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METAVISIO (THOMSON Computing)

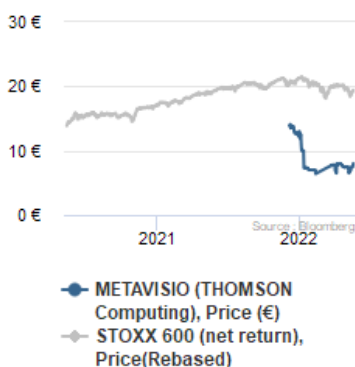
Household name in an underserved market

Opinion	Buy
Upside (%)	71.3
Price (€)	8
Target Price (€)	13.7
Bloomberg Code	MLTHO FP
Market Cap (€M)	50.9
Enterprise Value (€th)	77,171

Momentum	
Sustainability	3/10
Credit Risk	BB7

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PROS

- Well recognised retail brand name catering to a lucrative and underserved market segment
- Agile manufacturing not only helps operational profitability but also offers customers the opportunity to optimise
- Possibility of using a similar model to enter adjacent markets such as gaming

CONS

- Nearly complete dependence on a concentrated base of suppliers (based in Asia)
- Seasonal working capital swings due to lumpy orders could occasionally weigh on liquidity

KEY DATA	12/19A	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-0.80	3.19	33.6	13.0	9.65
Dividend yield (%)	0.00	0.00	0.00	1.88	2.50
EV/EBITDA(R) (x)	-10.8	18.9	17.2	9.53	7.48
Adjusted EPS (€)	-17.2	4.34	0.39	0.61	0.83
Growth in EPS (%)	n/a	n/a	-91.0	57.2	34.8
Dividend (€)	0.00	0.00	0.00	0.15	0.20
Sales (€th)	40,124	47,282	63,347	70,155	80,926
EBITDA/R margin (%)	5.40	9.22	10.3	11.5	12.0
Attributable net profit (€th)	-4,741	1,219	1,299	3,910	5,273
ROE (after tax) (%)	-156	28.0	18.7	41.3	40.1
Gearing (%)		388	347	255	155

Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

Detailed financials at the end of this report

Key Ratios

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	3.19	33.6	13.0	9.65
EV/EBITDA	x	18.9	17.2	9.53	7.48
P/Book	x	0.70	10.2	4.75	3.27
Dividend yield	%	0.00	0.00	1.88	2.50
Free Cash Flow Yield	%	-391	4.85	4.19	8.42
ROE (after tax)	%	28.0	18.7	41.3	40.1
ROCE	%	2.29	12.5	15.0	17.7
Net debt/EBITDA	x	15.4	4.37	3.25	2.26

Consolidated P&L

		12/20A	12/21E	12/22E	12/23E
Sales	€th	47,282	63,347	70,155	80,926
EBITDA	€th	1,859	6,510	8,100	9,750
Underlying operating profit	€th	1,438	6,149	7,731	9,323
Operating profit (EBIT)	€th	2,906	4,339	7,731	9,323
Net financial expenses	€th	-1,705	-2,477	-2,300	-2,000
Pre-tax profit before exceptional items	€th	1,201	1,862	5,431	7,323
Corporate tax	€th	16.8	174	-1,521	-2,050
Attributable net profit	€th	1,219	1,299	3,910	5,273
Adjusted attributable net profit	€th	1,219	1,299	3,910	5,273

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
Total operating cash flows	€th	-13,240	7,098	5,100	6,983
Capital expenditure	€th	-567	-567	-672	-699
Total investment flows	€th	-550	-567	-672	-699
Dividends (parent company)	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	1,500	556	0.00	0.00
Total financial flows	€th	15,709	-14,270	-3,798	-3,000
Change in net debt position	€th	-12,289	109	2,129	4,285
Free cash flow (pre div.)	€th	-15,512	4,053	2,129	4,285

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	€th	0.00	0.00	0.00	0.00
Total intangible	€th	634	471	505	505
Tangible fixed assets	€th	576	642	672	699
WCR	€th	42,782	33,368	34,847	35,563
Total assets (net of short term liabilities)	€th	48,236	39,488	40,024	41,067
Ordinary shareholders' equity (group share)	€th	5,672	8,201	10,719	15,547
Provisions for pensions	€th	2,436	0.00	0.00	0.00
Net debt / (cash)	€th	28,543	28,434	26,305	22,020
Total liabilities and shareholders' equity	€th	48,236	39,488	40,024	41,067

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr goodwill amort. & dil.)	€	4.34	0.39	0.61	0.83
Net dividend per share	€	0.00	0.00	0.15	0.20
Free cash flow per share	€	-55.2	1.22	0.33	0.67
Book value per share	€	19.8	1.29	1.69	2.45
Number of diluted shares (average)	Th	281	3,322	6,358	6,358

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Businesses & Trends

Incorporated in 2013 and with headquarters in Pontault Combault, France, Group SFIT (products under the licence of Thomson Computing) is a French enterprise engaged in designing and marketing laptops alongside selling tablets and other related peripherals. Group SFIT is a market leader in affordable PCs (entry-level), priced at <€300, and currently occupies a 36% market share in France in this segment. The company sells its products in more than 15 countries and, in 2021, achieved total revenues of €63m, a sharp increase from €11m eight years earlier. Most of the revenues come from Products with nearly 20% of revenues derived from exports. The company employs about 40 people, and its products are made in China.

