

Roularta Media Group

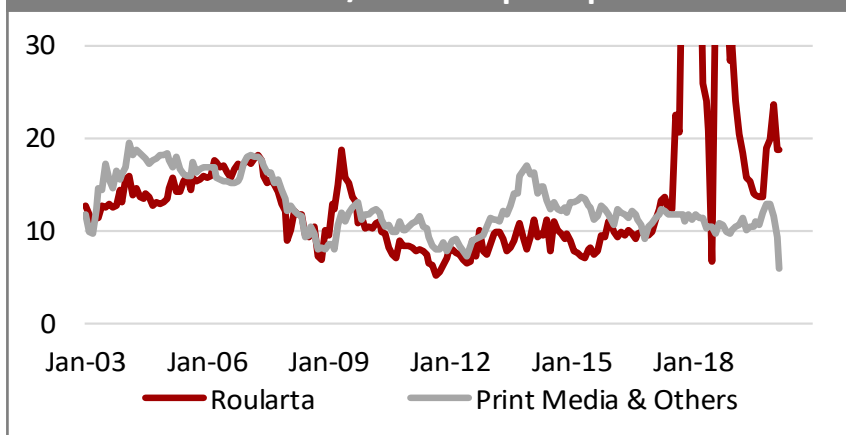
BELGIUM

Bloomberg: ROU:BB

Reuters: RLRT.BR



Roularta P/E vs European peers



€m	2016	2017	2018	2019	2020e	2021e	2022e
Sales	278.6	258.3	278.4	298.0	245.5	285.7	283.1
EBIT	6.7	-13.0	-63.7	7.5	-0.1	7.6	12.0
Net profit	21.5	-10.9	79.9	10.9	2.4	10.6	16.0
EPS (€)	1.65	-0.84	6.14	0.83	0.19	0.81	1.22
DPS (€)	0.50	0.00	5.50	0.50	0.00	0.55	0.55
P/E (x)	14.7	na	3.2	16.3	68.7	15.9	10.5
Yield (%)	2.1	0.0	28.0	3.7	0.0	4.3	4.3
Adj. EV/EBIT (x)	32.7	na	na	3.1	na	0.4	na

Source: Merodis Equity Research, Factset
Pricing date: 31/3/2020

Market review and peer benchmarking

8 April 2020

Key quarterly insights: 1Q20

Leaving a strong FY19 behind...

Roularta's 2H19 results were better-than-expected with a net profit of EUR 6.7m, 8% ahead of our forecast on stronger top line (-2% y-o-y vs MERE -3.5% driven mainly by higher Line Extensions sales, with Printing sales in line at EUR 19m, +1.1% y-o-y) and gross margins (79.8% vs MERE 79.6%, up from 78.3% in 2H18). Opex ex-COGS was well under control with a 3.5% decline, which lead to an EBITDA margin of 7.3% (MERE 6.9%), up 100bp y-o-y, confirming the strong rebound since 2H18. Printing (14.4% of FY19 group sales) remains a key driver given the tight market conditions at the time (under capacity was building up due to bankruptcies and failed consolidation attempts) and Roularta's strengths (business combining internal and external clients with LT contracts, full ownership of quality equipment, sturdy balance sheet). EBIT margins (3.2% vs MERE 2.5%, but down from 3.7% in 2H18) were negatively impacted by higher depreciation. The P&L included a EUR 0.5m provision writeback (albeit lower than in 2H18). Net profit reached EUR 6.7m, up 52% y-o-y (vs MERE EUR 6.2m). Net cash was stronger than expected at EUR 96m (MERE EUR 89m).

... heading towards tougher times despite solid fundamentals

The first two months of 2020 were reported to be stronger y-o-y, but Roularta is negatively impacted by Covid-19 and has provided guidance, which includes, as top-line effect: (1) much weaker advertising revenues (c. -50% for magazines; 42% of FY19 sales), (2) the interruption of free media titles De Streekkrant, De Zondag and Steps (17% of sales), (3) weaker printing volumes albeit with capacity utilisation to more normal levels (from overcapacity since mid-2019). Regarding costs, Roularta has managed to shift close to 32% of its staff (c. 400 FTEs) on temporary unemployment (staff costs represent 34% of Opex and 32% of sales). The Board has suggested to cut the 2019 dividend to nil (vs EUR 0.50/share proposed on 6 March). We expect 2020e EPS to fall to EUR 0.19 (from EUR 0.83 in 2019), with sales down 18% and an EBIT loss of EUR 0.1m before equity accounted results of EUR 1.4m (-44% y-o-y). Our estimates also include the acquisition from the JV with Bayard of 100% of Plus magazine (EUR 6.6m of sales in 2019) and the disposal by the JV of a 50% stake in Sailer Verlag as announced in early March. We also introduce new 2022e earnings estimates.

Valuation assessment

The market currently values Roularta at an enterprise value (EV) of a mere EUR 23m (...0.1x EV/EBIT '21e...), which includes a market cap of EUR 170m, the value of restated minorities of EUR 6m, EUR 114m of net cash expected in 2021e as well as the estimated value of EUR 55m for its 50% stakes in Mediafin and Bayard (down from EUR 74m previously estimated). Our fair equity value estimate is at EUR 15/share (from EUR 19.9). We value the core Print Media activity at an EV of €47m (6.3x EV/EBIT '21e). We believe this business has more potential value, given, among others, Roularta's leading market positions in free newspapers and in (news, business and women) magazines as well as its state-of-the-art printing facilities.

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Please refer to important disclosures at the end of this report

Goals of this Dashboard

- ➔ Follow-up to our coverage of Roularta which was launched in October 2015 (see below)
- ➔ Tool to keep investors up to date with Roularta's equity story as well as its valuation in a sector context
- ➔ Update investors on recent company and sector news flow

Corporate calendar of Roularta's upcoming announcements and events

- ➔ Friday, 6 March 2020: FY19 results (8.15AM CET; Analyst meeting at 1PM)
- ➔ Tuesday, 9 May 2020: AGM
- ➔ Friday, 14 August 2020: 1H20 results (8.15AM CET; Analyst meeting at 1PM)

Access our recent research reports on Roularta:

- ➔ ["3Q19 market review" \(quarterly dashboard\), 7 October 2019](#)
- ➔ ["4Q19 market review" \(quarterly dashboard\), 8 January 2020](#)

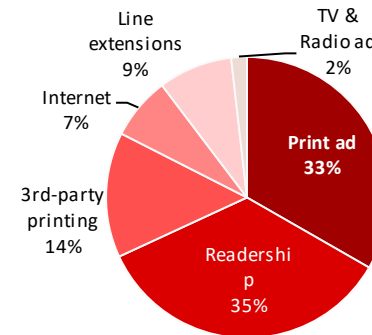
Company description

Roularta is Belgium's leading media company offering

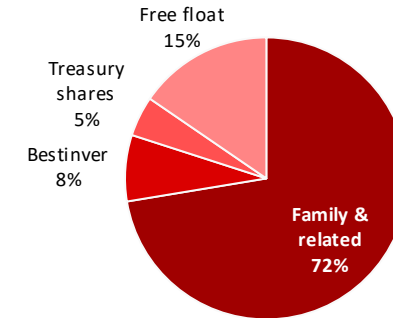
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) nationwide weekly news, business and women magazines (Knack, Le Vif L'Express, Trends, Trends Tendance, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael),
- (3) internet platforms (Storesquare, Digilocal, Proxistore, own content websites) and
- (4) a 50% JV stake in Mediafin, Belgium's leading daily business newspapers (De Tijd and L'Echo).

