

AMA

Short-term pain for long-term gain

December 9, 2021

The new success story of the Guillemot brothers

In the universe of companies created by the Guillemot brothers (Ubisoft, Gameloft, Guillemot Corp.), AMA is the latest to go public. Specialized in assisted reality solutions for the service, industrial and medical sectors, the company was listed last July with a €38.2m fundraising, of which €14m subscribed by Guillemot Brothers. Driven by the ambition of global development and expansion of the assisted reality solutions market, AMA presents itself as a hyper-growth company. Even though the story does not get off to a good start, with a major sales warning for 2021, it retains an extremely attractive development outlook which should enable it to regularly double in size over the next few years.

A booming assisted reality market

AMA has invested in assisted reality for a number of years now, thanks to financial support from the Guillemot family. The investment has been made well ahead of the opening up of the market, with assisted reality having long been used solely by the Innovation directors of large groups and POCs solely in terms of its long-term commercial potential. Yet the adoption of assisted reality solutions has made significant progress over the past 2 years and the market is now ripe for lift-off, driven by investments by large groups in Industry 4.0 and the Digital Workplace. A pioneer in the market, AMA is ideally positioned to ride on the crest of this wave. The potential market is immense and the company has already demonstrated its ability to deploy large-scale solutions with the largest of accounts.

What are the expectations?

With the funds raised during the IPO, the group decided to accelerate investment in order to acquire significant market share. The group is therefore seeking to significantly increase its R&D and S&M staff over the next few years. These investments are central to enhancing the commercial footprint of the group around the world (AMA already markets its solutions through a direct sales force located in about a dozen countries) and to further improving the inter-operability, security, functionalities and use cases of its XpertEye platform. These investments will significantly impact the group's profitability over 2021-2023. However, they should lead to very high revenue growth enabling it to attain critical mass within 4-5 years, generating high operating leverage.

Initiation at BUY with a PT of €4

The stock has fallen back sharply since the IPO, unsurprisingly affected by the sales warning issued during publication of Q3 revenue. We expect that a return to significant growth levels in H2 2022 should enable the stock to bounce back very strongly. Growth will be driven by the large-scale deployment of the group's solutions and by recurring SaaS revenues, capitalising on past sales. The uptick in revenue should lead to higher valuation multiples, the scale of which will itself be dependant on the size and sustainability of revenue growth. Banking on the group's ability to get back on the path to hyper growth from H2 2022, we are anticipating a significant rise in revenue multiples. We are initiating coverage of the stock at Buy with a PT of €4.

BUY

Price target: €4

Potential: **+66%**

Market data

Industry	Software
Share price (€)	2.40
Market cap (€m)	53.9
Market Segment	Euronext Growth
Bloomberg	ALAMA FP

Shareholders

Guillemot family	79.0%
Employees	3.4%
Registered shareholders	1.2%
Floating	16.4%

€m (31/12)	2020	2021e	2022e	2023e
Sales	6.4	6.7	12.6	24.2
Change (%)	263.4%	4.0%	89.1%	91.0%
Current EBIT	-7.3	-9.7	-9.7	-7.3
as % of sales	ns	ns	ns	ns
Net profit	-7.4	-10.0	-10.0	-7.6
Diluted EPS (€)	-0.19	-0.52	-0.44	-0.34
Change (%)	ns	ns	ns	ns
Dividend (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0%	0.0%	0.0%	0.0%
FCF	-9.3	-10.7	-13.1	-11.9
ROCE	ns	ns	ns	ns
EV/SALES (x)		4.8	3.6	2.4
EV/EBIT (x)		ns	ns	ns
PE (x)		ns	ns	ns
Net debt	2.5	-21.5	-8.1	4.1
Gearing (%)	41%	-69%	-38%	31%

TP ICAP Midcap estimates

Next event: Q4 revenue - 01/31/2022

Past recommendations

Date	Recommendation
12/9/2021	Buy

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Table of contents

AMA OVERVIEW	2
THE ORIGINS OF AMA	4
WHAT ARE THE BENEFITS OF ASSISTED REALITY?	5
WHAT ARE THE STRENGTHS OF AMA?	6
WHAT IS THE GROUP'S BUSINESS MODEL?	7
A MARKET RIPE FOR LIFT-OFF	10
WHAT ARE THE DRIVERS OF GROWTH?	12
WHAT ARE THE ANTICIPATED DRIVERS OF RESULTS?	15
THE GROUP'S FINANCING IN CLOSE-UP	18
VALUATION	20
FINANCIAL DATA	26
DISCLAIMER	27

AMA Overview

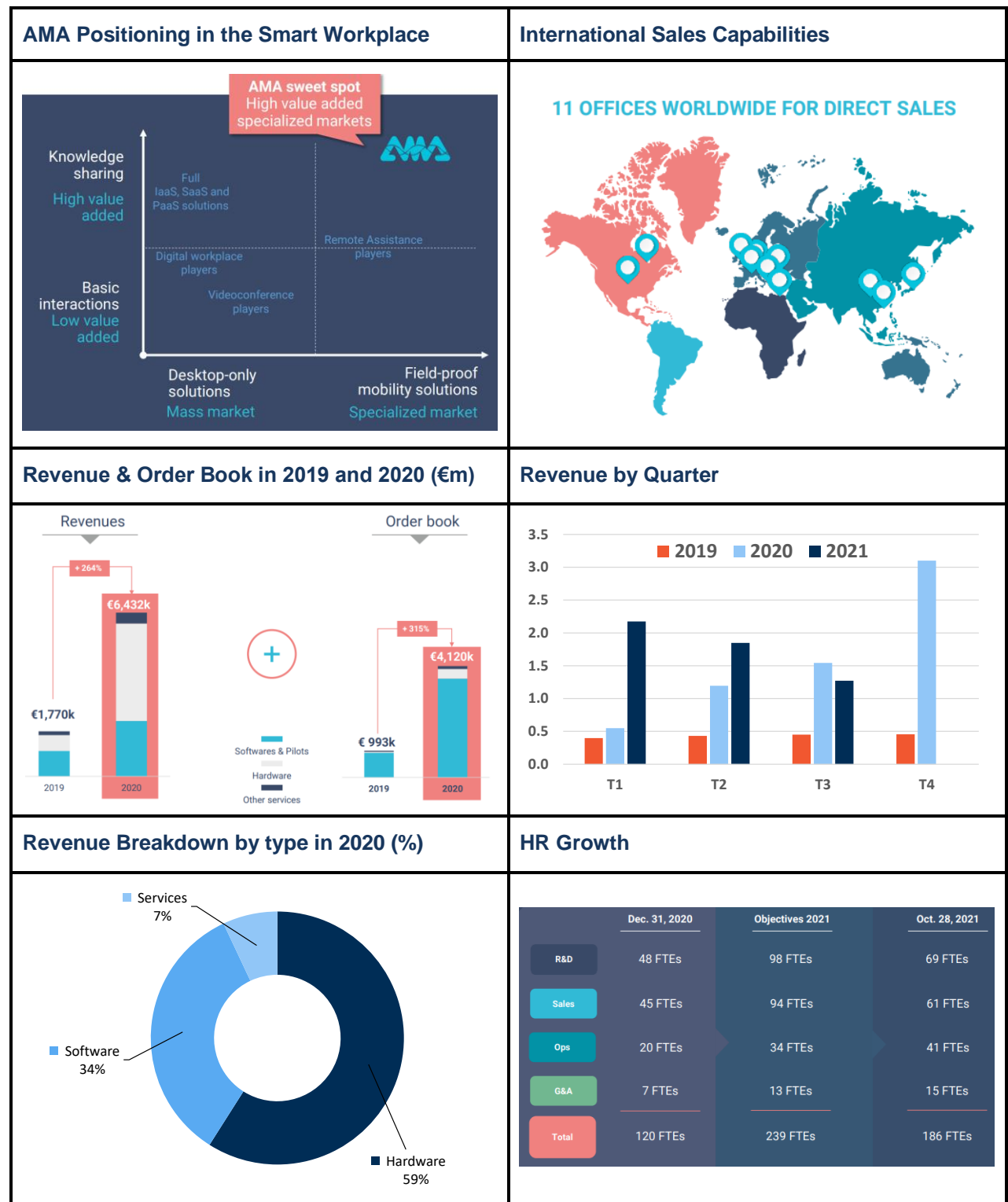
Description

The AMA Group is a publisher and integrator of software solutions enhancing collaborative work and a supplier of advanced and highly-secure remote assistance solutions for connected devices. The AMA Group's XpertEye solution offers apps in the fields of assisted reality, dynamic workflow administration and online scheduling. By associating the apps with smartglasses or another camera source (endoscope, microscope, dermatoscope, etc.), these innovative solutions enable experts and technicians on site to share data and knowledge in real time, thereby providing the simplest and most effective form of assistance to users. They meet the growing challenge of digitalisation for entities seeking to enhance productivity and competitiveness in a variety of fields ranging from teleassistance to telemaintenance, quality control and training.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Track record of the Guillemot brothers in the creation of avant garde technologies and company development Positioning as a pioneer in assisted reality Successful commercial penetration at major accounts Close client proximity thanks to R&D focussed on clients' needs 	<ul style="list-style-type: none"> Uncertainty about the timing and pace of large-scale client deployments Lack of critical mass Investment cycle leading to high losses
Opportunities	Threats
<ul style="list-style-type: none"> Increasing adoption by companies of assisted reality solutions Gains of new client accounts Extension into new territories Multiplication of use cases and verticals 	<ul style="list-style-type: none"> Cyber risks Hyper-competitive market that may lead to the emergence of operators able to reduce the group's competitive advantages