Targeting an underserved market

According to Statista, the global computer hardware market recorded sales of about €260bn in 2020. The share of laptops and tablets stood at c. €160bn, or about 62%. In terms of volumes, this translates into 390 million units sold. The remainder of the market is made up of Desktop PCs, Storage units and Peripherals. With regards to the French market, where Group SFIT generates most of its sales, the market for laptops and tablets amounted to around €3.3bn.

Globally, a little more than 80% of the market is dominated by the top six players whose main products are mostly in the range of €500-2000. These are HP, Lenovo, Dell, Apple, Asus and Acer. Consequently, a very small number of products from these players are available below €500 and this is where Group SFIT stands with its product offerings. The group has become a key player in this corner of the market by offering a better optimised product without it costing a lot to the end customer. Going forward the group aims to capitalise not only on this segment but also replicate this success in a slightly premium range, i.e. up to €600.

Well recognised

Group SFIT occupies a 7% share in the overall French laptop PC market and counts among its distributor's supermarkets also electronic retail chains. The company's distributor base includes Leclerc, CDiscount, Auchan, Intermarche, etc. Additionally, the name 'Thomson' has a good brand recall as Technicolor also licenses the brand across multiple products. This also helps the group to prune its marketing expenses.

Product catalogue

Neo Classic: A traditional notebook available in different configurations and the ability to mix-and-match is available in the price range of €200-700. Although, despite a mid-range offering, the bulk of sales comes from laptops under €300.

Neo X: This product has all the features of a Neo Classic but in an aluminium body and makes for a premium offering by the group with a maximum price of €600.

Neo 360: A convertible (360) notebook offering two products, the Neo360X and Neo360XS.

Aside from the above-mentioned products, the group also offers gaming laptops, tablets, peripherals, and accessories. However, they represent only a very small percentage of total sales.

Divisional Breakdown Of Revenues

Sector	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€th	of % total	€th	of % total
Total sales	49,538	63,347	70,155	80,926	13,809 ↑	100%	6,808 ↑	100%
Products								
Comput. related	47,282	60,764	67,155	77,626	13,482 ↑	98%	6,391 ↑	94%
Hardware								
Other	2,256	2,583	3,000	3,300	327 ↑	2%	417 ↑	6%

Key Exposures

	Revenues	Costs	Equity
Dollar	10.0%	0.0%	0.0%
Emerging currencies	0.0%	0.0%	0.0%
Long-term global warming	100.0%	0.0%	100.0%

Sales By Geography

France	83.0%
Europe	13.0%
United States	4.0%

We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data. Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling. In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well. Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Made-to-order

Contrary to the larger players which offer laptops in rather rigid configurations, Group SFIT operates an agile model. In other words, the company's products are modular, and orders are driven by the requirements put forth by the distributors and customers. As a result, the company can offer its customers the latest technologies while also being budget friendly. And, while this induces a certain lumpiness in pre-ordering, in the last three years the company has reduced its supplier base from 20 to 6, thus, allowing it to manage distribution better while also obtaining better pricing and the latest technologies.

Three-pronged strategy

Replicating the formula internationally: The first pillar of Group SFIT's strategy is to mimic the success of its entry-level laptops in the French market overseas. The principle of providing better technology at a decent price is the foundation to help create more exports across Europe as well as the rest of the World. The company, in 2017, already began to distribute its products in North Africa followed by the Middle East. Moreover, at the end of 2020, the company started selling its products in the US through two wholesalers, Digital Gadget and Stampede. Furthermore, the company added Solution 2 Go and Circuit City, and EET Europe for North America and Scandinavia, respectively.

Value through premium segment: By using its agile model, the company aims to offer premium ultrabooks at relatively lower prices, thereby striving to repeat the success obtained in the affordable laptop segment. The company aims to do this with its Neo Z product, which comes equipped with competitive technology and offers all the necessary characteristics of an ultrabook within a range of €499-999. With this product, the company will not only be able to accelerate its sales but also generate higher margins.

High-growth markets: Group SFIT aims to make more sales in international markets and, in particular, wants to target higher-growth markets such as Africa and India. In these markets, the average selling price of the company's products can attract a loyal customer base and boost the top line.

Supported by operational prudence

In addition to moving towards a margin-accretive segment, the company will also pull some levers on the cost side. With the advantage of lower fixed costs due to its make-to-order model, the company has recently also brought down its aftersales costs by setting up an in-house team. This team works from a separate building near the headquarters and has about 20 employees. Another area where the company has been diligent is in reducing freight costs, which in the last year have gone through the roof. At the start of 2021, Group SFIT partnered a new transport arrangement with its freight forwarder, which allows it to reduce its freight costs by a third during this period of high prices.

Divisional EBITDA/R

	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€th	of % total	€th	of % total
Total	4,360	6,510	8,100	9,750	2,150 ↑	100%	1,590 ↑	100%
Group EBITDA	4,360	6,510	8,100	9,750	2,150 ↑	100%	1,590 ↑	100%
Other/cancellations	0.00	0.00	0.00	0.00	0 ↑	0%	0 ↑	0%

Divisional EBITDA/R margin

	12/20A	12/21E	12/22E	12/23E
Total	8.80%	10.3%	11.5%	12.0%

Valuation

While the pandemic impacted sales in the first half of 2021, the company recorded a huge surge in orders in the second half. So, ideally, the company has a good runway ahead to convert these orders into revenues. Moreover, with the company's strategy to enter a slightly premium price segment, to expand its geographic presence, and to execute operational improvements, we believe Group SFIT will be able to accelerate revenue growth and expand EBITDA margins.