Combined group sales are almost entirely generated in Belgium through (1) Print Media Advertising (40% of group in 2017, ie. excluding the Sanoma acquisition), (2) Readers Market (subscriptions and newsstand sales) (28%), (3) Third-Party Printing (14%), (4) Internet advertising and related (10%) and (5) other sources of revenues (inc. Line Extensions) (8%). Roularta's consolidated accounts include the full contribution of its Print Media activity (advertising and readers market ex-Bayard, internet activity, line extensions and third-party printing). The 50% stakes in Mediafin and Bayard are equity-accounted. The company acquired the women magazines in an asset deal with Sanoma (June 2018), with sales in the region of €70m for a consideration of €25m. The company recently restated its business segmentation to include two activities: Media Brands (86% of group sales in 1H18) and Printing Services (14%).

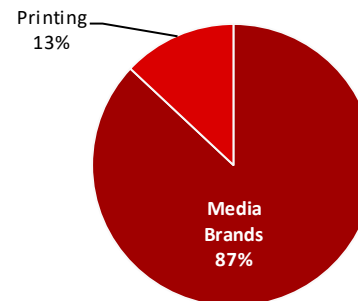
Combined sales breakdown (2019)



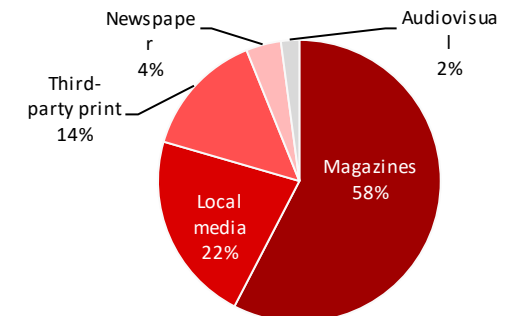
Shareholders



Segment sales (2019)



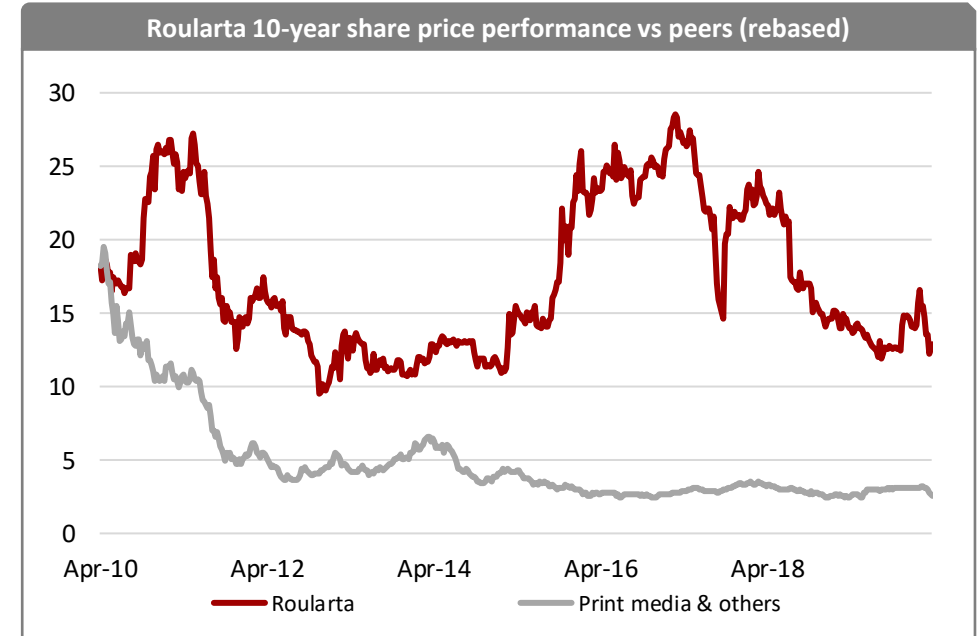
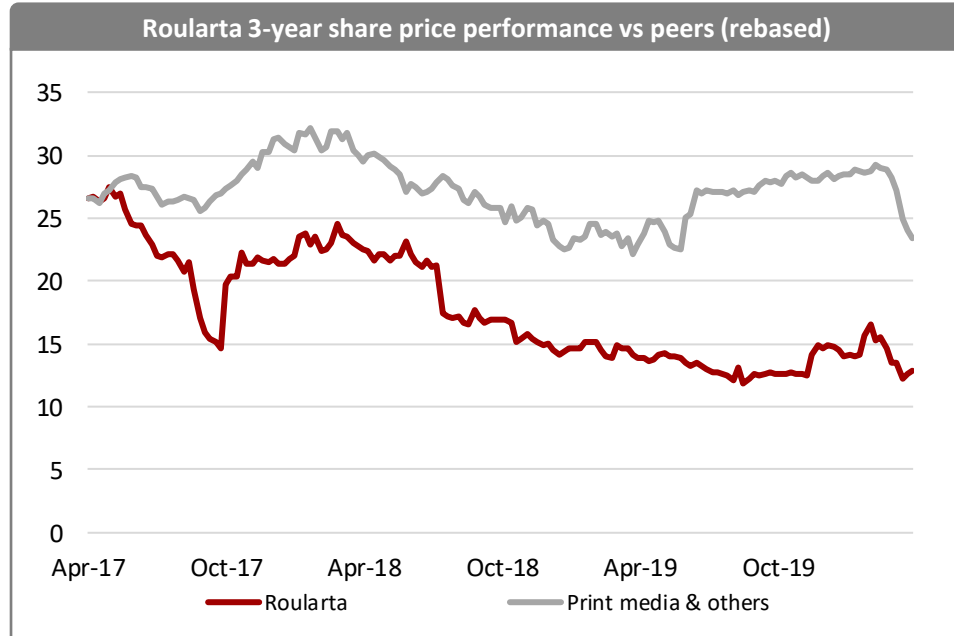
BU sales (2019)



Source: Merodis, Factset

Share price performance

Under pressure since 1Q17, with transformational deals and strong 2H18, 1H19 & 2H19 to the rescue



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus remains volatile, but improving until Covid-19 impact in March 2020

Consensus view

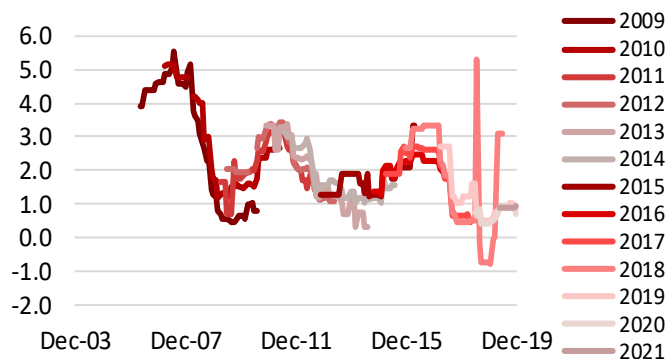
2020 consensus EPS estimates for Roularta have been revised down by 4% q-o-q following a 86%-upwards revision since the FY18 results announcement in early March 2019 until October. The Covid-19 impact has yet to be reflected in consensus estimates. We expect top-line to be severely hit, particularly in 1H20, with an 18% drop in sales which we expect for FY20e. Costs should come down too as the company makes use of government unemployment subsidies (currently for 30% of its staff), but we expect a sharp EPS impact (down 77% in 2020e).

