8	160,1	157,0	190,0	184,0	207,8
Financial debt	159,6	206,8	201,9	215,0	215,0	215,0	215,0
Financial leases	0,0	0,0	0,0	26,4	20,0	13,6	7,2
Passifs	590,8	646,7	625,4	662,6	716,8	702,5	747,2
Cash flow statement (€m)	2016	2017	2018	2019	2020e	2021e	2022e
Cash flow from operation	30,3	37,4	36,9	38,8	50,0	30,7	51,4
ΔWCR	0,8	-6,7	-22,5	-13,3	9,2	9,7	-4,2
Cash flow from operating activities	31,1	30,7	14,4	25,5	59,2	40,4	47,2
Net CAPEX	-10,8	-12,9	-23,7	-24,4	-14,8	-14,0	-15,8
FCF	20,3	17,8	-9,3	-8,6	38,0	20,0	25,0
Acquisitions	-19,7	-6,4	-65,0	-9,6	-59,0	0,0	0,0
Other movement	0,1	0,5	-1,6	-0,7	0,0	0,0	0,0
Cash flow from investing activities	-30,4	-18,8	-90,3	-34,7	-73,8	-14,0	-15,8
Change in borrowing	81,4	48,4	-4,4	22,7	0,0	0,0	0,0
Dividends	-11,5	-13,8	-10,8	-8,6	-9,5	-18,7	-10,1
Other financing cash flow	-6,0	7,2	-10,2	-19,5	-6,4	-6,4	-6,4
Cash flow from financing activities	63,9	41,8	-25,4	-5,4	-15,9	-25,1	-16,5
Currency effect	0,1	0,0	-3,5	0,0	0,0	0,0	0,0
Change in cash	64,7	53,7	-104,8	-14,6	-30,5	1,3	14,9

Source: Société - Midcap Partners



KEY RATIOS

	2015	2016	2017	2018	2019	2020e	2021e	2022e
Change in Turnover	4,3%	1,5%	5,3%	7,6%	9,2%	31,3%	-19,3%	26,0%
Gross margin	24,2%	25,7%	26,6%	26,9%	26,3%	27,1%	27,3%	26,4%
EBITDA margin	8,1%	9,6%	10,2%	10,4%	9,6%	11,5%	9,8%	11,0%
EBIT margin	6,1%	7,7%	8,3%	8,5%	6,6%	9,1%	6,7%	8,6%
Net margin	3,1%	4,9%	4,7%	4,6%	2,6%	4,6%	2,8%	4,6%
EPS	0,67	1,09	1,08	1,13	0,68	1,64	0,80	1,70
Dividend per share	0,30	0,55	0,60	0,67	0,40	0,82	0,44	0,93
Dividend Yield						4,7%	2,5%	5,3%
WCR % of sales	7,9%	8,6%	8,4%	11,3%	11,7%	7,8%	8,1%	7,0%
DIO	100	102	104	120	110	116	85	110
DSO	33	34	36	46	43	31	33	35
DPO	87	89	90	102	84	73	93	80
FCF	18,8	20,3	17,8	-9,3	-8,6	38,0	20,0	25,0
FCF yield						9,0%	4,7%	5,9%
Conversion rate (FCF/EBITDA)	47%	42%	33%	-16%	-14%	40%	31%	27%
CAPEX/Sales	3%	2%	2%	4%	4%	2%	2%	2%
ROE	7%	11%	11%	11%	7%	14%	7%	14%
ROA	3%	4%	4%	4%	2%	5%	3%	5%
ROCE (after tax)	10%	12%	13%	10%	8%	12%	7%	11%
Gearing	-11%	-1%	-4%	39%	53%	59%	59%	48%
Leverage	-0,6x	-0,1x	-0,2x	1,5x	2,0x	1,6x	2,3x	1,5x
EV/Sales						0,7x	0,9x	0,7x
EV/EBITDA						6,1x	8,9x	6,0x
EV/EBIT						7,7x	12,9x	7,8x
PE						11,3x	23,1x	10,9x

MIDCAP PARTNERS vs CONSENSUS

	2020e		2021e		2022e	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Turnover	822,3	821,6	663,6	647,8	835,9	762,5
EBITDA	94,2	95,3	64,7	60,8	92,4	80,5
EBIT	74,9	78,9	44,5	47,6	71,9	68,8
EPS	1,6	1,6	0,8	0,7	1,7	1,3

Sources: company - Midcap Partners - FactSet



EKINOPS

In the Right Place at the Right Time!

11 January 2021

BUY

Target Price: **€8.6**

Upside: **+23%**

Strong Resilience Facing the Crisis

The difficult international context generated by the health crisis has revealed the solidity of the group's fundamentals and its formidable resilience. This is a reflection of its offer's high quality, its innovative positioning, but also the eminently buoyant nature of its underlying market. The volumes of data transiting over broadband communications infrastructures are growing exponentially, and the current crisis has by no means interrupted this trend. On the contrary, the explosion of teleworking, online gaming and video streaming has certainly accelerated it. EKINOPS continued to grow in H1 2020, even generating a record Q2 (+17% sequentially), outperforming its major competitors (Cisco, the world leader in Access - Ciena and Nokia in Transport). Not to spoil anything, its gross margin, close to record highs at 54.3%, testifies to the tight control of purchasing costs and the benefits of its strategy of moving upmarket.

Growth Re-Acceleration in View

The result of a sustained policy of innovation (50% of the R&D workforce - 20% of revenue), the group's offer is state-of-the-art and adapted to market expectations. Beyond 2020, the group will easily return to double-digit growth rates, as its growth drivers are numerous and well identified: network virtualization (SDN), SD-WAN, 5G, Edge computing, etc. Software sales (which accounted for barely €5.0m of 2019 revenue) will continue to grow strongly over the next few years, gradually changing the product mix (towards 20% of revenue within 3 to 5 years), which will have a positive effect on the group's long-term profitability. The EBITDA margin is expected to rise to 16% by 2022 and to approach 20% beyond that.

Attractive Valuation in View of Solid Prospects

Our DCF valuation, which allows us to fully appreciate EKINOPS' strong potential, peaks at €8.60 per share (upside > 20%). We believe this price can quickly be achieved, especially considering that the newsflow on the commercial front seems likely to remain strong. The group is expected to win new contracts and add solid references in the relatively short-term, notably in the USA regarding virtualisation (in the extension of its recent listing with Verizon).

We were initiating our coverage with a Buy rating and TP of €8.6.

Market Data	
Sector	Telecom Equipment
Share price (€)	6,96
Market Cap. (€m)	176,5
Market Segment	Euronext C
Bloomberg	EKI FP

Ownership structure	
Management	4,8%
Bpifrance	12,6%
Aleph Capital	12,6%
Free float	70,1%

€m (31/12)	2019	2020E	2021E	2022E
Sales	93,5	92,4	102,7	115,8
Change	11,0%	-1,2%	11,2%	12,8%
EBIT	4,6	1,9	7,0	10,1
Margin	4,9%	2,1%	6,8%	8,7%
Net Income	1,6	1,4	6,4	9,3
EPS (€)	0,07	0,05	0,25	0,36
Change	-322%	-24%	367%	45%
Dividend (€)	0,00	0,00	0,00	0,00
Dividend Yield	0,0%	0,0%	0,0%	0,0%
FCF	5,7	0,4	7,5	12,2
ROCE	2,0%	1,7%	6,1%	8,6%
EV/Sales (x)		1,9x	1,6x	1,3x
EV/EBIT (x)		91,5x	23,8x	15,3x
P/E (x)		128,7x	27,6x	19,1x
Net Debt	(2,1)	(5,0)	(12,2)	(24,1)
Net Gearing	(2,4%)	(5,5%)	(12,0%)	(21,2%)

Midcap Partners estimates

Next events	
Q4 2020 Sales	12/01/21
FY 2020 Results	14/04/21

Recommendations historic	
NS	

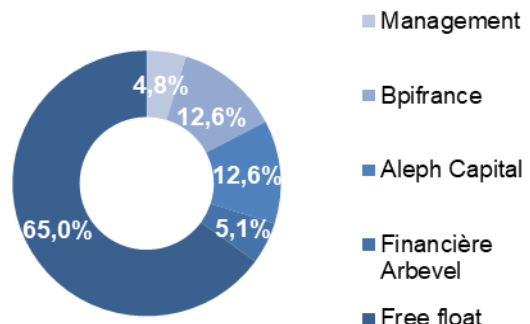
Contact	
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OVERVIEW

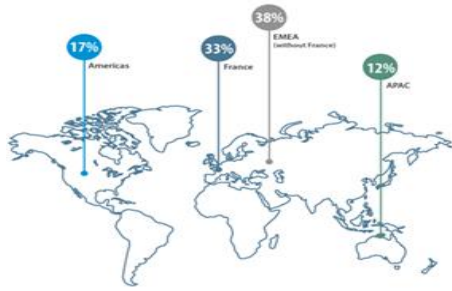
Description

Created in 2003, EKINOPS is a telecom equipment manufacturer, specialising in the design and supply of innovative solutions and equipment for transport, Ethernet services and data routing. Its international customer base is made up of telecom operators (50% of revenue with Tier 1 companies) and corporate networks. This is a very dynamic market driven by the growing need for bandwidth to keep pace with the increase in data traffic. Ekinops currently employs 455 people (including 227 in R&D in France, Belgium, Brazil and India).