Our DCF valuation assumes a sales and EBITDA growth of 7% with modest capex and working capital requirements. For the NAV, we take only one segment into account as it makes for almost all the sales. For any revenues coming from other means, we value these at a P/E multiple of 12x. For our peer-based valuation, we pick Logitech, Acer, Redington India and Aures Technologies. We assign a 50% premium on all metrics to reflect the strong growth of the group in the entry-level market.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		17.8	122%	35%
NAV/SOTP per share		18.0	125%	20%
EV/Ebitda	Peers	5.87	-27%	20%
P/E	Peers	12.2	53%	10%
Dividend Yield	Peers	11.6	45%	10%
P/Book	Peers	6.43	-20%	5%
Target Price		13.7	71%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	11.5	4.66	2.12	2.98
METAVISIO (THOMSON Computing)'s ratios	11.3	8.52	3.95	2.15
Premium	50.0%	50.0%	50.0%	50.0%
Default comparison based valuation (€)	12.2	5.87	6.43	11.6
Logitech International	12.5	7.28	2.86	1.63
Acer	10.6	3.22	1.20	6.47
Redington India	7.98	5.50	1.77	5.00
Aures Technologies	15.0	6.48	1.94	3.09

DCF Valuation Per Share

WACC	%	8.18	Avg net debt (cash) at book value	€th	27,369
PV of cashflow FY1-FY11	€th	51,280	Provisions	€th	0.00
FY11CF	€th	12,770	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	€th	0.00
Sustainability "g"	%	1.65	Minorities interests (fair value)	€th	0.00
Terminal value	€th	195,662	Equity value	€th	113,070
PV terminal value	€th	89,160	Number of shares	Th	6,358
<i>PV terminal value in % of total value</i>	%	63.5	Implied equity value per share	€	17.8
Total PV	€th	140,440	Sustainability impact on DCF	%	-4.28

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	200
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	5.50
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	1.39
Average debt maturity	Year	5	Company gearing at market value	%	55.9
Sector asset beta	x	1.02	Company market gearing	%	35.9
Debt beta	x	0.40	Required return on geared equity	%	10.5
Market capitalisation	€th	50,866	Cost of debt	%	3.85
Net debt (cash) at book value	€th	28,434	Cost of ungeared equity	%	8.58
Net debt (cash) at market value	€th	26,912	WACC	%	8.18