Consensus currently expects 2021e earnings of €0.73 (down 23% q-o-q) vs. our revised forecast of €0.81 (was €0.95). We introduced 2022e EPS forecast estimates, which we expect at €1.22, showing strong EPS growth y-o-y (51%), reflecting improving EBITDA margins to 8.8% from 7.1% in 2021e.

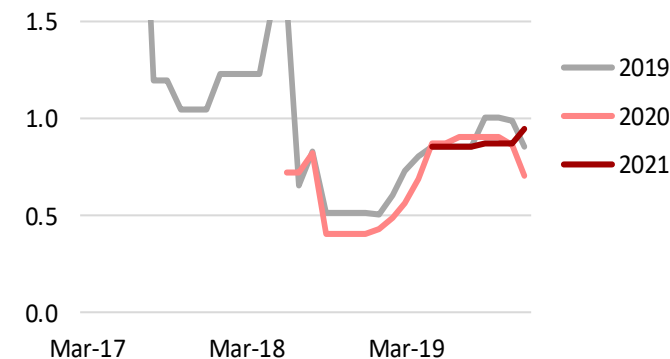
Roularta's share price was down 8.2% in 1Q20, faring much better than the broader market (-23% for the Euro Stoxx 600), and outperforming Belgian SMCs (-18%) and Print Media peers (-18% q-o-q). The share's 12 months low was €11.75 (intraday on 7 August 2019), while its high during the year was €17.20 (29 January 2020).

Only one broker covers the stock according to Factset, KBC Securities (Hold recommendation with €16 target price). Kepler Chevreux, which initiated coverage in September 2018, is no longer listed on Factset as actively covering the stock and Degroof Petercam does not appear to have published anything recently according to Factset.

EPS Worms (€/share)



Consensus EPS 2017-19 (€/share)



Analyst recommendations vs. peer average



Jan-03 Jan-05 Jan-07 Jan-09 Jan-11 Jan-13 Jan-15 Jan-17 Jan-19
— Roularta — Sector average

Merodis Equity Research estimates (MERe) vs. consensus (%)

	<u>2020e</u>	<u>2021e</u>	<u>2022e</u>
Sales	-14.1	2.8	na
EBITDA	-29.0	1.5	na
EBIT	na	-5.1	na
EPS	-72.2	11.4	na
DPS	na	na	na
Net cash	161.3	na	na

Source: Merodis, Factset

Sector benchmarking and valuation analysis

Benchmarking Print Media peers and listed Printing companies

Sector financial benchmarking

Company	Freefloat (%) 2020	Liquidity (daily,€m)	Depr/ EBITDA	Capex/ Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2020-22e CAGR (%)		
					2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	EPS	EBITDA	Sales
Impresa	41	0.05		2%	6.4			13.7			10.2			5.1			6.7					
Solocal	92	2.20	12%	7%	2.7	2.2		35.3	36.8	36.3	28.9	30.1	24.3	10.5	12.1	13.1				17.9	2.7	1.2
Gruppo Editoriale	34	0.67	36%	2%	1.2	0.8		8.6	8.6		2.2	3.7		0.0	1.9		2.0					
Mondadori	46	0.80	33%	1%	0.3	0.0		11.0	11.5		8.0	8.3		4.5	4.7		21.4	19.3				
RCS	15	0.54	27%	2%	1.2	0.3		14.3	14.0		9.9	10.8		6.2	7.4		17.7	20.1				
Vocento	55	0.06	48%	2%	1.0	0.8	0.4	12.1	12.5	12.8	6.9	7.2	8.3	2.8	3.1	4.5	7.0	7.3		11.8	4.2	1.4
Sanoma	37	1.48	-383%	3%	1.1	0.8	0.8	29.7	29.7	30.2	13.8	14.4	14.8	9.4	9.8	10.3				4.4	3.3	2.3
Connect	93	0.10	55%	1%	1.7	1.4	1.1	2.5	2.8	3.1	1.9	2.2	2.4	0.9	1.1	1.4		39.9	92.3	12.6	7.8	-3.1
Wilmington	95	0.22	32%	2%	2.9	1.1		13.1	19.4		10.0	16.3		8.1	13.1							
Axel Springer	4	1.38	30%	6%																		
PRINT MEDIA AVERAGE	51	0.75	-12%	3%	2.0	0.9	0.7	15.6	16.9	20.6	10.2	11.6	12.5	5.3	6.7	7.3	11.0	21.7	92.3	11.7	4.5	0.4
PRINT MEDIA MEDIAN	43	0.61	32%	2%	1.2	0.8	0.8	13.1	13.3	21.5	9.9	9.5	11.5	5.1	6.1	7.4	7.0	19.7	92.3	12.2	3.8	1.3
Roularta (consolidated)	15	0.08	101%	3%	-7.9	-5.7	-5.1	5.0	7.1	8.8	0.0	2.7	4.2	1.0	3.7	5.6	1.1	4.7	6.8	155.3	42.5	7.4
% prem./(disc.) vs median	-65	-86.5	217.9	35.1	-749.6	-779.0	-754.0	-61.8	-46.7	-59.2	-100.3	-72.2	-63.3	-80.4	-39.1	-23.4	-84.7	-76.4	-92.6	1,173.0	1,032.5	480.5

Source: Merodis, Factset

Sector valuation

Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
				2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Impresa	PORTUGAL	0.13	23	2.4			1.0			7.3			9.7			0.2			0.0		
Solocal	FRANCE	0.23	134	3.6	2.7	2.6	1.2	1.1		3.3	2.9		4.1	3.5					0.0	0.0	0.0
Gruppo Editoriale	ITALY	0.46	223	27.6			0.5	0.5		5.8	5.5		23.0	13.0		0.5	0.5		1.8	4.4	
Mondadori	ITALY	1.32	341	8.4	8.2		0.4	0.4		4.0	3.6		5.5	5.0		1.7	1.5		5.7	3.2	
RCS	ITALY	0.73	376	7.2	5.6		0.6	0.5		4.2	3.4		6.1	4.3		1.2	1.1		6.2	8.3	
Vocento	SPAIN	0.72	87	6.0	5.7	4.8	0.3	0.3	0.3	2.8	2.5	2.1	5.0	4.4	3.2	0.4	0.4		3.1	2.1	
Sanoma	FINLAND	8.36	1,362	12.0	11.4	11.0	1.6	1.5	1.4	5.3	4.9	4.8	11.4	10.1	9.8			2.2	6.3	6.8	7.1
Connect	UNITED KINGDOM	0.18	44	2.5	2.1	1.9	0.1	0.1	0.1	2.9	2.6	2.1	3.8	3.3	2.7	0.7	1.1	4.5	5.6	5.6	5.9
Wilmington	UNITED KINGDOM	1.16	101	15.1	7.3		1.3	1.0		10.1	5.4		13.2	6.4					0.0	8.2	
Axel Springer	GERMANY	54.60	5,891																		
PRINT MEDIA AVERAGE				9.4	6.1	5.1	0.8	0.7	0.6	5.1	3.8	3.0	9.1	6.3	5.2	0.8	0.9	3.4	3.2	4.8	4.3
PRINT MEDIA MEDIAN				7.2	5.7	3.7	0.6	0.5	0.3	4.2	3.5	2.1	6.1	4.7	3.2	0.6	1.1	3.4	3.1	5.0	5.9
Roularta (consolidated)	BELGIUM	12.90	170	68.7	15.9	10.5	0.1	0.0	0.0	1.7	0.1	-0.5	-237.0	0.3	-1.0	0.7	0.7	0.7	0.0	4.3	4.3
% prem./(disc.) vs median				856.3	179.9	185.7	-86.4	-98.3	-115.3	-60.9	-96.7	-121.8	-4,002.9	-93.6	-130.0	23.7	-29.7	-78.8	-100.0	-14.6	-27.3