AMA Overview



The origins of AMA

In the Guillemot brothers' universe

Advanced Mobile Applications (AMA) was founded in 2004 by the five Guillemot brothers. The company was then positioned as a publisher of games for mobile phones. The history of AMA took a first decisive turn in 2013 when the company joined the Google Glass Explorer programme, enabling it to access the smartglasses developed by Google and its development programmes.

After unsuccessful testing in the games sector, in 2014 the group made a first successful development in the medical field (surgical operation in France followed live by a surgeon in Japan), enabling it to join a very select circle of operators certified by Google (*Google Glass at Work Certified Partner*) in 2015. The company then further refocussed its strategy by targeting developments in the medical sector, followed in 2016 by industrial sectors.

Since then, AMA has been a publisher and integrator of assisted reality software solutions in the medical and manufacturing sectors. A pioneer in its market, the group invested very early – ahead of phase given the commercial maturity of the market – in order to develop its software platform XpertEye, with financial support from its reference shareholders (the Guillemot family).

Funds totalling €38.2m raised to accelerate development

After 5 years of investment, the group enjoyed rapid development in 2020. The health crisis and lockdowns mean that all operators are obliged to consider remote working solutions. The group's order book is overflowing. Assisted reality solutions are finding their market and this proliferation is validating AMA's strategy of early positioning.

In order to maintain its technological edge and accelerate the development of its worldwide commercial footprint, the company was listed in July 2021 with a fundraising round of €38m, of which €14m subscribed by Guillemots Brothers. The Guillemot family currently has a 79% stake. The balance is held by employees (3.4%), other registered shareholders (1.2%) and the free float (16.4%). The five Guillemot brothers sit on the AMA board, which was recently expanded with the appointment of three independent directors (Pascale Laverrière, Nami Itoh-Korsholm and Christine Chan). The board also includes Etienne Guillemot.

A specialist in assisted reality

AMA offers the XpertEye platform for accessing software covering assisted reality, dynamic workflow administration and online scheduling. Associated with hardware (notably smartglasses), these solutions enable remote experts and on-site technicians to be connected for secure exchange of information in real time, supporting activities in the fields of remote assistance, maintenance and inspection in an extremely wide range of use cases.

Accelerated by the pandemic, digital transformation has itself accelerated the adoption and exploitation of remote working solutions. But most of these systems mainly cover businesspeople working in offices. Other professionals working in the field remain some distance from enjoying the benefits of these advances. AMA's solutions help to fill this gap, enabling operators in the field to communicate and exchange information in complete security while maintaining use of their hands to carry out inspections, audits, repairs, maintenance, etc.

AMA's target clientele is major accounts (Fortune 1000) served by a direct sales force located in Europe (notably France, Germany and the UK), North America (US and Canada) and Asia (Hong Kong, Shanghai and Japan). The group maintains very close relationships with its clients, whose feedback enables it to focus future developments of the XpertEye platform. The group undertakes not to make any specific developments – only generic solutions benefiting all its clients (whether they use the system or not).

What are the benefits of assisted reality?

Assisted reality is one of the multiple drivers of digitalisation in organisations and their processes. They help to create a smart workplace leading to the introduction of working methods that enhance employees' agility and productivity. It represents a critical link between remote experts and on-site operators.

Assisted reality offers:

- **Access to information.** The professional in the field can access information or instructions on their smartglasses, even in remote areas;
- **Immediate access.** The professional in the field is able to connect with an expert immediately in order to resolve a problem or carry out an urgent task, minimising wait times and operational downtime (caused by the availability and arrival of an expert on site);
- **Data collection and exchange.** It is possible, for example, to take photos/videos which can be instantly forwarded through voice commands;
- **Unrestricted use of the hands.** Although the utilisation of connected digital objects such as tablets is fairly commonplace in factories, smartglasses offer the additional and unrivalled advantage of providing the operator with unrestricted use of their hands to carry out tasks without being encumbered by a device or having to remove their gloves. The operator is therefore able to remain fully focussed on the movements associated with the task at hand;

Assisted reality offers advantages in multiple fields:

- **Improved administration of expert interventions.** By enabling experts to act remotely in order to guide and train personnel in the field, it is possible to more effectively manage groups of experts within large organisations confronted by a limited talent pool. Increased availability of experts able to intervene any time and anywhere generates efficiency gains;
- **Reduction of the carbon footprint.** Assisted reality significantly reduces travelling requirements by directly connecting remote experts with on-site operators. This benefit turns AMA into agent of change able to reduce its clients' carbon footprint. As AMA's clients are mainly international groups already committed to an ambitious CSR approach, using AMA's solutions helps them to attain their CO₂ emission reduction targets;
- **Higher productivity from experts.** As the travelling requirements of experts are reduced, they lose less time making journeys and are therefore able to carry out more interventions. Remote working offers significant savings in terms of time which can then be assigned to productive tasks. Such benefits are all the more significant for groups with a major international presence through their various subsidiaries and sites around the world;
- **Reduced equipment/plant shutdown times.** Quick remote expert intervention reduces equipment or plant shutdown times. The rapid resolution of a technical incident can significantly reduce the losses caused by production interruptions.

What are the strengths of AMA?

Focus on security

Having started its first developments in the medical sector (a solution for the emergency services) where the system security constraints and data confidentiality have to meet the highest of standards, it has always been an integral part of AMA's DNA to incorporate the strictest of requirements in terms of data protection and software security. A level of requirements that is replicated for the industrial sectors in which the group is developing and which constitutes a key differentiation factor. As AMA targets large international clients, questions of security and confidentiality constitute issues of the highest order. The group therefore focusses on:

- Providing a high level of software security and resilience designed to limit service interruptions and guarantee rapid recovery in the event of an incident, ensuring permanent connectivity even in environments with patchy network coverage. The group implements a proactive policy managing cybersecurity risks (SecDevOps approach, regular audits, intrusion testing, ISO 27001 and ISO 9001 certification pending);
- Minimise data collection. The data is encrypted and AMA neither collects nor retains any data (image, video, documents, etc.) shared by the users of its solutions. AMA only retains the log data required to execute the contract, without any access to the information exchanged when connected. Given the confidential and sensitive nature of the information transmitted, this approach guarantees trust among clients seeking a high level of control and protection of their data.

High level of support

Excluding technical support, which is a fundamental and basic service, the group stands out by making a project manager available to its clients who manages client activities from the pre-sale phase (analysis of needs, technical recommendations, etc.) right up to deployment (coordination of personnel, testing, training, etc.) and subsequently provides support services (utilisation and feedback, point of contact for enhancement requests, etc.).

The project managers act as interface between AMA R&D and the needs of existing and potential clients, guiding the developments roadmap in order to satisfy clients' needs as closely as possible. This is a key factor in ensuring client satisfaction and the adoption of new services. It is clearly a central factor in limiting churn and developing the closest of relationships with clients.

This client proximity also leads to the identification of new use cases by existing and potential clients. The development of such new use cases is a major driver of growth, expanding the group's potential market. Although AMA does not make client-specific developments (all developments are integrated within the platform's code and are available to all clients), they are structured in line with the range of requests emanating directly from the field. If a request appears to be useful and pertinent, or is issued by a large number of clients, it is covered by an upgrade which is subsequently shared with all clients.

Unlike the large publishers which develop solutions where the client must itself adapt in order to acquire the solutions it requires, AMA's approach is one where the development of its offering is guided by in-depth interaction with existing and potential clients. It is obviously a more lengthy and costly process, yet one which leads to high levels of trust among clients, and therefore more repeat business in the long term.