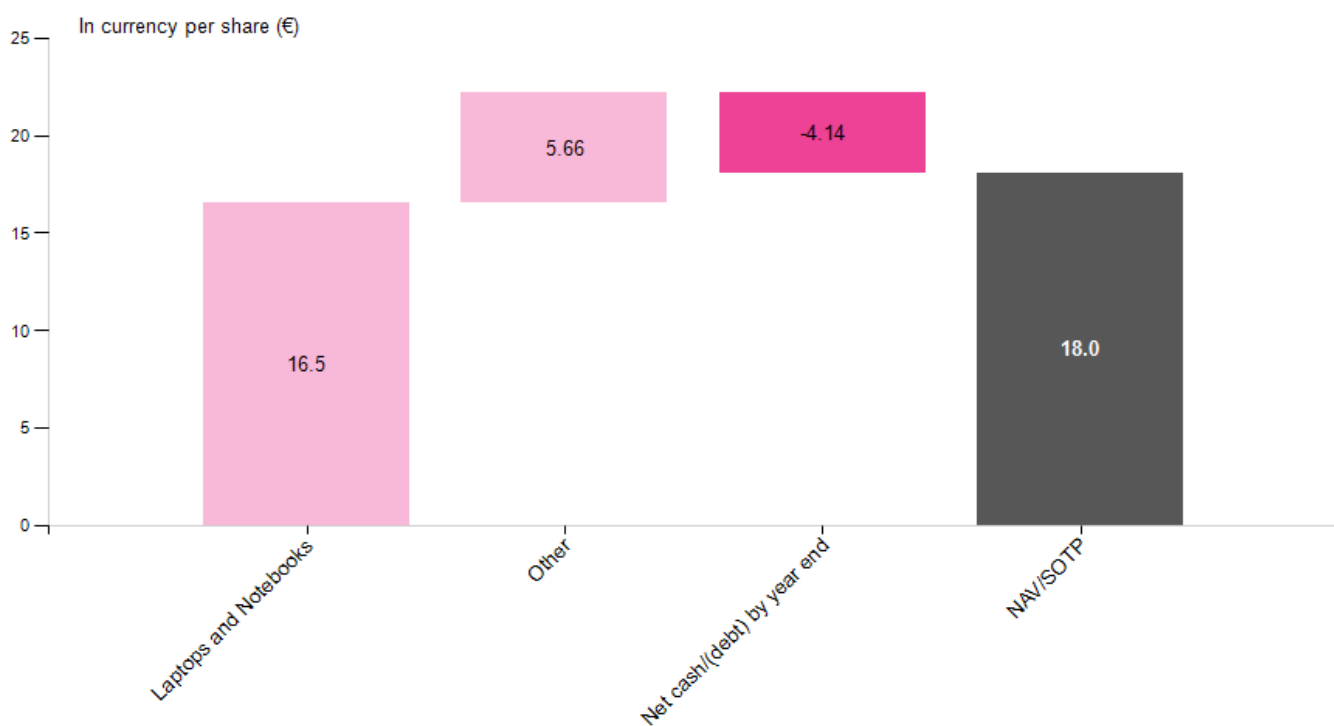
DCF Calculation

		12/20A	12/21E	12/22E	12/23E	12/24E	Growth	12/25E	12/31E
Sales	€th	47,282	63,347	70,155	80,926	92,672	7.00%	99,159	148,810
EBITDA	€th	1,859	6,510	8,100	9,750	11,610	7.00%	12,423	18,643
<i>EBITDA Margin</i>	%	3.93	10.3	11.5	12.0	12.5		12.5	12.5
Change in WCR	€th	-15,471	9,414	-1,479	-716	-1,373	2.00%	-1,401	-1,577
Total operating cash flows (pre tax)	€th	-13,257	6,924	6,621	9,034	10,237		11,022	17,066
Corporate tax	€th	16.8	174	-1,521	-2,050	-2,553	2.00%	-2,604	-2,933
Net tax shield	€th	-511	-743	-690	-600	-600	2.00%	-612	-689
Capital expenditure	€th	-567	-567	-672	-699	-804	2.00%	-820	-924
<i>Capex/Sales</i>	%	-1.20	-0.90	-0.96	-0.86	-0.87		-0.83	-0.62
Pre financing costs FCF (for DCF purposes)	€th	-14,319	5,788	3,739	5,685	6,279		6,985	12,520
Various add backs (incl. R&D, etc.) for DCF purposes	€th								
Free cash flow adjusted	€th	-14,319	5,788	3,739	5,685	6,279		6,985	12,520
Discounted free cash flows	€th	-14,319	5,788	3,456	4,858	4,960		5,101	5,705
Invested capital	€	44.0	34.5	36.0	36.8	38.2		38.9	43.8

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Laptops and Notebooks	100%	EV/Sales	1.5	105,000	105,000	16.5	74.5%
Other					36,000 ⁽¹⁾	5.66	25.5%
Total gross assets					141,000	22.2	100%
Net cash/(debt) by year end					-26,305	-4.14	-18.7%
Commitments to pay							
Commitments received							
NAV/SOTP					114,695	18.0	81.3%
Number of shares net of treasury shares - year end (Th)					6,358		
NAV/SOTP per share (€)					18.0		
Current discount to NAV/SOTP (%)						55.7	

1. All other estimated average other sales valued at a P/E of 12x.



Debt

Group SFIT has three outstanding convertible bonds with amounts of €577k, €5m and €7.1m issued in 2016, 2019 and 2020 respectively. The first bond will mature in June 2022 and the other two bonds have a maturity period of three years. So, far none of the outstanding bonds has been converted into shares. Additionally, the company has entered into an agreement with Natixis Factoring for a credit line of up to €9m against its receivables.

Detailed financials at the end of this report

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€th	1,859	6,510	8,100	9,750
Funds from operations (FFO)	€th	2,232	-4,793	4,279	5,700
Ordinary shareholders' equity	€th	5,672	8,201	10,719	15,547
Gross debt	€th	36,347	28,498	27,000	26,000
+ Gross Cash	€th	7,804	64.6	695	3,980
= Net debt / (cash)	€th	28,543	28,434	26,305	22,020
Gearing (at book value)	%	388	347	255	155
Equity/Total asset (%)	%	11.8	20.8	26.8	37.9
Adj. Net debt/EBITDA(R)	x	15.4	4.37	3.25	2.26
Adjusted Gross Debt/EBITDA(R)	x	20.9	4.38	3.33	2.67
Adj. gross debt/(Adj. gross debt+Equity)	%	87.3	77.7	71.6	62.6
Ebit cover	x	0.84	2.48	3.36	4.66
FFO/Gross Debt	%	5.74	-16.8	15.8	21.9
FFO/Net debt	%	7.82	-16.9	16.3	25.9
FCF/Adj. gross debt (%)	%	-39.9	14.2	7.88	16.5
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-0.90	4.16	2.82	8.26
"Cash" FCF/ST debt	x	-1.61	4.10	2.13	4.28

Worth Knowing

The company is listed on the Euronext Access+ platform and aims to move to Euronext Growth in the medium term.

Group SFIT has a wholly-owned subsidiary in Delaware, US. While currently there are no activities being carried out through this subsidiary, the company intends to use it for its planned international expansion.

The group sells its products under the Thomson brand with licensing obtained from Technicolor SA for 15 years and on a renewable basis.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Stéphan Français	69.2%	69.2%	0.00%
Riner Judo	4.21%	4.21%	4.21%
TR Leader Group	3.06%	3.06%	3.06%
Apparent free float			30.8%

Sustainability

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	3/10	25%
Board geographic diversity	0/10	20%
Chairman vs. Executive split	✓	5%
Environment		
CO ² Emission	2/10	25%
Water withdrawal	3/10	10%
Social		
Wage dispersion trend	0/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
Sustainability score	2.9/10	100%

Governance & Management

The board of directors has one independent director and two executives. The CEO of the company represents two seats on the board, one as the CEO and the other through SF Developpement. There are no committees set up by the Board of Directors.