Source: Merodis, Factset

P/E valuation relative to the sector

A recent normalisation driven by regained profitability momentum

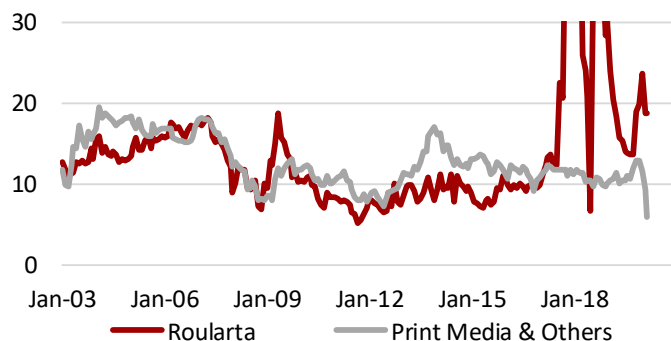
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 18.7x, a hefty premium versus Print Media peers in Europe (currently at a median of 5.9x; the premium was 54% in December 2019). Importantly, the volatility is due to profitability at Roularta which is still expected to be negatively impacted by weak market conditions in the ad space for Roularta's core activity.

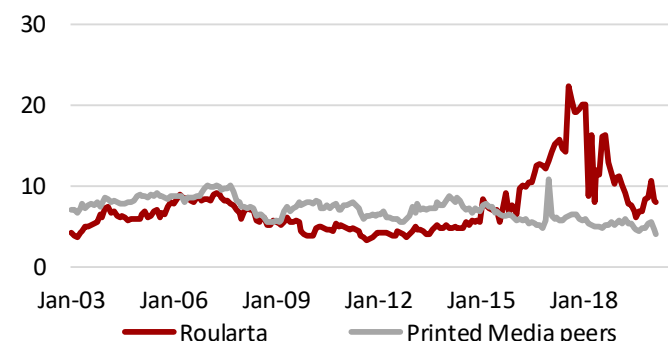
As a reminder, Roularta disposed of its stake in Medialaan in 2018, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Medialaan) was the main profit contributor and the key value driver of the stock (in 2016, 73% of Roularta's EBIT and 80% of its EPS was generated by Medialaan). The rerating compared to the Print Media sector is driven entirely by the share price performance since October 2017 as well as the sharp cut in Roularta's earnings estimates due to launching costs in digital initiatives such as Storesquare (discontinued as from 2019).

The Print Media sector is valued at 5.9x P/E 12M forward (from 12.9x in December 2019, ie. a 54% de-rating due to the Covid-19 crisis) and at 4x EV/EBITDA 12M forward (vs. 5.2x previously), which compares to a LT average of 12.7x and 7.1x respectively. The historical valuation range for the sector is 7.3x-19.4x (P/E) and 4.4x-10.9x (EV/EBITDA), which suggest that the sector remains at the low-end of its historical range, particularly with regards to EV/EBITDA.

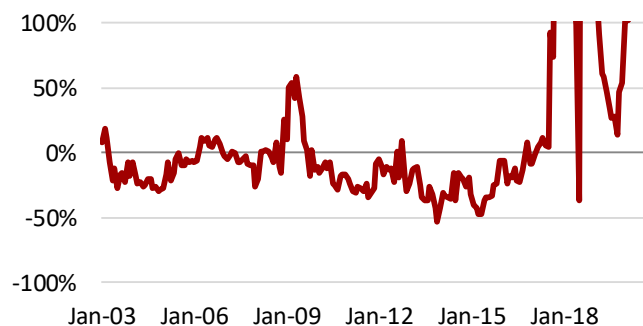
P/E ratio of Roularta vs. Print Media



EV/EBITDA ratio of Roularta vs. Print Media



P/E Premium/(Discount) of Roularta vs. Print Media



EV/EBITDA Premium/(Discount) of Roularta vs. Print Media

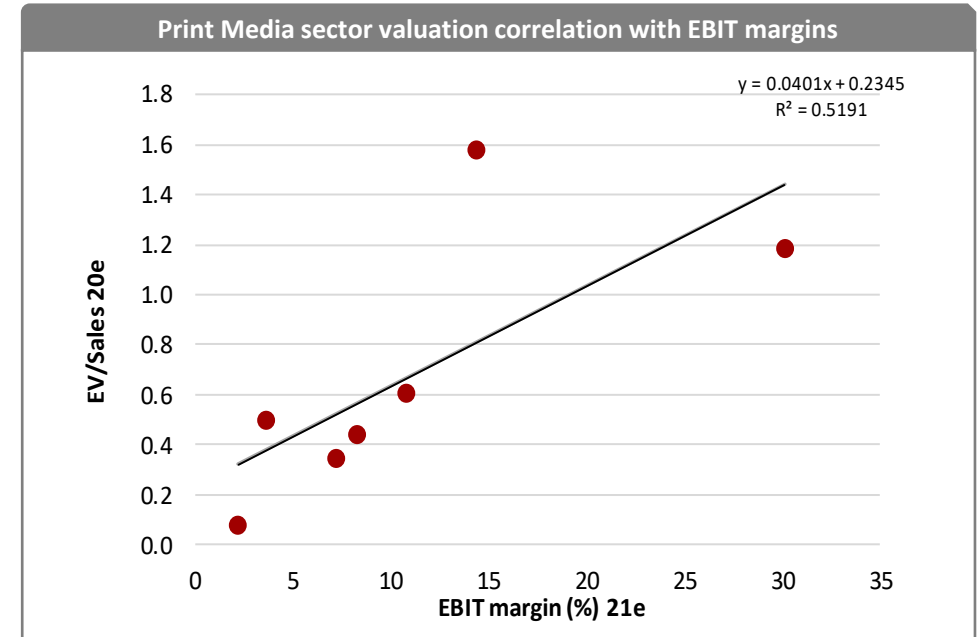
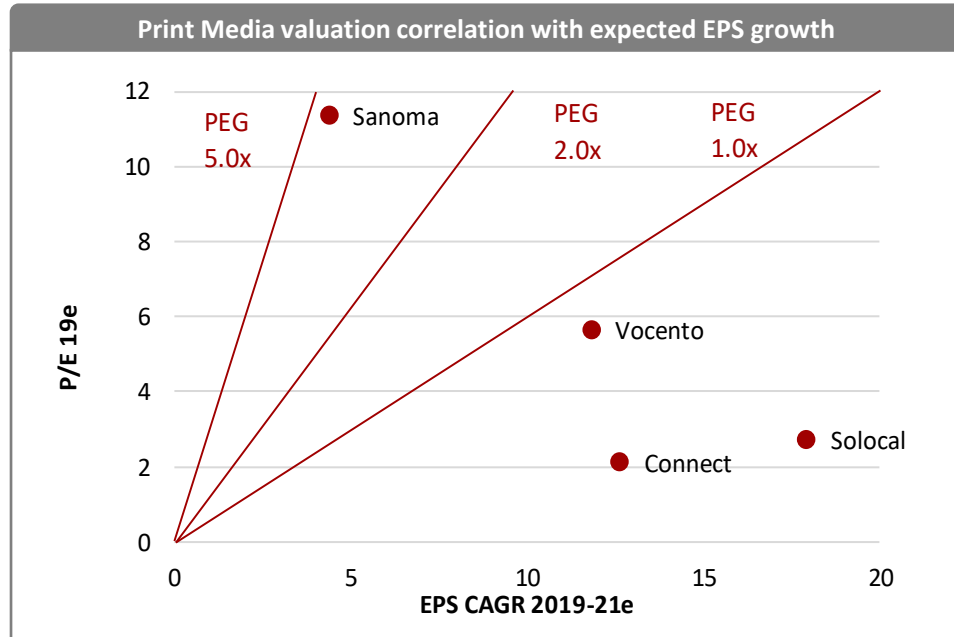