What is the group's business model?



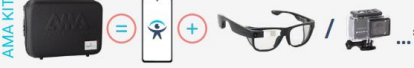
Focus on the AMA product offering

The group's offering is structured around the XpertEye platform, which currently incorporates 3 categories of solutions:



- Assisted reality solutions with XpertEye Lite, XpertEye Essential and XpertEye Advanced;
- Dynamic workflow administration solutions with XpertEye Proceed;
- Online scheduling solutions with XpertEye Schedule.

XpertEye Platform

Core assisted reality solutions

<p>Xperteye Lite</p> <p>Click & connect to collaborate</p> <ul style="list-style-type: none"> ✓ Remote assistance tool, using a secured link in a web browser 	<p>Xperteye Essential</p> <p>See what I see</p> <ul style="list-style-type: none"> ✓ Hands-free collaboration with smart glasses and voice control 	<p>Xperteye Advanced</p> <p>Transfer knowledge at once</p> <ul style="list-style-type: none"> ✓ Rely on multiple video sources to facilitate decision-making and accurately solve problems remotely 
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Complementary tools

<p>Xperteye Schedule</p> <p>Online booking and scheduling</p> 	<p>Xperteye Proceed</p> <p>Workflow management through mobile and wearables</p> 
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Source: AMA

Among the assisted reality solutions:

- XpertEye Advanced is the most comprehensive solution. It provides access to all the functionalities available with the Essential and Lite solutions. It also provides support for a wide range of video sources (smartglasses, endoscopes, microscopes, thermal cameras, etc.);
- XpertEye Essential is a head-up and hands-free assisted reality solution. It enables the user fitted with smartglasses to connect with a remote expert in order to share what is in their field of vision;
- XpertEye Lite is a solution that enables the user to join an assisted reality call from a web browser from any device. It is a system that combines videoconferencing and collaboration functions enabling remote exchanges.

Revenue recognition

The solutions are mainly sold in kit form linking software licences (mainly under an SaaS model) developed by the group with third-party hardware (smartglasses, smartphones, etc.).

The Essential and Advanced licences are associated with the hardware (smartglasses for Essential and smartphone for Advanced), whereas the Lite licences are associated with a particular user (the licence provides entitlement to unnamed access which can therefore be shared by multiple users, although the number of simultaneous users is restricted). Subscription to licences for add-ons (Schedule and Proceed) is also user-specific.

The selling price of the kits depend on various factors:

- The licence being used;
- The hardware being used;
- The commitment period (24 to 72 months), while the company applies regressive pricing for clients committing to longer periods. The average client commitment period is currently 24 months.

The selling price of the kits is currently within the range of €3k and €7k for a 24-month commitment. Licence subscription includes updates, maintenance and technical support. Revenue from hardware sales is recognised immediately on client delivery, whereas software revenue is spread out evenly over the term of the contract (SaaS model).

Commercial targets

The group exclusively targets large international accounts, most of which are in Fortune 1000, in a wide range of sectors. This ensures that AMA targets clients: 1/ With a proven requirement for this type of solution, which will then be developed by the group to ensure that the solution most closely satisfies the client need; 2/ With significant recurrent budgets; 3/ Offering very high deployment potential (international presence with dozens/hundreds of subsidiaries + an ecosystem of service providers). At the end of October 2021, the group had 466 clients (of which 141 new clients).

Selected clients

Transportation	Manufacturing	Chemicals & Pharma	Healthcare	Audit / Consulting
 RENAULT NISSAN MITSUBISHI  SAFRAN  ALSTOM  faurecia  MICHELIN	 P&G  Henkel  INTERNATIONAL PAPER  ArcelorMittal  IMERYS  SAINT-GOBAIN	 MERCK  Boehringer Ingelheim  gsk  SOLVAY  AkzoNobel  Air Liquide	 Boston Scientific  stryker  Medtronic  NHS  SAMU	 KPMG  McKinsey & Company  bsi.

Source: AMA

Sales model

The group has a direct sales force and is therefore not dependant on any distributor. The sales function had 45 FTEs as at 31/12/2020. The initial objective was to virtually double the sales force by the end of 2021, rising to some 200 employees in 2023. Given the challenges of complementary developments that have recently emerged, these objectives will not be met and will be shifted in time. As at the end of October, the sales function had 61 employees.

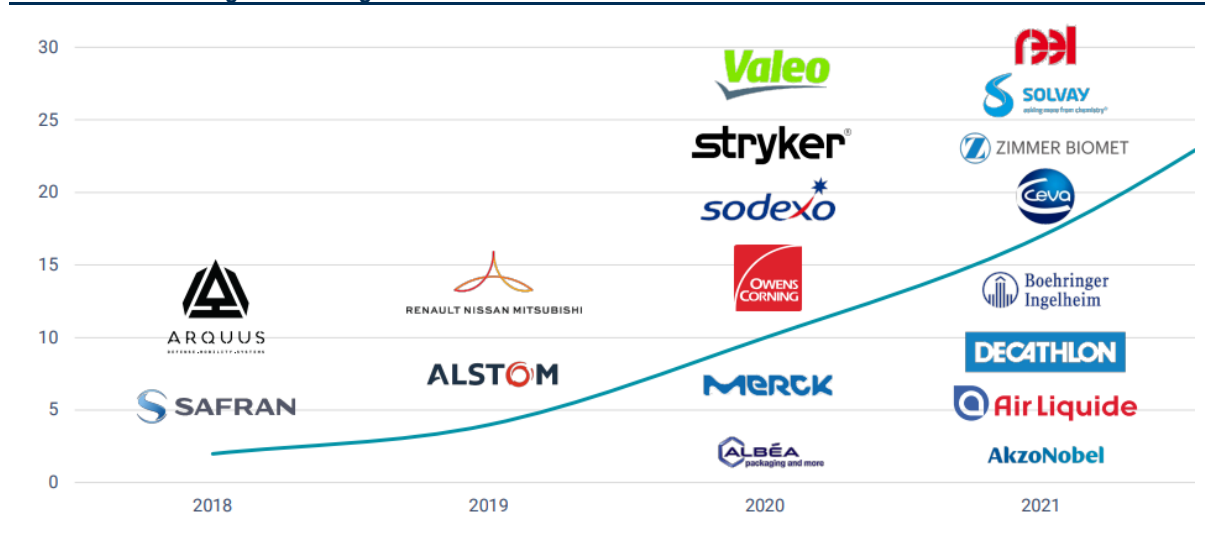
This direct sales force is viewed as a key element of the group's strategy. As already stated, AMA's proximity to its clients enables it to identify new use cases, to obtain feedback leading to solution enhancements and to develop new add-ons in response to the expressed needs.

AMA is establishing an international sales force in order to deploy in all the regions where its clients operate and to seize the opportunities of a market that is truly global. The group currently has ten sites dedicated to sales: 5 in Europe (France, Germany, UK, Italy and Romania), 2 in North America (US and Canada) and 3 in Asia (Hong Kong, Shanghai and Japan). The roadmap includes plans to strengthen the group's presence in all these regions and also to expand coverage by establishing new sites (Spain, Singapore, Latin America, Australia, Dubai, Indonesia and Russia).

The group also signed a distribution partnership with Orange Business Services in June 2021 to commercialize its solutions in France.

The group has already expended several years of effort to win over the market through trade fairs, POCs, small-scale use phases, etc. The major accounts have now reached adequate maturity to be ready to invest in assisted reality solutions on a massive scale. Yet the sales process is accompanied by relatively lengthy cycles, given that the tender and bid selection phase takes time and is technically complex. Subsequently, the account deployment phase may itself take a number of years, with gradually rising revenue. In order to accelerate the deployment phases, the group is seeking to develop master agreements. The group's strategy is naturally one of expanding its client base and then signing an increasing number of master agreements with these major accounts, enabling it to deploy within the client group while avoiding a certain number of irritants (technical approval, purchasing process, etc.).

Number of Master Agreements Signed



Source: AMA

Although the time required to win a new client and deploy within its group is lengthy, AMA nevertheless benefits from limited churn. Clients display a high level of ownership with regard to the solution deployed. Additionally, once the group has established its presence at the client, there exists a high level of loyalty and it becomes difficult to change solution.