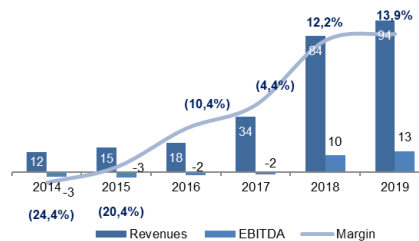
Shareholders



Revenue breakdown by segment



Business trends



SWOT Analysis

Strengths

- Innovation is a barrier to entry and helps to win new customers
- Factory-free model, with most of the resources being devoted to innovation (20% of R&D revenue) and sales
- High interoperability product offer, a key element in a changing, multi-protocol telecoms world
- Direct sales enabling a close and value-added customers relationship
- Strong commitment to CSR, a guarantee of security and durability

Weaknesses

- Relatively high customer concentration (Top 10 = 56% of H1 2020 revenue, Top 1 = 25%)
- Sensitive to the economic climate, the group has nevertheless shown great resilience in the face of the health crisis (H1 2020 revenues up 1.2%)
- Dependence on a limited number of suppliers, with the downside that its equipment is entirely produced and assembled in Europe (France, Belgium and Hungary), mainly (50%) with two major subcontractors

Opportunities

- Increasing bandwidth requirements to absorb the increase in data traffic
- Upscale strategy
- Virtualisation, a fundamental market trend,
- Profitability drivers (Gross margin >50% and relative stability of fixed costs)

Threats

- Very competitive context, dominated by large and financially powerful players
- Risks of breakdowns or tensions on supplies of critical components
- Changes in export licensing policy for sensitive products

Sources: Company, Midcap Partners



Financial Data

Income statement (€m)	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Sales	18,2	34,3	84,2	93,5	92,4	102,7	115,8
Δ YoY	0,0%	88,6%	145,6%	11,0%	-1,2%	11,2%	12,8%
Gross profit	9,1	17,5	47,1	49,9	50,9	56,5	64,0
Gross margin	49,9%	51,1%	55,9%	53,4%	55,1%	55,0%	55,3%
SG&A	(9,0)	(16,8)	(36,6)	(34,9)	(38,7)	(41,2)	(44,8)
Others	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	0,1	0,7	10,4	15,0	12,2	15,3	19,2
margin	0,6%	2,1%	12,4%	16,0%	13,2%	14,9%	16,6%
D&A	(1,0)	(2,8)	(8,9)	(8,6)	(9,0)	(6,6)	(7,3)
Others	(1,0)	(1,8)	(0,3)	(1,8)	(1,3)	(1,7)	(1,8)
EBIT	(1,8)	(3,9)	1,3	4,6	1,9	7,0	10,1
margin	(10,0%)	(11,4%)	1,5%	4,9%	2,1%	6,8%	8,7%
Net interest income/(expense)	(0,0)	(0,5)	(0,1)	(0,4)	(0,5)	(0,3)	(0,3)
Others (stock options)	(0,0)	(2,0)	(2,0)	(2,6)	0,0	0,0	0,0
EBT	(1,8)	(6,5)	(0,9)	1,6	1,4	6,7	9,8
Provision for taxes	(0,1)	0,0	0,2	0,0	(0,1)	(0,3)	(0,6)
Implied tax rate	-4%	0%	21%	-1%	5%	5%	6%
Minority interest	0,0	0,0	(0,0)	0,0	0,0	0,0	0,0
Net income	(1,9)	(6,4)	(0,7)	1,6	1,4	6,4	9,3

Balance sheet (€m)	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Net PP&E	0,9	2,5	2,6	2,6	2,8	3,3	3,4
Net intangibles	1,3	57,0	57,9	63,0	56,7	58,1	57,7
Investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other long-term assets	0,1	9,5	10,6	18,3	18,3	18,3	18,3
Non current assets	2,3	69,0	71,1	83,9	77,8	79,7	79,3
Inventory	5,7	8,7	11,2	10,5	14,2	13,9	14,2
Accounts receivable	6,3	20,7	20,7	21,4	24,2	27,6	29,2
Other current assets	1,6	6,2	5,9	7,1	7,1	7,1	7,1
Cash & cash equivalents	8,4	21,3	25,1	32,6	46,9	54,1	66,0
Current assets	22,0	56,9	62,9	71,5	92,3	102,7	116,4
Total assets	24,3	125,9	134,1	155,4	170,0	182,4	195,8

Total common equity	15,8	76,1	75,8	86,5	90,5	101,9	114,0
Minority interest	0,0	0,5	0,0	0,0	0,0	0,0	0,0
Shareholders' equity	15,8	76,6	75,8	86,5	90,5	101,9	114,0
LT Debt	1,3	9,4	6,7	16,4	27,8	27,8	27,8
Other long-term liabilities	0,5	3,8	9,4	9,5	9,5	9,5	9,5
Non current liabilities	1,8	13,2	16,1	25,9	37,3	37,3	37,3
ST Debt	0,6	12,4	9,1	14,1	14,1	14,1	14,1
Other current liabilities	3,0	12,7	19,2	15,1	15,1	15,1	15,1
Accounts payable	3,0	11,0	14,0	13,8	13,1	14,1	15,3
Current liabilities	6,6	36,1	42,2	43,0	42,3	43,2	44,5
Total liabilities & equity	24,3	125,9	134,1	155,4	170,0	182,4	195,8

Cash flow statement	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Operating Cash Flow	(1,0)	(3,0)	9,8	11,1	10,3	12,9	16,5
Δ Working capital	(3,8)	(2,5)	0,1	(1,9)	(7,2)	(2,2)	(0,6)
Cash flow from operations	(4,8)	(5,5)	9,9	9,2	3,1	10,8	15,9
CapEx	(0,8)	(1,8)	(2,9)	(3,9)	(3,2)	(3,6)	(4,0)
FCF	(5,6)	(7,3)	7,0	5,3	(0,1)	7,2	11,8
Disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Acquisitions	0,0	(21,8)	(0,4)	(12,2)	0,0	0,0	0,0
Others	(0,0)	(0,2)	0,2	0,1	0,0	0,0	0,1
Cash flow from investing	(0,8)	(23,9)	(3,0)	(16,1)	(3,2)	(3,5)	(3,9)
Δ Debt	0,2	5,4	(3,0)	7,1	11,4	0,0	0,0
Δ Equity	9,1	37,0	(0,0)	7,3	2,9	0,0	0,0
Dividends paid (common & pref)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other financing cash flows	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from financing	9,2	42,4	(3,0)	14,4	14,3	0,0	0,0
Currency translation effect on cash	(0,0)	(0,1)	(0,1)	(0,1)	0,0	0,0	0,0
Δ cash	3,6	12,9	3,8	7,5	14,3	7,3	11,9

Cash BoP	nd	8,4	21,3	25,1	32,6	46,9	54,1
Cash EoP	8,4	21,3	25,1	32,6	46,9	54,1	66,0

KEY RATIOS	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Δ Sales	--	88,6%	145,6%	11,0%	(1,2%)	11,2%	12,8%
Δ EBITDA	--	563,0%	1359,2%	43,1%	(18,4%)	25,3%	25,6%
Δ EBIT	--	115,1%	(133,0%)	254,8%	(58,2%)	268,6%	44,1%
Δ Net income	--	239,5%	(89,3%)	(336,4%)	(15,5%)	366,5%	44,6%
Gross profit	49,9%	51,1%	55,9%	53,4%	55,1%	55,0%	55,3%
EBITDA margin	0,6%	2,1%	12,4%	16,0%	13,2%	14,9%	16,6%
EBIT margin	(10,0%)	(11,4%)	1,5%	4,9%	2,1%	6,8%	8,7%
Net margin	(10,4%)	(18,8%)	(0,8%)	1,7%	1,5%	6,2%	8,0%
EPS	(0,29)	(0,45)	(0,03)	0,07	0,05	0,25	0,36
DPS	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividend Yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
WC in % of sales	49,5%	53,7%	21,3%	19,3%	27,3%	26,7%	24,2%
DIO	229	190	110	88	125	110	100
DSO	126	221	90	83	95	98	92
DPO	110	217	138	138	120	120	120
FCF	(5,6)	(7,3)	7,0	5,3	(0,1)	7,2	11,8
FCF yield	0	0	0	3,0%	(0,0%)	4,1%	6,7%
Taux de conversion (FCF/EBITDA)	(5180,6%)	(1022,6%)	67,0%	35,5%	(0,5%)	47,1%	61,6%
CAPEX/Sales	5%	5%	3%	4%	3%	3%	3%
RoE	(12%)	(8%)	(1%)	2%	2%	6%	8%
RoA	(8%)	(5%)	(1%)	1%	1%	4%	5%
RoCE	(19%)	(4%)	2%	2%	2%	6%	9%
Net Gearing	(41%)	1%	(12%)	(2%)	(5%)	(12%)	(21%)
Net leverage ratio	n.m.	(0,4x)	n.m.	n.m.	n.m.	n.m.	n.m.
EV/Sales					1,9x	1,6x	1,3x
EV/EBITDA					16,0x	12,3x	8,9x
EV/EBIT					91,5x	23,8x	15,3x
P/E					128,7x	27,6x	19,1x

MIDCAP PARTNERS vs CONSENSUS

	2020E		2021E		2022E	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Sales	92,4	91,5	102,7	103,9	115,8	115,9
EBITDA	12,2	12,1	15,3	16,8	19,2	20,3
EBIT	1,9	2,6	7,0	7,0	10,1	9,9
EPS	0,05	0,12	0,25	0,29	0,36	0,40

GROUPE AURES

The Year When Anything Is Possible

11 Janvier 2021

BUY

Target Price: €30.5 (vs. €29.0)

Upside: **+22%**

A Year to Forget

2020 was logically impacted by the pandemic. The group's business is expected to decline by more than 20% in FY 2020. Nevertheless, the group should still manage to maintain its operational balance thanks to various government measures and in particular part-time employment measures in France. This FY's good news came mainly from the integration of RTG, which took advantage of the crisis to restructure the company and post a positive H1 operating profit (EBIT of €0.3m excluding amortisation of intangible assets), which should also be the case in H2.