Source: Merodis, Factset

Reflecting the Medialaan disposal, the Mediafin acquisition, and, since July 2018, the Sanoma acquisition

Roularta updated sum-of-the-parts										
(EURm)	Ownership (%)	Adjusted EBIT 21e	Discount to peers	EV/EBIT multiple 21e	Net debt 19e	Value	Equity value/sh.	Value split	Value w/o discount	
Print media	100%	7.6	0.0	6.3		47.4	10.9	73%	47.4	
Group enterprise value						47.4			47.4	
- Net Financial Debt/(cash) (19)						95.9			95.9	
- Other liabilities (19)						-5.6			-5.6	
+ NPV tax asset (balance sheet)						5.5			5.5	
+ Equity value of Mediafin stake	50%					43.5	3.3	22%	43.5	
+ Equity value of Bayard stake	50%	2.1	0.0	6.3	-6.1	9.7	0.7	5%	9.7	
= Estimated market value of equity						196.5			196.5	
Total share outstanding (m)						13.1			13.1	
Equity value per share						15.0			15.0	

Source: Merodis, Factset



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

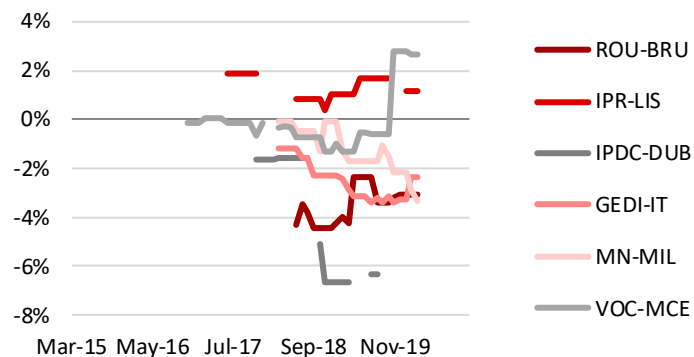
Expected Sales Growth

At the end of March, consensus expectations for 2020 Print Media sales remained at -3.1%, which suggests that consensus does not yet reflect Covid-19. As a reminder, we expect sales to fall by 18% in FY20e with a more severe impact in 1H20e without any free media ad sales since mid March and even magazine ad revenues down by 50% since the beginning of the lockdown in Belgium on 18 March. The acquisition of 100% of Plus Magazine, a magazine for senior citizens with sales of EUR 6.6m (in 2019), should have a slight positive impact on top-line growth for 2020e.

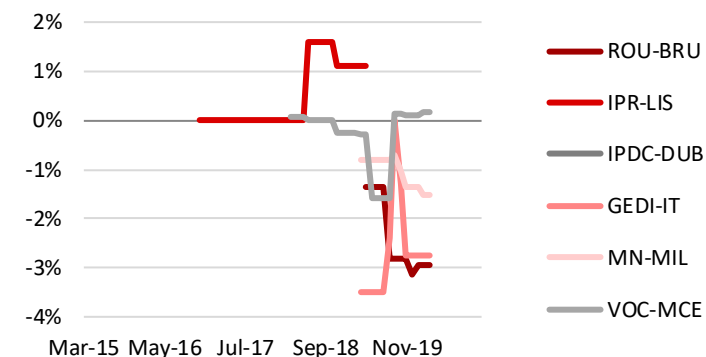
Consensus sales expectations for Roularta in 2021 remained also flat at -3.1% (vs. MERE +16% with a Covid-19 catch-up effect). Sector sales, pre-Covid-19, are expected to decline by 1.4% in 2021 (from -1.3% previously).

In addition to the Covid-19 crisis which is likely to affect many sector around the world, the media sector is suffering from the structural impact of online media gaining market share over traditional Printed Media and TV in terms of advertising revenues. This is driven by changes in viewership, which is moving from the traditional media to online.

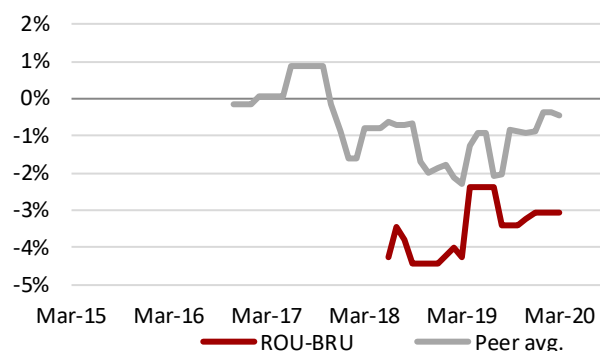
2019 expected sales growth (%)



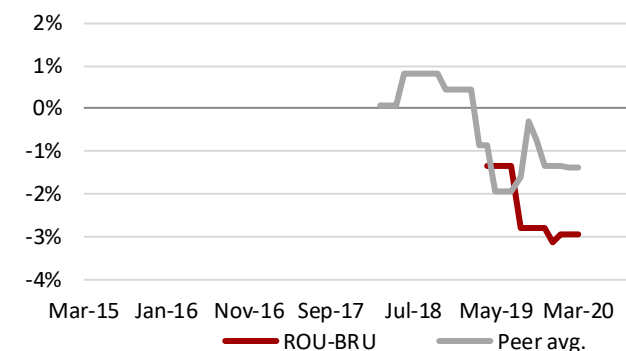
2020 expected sales growth (%)



2019 expected sales growth, Roularta vs. peers



2020 expected sales growth, Roularta vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Advertising revenue pressure hurting margins, but positive impact from cost cutting

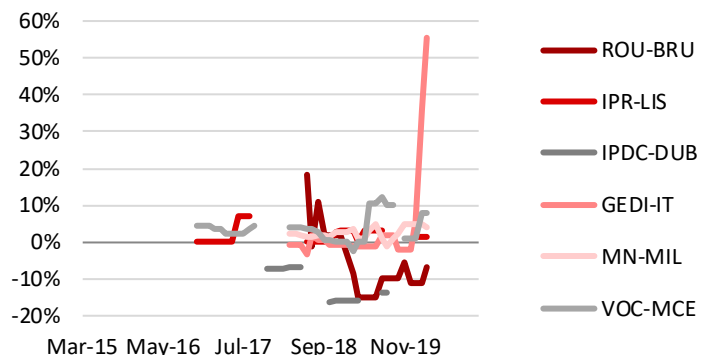
EBITDA expectations

At the end of March, expected consensus EBITDA decline for 2020e at Roularta lies at -7% (unchanged from previously expected, pre-Covid-19), compared to the peer average of +17% (from +1% previously expected). Margin expectations remain below the peer average for 2020 and 2021, albeit with a slightly improving trend.