A market ripe for lift-off

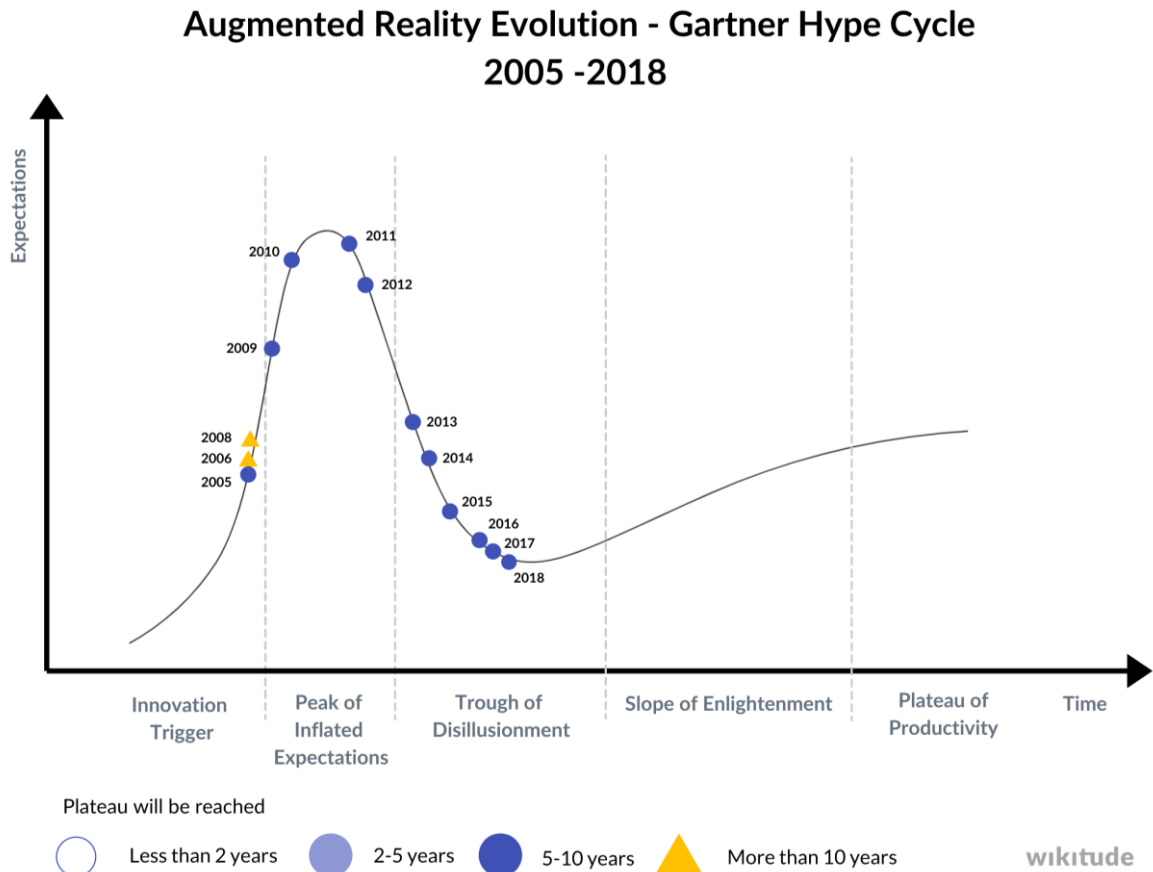
From hype to the emergence of genuine commercial opportunities

Augmented reality has long been viewed as an emerging technology, with promises of a bright yet distant future. But time has elapsed and this bright future has now become a contemporary reality. The adoption of augmented reality has accelerated over the past 2 years.

Perfectly symbolic of this maturity, augmented reality has not been covered for 2 years now by the famous Gartner Hype Cycle, which illustrates annual developments to the merits of emerging technologies. This marks the transformation of augmented reality from an emerging technology (to be monitored) into a mature technology (to be exploited). After the buzz, the POCs and pilot projects, augmented reality is arriving at a stage where companies are beginning to invest in it on large scale.

The Gartner analysis is a perfect fit with the experience of AMA, with its development curve rising exponentially over the past 2 years following its many years of investment in R&D, despite the commercial viability having yet to be proven. The penetration rate of the technology is clearly still very limited, but the market is ripe for massive adoption over the coming years. A significant investment cycle is commencing and AMA is set to capitalise on this wave to win major contracts and enjoy rapid growth.

Augmented Reality Evolution – Gartner Hype Cycle 2005

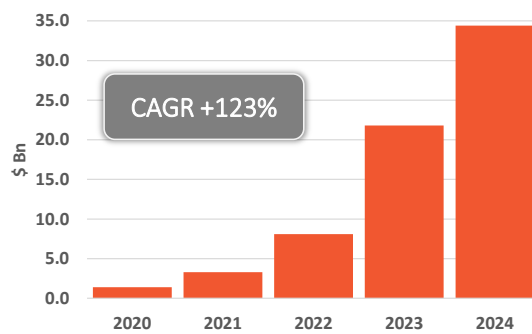


Source: Gartner, Wikitude

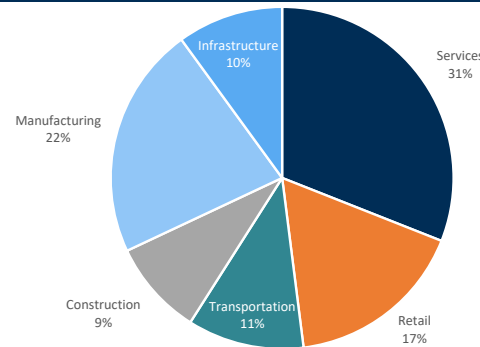
An enormous market far from having hit the glass ceiling

All market studies converge on the notion that the augmented reality market offers the potential of hyper-growth over the next 5 years, even though the numbers differ according to the business sectors covered by the various studies. The diffusion potential of the technologies into numerous use cases opens up the path to especially rich and varied growth segments, sustained by the infusion of digitalisation within organisations and notably development of the Digital Workplace. IDC estimates the global market at \$1.4bn in 2020 and forecasts that it will double in size each year over 2021-2023, reaching some \$35bn in 2024.

Worldwide AR/VR Revenue Forecasts, in billion USD



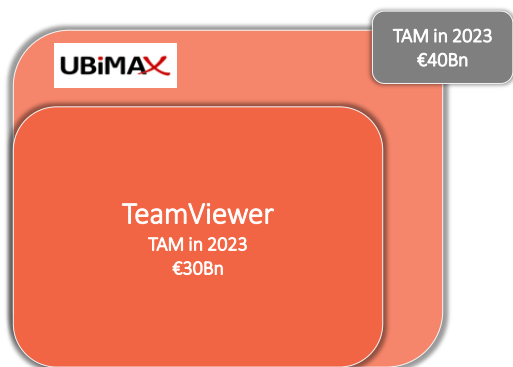
2024 Revenue Breakeven



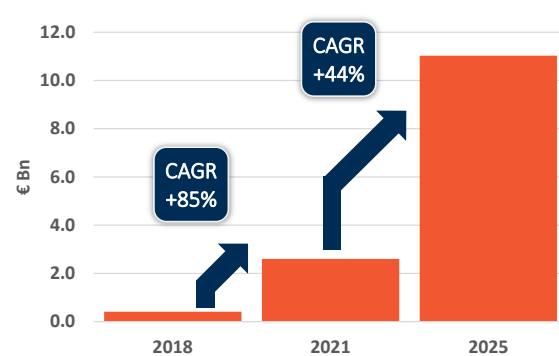
Sources: IDC, Worldwide Augmented and Virtual Reality Spending Guide, March 2021

Valuation of the most pertinent market addressable by AMA is probably the figure communicated by TeamViewer, the group's main competitor since its takeover of Ubimax (July 2020). In acquiring Ubimax, TeamViewer had estimated that the acquisition would enable it to expand its addressable market by €10bn by 2023. At its recent Capital Market Day (November 10), TeamViewer updated this forecast by stating that Ubimax's addressable market was expected to grow by +44% over the next 4 years, to reach €11bn in 2025, thus materializing a 2-year delay compared to its initial estimate.

TAM expansion with Ubimax



AR TAM Growth



Source: TeamViewer

The market remains emergent even though it is finally taking off and expanding daily as new use cases appear. The installation rate is low, opening up very significant scope for investment over the coming years leading to adoption of the technologies on a massive scale.

What are the drivers of growth?

With its global growth objective in a market of very high potential, AMA has the profile of a hyper-growth company capable of regularly doubling in size. This development strategy will be based on the following drivers.

Gaining new client accounts

The group only targets the very large accounts in the Fortune 1000. These international clients offer significant large-scale deployment potential given the scope of their activities (several tens of thousands of employees in all continents, plus the significant networks of service providers). The group had 466 clients after the first 9 months of 2021, an increase of +141. Gaining new clients is a strategic element of the group's long-term growth, given the lengthy sales and ramp-up cycle. It justifies the creation of an international sales force located in all the large American, European and Asian markets. The investment should lead to successful seizure of a maximum number of opportunities and provide the group with a global footprint.