Governance score

Company (Sector)

3.9 (7.3)

Independent board







No

Parameters	Company	Sector	Score	Weight
Number of board members	4	9	10/10	5.0%
Board feminization (%)	0	29	1/10	5.0%
Board domestic density (%)	100	55	0/10	10.0%
Average age of board's members	53	59	9/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	25	44	3/10	20.0%
One share, one vote			✗	10.0%
Chairman vs. Executive split			✓	0.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✗	5.0%
Disclosure of performance anchor for bonus trigger			✗	5.0%
Compensation committee reporting to board of directors			✗	5.0%
Straightforward, clean by-laws			✓	15.0%
Governance score			3.9/10	100.0%

Management

Name	Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
					Cash	Equity linked
Stéphan FRANÇAIS	M  CEO	1970	2021			

Board of Directors

Name	Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
SF DEVELOPPEMENT	M  	Member			2021			
Stéphan FRANÇAIS	M  	Member		1970	2021			
Nicolas GAUDIN DE SAINT-R...	M  	Member		1972	2021			

Environmental Score

Data sets evaluated as trends on rolling calendar, made sector relative







Parameters	Score	Sector	Weight
Energy	2/10	3/10	25%
CO ² Emission	2/10	4/10	30%
Waste	5/10	5/10	15%
Water withdrawal	3/10	4/10	30%

Company (Sector)

2.75 (3.83)

Environmental metrics

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
u-blox		3/10				
METAVISIO (THOMSON Computi...		3/10				
Nokia		4/10	3,812,400	348,800	1,182,000	8,400
Ericsson		8/10	2,260,800	114,000	1,500,000	6,916
Logitech International		6/10	102,887	1,889	366,355	1,018
Inficon		5/10	47,441	1,237	12,000	250

Social score

Company (Sector)

6.5 (6.9)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	9/10	20%
Average wage trend	10/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	5.8/10	100%



Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	6/10	35%
Pay	7/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
Qualitative score	8.0/10	100%

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes  / No 	Weight
Accidents at work		25%
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
Human resources development		35%
Are competences required to meet medium term targets identified?		3.5%
Is there a medium term (2 to 5 years) recruitment plan?		3.5%
Is there a training strategy tuned to the company objectives?		3.5%
Are employees trained for tomorrow's objectives?		3.5%
Can all employees have access to training?		3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?		3.5%
Have key competences stayed?		3.5%
Are managers given managerial objectives?		3.5%
If yes, are managerial results a deciding factor when assessing compensation level?		3.5%
Is mobility encouraged between operating units of the group?		3.5%
Pay		20%
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
Job satisfaction		10%
Is there a measure of job satisfaction?		3.3%
Can anyone participate ?		3.4%
Are there action plans to prop up employees' morale?		3.3%
Internal communication		10%
Are strategy and objectives made available to every employee?		10.0%
Qualitative score	8.0/10	100.0%

Staff & Pension matters

The company had about 40 employees at the end of 2020 with nearly all its workforce located in France. The company has no foreseeable pension risks.

Recent updates

24/03/2022

Recognised player capturing an under-represented market

Initiation cov.

Established in 2013, Group SFIT is a French enterprise involved in designing and marketing entry-level (<€300) laptops. Additionally, the company also sells gaming laptops, tablets, peripherals, and accessories, but laptops make up for more than 95% of total sales. In FY21, the company generated sales of €63m, of which 17% came from exports.

The entry-level market

In 2020, the global computer hardware market stood at c. €260bn, with shares of laptops and tablets at c. €160bn. While 80% of this market is dominated by global players whose products range from €500 to €2,000, the remainder is largely not catered by these global players. Thus, this represents the entry-level market with laptops selling in a price band of c. €300. Group SFIT operates in this market and has created a strong reputation for its products.

Well recognised

Group SFIT sells its products under the name 'Thomson Computing' (licensed from Technicolor SA). The company has a 7% share in the overall French laptop market and distributes its products across all the country's major distributors such as Leclerc, CDiscount, Auchan, etc. Moreover, the company has a broad product portfolio for its customers.

Agile model with operational efficiency

The company uses a 'made-to-order' approach which allows it to improve its offerings to customers as they get the freedom to customise the product they buy. This way the customers can get their hands on the latest hardware at an economical price. In addition, this approach allows the company to lower its fixed costs and sell its products with less marketing costs than that of global players.

Future trajectory

Going forward, the company aims to do the following:

- replicate its success in the French markets by entering into the overseas market. On this front, the company has already added distributors in North America and Scandinavia;
- offer premium ultrabooks that offers all the characteristics of an ultrabook at an affordable price; and
- target high-growth markets such as Africa and India, where the lower average selling price makes its products attractive.