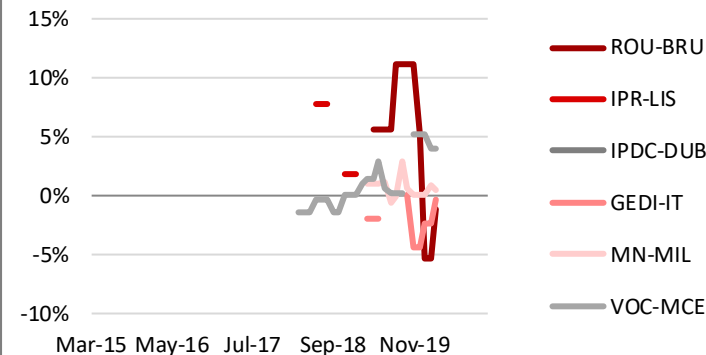
Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner. In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Bayard and Mediafin (from March 2018), whereby 50% of Bayard's net profit is accounted for in Roularta's EBITDA and EBIT, but where its sales are not accounted for in its top-line. Merodis estimates exclude equity accounted results from the EBITDA and EBIT lines, but other analysts may treat these figures differently, or they may have recently changed their view on them.

The transactions impact IFRS EBITDA and EBIT as the Mediafin net contribution is added as from March 2018. Sanoma's contribution is included in the consolidation scope from July 2018, as reflected in our forecasts.

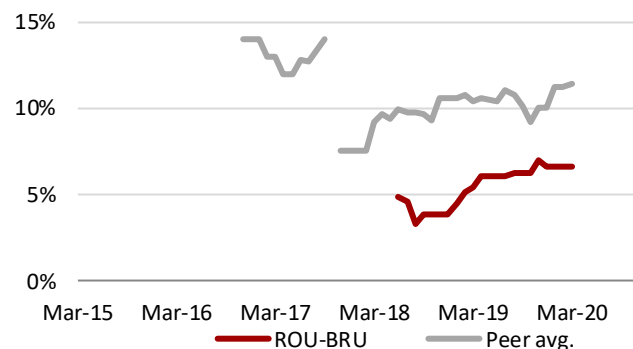
2019 expected EBITDA growth (%)



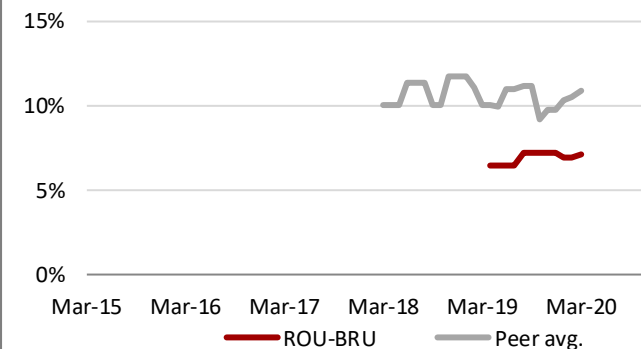
2020 expected EBITDA growth (%)



2019 expected EBITDA margin, Roularta vs. peers



2020 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

Robust dividend outlook backed by a strong balance sheet

Dividend payout

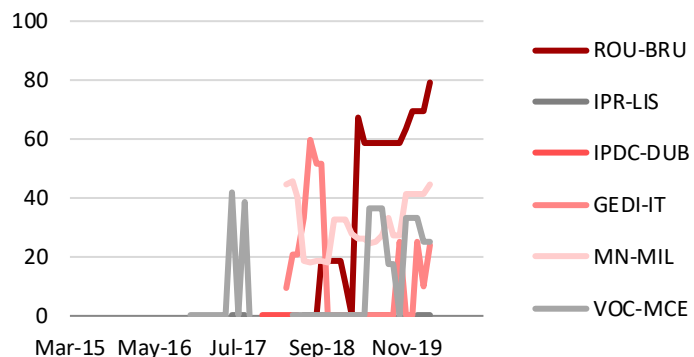
Roularta announced on 6 March 2020 that an ordinary dividend of €0.5/share would be paid out on 2019 earnings, in line with our forecast. The amount is in line with the historical average dividend of €0.55/share in years when a dividend was paid (13 years over the past 19 since the IPO). On 23 March, Roularta announced, like many Belgian SMEs, that the Board would, in fact, propose to scrap the dividend due to the Covid-19 crisis and the pursuing lack of visibility from the pandemic.

Roularta's targeted pay-out ratio is 30%, which is in line with its average payout ratio prior to the acquisition in France of c32% (2002-2006) and broadly in line with the Sector average.

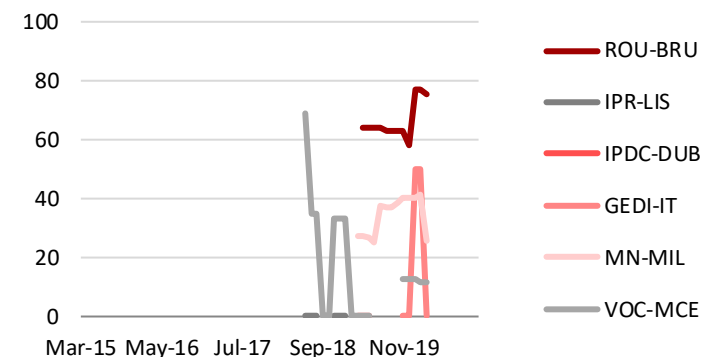
Consensus expects Roularta to pay out a dividend of €0.55/share in 2021e (in line with MERe), with an expected payout of 75%.

The Mediafin acquisition and the Medialaan disposal are likely to have a negative impact on Roularta's (ordinary) dividend payment profile given the lower cash-generation potential of Mediafin vs. Medialaan. We believe, however, that a €0.55/share dividend in the next years is sustainable given Roularta's €96m net cash position.

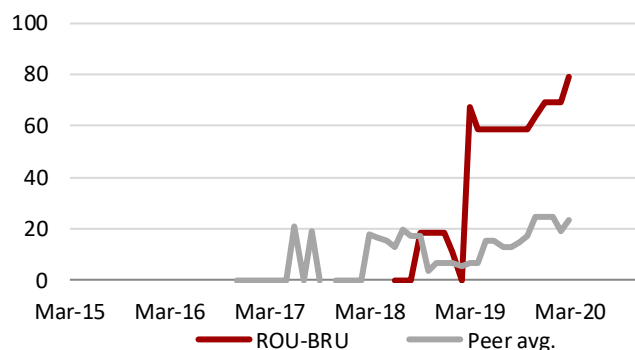
2019 expected Payout, Sector



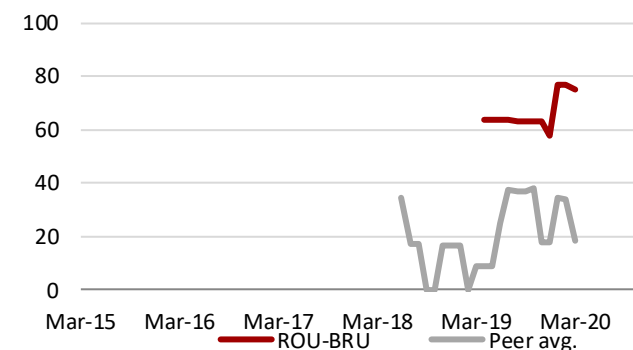
2020 expected Payout, Sector



2019 expected payout, Roularta vs. Peers



2020 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post the Mediaaan disposal