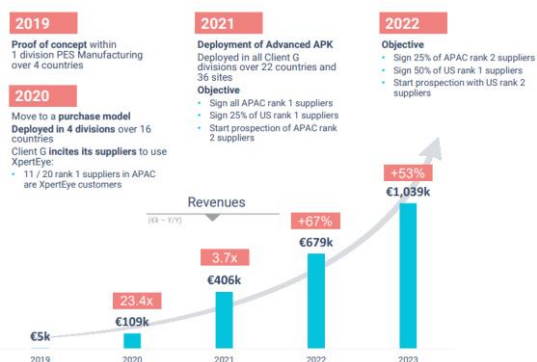
Increased revenue with each client

The group's clients are not at the same stage of solution adoption and none has reached peak adoption. At the time of the IPO, the group distinguishes between confirmed and exploratory clients. The confirmed client category covers those having generated revenue of more than €15 p.a., whereas the exploratory category covers those who have generated insignificant revenue (below €15k). The confirmed client category include multiple sub-categories in line with generated revenue (from a few tens of thousands of euros to several hundreds of thousands of euros).

The group's objective is obviously to develop volume with each client, transferring them from Exploratory to Confirmed, followed by a higher revenue base with gradual extension of solution utilisation within the group in question as a whole (new subsidiaries, new countries, new service providers, etc.). Many client examples communicated by AMA demonstrate this ramp-up from the experimentation phase to large-scale deployment.

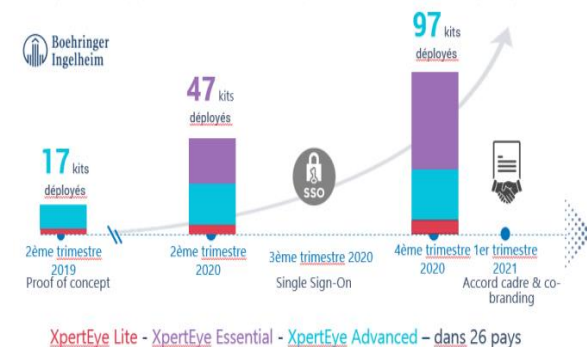
Ramp-up Example

(anonymised client in the Transportation sector)



Ramp-up Example

(Boehringer Ingelheim)



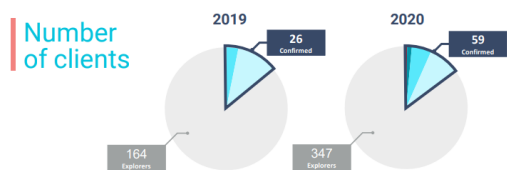
Source: AMA

Revenue growth with existing clients will result from:

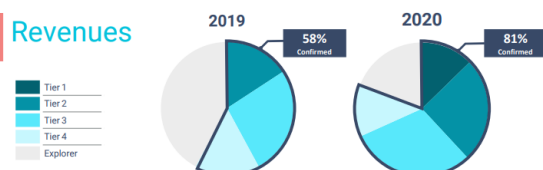
- The volume effect associated with large-scale deployment within the client account (increased number of licences used by the client);
- A mix effect with expansion of the group's solution offering (commercialisation of new modules providing new services).

The growth potential associated with AMA's existing client base is considerable, as just a few clients are currently generating the lion's share of total revenue. In 2020, therefore, just under 15% of clients accounted for over 80% of the group's total revenue.

Client Breakdown



Revenue Breakdown



Source: AMA

Churn among confirmed clients already generating significant revenue is very limited, even virtually zero (none in 2020). It confirms that, once deployed, the client seamlessly integrates AMA's solutions and has no reason to change. Virtually all churn concerns exploratory clients in the experimentation and testing phase, generating insignificant revenue with AMA.

Growth of the Customer Base

	2019	2020	9M 2021
Explorers	164	347	nd
Confirmed	26	59	nd
Total	190	406	466

New Logo vs Churn

	2019	2020	9M 2021
New Logo	--	262	141
Churn	--	46	81

Source: AMA

Pursuit of regional expansion

International development lies at the heart of the group's growth strategy:

- The market is global;
- The group's clients are themselves international groups with sites on all the continents;
- The group's solutions realise their full value when implemented in the context of an international working environment. It is in this utilisation context that they are most pertinent and provide the highest ROI.

The group therefore strives to establish itself in all strategic regions of the world. Already operating in North America (US and Canada), Europe (France, Germany, UK, Italy and Romania) and Asia (Hong Kong, China and Japan), the group is planning to establish operations in additional territories over the coming years (Spain, Australia, Latin America, Dubai, Russia, etc.).

Developing use cases

One of the strengths of AMA's business model is the development of close client proximity through which the company is able to identify new use cases. Emanating from client needs, the field of possibilities is immense and the development of new use cases and verticals will contribute to expanding the group's accessible market and therefore boosting its growth potential.

New Use Cases and New Verticals to Extend the Total Addressable Market

Remote assistance	Remote training	Inspection	Telehealth	Other...	Other...
 <ul style="list-style-type: none"> Emergency support Guidance Equipment setup & maintenance ... 	 <ul style="list-style-type: none"> On-the-job training Skill upgrading Mentoring 1st person training Do what I do ... 	 <ul style="list-style-type: none"> Audits Maintenance Equipment inspections Quality assurance Non-destructive testing Declaration of non-compliance Factory acceptance test Diagnosis ... 	 <ul style="list-style-type: none"> Telemedicine Medical emergencies Teleconsulting Live surgery Emergency care ... 		

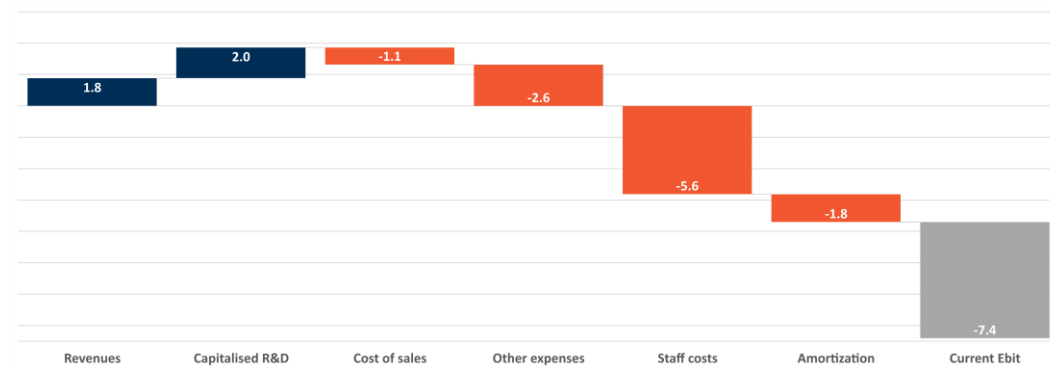
Sources: AMA, TP ICAP Midcap

What are the anticipated drivers of results?

Review of 2019-2020 results

AMA is a young company going through a structural investment phase in order to develop its offering and commercial footprint, leading to its emergence as a market leader in assisted reality. Results in 2019 and 2020 were therefore logically negative as commercial activities had only just commenced.

Detailed operating expenses (2019)



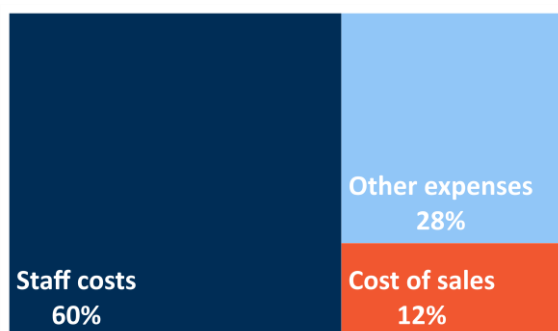
Detailed operating expenses (2020)



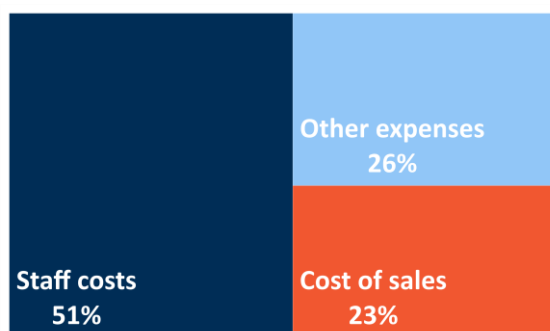
Source: AMA

The largest expense item is personnel expenses. These are reduced by the group capitalising a proportion of its R&D costs (€1.9m in 2019 and €2.3m in 2020), mostly equating to the wage bill. By reincorporating these expenses, personnel costs account for around 60% to 70% of the total expenses incurred by the group.