Key Accounts to Revive the Group in the Short-Term

In the context of 2020's performance, the base effects will be easy. The group could also benefit from a few contracts to boost growth. It had announced a contract with Subway at the beginning of 2020. For the time being, uncertainty reigns over the deployment of this contract, but any good news will be a catalyst for the stock. Similarly, the group is awaiting the results of a call for tenders with Lidl. We are fairly confident about the results of this tender, Aures having already carried out the deployment of POS for Kaufland, a company in the same group.

Kiosks: A Buoyant Medium-Term Market

The other catalyst, oriented towards the medium- to long-term, will be the kiosk market. We have already amply highlighted the full potential of this market and we remain convinced of it. The group has fallen a bit behind, in our opinion, particularly in relation to NCR. However, the market is so huge that it could quickly catch up. Better still, this market can be tackled with limited costs since POS customers are potentially future kiosk customers. Nevertheless, the group has had to increase recruitment in order to accelerate its position in this market.

A Long-Term Hardware Supplier for Digital Stores

If POS still has potential, we believe that the group should change its profile in the coming years, reinforcing the recurrence of its business model and thus see valuation ratios well above its historical ratios. Indeed, in order to go beyond kiosks, the group has set up an Innovation division which should enable the group to meet all of retailers' needs to supply the hardware and meet the challenges of digital shopping (POS, kiosk, shelf, screen, label, etc.). RTG was also a first step with a service-oriented acquisition and therefore more recurrence. The group could also increase its software mix via acquisitions, in our opinion. The group's financial strength largely enables it to satisfy its ambitions. This shift would not be without risk but seems to us increasingly necessary.

An Attractive Valuation

The group is trading at very attractive 2021 valuation levels. At 9x EBIT 2021, we believe that the risk/reward is interesting. We are reiterating our Buy rating and raising our TP to €30.5 (vs. €29.0) after updating the group's peers' multiples and adjusting our market parameters.

Market information

Sector	Hardware
Price (€)	24,9
Market Capitalization (€m)	99,6
Market	Euronext C
Bloomberg	AURS FP

Shareholders

Patrick Cathala	37.3%
Alpenstock Mont Blanc	6.2%
Alto invest	5.0%
Free float	51.5%

M€ (31/12)	2019	2020e	2021e	2022e
Sales (M€)	115,9	90,9	111,3	121,0
<i>Change</i>	12,9%	-21,6%	22,4%	8,7%
EBIT	5,4	0,8	11,0	13,8
<i>Margin</i>	4,6%	0,9%	9,9%	11,4%
Net profit group	3,0	0,3	7,3	9,2
EPS (€)	0,76	0,07	1,85	2,34
<i>EPS change</i>	-63,0%	-91,3%	na	26,4%
Dividend (€)	0,37	0,00	0,89	1,13
<i>Yield</i>	1,5%	0,0%	3,6%	4,5%
FCF	7,0	-0,8	10,7	11,0
ROCE	9,1%	1,5%	20,1%	25,1%
EV/Sales (x)	0,0	1,2	0,9	0,8
EV/EBIT (x)	0,0	135,9	9,4	7,1
PE (x)	0,0	383,2	13,7	10,8
Net debt	9,1	13,1	4,2	-1,5
Gearing	32%	49%	12%	-4%

Midcap Partners estimates

Next event : Sales 2020 - January 2021

Recommendation history

Date	Recommendation
07/12/2020	BUY
03/12/2020	BUY

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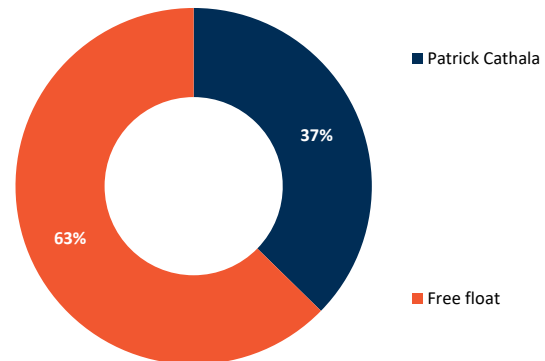


OVERVIEW

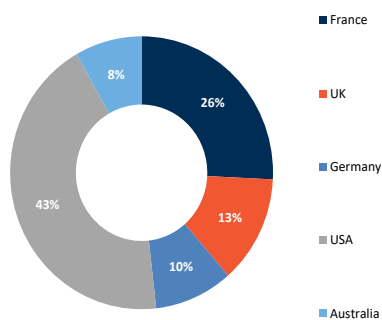
Description

Founded in 1989, AURES is a manufacturer of point-of-sale terminals and associated peripherals. In other words, the group offers equipment for the management and purchase of goods in specialised shops and all points of sale and service outlets. The group designs the products, subcontracts their manufacturing and markets them in 60 countries through a network of distributors and resellers. The group also has subsidiaries in the United Kingdom, Germany, Australia and the United States. 2018 marked a major milestone with the acquisition of RTG Group in the United States. The company is eligible for France's PEA-PME.

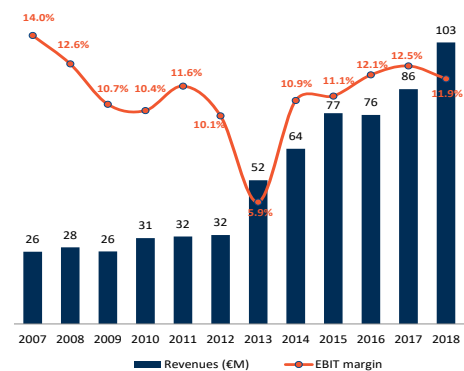
Shareholders



Revenue breakdown by segment



Business trends



SWOT Analysis

Strengths

- A unique positioning: design, product quality, tailor-made offer
- The ability to innovate and respond to customer needs: global offer for shopping digitisation
- A healthy financial situation
- Asset light model with strong operational leverage

Opportunities

- International development
- Hardware market abandoned by industry leaders
- Rise of Key Accounts
- Growth of the kiosk market

Weaknesses

- Dependence on the CEO
- Lack of visibility (even if the RTG acquisition brought some revenue recurrence)

Threats

- Rise of low-cost POS solutions
- Product delay or failure



Financial Data

Income statement							
€M	2016	2017	2018	2019e	2020e	2021e	2022e
Sales	76,2	85,6	102,7	115,9	90,9	111,3	121,0
<i>Growth</i>	0%	12%	20%	13%	-22%	22%	9%
Gross margin	27,0	31,7	40,4	55,1	43,7	56,7	61,1
<i>% of sales</i>	35%	37%	39%	48%	48%	51%	50%
External charges	-6,7	-8,2	-11,4	-18,6	-16,5	-17,7	-18,5
Personnel	-9,4	-11,0	-14,8	-25,9	-22,1	-23,7	-24,5
Tax	-0,4	-0,4	-0,5	-0,5	-0,5	-0,6	-0,6
Other operating income and expenses	-0,4	-0,4	-0,2	-0,3	0,0	0,0	0,0
EBITDA	10,1	11,7	13,5	9,8	4,6	14,7	17,5
<i>EBITDA margin</i>	13,2%	13,7%	13,2%	8,5%	5,0%	13,2%	14,5%
EBIT	9,2	10,7	12,2	5,4	0,8	11,0	13,8
<i>EBIT margin</i>	12,1%	12,5%	11,9%	4,6%	0,9%	9,9%	11,4%
Financial profit/loss	-0,6	-0,8	-0,1	-0,5	-0,5	-0,5	-0,5
Corporate Tax	-3,0	-3,1	-4,1	-1,8	-0,1	-3,2	-4,0
Net income attributable to the group	5,4	6,8	8,1	3,0	0,3	7,3	9,2
Balance sheet							
€M	2016	2017	2018	2019	2020e	2021e	2022e
Tangible and intangible assets	5,2	4,9	17,6	23,7	22,0	20,5	19,1
Long-term financial assets	0,3	0,3	1,5	1,5	1,5	1,5	1,5
Deferred tax	0,7	0,8	2,6	3,0	3,0	3,0	3,0
Current assets	34,7	39,1	41,5	44,7	37,8	41,9	45,8
Cash	6,3	6,0	9,8	10,7	6,7	15,6	21,2
Assets	47,3	51,1	73,0	83,6	71,0	82,5	90,6
Chairman and MD shareholders' equity	21,0	25,7	30,6	27,8	26,6	33,9	39,5
Minorities	0,1	0,1	0,1	0,2	0,2	0,3	0,5
Provision for risks and liabilities	1,2	1,3	1,4	1,5	1,5	1,5	1,5
Deferred tax	0,8	0,5	0,5	1,9	1,9	1,9	1,9
Financial debts	3,5	2,6	12,3	19,8	19,8	19,8	19,8
Current liabilities	20,7	20,9	28,0	32,5	21,1	25,2	27,5
Liabilities	47,3	51,1	73,0	83,6	71,0	82,5	90,6
Cash flow statement							
€M	2016	2017	2018	2019e	2020e	2021e	2022e
Net cash flow after cost of debt	6,6	8,2	9,1	6,7	4,0	11,1	13,0
WCR	-3,4	-5,1	-5,6	1,2	-4,5	0,0	-1,6
Tax charge – Tax paid	-0,6	0,4	0,4	-0,6	0,0	0,0	0,0
Cash flow generated by the activity	2,6	3,5	3,9	7,4	-0,5	11,1	11,4
Net CAPEX	-1,0	-0,5	-0,6	-0,4	-0,3	-0,4	-0,4
FCF	1,5	3,0	3,3	7,0	-0,8	10,7	11,0
Net financial investments	-0,1	0,0	-6,4	0,0	0,0	0,0	0,0
Borrowing variation	-1,0	-1,2	8,7	0,2	0,0	0,0	0,0
Dividends	-2,0	-2,0	-1,7	-3,9	-1,5	0,0	-3,6
Repurchases and resale of treasury shares	0,0	0,0	-0,5	-1,0	0,0	0,0	0,0
Cash flow related to financing transactions	-3,1	-3,2	6,5	-6,3	-3,3	-1,8	-5,3
Variation in cash over the year	-1,7	-0,2	3,4	0,8	-4,0	8,9	5,7