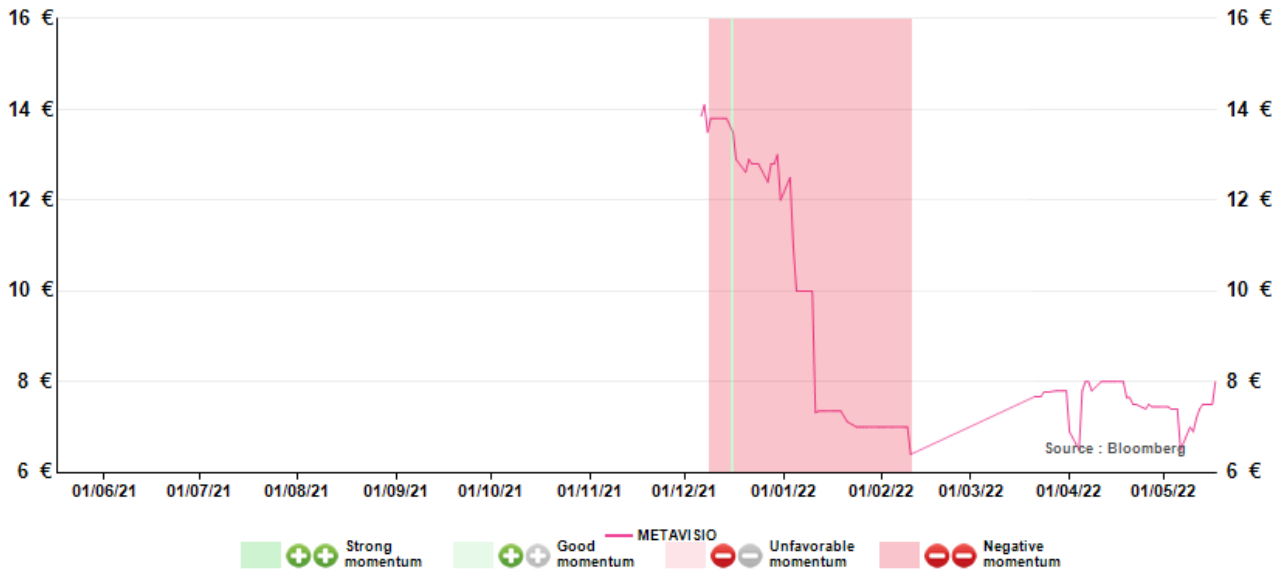
Valuation

Based on our target price, we value the company at c. €92m (equity value). With estimated debt of €26m, the implied EV comes out to be €118m.

Conclusion

In summary, Group SFIT is a leading player in an under-served market with plans to expand its offering as well its geographical presence with a coherent strategy and a unique business model.

Momentum





Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.


The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.


For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

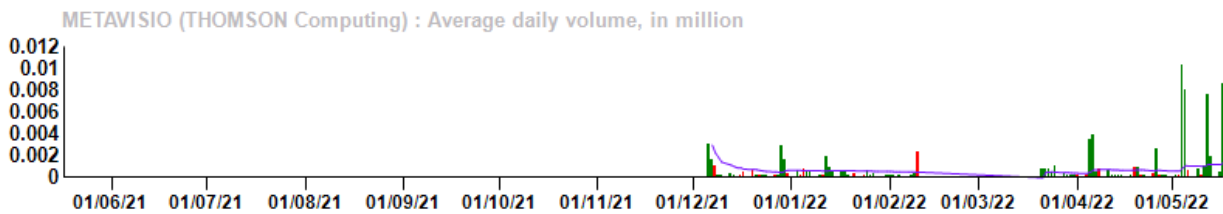
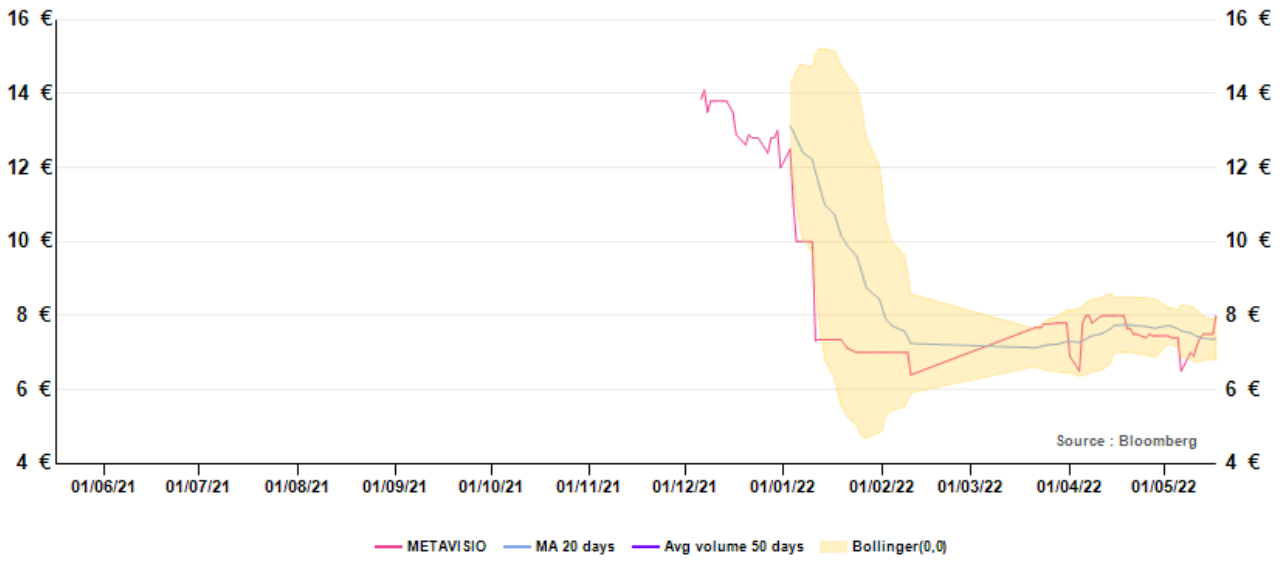
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

 : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

 : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

 : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

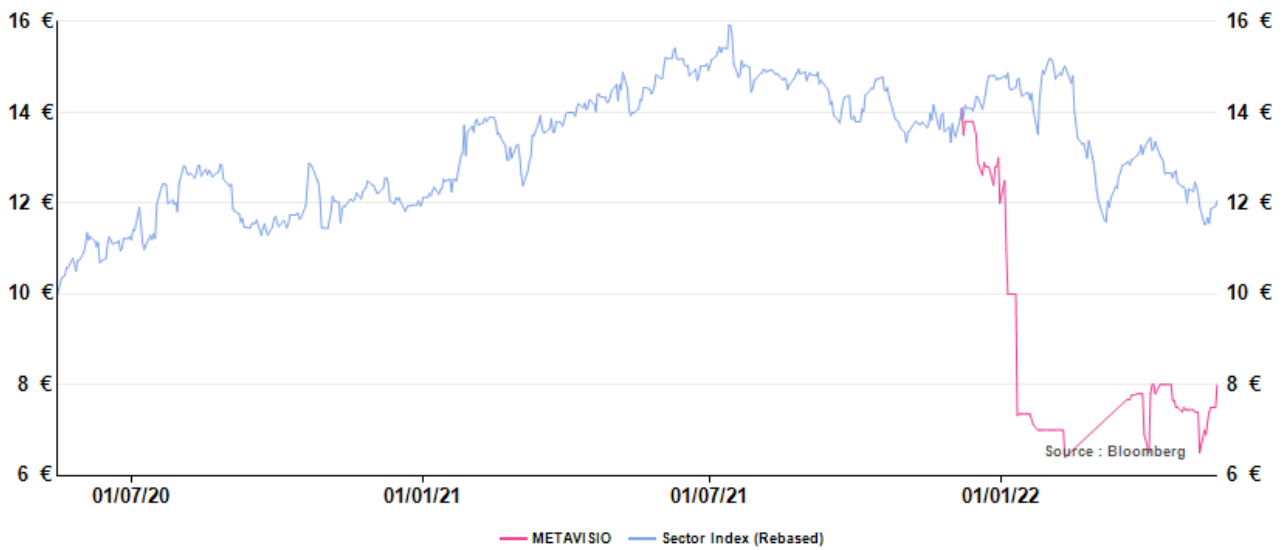
Moving Average MACD & Volume



€/\$ sensitivity



Sector IT Hardware



Detailed Financials

Valuation Key Data		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	3.19	33.6	13.0	9.65
Reported P/E	x	3.25	64.4	13.0	9.65
EV/EBITDA(R)	x	18.9	17.2	9.53	7.48
EV/EBIT	x	24.4	18.2	9.98	7.82
EV/Sales	x	0.74	1.77	1.10	0.90
P/Book	x	0.70	10.2	4.75	3.27
Dividend yield	%	0.00	0.00	1.88	2.50
<i>Free cash flow yield</i>	%	-391	4.85	4.19	8.42
Average stock price	€	13.9	13.2	8.00	8.00

Consolidated P&L		12/20A	12/21E	12/22E	12/23E
Sales	€th	47,282	63,347	70,155	80,926
<i>Sales growth</i>	%	17.8	34.0	10.7	15.4
<i>Sales per employee</i>	€th	1,126	1,584	1,559	1,686
R&D Costs	€th			-450	-675
R&D costs as % of sales	%	0.00	0.00	-0.64	-0.83
Staff costs	€th	-1,825	-2,629	-3,252	-3,874
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th	-35,282	-52,578	-59,631	-68,787
EBITDA	€th	1,859	6,510	8,100	9,750
EBITDA(R)	€th	1,859	6,510	8,100	9,750
<i>EBITDA(R) margin</i>	%	3.93	10.3	11.5	12.0
<i>EBITDA(R) per employee</i>	€th	44.3	163	180	203
Depreciation	€th	-601	-197	-201	-233
<i>Depreciations/Sales</i>	%	1.27	0.31	0.29	0.29
Amortisation	€th	-618	-163	-168	-194
Additions to provisions	€th	797			
Underlying operating profit	€th	1,438	6,149	7,731	9,323
<i>Underlying operating margin</i>	%	3.04	9.71	11.0	11.5
Other income/expense (cash)	€th	1,468	-1,810	0.00	0.00
Impairment charges/goodwill amortisation	€th				
Operating profit (EBIT)	€th	2,906	4,339	7,731	9,323
Interest expenses	€th	-1,365	-1,963	-1,800	-1,500
<i>of which effectively paid cash interest expenses</i>	€th	1.00			
Financial income	€th				
Other financial income (expense)	€th	-340	-515	-500	-500
Net financial expenses	€th	-1,705	-2,477	-2,300	-2,000
<i>of which related to pensions</i>	€th		0.00	0.00	0.00
Pre-tax profit before exceptional items	€th	1,201	1,862	5,431	7,323
Exceptional items and other (before taxes)	€th	1.57	-737	0.00	0.00
Current tax	€th	16.8	174	-1,521	-2,050
Deferred tax	€th				
Corporate tax	€th	16.8	174	-1,521	-2,050
<i>Tax rate</i>	%	-1.40	-9.35	28.0	28.0
<i>Net margin</i>	%	2.58	3.21	5.57	6.52
Equity associates	€th				
<i>Actual dividends received from equity holdings</i>	€th				
Minority interests	€th				
Income from discontinued operations	€th				
Attributable net profit	€th	1,219	1,299	3,910	5,273
Impairment charges/goodwill amortisation	€th	0.00	0.00	0.00	0.00
Other adjustments	€th				
Adjusted attributable net profit	€th	1,219	1,299	3,910	5,273
Fully diluted adjusted attr. net profit	€th	1,219	1,299	3,910	5,273
NOPAT	€th	1,006	4,305	5,411	6,526