Relative expense breakdown (2019) (exc. capitalised R&D costs)



Relative expense breakdown (2020) (exc. capitalised R&D costs)



Source: AMA

Investment cycle to seize the market

In order to seize the booming assisted reality market and to remain in the vanguard, the group has entered an accelerated investment phase, in terms of both technology in order to enhance functionalities and the use cases covered by the platform, and in commercial terms in order to increase its client presence and gain new clients while expanding its geographical coverage. Although the company is yet to attain critical mass, this investment cycle will necessarily cause it to incur losses during at least the next 2 to 3 years. Accelerated investment in R&D and S&M should enable AMA to accelerate its growth, rapidly increasing in size ahead of achieving significant operating leverage.

R&D. As at 31/12/2020, R&D consisted of some fifty employees, around 40% of the total headcount. The initial ambition was to increase the number of employees to 200 by 2023, i.e. a 4-fold increase. If the path is confirmed, the timeframe for reaching this target should be postponed. At end-October 2021, the R&D function had reached nearly 70 employees. R&D is based in Rennes and is organised in teams following the Agile Methods approach. Several teams are therefore dedicated to solution development, with others focussing on client API (application programming interfacing), software testing, Level 3 support and the collaborative project dedicated to 5G. In its roadmap, cybersecurity and the enhancement of the solution's interoperability with new hardware and client IT systems feature at the forefront of group's priorities.

S&M. The S&M team had just under fifty employees at 31/12/2020, and it was also predicted to see a 4-fold increase to some 200 employees by 2023. While the ambition has not changed, the timing has. The ramp-up in sales staff recruitment is now dependent on the progress of additional developments that emerged in H2 2021, which will lead to a delay of several half-years compared with the initial plan. Being pragmatic, the group is driving its sales investments according to the advancement of its technological developments and its forecasted level of activity. AMA will therefore slow down the pace of sales staff recruitment in the coming quarters. The group's sites abroad are subsidiaries solely dedicated to selling the group's solutions. The group currently has operations in Germany, UK, Italy, US, Canada, China and Japan. AMA is planning to reinforce its sales resources at existing sites and also to establish new subsidiaries (including Spain, Australia and Dubai).

Profitability sensitive to the size effect and product mix

AMA's investments in OPEX will therefore impact its profitability. In addition to such investments, which the company can nevertheless adapt to the pace of revenue growth, its profitability will be driven by 2 main factors:

- The size effect. With annual revenue still well below €10m, AMA's operations do not yet cover its OPEX. The group will most likely need to produce 3 years of consecutive hyper-growth to change scale and attain critical mass enabling it to break even;
- The mix effect. In addition to just revenue growth, the profitability level also depends on the mix on which such growth is based. AMA's business model is based on the sale of software and the resale of hardware (notably smartglasses). The profitability of individual sales varies significantly in line with the mix (licence alone, licence + hardware, etc.) and the revenue recognition timetable (100% of hardware recognised in Year 1, whereas software sales are spread out over the term of the contract), given that gross margin on software is nearly 100% while that for hardware is around 25%.

Since prices can vary significantly depending on the licenses and hardware selected by customers, sales and gross margin are likely to vary significantly depending on the sales mix. Thus, a combined sale of software and hardware in the middle of the fiscal year with a two-year commitment will generate more revenue in Year 1 than in Year 2. However, the gross margin will be higher in Year 2 than in Year 1 despite lower sales.

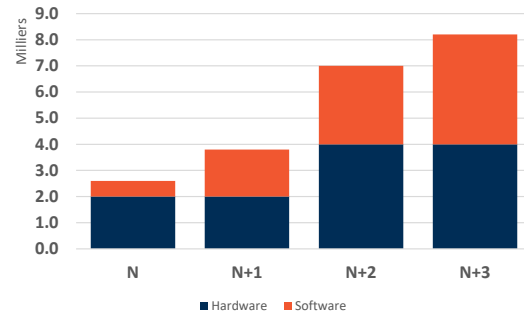
It can therefore be anticipated that very high sales in Q4 of a given financial year, reflecting quite typical purchasing seasonality with large group's, will lead to revenue boosted by the hardware value while minimising the software value, which will be fully recognised in the next period.

The simulations below demonstrate the revenue recurrence model of a given sales mix (kit with $\approx 40\%$ software and $\approx 60\%$ hardware), with changes in gross margin. With stable sales from one year to the next, the gross margin would rise by between $\approx 40\%$ and $\approx 60\%$ on revenue due to recurring software revenue (SaaS model).

Revenue and gross margin simulation for a kit sale combining software and hardware

Order intake	1	1	1	1
(€/kit)	N	N+1	N+2	N+3
Hardware	2000	2000	2000	2000
Software	1200	1200	1200	1200
Total	3200	3200	3200	3200
Revenue (€)	N	N+1	N+2	N+3
Hardware	2000	2000	4000	4000
Software	600	1800	3000	4200
Total	2600	3800	7000	8200
Gross Margin (€)	N	N+1	N+2	N+3
Hardware @ 25%	500	500	1000	1000
Software @ 95%	570	1710	2850	3990
Total	1070	2210	3850	4990
Gross Margin (%)	N	N+1	N+2	N+3
Hardware	25%	25%	25%	25%
Software	95%	95%	95%	95%
Total	41%	58%	55%	61%

Recurring revenue for a kit sale combining software and hardware



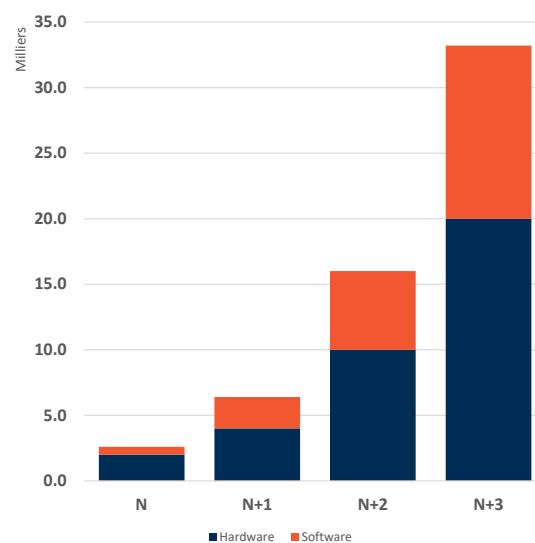
TP ICAP Midcap estimates

Given AMA's hyper-growth profile, the higher gross margin rate should be less pronounced. In the simulation below, where the group doubles its kit sales each year, the gross margin rate would rise by between $\approx 40\%$ and $\approx 50\%$ on revenue.

Revenue and gross margin simulation with kit sales doubling each year

Order intake	1	2	4	8
(€/kit)	N	N+1	N+2	N+3
Hardware	2000	2000	2000	2000
Software	1200	1200	1200	1200
Total	3200	6400	12800	25600
Revenue (€)	N	N+1	N+2	N+3
Hardware	2000	4000	10000	20000
Software	600	2400	6000	13200
Total	2600	6400	16000	33200
Gross Margin (€)	N	N+1	N+2	N+3
Hardware @ 25%	500	1000	2500	5000
Software @ 95%	570	2280	5700	12540
Total	1070	3280	8200	17540
Gross Margin (%)	N	N+1	N+2	N+3
Hardware	25%	25%	25%	25%
Software	95%	95%	95%	95%
Total	41%	51%	51%	53%

Recurring revenue with kit sales combining software and hardware, doubling year on year



TP ICAP Midcap estimates

High operating leverage anticipated in the long term

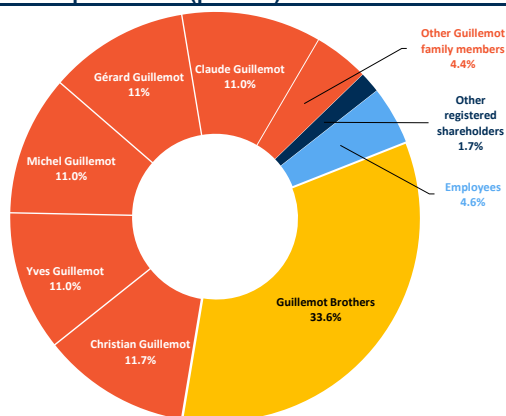
Ultimately, AMA is well set to generate significant operating leverage. The group plans to achieve long-term EBITDA margin of more than 20%. This objective obviously cannot be achieved before 2025, unless R&D and S&M expenses are slashed, which does not at all form part of the group's strategy as this would undermine the hyper-growth trajectory the group is seeking to follow.