KEY RATIOS

	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales evolution	20,3%	-0,8%	12,3%	19,9%	12,9%	-21,6%	22,4%	8,7%
Gross margin	34,5%	35,5%	37,0%	39,4%	47,6%	48,0%	51,0%	50,5%
EBITDA margin	12,8%	13,3%	13,7%	13,2%	8,5%	5,0%	13,2%	14,5%
EBIT margin	11,1%	12,1%	12,5%	11,9%	4,6%	0,9%	9,9%	11,4%
Net margin	9,3%	7,1%	7,9%	7,9%	2,6%	0,3%	6,5%	7,6%
EPS	1,78	1,38	1,72	2,08	0,76	0,07	1,85	2,34
Dividend per share	0,50	0,48	0,40	1,00	0,37	0,00	0,89	1,13
Dividend Yield					1,5%	0,0%	3,6%	4,5%
WC % of revenues	15,0%	18,7%	22,2%	14,1%	10,8%	18,7%	15,3%	15,4%
DIO	97	145	155	126	140	155	135	135
DSO	61	60	55	59	59	59	59	59
DPO	82	103	88	62	62	62	62	62
FCF	7,3	1,5	3,0	3,3	7,0	-0,8	10,7	11,0
FCF yield					7,0%	-0,8%	10,7%	11,1%
Conversion rate (FCF/EBITDA)	75%	15%	25%	24%	71%	-17%	73%	63%
CAPEX/revenues	0,2%	1,4%	0,6%	0,6%	0,3%	0,3%	0,4%	0,3%
ROE	37%	26%	26%	27%	11%	1%	21%	23%
ROA	16%	11%	13%	11%	4%	0%	9%	10%
ROCE (after tax)	42%	33%	33%	25%	9%	1%	20%	25%
Gearing	-23%	-13%	-14%	8%	32%	49%	12%	-4%
Leverage	-0,4x	-0,3x	-0,3x	0,2x	0,9x	2,9x	0,3x	-0,1x
EV/Sales						1,2x	0,9x	0,8x
EV/EBITDA						24,6x	7,1x	5,7x
EV/EBIT						135,9x	9,4x	7,1x
PE						383,2x	13,7x	10,8x

MIDCAP PARTNERS vs CONSENSUS

	2020e		2021e	
	Midcap Partners	Consensus	Midcap Partners	Consensus
Revenues	90,9	91,2	111,3	108,5
EBITDA	4,6	4,6	14,7	11,5
EBIT	0,8	1,8	11,0	8,5
EPS	0,1	0,2	1,9	1,4

LDLC

An Inexhaustible Potential

11 January 2021

BUY

Target Price: €80.0

Upside: +70%

A Historic Six Months

The health crisis has enabled LDLC to demonstrate the relevance of its economic model. The group proved resilient in the face of the shock of the Covid-19 pandemic thanks to its omnichannel sales strategy (in-store and online) and its positioning as a specialist retailer. H1 sales were up 41.6% to €314.3m (vs. €222.0m in 2019/2020), of which 21% on a like-for-like basis, driven by dynamic demand for high-tech products. In six months, the group was able to sign-up 332k new customers, the same number as in FY 2019/2020. This reflects the remarkable performance of LDLC's sites, which benefited from the strong influx of new customers. The group was able to respond effectively to consumer needs by offering a consistent quality of service despite the health context. Indeed, LDLC obtained a score of 19.37/20, enabling it to retain its title of Best Customer Service of the Year for the 7th consecutive time.

An Outlook Improved Thanks to Covid-19

LDLC has twice raised its guidance for FY 2020-2021, which now forecasts sales in excess of €660m and EBITDA in excess of €53m (vs. €50m). The lockdown has reinforced consumer appetite for IT equipment. Indeed, the family computer model seems to be a thing of the past in the age of teleworking and digital technology. These trends, which are still very promising, should continue to increase the rate of household equipment and carry LDLC's growth over the medium-term. We believe that end-2020 will be well oriented despite a few shop closures in November following the second lockdown. We also anticipate a rebound in B2B activity H2 2020.

Profitability's Structural Improvement...

H1 2020-2021 was marked by a significant increase in gross margin, which stood at 21.9% compared with 19% for the same period last year. Taking profitability up a notch should be considered as a real *game changer* for LDLC. This performance can be explained, among other things, by the integration of the TopAchat business, acquired in April 2020. Indeed, the integration of LDLC's main competitor has significantly increased purchasing volume (TopAchat recorded €100m in 2019 revenue), which has led to an improvement in purchasing conditions from this year onwards. The 6-point increase in H1 EBITDA margin is a perfect illustration of the group's operating leverage.

...Has Not Yet Been Reflected in the Group's Valuation

The group's current valuation does not appear to reflect its expected profitability level. Indeed, LDLC is trading at multiples of EV/EBITDA 2021E (FY 2021/2022) at 5.2x and EV/EBITDA 2021E at 6.3x against respectively 12.9x and 16.2x for the median of the peers, whereas it has a higher margin level. Our valuation leads us to a TP of €80.0, indicating strong upside potential. We are thus reiterating our Buy rating.

Market Data

Industry	Retail
Share Price (€)	46,9
Market Cap (€M)	296,5
Market Segment	Euronext Growth
Bloomberg	ALLDL FP

Ownership Structure

De la Clergerie Family	40,2%
Treasury Shares	2,2%
Free Float	57,6%

€M (31/03)	2020	2021E	2022E	2023E
Sales (€M)	493,4	665,1	677,9	715,9
Growth	-2,8%	34,8%	1,9%	5,6%
EBITDA	16,8	53,9	52,0	56,4
EBITDA Margin	3,4%	8,1%	7,7%	7,9%
Net Income	8,3	33,0	32,0	35,5
EPS €	1,34	5,34	5,17	5,74
EPS growth	-273%	297,5%	-3,1%	11,0%
Dividend	0,00	0,53	1,03	1,15
Yield	0,0%	1,1%	2,2%	2,4%
FCF	8,4	30,7	35,1	38,1
ROIC		29,4%	23,3%	21,4%
EV/Sales (x)		0,4	0,4	0,4
EV/EBIT (x)		5,2	5,4	4,9
PE (x)		8,8	9,1	8,2
Net debt	8,5	-15,9	-44,6	-75,5
Gearing net	14%	-17%	-38%	-52%

Midcap Partners estimates

Upcoming Event

01/28/2021	Q3 2020-2021
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Contact

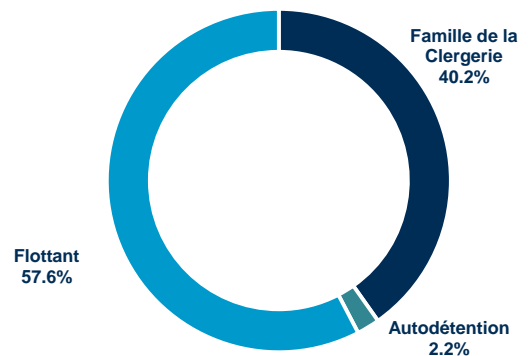
Analyst	Alessandro CUGLIETTA
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OVERVIEW

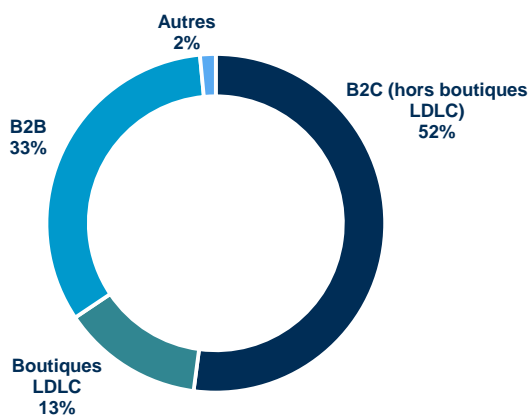
Description

LDLC Group was one of the first companies to enter the online sales market in 1997. Today, as a multi-brand specialised distributor and a major e-commerce player in the IT and high-tech market, the LDLC Group targets consumers (B2C) and professionals (B2B). It carries out its activities through 15 brands, has seven retail sites and employs nearly 1,000 people. Several times awarded for the quality of its Customer Relationship Management, recognised for the efficiency of its integrated logistics platforms, the LDLC Group is also developing a network of directly operated and franchised shops.