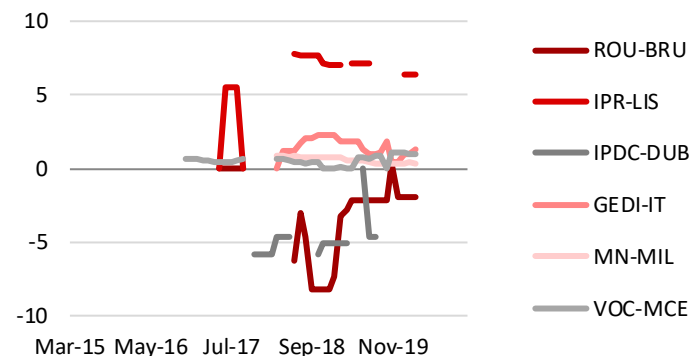
Net-debt-to-EBITDA

The level of expected financial leverage in the Media Sector was high in 2011 and 2012 and again in 2014 (where it exceeded 2.2x Net debt over EBITDA), but trended down since then, before moving back up with, on average, a ratio of 2x. Roularta's ratio has exceeded 2x only during 2014 but has now reached a net cash position of €96m following the recent transactions (Mediaaan disposal and the acquisitions of Mediafin and Sanoma women magazine titles) as well as the special €5/share dividend payout to shareholders in 2018.

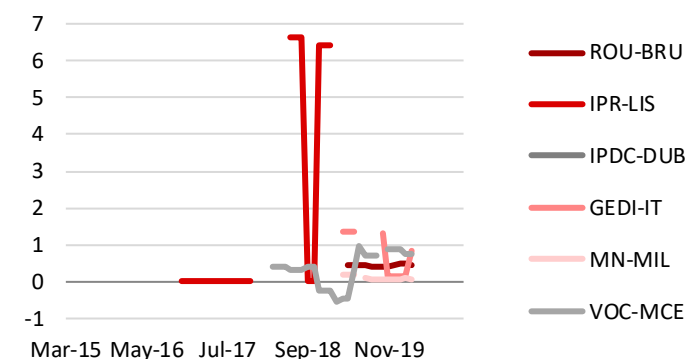
As a reminder, Roularta has paid back its €100m bond in 2018 and benefited from the first full-year impact in 2019. The company has a covenant threshold of 3.5x net debt over EBITDA based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit.

Going forward, this has become a non-issue given Roularta's reported net cash position compared to a reported net debt position of €96m at the end of 2019.