The group's financing in close-up

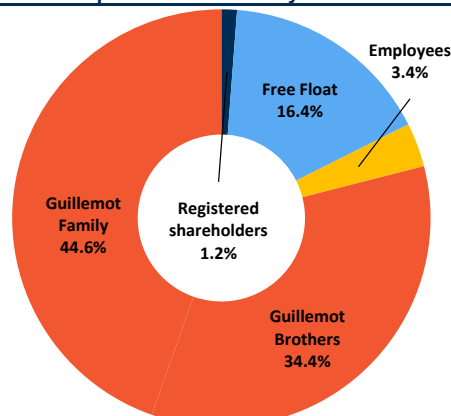
A history sustained by the Guillemot brothers

AMA has been sustained since its creation by the Guillemot family, whose members currently hold 79% of the capital.

Ownership structure (pre-IPO)



Ownership structure at 2 July 2021



Source: AMA

Since the beginning, the Guillemot family has invested €50m, including more than €30m in the last 3 years:

- €17.3m in shareholders' current accounts in 2019 and 2020. These current account claims against AMA have been waived in full by Guillemot Brothers;
- €14m in subscriptions to the capital increase conducted in the context of the IPO in July 2021.

AMA also benefits from the guarantee provided by Guillemot Brothers in order to take out lines of credit and other borrowings (see below). The company may further benefit, as in the past, from support provided by Guillemot Brothers in the form of new current account contributions.

Resources to achieve its objectives

The group raised €38.2m during its IPO in July 2021. This amount should suffice to cover the requirements of the investment strategy the company intends to implement over 2021-2023 in order to accelerate its development and gain market share. Such investments will generate significant losses and therefore consume cash, to be financed by the aforementioned fundraising.

Thanks to the guarantee provided by Guillemot Brothers, the group also enjoys significant lines of credit. These break down into:

- €6.1m in borrowings, the remaining outstanding amount of which as at 31/12/2020 stands at €3.7m;
- €14m in lines of credit, of which €1.1m had been drawn down as at 31/12/2020 and €5.9m as at 30/06/2021;

Breakdown of Bank Loans

€m	Nominal Value	Interest Rate	Maturity	€m	Nominal Value	Interest Rate	Maturity
Loan BPI	0.5	Fixed	2023	Credit line BNP	2.0	Floating	2023
Loan CIC	1.5	Fixed	2021	Credit line Société Générale	3.0	Floating	2023
Loan BPO	1.0	Fixed	2022	Credit line Arkéa	5.0	Floating	2023
Loan BPI	0.8	Fixed	2023	Credit line Crédit Agricole	2.5	Floating	Undefined
Loan Credit Coopératif	0.5	Fixed	2021	Credit line LCL	1.5	Floating	Undefined
Loan CIC	0.5	Fixed	2022				
Loan BPO	0.9	Fixed	2023				
Loan CIC	0.4	Fixed	2024				
Total Loans	6.1			Total Credit lines	14.0		

Source: AMA

The group will consume cash over the next 3 years

Given the scale of the group's operations and of its investment plans, AMA is unlikely to be in profit before 2024-2025, which should not pose any financing issues given the company's available cash and its privileged access to external financing (debt and reference shareholders' current accounts). We estimate that the group will generate negative FCF over the next 3 to 4 years.

Simplified Cash Flow Statement

	2019	2020	2021e	2022e	2023e	2024e	2025e
Result from continuing operations	-7.6	-7.4	-10.0	-10.0	-7.6	-4.2	2.3
Amortizations	1.8	2.5	2.9	4.0	5.5	7.1	8.9
Other	0.2	0.6	0.3	0.3	0.3	0.3	0.9
Operating cash flow	-5.6	-4.3	-6.8	-5.7	-1.8	3.2	12.1
Variation in WCR	2.3	-1.5	1.7	0.2	0.5	0.7	0.9
Tax	-0.1	0.4	--	--	--	--	--
Net cash flow from operating activities	-3.4	-5.4	-5.1	-5.4	-1.3	3.9	13.1
Acquisition of tangible and intangible fixed assets	-3.3	-3.4	-5.1	-7.1	-10.1	-11.0	-11.9
Repayment of lease debt (IFRS 16)	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Free Cash Flow	-7.0	-9.3	-10.7	-13.1	-11.9	-7.6	0.6

Sources: AMA (published data), TP ICAP Midcap estimates

The group does not intend to make any dividend payments. Its capital will be fully employed to finance growth and investments, and to pay its loan instalments. The group has not ruled out the possibility of considering external growth opportunities, yet its overriding priority is organic growth. As the opportunity presents itself, the group may take an interest in companies with interesting technology able to enhance its own offering.

Valuation

DCF

Our valuation is based on the following assumptions:

- Annual average revenue growth of +58% between 2020 and 2025. Beyond 2025, we reduce the growth rate by 5 points per year;
- A sharp increase in operating margin once the group has attained critical mass enabling it to cover its cost structure. We have adopted a target operating margin of 20%;
- WCR consumption to become zero with the development of SaaS revenue;
- Investments that include R&D expenses capitalized by the group;
- WACC of 14.0% and a perpetual growth rate of +3%;
- Number of shares totalling 22.5 million.

DCF Model

DCF valuation method										
Risk-free rate	0.2%	Cost of equity		14%	WACC		14%			
Market risk premium	8.0%	Interest rate a.t.		1%						
Beta	1.7	Terminal growth rate		3.0%						
€M	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sales	6.7	12.6	24.2	41.7	64.1	83.4	104.3	125.4	144.4	159.0
Change	4.0%	89.1%	91.0%	72.6%	53.7%	30.1%	25.1%	20.1%	15.1%	10.1%
Current Ebit	-9.7	-9.7	-7.3	-3.9	3.2	5.5	9.1	14.4	21.9	31.8
Margin	-145%	-76%	-30%	-9%	5%	7%	9%	11%	15%	20%
Taxes	0.0	0.0	0.0	0.0	0.6	1.0	1.7	2.7	4.2	6.1
NOPAT	-9.7	-9.7	-7.3	-3.9	2.6	4.4	7.3	11.6	17.7	25.7
D&A	2.9	4.0	5.5	7.1	8.9	10.9	12.9	14.5	15.6	15.9
in % of sales	43.2%	31.3%	22.6%	17.1%	13.9%	13.1%	12.3%	11.6%	10.8%	10.0%
ΔBFR	1.7	0.2	0.5	0.7	0.9	0.5	0.5	0.5	0.5	0.4
CAPEX	-5.6	-7.6	-10.6	-11.5	-12.5	-14.7	-16.4	-17.3	-17.2	-15.9
in % of sales	84.2%	60.3%	43.8%	27.7%	19.5%	17.6%	15.7%	13.8%	11.9%	10.0%
FCF	-10.8	-13.1	-11.9	-7.6	-0.1	1.2	4.4	9.4	16.6	26.1
Discounted FCF	-10.7	-11.4	-9.1	-5.1	0.0	0.6	2.0	3.7	5.8	8.0
Sum of discounted FCF	-16									
Discounted Terminal Value	75									
EV	58									
(-) Net debt	-33									
Equity value	91									
Number of shares	22.5									
Value per share	4.0									

Estimations TP ICAP Midcap

Sensitivity Table

Value per Share		Growth rate					Value per Share		Ebit margin				
		2.0%	2.5%	3.0%	3.5%	4.0%			15.0%	17.5%	20.0%	22.5%	25.0%
WACC	12%	4.6	5.1	5.6	6.1	6.7	WACC	12%	4.2	4.9	5.6	6.3	7.0
	13%	3.9	4.3	4.7	5.2	5.6		13%	3.5	4.1	4.7	5.3	5.9
	14%	3.4	3.7	4.0	4.4	4.8		14%	3.0	3.5	4.0	4.6	5.1
	15%	2.9	3.2	3.5	3.8	4.1		15%	2.6	3.1	3.5	3.9	4.4
	16%	2.6	2.8	3.0	3.3	3.5		16%	2.3	2.7	3.0	3.4	3.8

Estimations TP ICAP Midcap

Transaction

We have not evaluated the company by peer comparison as there are no relevant listed peers, given the group's activities, its positioning and its stage of development.