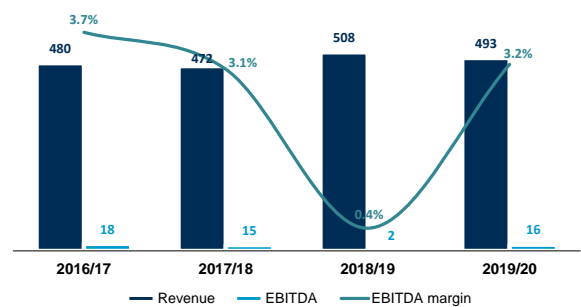
Shareholders



2019/2020 Revenue Breakdown by Segment



Business Trends



SWOT Analysis

Strengths

- French leader in online high tech
- Omnichannel strategy
- Integrated logistics
- Quality of customer service (elected customer service of the year for the 7th consecutive time)
- Healthy financial position
- Strong brand awareness
- Family business

Opportunities

- Demand for IT equipment boosted by the health crisis
- Equipment rates increase in France
- Launch of innovative products (Solaari, Studio VR, Nemeio...) with strong potential
- Diversification into other sectors

Weaknesses

- Dependence on exogenous factors (component prices, exchange rates, innovation cycle, etc.)
- Concentration on the high-tech sector
- Low international presence (<15% of revenue)

Threats

- Logistics & supply chain risks
- Slowdown in the French economy



Financial Data

Income statement						
€M	2018	2019	2020	2021E	2022E	2023E
Total sales	472,5	507,9	493,7	665,1	677,9	715,9
<i>Change</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>
COGS	(392,2)	(421,8)	(398,6)	(518,8)	(535,5)	(565,5)
Gross Profit	80,3	86,1	95,1	146,3	142,4	150,3
	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>
Sales & Marketing	(36,1)	(50,3)	(48,1)	(56,5)	(54,9)	(57,3)
Overheads & Admin.	(26,0)	(29,8)	(27,4)	(32,6)	(32,7)	(34,0)
Other revenues and expenses	(2,3)	(3,4)	(2,8)	(3,3)	(2,7)	(2,7)
EBITDA reported	15,9	2,5	16,8	53,9	52,0	56,4
	<i>% of revenue</i>	<i>3,4%</i>	<i>0,5%</i>	<i>3,4%</i>	<i>8,1%</i>	<i>7,7%</i>
Net depreciation, amortization and provisions	(5,7)	(8,0)	(10,1)	(7,6)	(8,1)	(8,6)
EBIT	10,3	(5,5)	6,6	46,3	43,9	47,8
	<i>% of revenue</i>	<i>2,2%</i>	<i>-1,1%</i>	<i>1,3%</i>	<i>7,0%</i>	<i>6,5%</i>
Extraordinary revenues and expenses	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA adjusted	10,3	(5,5)	6,6	46,3	43,9	47,8
	<i>% of revenue</i>	<i>2,2%</i>	<i>-1,1%</i>	<i>1,3%</i>	<i>6,5%</i>	<i>6,7%</i>
Financial result	(1,0)	(2,1)	(1,0)	(0,4)	(0,4)	(0,4)
Extraordinary revenues and expenses	(1,6)	(0,1)	10,5	0,0	0,0	0,0
Income tax	(2,3)	2,8	(7,9)	(12,8)	(11,5)	(11,8)
	<i>Tax rate</i>	<i>24,5%</i>	<i>37,3%</i>	<i>138,4%</i>	<i>28,0%</i>	<i>25,0%</i>
Net income	5,4	(4,8)	8,3	33,0	32,0	35,5
Minority	0,0	0,0	0,0	0,0	0,0	0,0
Net income group share	5,4	(4,8)	8,3	33,0	32,0	35,5
Balance sheet						
€M	2018	2019	2020	2021E	2022E	2023E
Goodwill	26,7	26,7	26,7	26,7	26,7	26,7
Tangible and intangible fixed assets	22,5	25,6	20,8	19,1	17,3	15,4
Tangible and intangible fixed assets	42,6	43,8	14,0	15,8	14,2	12,5
Financials assets	5,0	5,3	5,0	5,0	5,0	5,0
Deferred tax	1,4	4,2	2,5	2,5	2,5	2,5
Other assets	0,0	0,0	0,0	0,0	0,0	0,0
Current assets	124,8	108,5	106,4	143,4	146,0	154,1
Cash	30,8	17,3	19,9	36,3	65,0	95,9
Assets	253,7	231,4	195,3	248,8	276,7	312,1
Shareholder's equity	60,5	53,1	62,5	92,2	117,8	146,2
Minority	0,2	0,1	0,0	0,0	0,0	0,0
Provisions	2,6	3,6	8,6	8,6	8,6	8,6
Deferred tax	5,1	4,6	4,5	4,5	4,5	4,5
Financial debt	83,2	78,8	28,4	20,4	20,4	20,4
Other non-current liabilities	0,0	0,0	0,0	0,0	0,0	0,0
Current liabilities	102,2	91,2	91,3	123,1	125,4	132,4
Liabilities	253,7	231,4	195,3	248,8	276,7	312,1
Cash-flow statement						
€M	2018	2019	2020	2021E	2022E	2023E
Operating cash-flow	9,7	0,5	4,9	40,6	40,1	44,1
ΔNWC	21,2	2,5	7,5	(5,3)	(0,3)	(1,0)
Cash-flow from operating activities	30,9	3,0	12,4	35,4	39,8	43,1
CAPEX	(8,6)	(11,5)	(4,0)	(4,7)	(4,7)	(5,0)
FCF	22,3	(8,5)	8,4	30,7	35,1	38,1
Net acquisition of financial assets	0,0	0,0	24,2	0,0	0,0	0,0
Acquisitions	(14,5)	0,0	0,0	(3,0)	0,0	0,0
Other change in scope	0,0	0,0	0,0	0,0	0,0	0,0
Cash-flow from investing activities	(23,0)	(11,5)	20,2	(7,7)	(4,7)	(5,0)
Capital increase	0,4	0,0	0,0	0,0	0,0	0,0
Change in borrowings	0,0	(0,3)	0,0	0,0	0,0	0,0
Change in borrowings	11,8	(4,5)	(31,2)	(8,0)	0,0	0,0
Dividends	0,0	(0,1)	0,0	(3,3)	(6,4)	(7,1)
Other	(0,1)	(0,3)	0,0	0,6	0,0	0,0
Cash-flow from financing activities	12,0	(5,2)	(31,2)	(10,8)	(6,4)	(7,1)
Currency effect	0,0	0,0	0,0	0,0	0,0	0,0
Change in cash	19,8	(13,7)	1,4	17,0	28,7	31,0



KEY RATIOS

	2018	2019	2020	2021E	2022E	2023E
Revenue growth	-1,6%	7,5%	-2,8%	34,8%	1,9%	5,6%
Reported EBITDA margin	17,0%	17,0%	19,3%	22,0%	21,0%	21,0%
Reported EBITDA margin	3,4%	0,5%	3,4%	8,1%	7,7%	7,9%
EBIT margin	2,2%	-1,1%	1,3%	7,0%	6,5%	6,7%
Net margin	2,2%	-1,1%	1,3%	7,0%	6,5%	6,7%
Net margin	1,2%	-0,9%	1,7%	5,0%	4,7%	5,0%
Reported EPS	0,9	-0,8	1,3	5,3	5,2	5,7
Dividend per share	0,0	0,0	0,0	0,5	1,0	1,1
Dividende Yield	0,0%	0,0%	0,0%	1,1%	2,2%	2,4%
NWC as a % of Revenue	4,8%	3,4%	3,1%	3,1%	3,0%	3,0%
DIO	77,6	55,1	61,5	63,7	62,8	62,7
DSO	19,0	20,1	18,1	18,1	18,2	18,2
DPO	73,1	55,8	56,1	58,1	57,4	57,3
FCF	22,3	-8,5	8,4	30,7	35,1	38,1
FCF yield	0%	0%	0%	15%	17%	19%
Conversion rate (FCF/EBITDA)	140%	-341%	50%	57%	67%	68%
CAPEX/Sales	1,8%	2,3%	0,8%	0,7%	0,7%	0,7%
ROE	9,4%	n.m.	14,4%	42,7%	30,5%	26,9%
ROA	2,6%	n.m.	3,9%	14,9%	12,2%	12,1%
ROCE	5,8%	n.m.	n.m.	29,4%	23,3%	21,4%
Gearing, net	n.m.	112,9%	13,6%	-17,3%	-37,8%	-51,7%
Financial leverage	n.m.	24,0x	0,5x	-0,3x	-0,9x	-1,3x
EV/Sales				0,4x	0,4x	0,4x
EV/EBITDA				5,2x	5,4x	4,9x
EV/EBIT				6,0x	6,3x	5,8x
PE				8,8x	9,1x	8,2x

MIDCAP PARTNERS vs CONSENSUS

	2020E		2021E		2022E	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Sales	493,7	672,5	665,1	706,2	677,9	751,4
EBITDA	16,8	50,0	53,9	48,0	52,0	52,3
EBIT	6,6	45,9	46,3	43,4	43,9	47,4
EPS	1,3	5,1	5,3	4,9	5,2	5,4



Neodecortech

Behind the Scenes

11 January 2021

BUY

Target Price: **€4.6**

Upside: **+36%**

Covid-19 Impact In Line with our Forecasts...

H1 revenue landed at €54.5m, down €11.9m (-17.8% YoY) due to the negative impact of the Covid-19 pandemic. After an improved Q1 compared with the previous year, Q2 showed a 41.9% revenue decline to €21.2m (compared with €36.5m in 2019). Production activities were suspended in March and April at the Filago (BG), Casoli d'Atri (TE) and Guarcino (FR) plants.