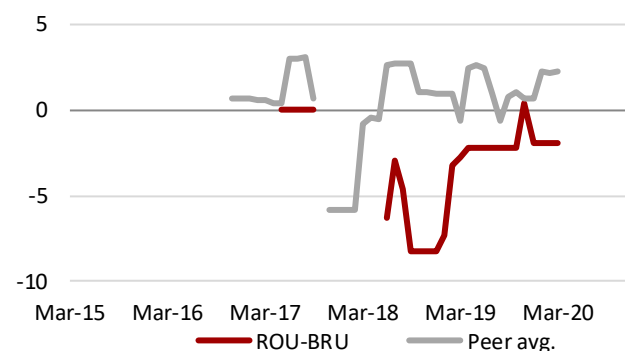
2019 NFD/EBITDA, sector



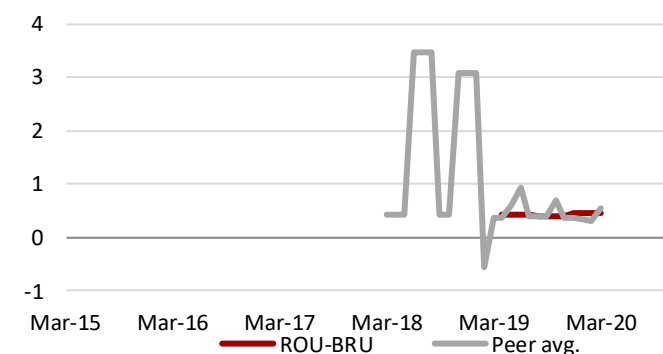
2020 NFD/EBITDA, sector



2019 NFD/EBITDA, Roularta vs. Peers

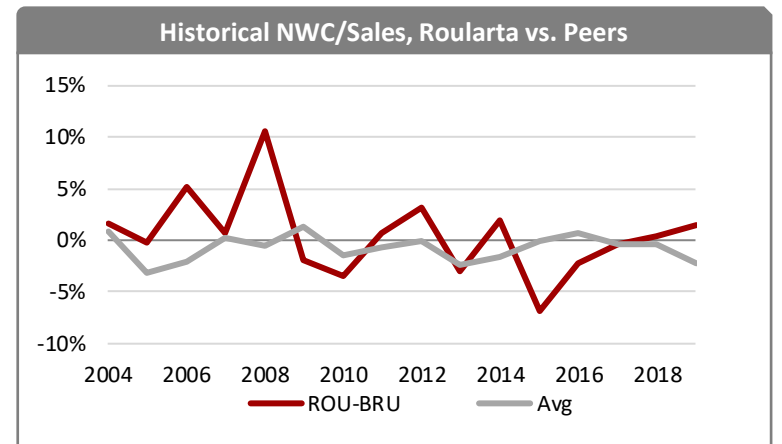
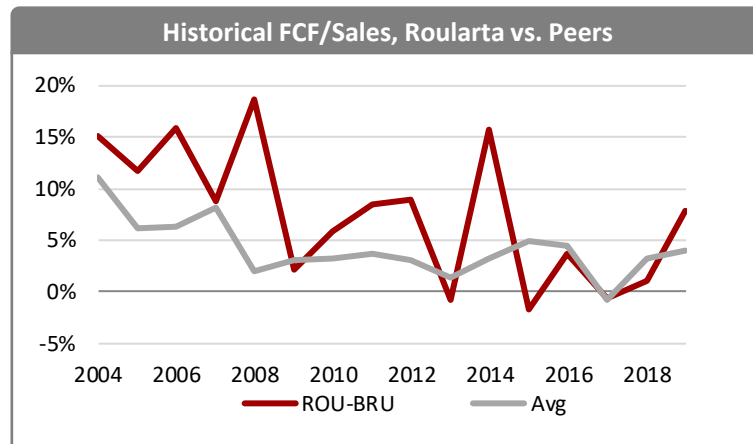
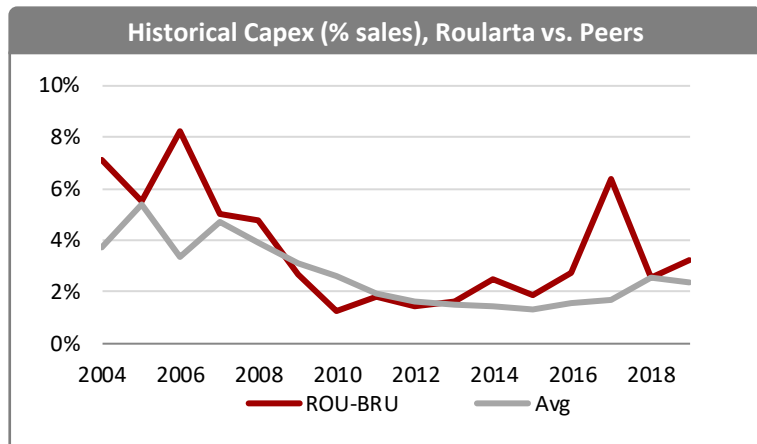
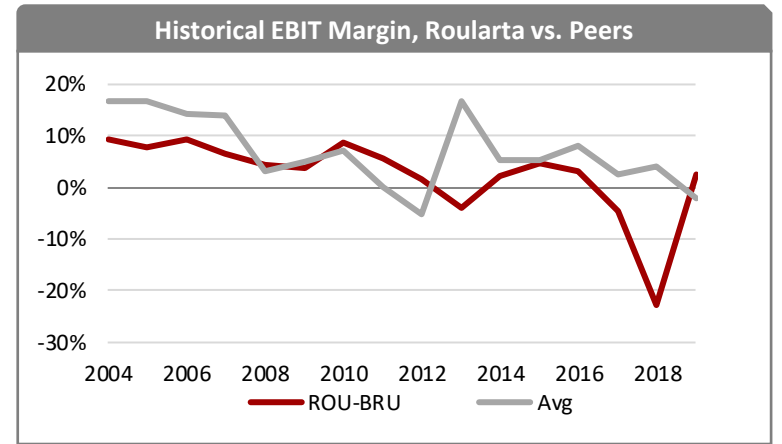
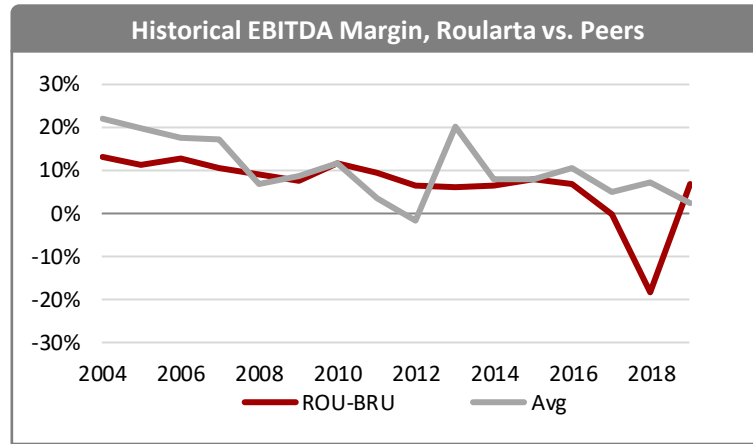
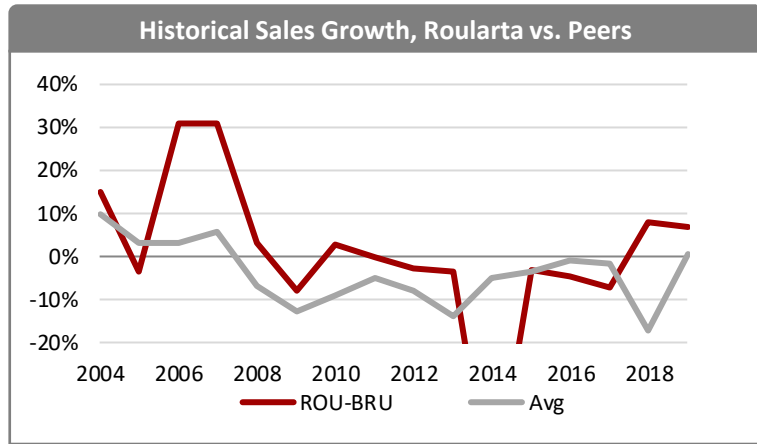


2020 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

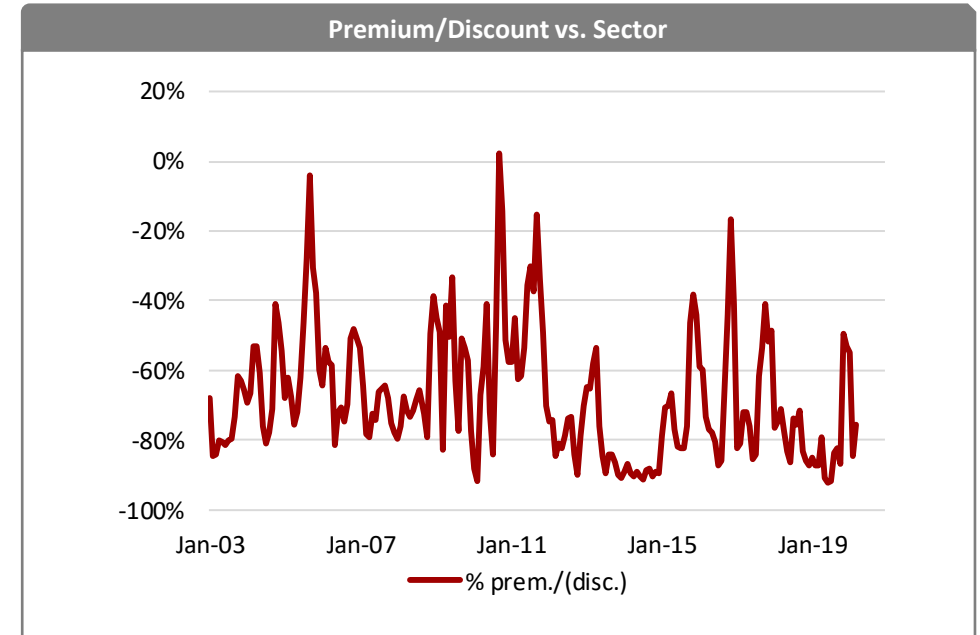
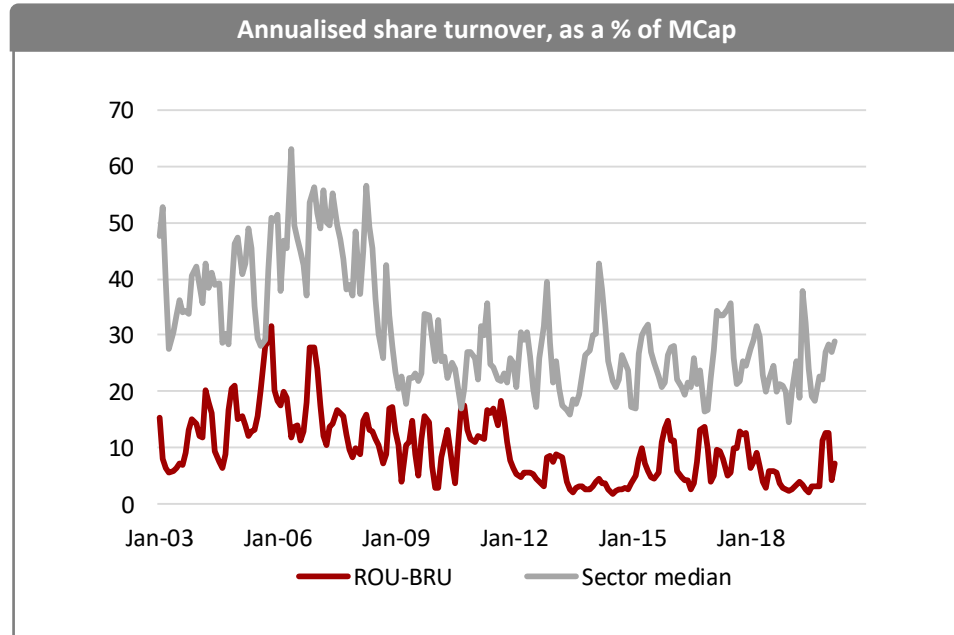
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

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