However, it is relevant to note a recent transaction involving one of the group's main competitors: Ubimax. A German company, created in 2014, it was acquired in July 2020 by TeamViewer for €136.5m (transaction paid in cash for €85.8m and in shares for €50.7m).

At the time of the transaction, Ubimax had 90 employees. The company had a revenue of €9.2m in 2020 (compared to €6m in 2019 and €3.6m in 2018) for a net loss of -€5m. Revenue from software subscription accounted for €1m in 2018 and €2.7m in 2019 (data not available for 2020). TeamViewer expected Ubimax to grow at an average annual rate of +45% to +50% over the 2019-2024 period.

The transaction results in a multiple of 15x revenue in 2020 and 10x revenue in 2021 (assuming a growth of +50% on the revenue achieved in 2020). Applying the latter multiple to AMA's expected revenue in 2022 would value AMA at €131m, or €5.8 per share.











Appendices

APPENDIX 1: Board of Directors

Nom	Mandat	Age	Membre indépendant ⁽¹⁾	Date d'entrée au conseil d'administration	Date d'expiration du mandat actuel ⁽²⁾	Adresse professionnelle
Christian Guillemot	Chairman et CEO	55		2016	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Yves Guillemot	Director	60		2017	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Michel Guillemot	Director	62		2017	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Claude Guillemot	Director	64		2017	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Gérard Guillemot	Director	59		2017	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Etienne Guillemot	Director	29		2017	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Pascale Laverrière	Director	54	✓	2021	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Nami Itoh-Korsholm	Director	52	✓	2021	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)
Christine Chan	Director	35	✓	2021	2025	2 Angel Square - London EC1V 1NY (Royaume-Uni)

Source: AMA

APPENDIX 2: Operational organisation chart

Description	
	Christian Guillemot – CEO Linkedin
	Perrine Fromont – CFO Linkedin
	Thomas Waendendries – VP Sales & Marketing Linkedin
	Esther Duval – Marketing & Communication Director Linkedin
	Guillaume Campion – VP Product & Partnership Linkedin
	Hélène Patret – HR Director Linkedin
	Yannick Liebert – VP Operations Linkedin
	Marie-Anne Denis – CSR Director Linkedin
	Philippe Moravie – Director of product Linkedin
	Antonia AZAN – General Counsel Linkedin

Source: AMA

APPENDIX 3: Application of Middlednext Code recommendations

Recommandation du Code Middlednext	Appliquée	En cours d'application	Ne sera pas appliquée	En cours de réflexion
I. Le pouvoir de surveillance				
R1: Déontologie des membres du conseil	X			
R2: Conflit d'intérêt	X			
R3: Composition du conseil - Présence de membres indépendants	X			
R4: Informations des membres du conseil	X			
R5: Organisation des réunions du conseil et des comités	X			
R6: Mise en place de comités				X
R7: Mise en place d'un règlement intérieur du conseil	X			
R8: Choix de chaque administrateur	X			
R9: Durée des mandats des administrateurs	X			
R10: Rémunération de l'administrateur		X		
R11: Mise en place d'une évaluation des travaux du conseil	X			
R12: Relation avec les actionnaires				
II. Le pouvoir exécutif				
R13: Définition et transparence de la rémunération des dirigeants mandataires sociaux	X			
R14: Préparation de la succession des dirigeants		X		
R15: Cumul contrat de travail et mandat social	X			
R16: Indemnités de départ	X			
R17: régimes de retraite supplémentaires	X			
R18: Stock-options et actions gratuites	X			
R19: Points de vigilance	X			

Source: AMA

APPENDIX 4: Statutory auditor and certification of the accounts

Accounting standards	IFRS
Statutory auditors	Mazars
Certified accounts	Certified without reserve
Key audit points	na

Fees (€m)	Missions	--	--	--	2019	2020
	Statutory audit	--	--	--	0.016	0.022
	Others services	--	--	--	--	--
Total (€m)		--	--	--	0.016	0.022
in % of revenue		--	--	--	0.01%	0.00%

Source: AMA

Financial data

Income statement

€M	2019	2020	2021e	2022e	2023e
Net sales	1.8	6.4	6.7	12.6	24.2
<i>Growth</i>	–	263%	4%	89%	91%
Costs of sales	1.1	3.1	3.5	7.2	14.7
Purchases and external expenses	2.5	2.7	3.2	3.6	4.2
Personnel costs	5.6	7.0	9.9	12.5	15.0
Taxes	0.1	0.8	0.8	0.8	0.8
EBITDA	-7.6	-7.1	-10.7	-11.5	-10.4
<i>% of sales</i>	-428.3%	-111.0%	-159.8%	-90.7%	-43.2%
Depreciation, amortisation and provisions	1.8	2.5	2.9	4.0	5.5
Other products	2.0	2.4	3.9	5.8	8.6

Current EBIT	-7.4	-7.3	-9.7	-9.7	-7.3
<i>% of sales</i>	-418.5%	-113.8%	-145.2%	-76.3%	-30.1%
Other non-recurring expenses	0.0	0.0	0.0	0.0	0.0
Financial result	-0.2	-0.3	-0.3	-0.3	-0.3
Income tax	0.0	-0.2	0.0	0.0	0.0
<i>Tax rate</i>	0%	3%	0%	0%	0%
Net income	-7.6	-7.4	-10.0	-10.0	-7.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Net income group share	-7.6	-7.4	-10.0	-10.0	-7.6

Balance sheet

€M	2019	2020	2021e	2022e	2023e
Goodwill	0.0	0.0	0.0	0.0	0.0
Tangible & intangible fixed assets	6.6	7.4	10.1	13.8	18.9
Other fixed assets	1.5	1.7	1.7	1.7	1.7
Inventory	1.0	1.7	1.8	3.5	6.6
Accounts receivables	0.6	3.7	1.8	3.5	6.6
Other currents assets	1.0	1.8	1.9	2.8	4.4
Cash	2.3	2.4	26.3	12.9	0.7
Assets	11.8	17.6	42.7	37.1	37.9
Shareholder's equity	4.5	6.8	31.8	21.8	14.3
Minority interests	-0.6	-0.7	-0.7	-0.7	-0.7
Provisions and other liabilities	1.5	1.9	1.9	1.9	1.9
Financial debt	4.4	4.8	4.8	4.8	4.8
Accounts payable	0.5	1.0	1.0	1.9	3.6
Other currents liabilities	1.6	3.8	3.9	7.3	14.0
Liabilities	11.8	17.6	42.7	37.1	37.9

Cash flow statement

€M	2019	2020	2021e	2022e	2023e
Cash flow from operations	-5.7	-3.9	-6.8	-5.7	-1.8
Change in WCR	2.3	-1.5	1.7	0.2	0.5
Operating cash flow	-3.4	-5.4	-5.1	-5.4	-1.3
Capex & lease debt	-3.7	-3.9	-5.6	-7.6	-10.6
FCF	-7.0	-9.3	-10.7	-13.1	-11.9
Disposal of fixed assets	0.0	0.0	0.0	0.0	0.0
Impact of changes of scope	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.8	35.0	0.0	0.0
Purchase/sale of shares	0.0	0.0	0.0	0.0	0.0
Change in debt	9.7	7.6	0.0	0.0	0.0
Other	-0.2	-0.2	-0.3	-0.3	-0.3
Net change in cash	2.5	-1.0	23.9	-13.4	-12.2

Financial data

KEY RATIOS	2018	2020	2021e	2022e	2023e
Sales growth	--	263%	4%	89%	91%
Ebit margin	-419%	-114%	-145%	-76%	-30%
Net margin	-429%	-115%	-150%	-79%	-31%
EPS	-0.20	-0.19	-0.52	-0.44	-0.34
Dividend per share	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0%	0.0%	0.0%	0.0%	0.0%
WCR as % of sales	28%	37%	10%	4%	0%
DSO	128	208	100	100	100
DPO	535	93	105	97	91
FCF	-7.0	-9.3	-10.7	-13.1	-11.9
FCF yield	-13.1%	-17.2%	-19.9%	-24.2%	-22.1%
Conversion rate (FCF/EBITDA)	ns	ns	ns	ns	ns
CAPEX/Sales	91%	21%	19%	11%	6%
ROE	-170%	-109%	-31%	-46%	-53%
ROA	-65%	-42%	-23%	-27%	-20%
ROCE	-70%	-49%	-59%	-45%	-26%
Gearing	53%	41%	-69%	-38%	31%
EV/CA			4.8x	3.6x	2.4x
EV/EBITDA			ns	ns	ns
EV/EBIT			ns	ns	ns
PE			ns	ns	ns

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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.
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Company	Conflict Type
AMA	G

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