...Strong Rebound in H2

In line with our forecasts, after the H1 difficulties, NDT operated at a higher rate than its historical average. During Q3 2020, the group increased its revenue by 4.6% (€34.1m) compared with the same period last year. This trend, which is above the historical average, also appears to be confirmed for H1 2021 orders. For these reasons, we expect NDT to end the year with revenue of €123m, demonstrating the group's resilience.

Improvement of the Domestic Environment Is Necessary

The lockdown and teleworking have reinforced the centrality of the home, stimulating demand for investment to improve domestic environments and benefit from the prospects of the entire furniture and flooring sector; the demand was also boosted by tax incentives. It is important to remember that NDT is mainly exposed to renovations, accounting for more than 80% of its revenue. In 2020, the furniture market in Italy represented €26.8bn and is expected to reach €32bn in 2025 following a CAGR of 3.6%. The growth of the Italian market should be stronger than that of the European market, the CAGR estimated to be 2.5%.

Recovery Funds Should Stimulate Real Estate Renovations

In the list of Italian projects under consideration for the use of "Recovery Fund" resources, the largest share is for the renovation of public and private buildings (€40bn). On 27 December 2020, the Italian Government approved the 2021 financial scheme, notably: (i) the extension, until June 2022, of the 110% super-bonus for energy efficiency interventions on buildings (however, a more structural extension until 2023 was not accepted), and (ii) an increase of the "furniture bonus" for renovations up to €16k, compared to €10k previously.

Intrinsic Valuation Not Understood by the Market

We are convinced that the market is not properly assessing the company's resilience, its forward-thinking view of the market and its ability to generate cash flow. Indeed, NDT is trading at an EV/EBITDA 2021E multiple of 5x compared to a 6.7x average for peers. In 2021 the company showed major resilience. Our valuation gives us a TP of €4.6, which bodes well for a strong upside potential. We are also reiterating our Buy rating.

Market Data

Sector	Basic Resources
Share price (€)	3,38
Market Cap. (€m)	45,7
Market Segment	MTA Italia
Bloomberg	NDT IM

Ownership structure

Finanziaria Valentini	61,6%
Free Float	38,4%

€m	2019A*	2020E	2021A	2022A
Sales	135,9	123,2	139,1	149,2
Change	1,7%	(9,3%)	12,9%	7,2%
EBIT	7,1	5,6	8,4	9,8
Margin	5,2%	4,5%	6,0%	6,6%
Net Income	4,0	2,6	5,0	6,2
EPS (€)	0,30	0,20	0,37	0,46
Change	(34%)	(35%)	91%	22%
Dividend (€)	0,15	0,15	0,09	0,11
Dividend Yield		3,9%	4,3%	2,6%
FCF	7,6	4,9	7,6	10,8
ROCE	5,9%	4,1%	6,2%	7,5%
EV/Sales (x)		0,7x	0,6x	0,5x
EV/EBIT (x)		15,1x	9,5x	7,5x
P/E (x)		11,7x	9,0x	7,4x
Net Debt	40,5	40,3	35,9	28,7
Net Gearing	66%	64%	54%	40%

Midcap Partners estimates

(*) Restated

Next events

02/03/2021 FY 2020

Recommendations historic

09/01/2021 Buy

Contact

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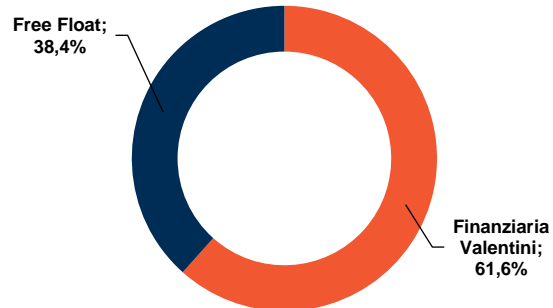


OVERVIEW

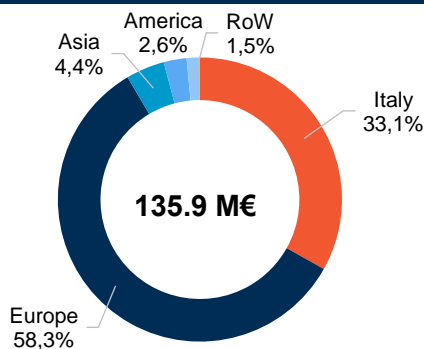
Description

Neodecortech, is the leading player in the design and manufacture of decorative surfaces (mainly paper, and more recently plastic) for the interior decoration and flooring industry and holds 5% of overall market share (excluding China). The group's activity covers all phases of the decorative paper production process, from raw materials management, through surface finishing and impregnation, to the finished product and end-of-line logistics management. The group has c.378 employees (as of June 2020).

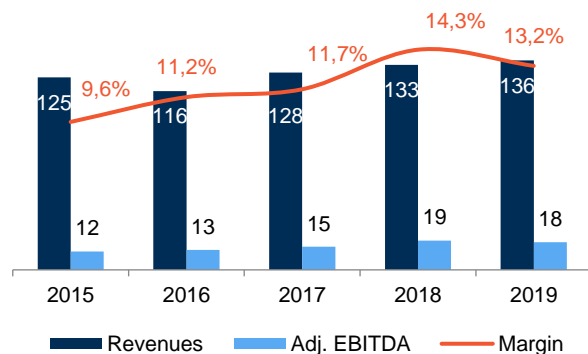
Shareholders



Revenue Breakdown by Region



Business trends



SWOT Analysis

Strengths

- Vertical integration for operational and cost efficiencies
- 100% *Made in Italy*, a differentiating factor for design, production & marketing
- Strong international positioning made possible by the strength of the distribution network
- Strong investments in R&D to maintain innovation

Opportunities

- M&A to consolidate the market and diversify the product range
- Investing in digital printing when the technology is more mature
- Modernisation of production sites to Industry 4.0 compliance

Weaknesses

- Tight financial structure, but expected to improve thanks to cash generation
- Strong concentration of the customer & supplier base, but normal for this niche sector
- Low stock liquidity

Threats

- Business cycles
- Price competition
- Competitor upgrading
- Limited size vs. Chinese & German competitors

Sources: Company, Factset, Midcap Partners



Financial Data

Income statement								
€M	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Total sales	127,7	133,5	135,9	123,2	139,1	149,2	157,0	163,1
<i>Change</i>	0,0%	4,5%	1,7%	-9,3%	12,9%	7,2%	5,3%	3,9%
Raw materials and consumables	(76,8)	(76,9)	(76,1)	(70,8)	(79,9)	(85,5)	(89,8)	(93,1)
External charges	(18,0)	(20,9)	(23,1)	(17,9)	(20,9)	(22,7)	(24,0)	(25,0)
Personnel costs	(17,5)	(18,0)	(20,7)	(20,9)	(21,6)	(22,5)	(23,2)	(23,9)
Other Operating costs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA reported	15,4	17,7	15,9	13,6	16,8	18,4	20,0	21,1
<i>% of revenue</i>	12,1%	13,3%	11,7%	11,0%	12,1%	12,3%	12,7%	13,0%
Extraordinary revenues and expenses	(0,1)	1,3	2,0	1,6	0,0	0,0	0,0	0,0
EBITDA adjusted	15,5	16,5	13,9	12,0	16,8	18,4	20,0	21,1
<i>% of revenue</i>	12,1%	12,3%	10,2%	9,7%	12,1%	12,3%	12,7%	13,0%
Net depreciation, amortization and provisions	(6,3)	(7,2)	(8,7)	(8,0)	(8,4)	(8,6)	(8,8)	(8,8)
EBIT	9,1	10,6	7,2	5,6	8,4	9,8	11,2	12,3
<i>% of revenue</i>	7,1%	7,9%	5,3%	4,5%	6,0%	6,6%	7,1%	7,6%
EBIT adjusted	9,2	9,3	5,2	4,0	8,4	9,8	11,2	12,3
<i>% of revenue</i>	7,2%	7,0%	3,9%	3,2%	6,0%	6,6%	7,1%	7,6%
Financial result	(2,7)	(3,0)	(1,9)	(2,2)	(2,0)	(2,0)	(2,0)	(2,0)
Income tax	(1,1)	(1,6)	(1,2)	(0,7)	(1,3)	(1,6)	(1,9)	(2,2)
<i>Tax rate</i>	-17,6%	-20,9%	-23,6%	-21,0%	-21,0%	-21,0%	-21,0%	-21,0%
Net income group share	5,2	6,0	4,0	2,6	5,0	6,2	7,2	8,2
Net income adjusted	5,3	5,0	2,5	1,4	5,0	6,2	7,2	8,2
Balance sheet								
€M	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Intangible fixed assets	3,3	3,5	2,9	2,9	2,9	2,9	2,9	2,9
Tangible fixed assets	72,6	76,7	78,9	75,9	74,0	72,9	72,1	71,4
Financials assets	1,6	3,9	1,9	1,9	1,9	1,9	1,9	1,9
Deferred tax	2,5	2,2	2,2	2,2	2,2	2,2	2,2	2,2
Other assets	2,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Current assets	66,2	65,8	63,8	64,2	70,2	72,2	74,3	76,9
Cash	6,1	6,5	3,5	8,3	5,8	10,7	15,1	20,1
Assets	154,4	158,5	153,1	155,3	156,9	162,6	168,3	175,3
Shareholder's equity	54,0	58,6	61,3	63,2	67,0	71,7	77,1	83,1
Minority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,5	0,7	0,9	0,9	0,9	0,9	0,9	0,9
Deferred tax	6,0	6,5	6,6	6,6	6,6	6,6	6,6	6,6
Financial debt	56,8	53,4	47,0	51,5	44,7	42,3	40,9	40,5
Other non-current liabilities	3,6	4,3	4,7	4,7	4,7	4,7	4,7	4,7
Current liabilities	34,8	35,0	32,6	28,5	33,0	36,4	38,2	39,6
Liabilities	155,7	158,5	153,1	155,3	156,9	162,6	168,3	175,3
Cash-flow statement								
€M	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Operating cash-flow	14,2	18,2	15,5	12,9	15,5	16,8	18,0	19,0
ΔNWC	0,0	(0,0)	(1,9)	(4,6)	(1,4)	1,5	(0,4)	(1,2)
Cash-flow from operating activities	14,2	18,2	13,6	8,3	14,1	18,3	17,6	17,7
CAPEX	0,0	(7,7)	(8,0)	(5,0)	(6,5)	(7,5)	(8,0)	(8,1)
FCF	14,2	10,4	5,6	3,3	7,6	10,8	9,6	9,6
Net acquisition of financial assets	0,0	0,0	2,7	0,0	0,0	0,0	0,0	0,0
Acquisitions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other change in scope	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash-flow from investing activities	0,0	(7,7)	(5,3)	(5,0)	(6,5)	(7,5)	(8,0)	(8,1)
Capital increase	0,0	0,0	0,0	1,2	0,0	0,0	0,0	0,0
Share repurchase	0,0	(0,1)	(0,2)	0,0	0,0	0,0	0,0	0,0
Change in borrowings	0,0	(6,2)	(7,6)	4,5	(6,8)	(2,4)	(1,4)	(0,4)
Dividends	0,0	(2,0)	(2,0)	(2,0)	(1,2)	(1,5)	(1,8)	(2,2)
Other	0,0	(1,7)	(1,5)	(2,2)	(2,0)	(2,0)	(2,0)	(2,0)
Cash-flow from financing activities	0,0	(10,1)	(11,3)	1,5	(10,0)	(5,9)	(5,2)	(4,6)
Change in cash	14,2	0,4	(3,0)	4,8	(2,4)	4,9	4,4	5,1



