

NEWS

19 October 2021

AUDIOVALLEY

Feedback from the half-year results presentation (+)

(Company)

We note from the presentation :

1/ Targetspot remains the group's powerful growth driver. The 9-month growth is impressive, particularly in North America (+80% in Q3 after +72% in H1), where the advertising market has rebounded strongly. Europe is lagging behind, with stop-and-go phases, but since the beginning of September, the region seems ready to rebound in unison. The end of the year thus promises to be very dynamic across the regions. Targetspot seems to be in a position to achieve a growth of +50% at constant exchange rates for the whole year. The group is constantly working to launch new inventory formats (text-to-audio, audio in video, gaming) which could broaden its addressable market and enrich its value proposition.

2/ Audiovalley pursues its investments to structure a second growth engine in the artist services business. Historically under the Jamendo brand, these activities will be reorganized. The group's ambition here also seems quite immense. The new organization will be disclosed at Midem (November 16) and along with it the range of services that the group wishes to provide to artists. The division should take the name of Winamp (the name of the famous player) and include a range of services including Bridger, the entity dedicated to the management of copyrights (whose launch is confirmed for January 1st 2022). We understand that Winamp will host or manage all categories of artist revenue (from various rights to live music, merchandising, etc.). Thanks to digital, the independent artist segment has become a full market within the music industry, but no global platform yet comes along to offer, in a kind of super-app, a one-stop-shop of services. As there is a Spotify for music consumers, the group's ambition might be to create an equivalent service for artists.

The group is perfectly positioned on two markets with very high potential that can lead to change its scale business in just a few years. Buy opinion and TP of € 6.2 maintained.

Buy, TP of 6,2 € - Jean-Pierre Tabart : +33 1 55 35 69 41

Market Data

Industry	Media Technology
Share Price (€)	3.5
Market Cap (€M)	46.0
Market Segment	Euronext Growth
Bloomberg	ALAVY FP

Ownership structure

Founders/Management	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
<i>Growth</i>	-10.8%	42.7%	34.5%	25.5%
EBIT	-3.4	-2.4	-0.4	1.9
<i>Op. Margin(%)</i>	-17.1%	-8.4%	-1.0%	3.9%
Net income	-4.8	-3.5	-1.5	0.7
EPS diluted €	-0.39	-0.22	-0.07	0.08
<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	-0.3	0.4	2.3	4.5
ROCE	ns	ns	ns	7.1%
EV/Sales (x)		1.8	1.3	0.9
EV/EBIT (x)		ns	ns	24.2
PE (x)		ns	ns	ns
Net Debt	14.5	5.5	3.2	-1.3
<i>Gearing</i>	98%	28%	18%	-7%

Midcap Partners estimates

Upcoming event : Sales Q4 - 27/01/2022

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- 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.

Conflict of Interests

Company	Conflict Type
AUDIOVALLEY	E,G
FNAC DARTY	Nil
VIRBAC	Nil
WIIT	G

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