KEY RATIOS

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue growth	3,2%	4,5%	1,7%	-9,3%	12,9%	7,2%	5,3%	3,9%
Reported EBITDA margin	9,2%	13,3%	11,7%	11,0%	12,1%	12,3%	12,7%	13,0%
Adjusted EBITDA margin	10,4%	12,3%	10,2%	9,7%	12,1%	12,3%	12,7%	13,0%
EBIT margin	7,0%	7,9%	5,3%	4,5%	6,0%	6,6%	7,1%	7,6%
Net margin	4,4%	4,5%	3,0%	2,1%	3,6%	4,1%	4,6%	5,0%
Reported EPS	1,2	0,4	0,3	0,2	0,4	0,5	0,5	0,6
Dividend per share	0,2	0,2	0,2	0,1	0,1	0,1	0,1	0,2
Dividende Yield	0,9%	3,0%	3,9%	4,3%	2,6%	3,3%	4,1%	4,8%
NWC as a % of Revenue	-2,8%	20,6%	19,9%	25,7%	23,7%	21,1%	20,3%	20,3%
DIO	61,4	170,7	187,6	190,0	188,0	180,0	175,0	175,0
DSO	52,9	67,8	51,7	65,0	62,0	60,0	60,0	60,0
DPO	132,8	157,5	150,3	140,0	145,0	150,0	150,0	150,0
FCF	14,2	10,4	5,6	3,3	7,6	10,8	9,6	9,6
Conversion rate (FCF/EBITDA)	92%	59%	35%	24%	45%	58%	48%	46%
CAPEX/Sales	0,0%	5,8%	5,9%	4,1%	4,7%	5,0%	5,1%	5,0%
ROE	13,8%	10,3%	6,5%	4,2%	7,5%	8,6%	9,4%	9,8%
ROA	6,2%	3,8%	2,6%	1,7%	3,2%	3,8%	4,3%	4,7%
ROCE (after tax)	9,5%	10,2%	5,9%	4,1%	6,2%	7,5%	8,5%	9,4%
Gearing, net	4,7%	75,7%	66,2%	63,8%	53,6%	40,0%	29,7%	21,0%
Financial leverage	0,3x	2,5x	2,5x	3,0x	2,1x	1,6x	1,1x	0,8x
EV/Sales				0,7x	0,6x	0,5x	0,4x	0,4x
EV/EBITDA				6,2x	4,7x	4,0x	3,4x	3,0x
EV/EBIT				15,1x	9,5x	7,5x	6,1x	5,2x
PE				11,7x	9,0x	7,4x	6,3x	5,6x

MIDCAP PARTNERS vs CONSENSUS

	2020E		2021E		2022E	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Sales	123,2	125,6	139,1	139,6	149,2	149,2
EBITDA	13,6	14,0	16,8	18,0	18,4	#N/A
EBIT	5,6	5,8	8,4	8,9	9,8	9,8
EPS	0,2	0,2	0,4	0,4	0,5	0,5



SIDETRADE

Cash Is King

11 January 2021

BUY

Target Price: **€151.0**

Upside: **+30%**

The Current Crisis Has Reminded Us of the Importance of Cash

The crisis has reminded us that cash flow is the lifeblood of any economic activity; without cash flow, nothing is possible. After the emergency measures (State guaranteed loans, postponement of charges, etc.) to ward off the fire, organisations must now implement sustainable solutions to structurally improve their cash generation. Account receivables represent one of the largest cash reserves on the balance sheet and are still too poorly exploited. In a market that is still largely dominated by spreadsheets and manual processes, Sidetrade's software platform makes it possible to professionalise the financial management of Account Receivables thanks to intelligent automation technologies. Sidetrade's offer is perfectly in tune with the needs of organisations seeking to accelerate cash collection, notably by reducing payment delays and unpaid invoices.

Sidetrade Placed in the "Major Player" Category by IDC

For its 2nd edition, IDC's MarketSpace has undergone a widespread housecleaning with the exit of five players previously included, and the entry of Sidetrade in the "Major Player" category. IDC points out two of Sidetrade's strengths: 1/ its international footprint, which is a real asset in serving large multinational organisations (the group's major competitors are mainly active in the North American market), 2/ AI technologies that enable advanced actions in process automation, intelligent processing of customer requests, personalised reminder recommendations based on customers' past payment behaviour, etc. This referencing reinforces the quality of the group's positioning and strategy.

A History of Continuous Growth

Sidetrade is expected to close 2020 with organic growth of nearly +15%. This strong performance testifies both to the business model's high quality (revealed in a completely depressed macro context) and to the relevance of the group's solutions, which are fully in line with the needs of large organisations. This customer appetite for Order-to-Cash solutions provides a favourable framework that should enable the company to continue to grow significantly over the next few years. The strong momentum should continue into 2021 and the group has the capacity to double in size by 2024. The presentation of the new strategic plan is expected in H1 2021. It should give priority to an ambitious growth strategy, with the launch of operations in North America.

Strong Potential for Upgrading

The accelerating pace of organic growth and strong revenue recurrence (90% of revenue is generated through subscriptions with a structurally low rate of churn) are two key drivers for the continued appreciation of stock valuation multiples. The market is booming; the numerous Order-to-Cash transactions observed last year, with a marked inflation of valuations, also supports our opinion that the group is significantly undervalued.

Market data

Industry	Software
Share price (€)	116,0
Market cap (€m)	165,4
Market Segment	Euronext Growth
Bloomberg	ALBFR FP

Shareholders

Olivier Novasque	33%
Management	7%
Treasury shares	5%
Free float	55%

€m (31/12)	2019	2020e	2021e	2022e
Sales	25,7	29,5	34,6	41,6
Change (%)	17,0%	14,6%	17,6%	20,1%
EBIT	2,3	2,0	0,8	2,8
as % of sales	8,9%	6,9%	2,4%	6,8%
Net profit	2,2	1,9	0,7	2,7
Diluted EPS (€)	1,53	1,12	0,50	1,90
Change (%)	1%	-27%	-55%	280%
Dividend (€)	0,00	0,00	0,00	0,00
Yield (%)	0,0%	0,0%	0,0%	0,0%
FCF	1,8	4,1	-0,1	2,1
ROCE	13,3%	14,4%	5,5%	17,6%
EV/SALES (x)		5,3	4,5	3,7
EV/EBIT (x)		ns	ns	ns
PE (x)		ns	ns	ns
Net debt	-5,0	-9,1	-8,9	-11,0
Gearing (%)	-30%	-49%	-47%	-51%

Midcap Partners estimates

Next event: Q4 revenue - 01/26/2020

Past recommendations

Date	Recommendation
10/09/2019	Buy

Analyst: Jean-Pierre Tabart
 Mail: jptabart@midcapp.com
 Tel: (+) 33 1 78 95 71 60

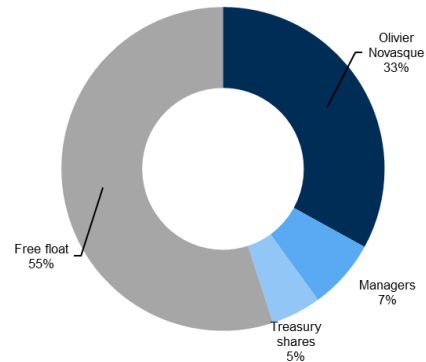


OVERVIEW

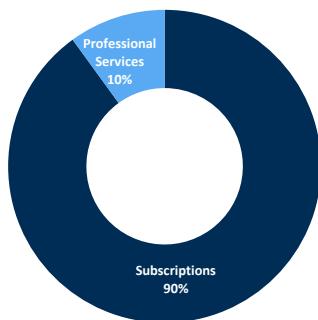
Description

Sidetrade is a leading provider of Cloud-based Artificial Intelligence solutions to accelerate revenue and cash flow. Sidetrade provides a 100% SaaS platform for digitising and automating processes related to the financial management of accounts receivables, from Order-to-Cash (or O2C). Over the last 3 years, Sidetrade has processed in its Cloud more than 313 million invoices representing €984bn of transactions involving more than 6 million debtor companies worldwide. Sidetrade has 250 employees based in Paris, London, Birmingham, Dublin and Amsterdam.

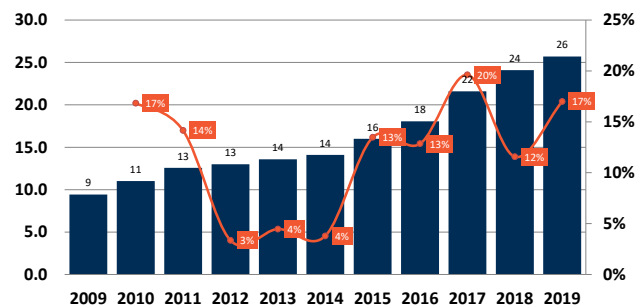
Shareholders



Revenue breakdown by segment



Business trends



SWOT Analysis

Strengths

- A pure SaaS model with a recurring subscription-based revenue model that gives great visibility on the company's development
- Diversified and quality customer base (Key Accounts) with a high retention rate (churn less than 5%)
- The platform addresses an emerging market that is still largely under-equipped.
- Solid financial structure with a net cash position

Opportunities

- Acquisitions (technological and functional reinforcement of the platform or acquisition of customer base)
- Development of the indirect sales force (partnership with major consulting firms)
- U.S. development

Weaknesses

- No downstream O2C offer (Cash Application, Online B2B payment option)
- Limited partnership network

Threats

- Emergence of players supported by significant financial resources without any constraints regarding short- and medium-term profitability
- Human resource tensions in a highly competitive market that could hamper the ability to speed up the recruitment of sales staff

Sources: Company, Midcap Partners



Financial Data

Income statement							
€M	2016	2017	2018	2019	2020e	2021e	2022e
Net sales	18,1	21,6	24,1	25,7	29,5	34,6	41,6
<i>Growth</i>	12,8%	19,8%	11,3%	6,8%	14,6%	17,6%	20,1%
	<i>% of sales</i>	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
External costs	7,2	8,2	9,0	9,1	10,4	12,2	14,6
Personnel costs	11,3	14,2	16,3	18,5	21,5	26,7	30,2
Taxes	0,3	0,3	0,3	0,3	0,4	0,5	0,6
Other current product and liabilities	-3,2	-4,1	-4,4	-4,9	-5,6	-6,4	-7,5
EBITDA	2,5	3,0	2,8	2,7	2,7	1,6	3,8
	<i>% of sales</i>	13,9%	13,9%	11,6%	10,5%	9,2%	9,1%
Net depreciation, amortization and provisions	0,4	0,9	0,4	0,4	0,7	0,8	1,0
Non-current operating expenses	0,0	0,0	0,2	0,1	0,0	0,0	0,0
EBIT	2,0	2,1	2,2	2,2	2,0	0,8	2,8
	<i>% of sales</i>	11,2%	9,8%	9,1%	8,6%	6,9%	6,8%
Result of equity affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial result	0,0	-0,1	0,0	0,0	-0,1	-0,1	-0,2
Income tax	-0,2	-0,1	0,0	0,0	0,0	0,0	0,0
	<i>Tax rate</i>	12%	3%	-1%	-2%	0%	0%
Net income	1,8	2,0	2,2	2,2	1,9	0,7	2,7
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net income group share	1,8	2,0	2,2	2,2	1,9	0,7	2,7
Balance sheet							
€M	2016	2017	2018	2019	2020e	2021e	2022e
Goodwill	4,2	8,5	8,9	8,8	8,8	8,8	8,8
Tangible & intangible fixed assets	1,7	1,1	1,1	1,1	1,3	1,4	1,5
Financial assets	0,7	0,8	0,7	0,8	0,8	0,8	0,8
Accounts receivables	5,2	5,9	7,5	7,9	9,0	10,6	12,8
Other current assets	2,0	3,0	5,6	6,2	4,0	5,7	7,4
Cash	7,2	6,0	5,5	5,3	9,4	9,3	11,4
Assets	21,0	25,3	29,3	30,1	33,4	36,6	42,6
Shareholder's equity	10,8	13,1	16,0	16,4	18,4	19,1	21,8
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,8	0,7	0,9	0,6	0,6	0,6	0,6
Financial debt	0,3	0,4	0,4	0,3	0,3	0,3	0,3
Accounts payable	2,8	2,4	2,2	1,8	2,4	2,8	3,4
Other current liabilities	6,3	8,6	9,8	11,0	11,7	13,8	16,5
Liabilities	21,0	25,3	29,3	30,1	33,4	36,6	42,6
Cash flow statement							
€M	2016	2017	2018	2019	2020e	2021e	2022e
Cash flow from operations	2,5	3,1	2,6	2,4	2,6	1,5	3,6
Change in WCR	1,1	-1,9	-1,7	0,2	2,4	-0,8	-0,5
Operating cash flow	3,7	1,1	0,9	2,6	5,0	0,7	3,1
Capex	-0,3	-0,6	-1,0	-0,8	-0,9	-0,9	-1,0
FCF	3,4	0,6	-0,1	1,8	4,1	-0,1	2,1
Disposal of fixed assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Impact of changes of scope	-2,1	-1,2	-1,1	0,0	0,0	0,0	0,0
Dividends	-0,7	0,0	0,0	0,0	0,0	0,0	0,0
Capital increase	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Purchase/sale of shares	-0,2	-0,6	0,8	-1,9	0,0	0,0	0,0
Change in debt	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0
Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net change in cash	0,3	-1,2	-0,5	-0,2	4,1	-0,1	2,1

KEY RATIOS

	2017	2018	2019	2020e	2021e	2022e
Sales growth	20%	11%	7%	15%	18%	20%
Ebit margin	10%	9%	9%	7%	2%	7%
Net margin	9%	9%	9%	7%	2%	6%
EPS	1,4	1,5	1,6	1,1	0,5	1,9
Dividend per share	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Yield	0%	0,0%	0,0%	0,0%	0,0%	0,0%
WCR as % of sales	-10%	5%	5%	-4%	-1%	1%
DIO	NM	NM	NM	NM	NM	NM
DSO	99	114	112	112	112	112
DPO	NA	NA	NA	NA	NA	NA
FCF	0,6	-0,1	1,8	4,1	-0,1	2,1
FCF yield				2,5%	ns	1,3%
Conversion rate (FCF/EBITDA)	19%	ns	66%	151%	ns	55%
CAPEX/Sales	3%	4%	3%	3%	3%	3%
ROE	15%	14%	13%	10%	4%	12%
ROA	8%	7%	7%	6%	2%	6%
ROCE	18%	14%	13%	14%	6%	18%
Gearing	-42%	-32%	-30%	-49%	-47%	-51%
EV/CA				5,3x	4,5x	3,7x
EV/EBITDA				57,8x	95,5x	40,6x
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	29,5	29,4	34,6	35,1	41,6	42,2
EBITDA	2,7	3,4	1,6	3,4	3,8	5,0
EBIT	2,0	2,3	0,8	1,5	2,8	3,2
EPS	1,1	1,3	0,5	0,9	1,9	2,1

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 (€)	Rating	Warning
Audiovalley	3,6	BUY	D,G
Chargeurs	17,6	BUY	Nil
Ekinops	6,96	BUY	Nil
Groupe Aures	24,9	BUY	G
LDLC	46,9	BUY	G
Neodecortech	3,38	BUY	G
Sidetrade	116	BUY	D,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;

C LOUIS CAPITAL MARKETS - MCP, alone or with other related legal entities, is related to the issuer through other significant financial interests;

D LOUIS CAPITAL MARKETS - MCP or any legal entity related to it is a market maker or a liquidity provider with which a liquidity contract has been concluded in relation to the issuer's financial instruments;

E LOUIS CAPITAL MARKETS - MCP or any legal entity related to it has, within the last twelve months, acted as lead manager or joint lead manager for an offer relating to the issuer's financial instruments, and that offer has been made public;

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 January 2021, the recommendations issued by the Midcap research team at LOUIS CAPITAL MARKETS – MCP break down as follows:

Rating	Companies covered	of which "Corporate" clients
Buy	67%	77%
Hold	27%	21%
Sell	5%	0%
Tender	2%	2%

The reference prices used in this document are the closing prices. Any opinion given in this document reflects our current judgement and may be modified at any time without prior notice. LOUIS CAPITAL MARKETS - MCP has adopted effective administrative and organisational arrangements, including information barriers to prevent and avoid conflicts of interest in relation to investment recommendations. The remuneration of the financial analysts involved in drafting the recommendation is not tied to the corporate finance business. Past performance is no guarantee of future performance.

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