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
EBITDA	€th	1,859	6,510	8,100	9,750
Change in WCR	€th	-15,471	9,414	-1,479	-716
<i>of which (increases)/decr. in receivables</i>	€th	2,590	20,946	-1,254	-970
<i>of which (increases)/decr. in inventories</i>	€th	-2,907	-7,934	-670	-624
<i>of which increases/(decr.) in payables</i>	€th	-13,422	-3,598	445	877
<i>of which increases/(decr.) in other curr. liab.</i>	€th	-1,732	0.00	0.00	0.00
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th	-67.1	174	-1,521	-2,050
Exceptional items	€th				
Other operating cash flows	€th	439	-9,000	0.00	0.00
Total operating cash flows	€th	-13,240	7,098	5,100	6,983
Capital expenditure	€th	-567	-567	-672	-699
<i>Capex as a % of depreciation & amort.</i>	%	46.5	157	182	164
Net investments in shares	€th				
Other investment flows	€th	17.5			
Total investment flows	€th	-550	-567	-672	-699
Net interest expense	€th	-1,705	-2,477	-2,300	-2,000
<i>of which cash interest expense</i>	€th	1.00	-2,477	-2,300	-2,000
Dividends (parent company)	€th	0.00	0.00	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	1,500	556	0.00	0.00
<i>of which (acquisition) release of treasury shares</i>	€th				
(Increase)/decrease in net debt position	€th	14,208	-7,849	-1,498	-1,000
Other financial flows	€th		-4,500		
Total financial flows	€th	15,709	-14,270	-3,798	-3,000
Change in cash position	€th	1,920	-7,740	631	3,285
Change in net debt position	€th	-12,289	109	2,129	4,285
Free cash flow (pre div.)	€th	-15,512	4,053	2,129	4,285
Operating cash flow (clean)	€th	-13,240	7,098	5,100	6,983
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	85.7	53.5	57.3	58.3

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	€th	0.00	0.00	0.00	0.00
Contracts & Rights (incl. concession) intangible assets	€th	8.22	4.86	5.00	5.00
Other intangible assets	€th	626	466	500	500
Total intangible	€th	634	471	505	505
Tangible fixed assets	€th	576	642	672	699
Financial fixed assets (part of group strategy)	€th	0.88	0.88	0.88	0.88
Other financial assets (investment purpose mainly)	€th	337	2,086	1,000	1,000
WCR	€th	42,782	33,368	34,847	35,563
<i>of which trade & receivables (+)</i>	€th	<i>46,370</i>	<i>25,424</i>	<i>26,678</i>	<i>27,647</i>
<i>of which inventories (+)</i>	€th	<i>7,733</i>	<i>15,667</i>	<i>16,337</i>	<i>16,961</i>
<i>of which payables (+)</i>	€th	<i>11,322</i>	<i>7,724</i>	<i>8,169</i>	<i>9,046</i>
<i>of which other current liabilities (+)</i>	€th	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Other current assets	€th	3,907	2,921	3,000	3,300
<i>of which tax assets (+)</i>	€th				
Total assets (net of short term liabilities)	€th	48,236	39,488	40,024	41,067
Ordinary shareholders' equity (group share)	€th	5,672	8,201	10,719	15,547
Minority interests	€th				
Provisions for pensions	€th	2,436	0.00	0.00	0.00
Other provisions for risks and liabilities	€th	104	0.00	0.00	0.00
Deferred tax liabilities	€th				
Other liabilities	€th	11,481	2,853	3,000	3,500
Net debt / (cash)	€th	28,543	28,434	26,305	22,020
Total liabilities and shareholders' equity	€th	48,236	39,488	40,024	41,067
Average net debt / (cash)	€th	21,997	28,488	27,369	24,162

EV Calculations

		12/20A	12/21E	12/22E	12/23E
EV/EBITDA(R)	x	18.9	17.2	9.53	7.48
EV/EBIT	x	24.4	18.2	9.98	7.82
EV/Sales	x	0.74	1.77	1.10	0.90
EV/Invested capital	x	0.80	3.25	2.14	1.98
Market cap	€th	3,968	83,652	50,866	50,866
+ Provisions (including pensions)	€th	2,540	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€th	28,543	28,434	26,305	22,020
+ Right-of-use (from 2019)/Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th				
+ Minority interests (fair value)	€th				
= Enterprise Value	€th	35,051	112,086	77,171	72,886

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr goodwill amort. & dil.)	€	4.34	0.39	0.61	0.83
<i>Growth in EPS</i>	%	<i>n/a</i>	-91.0	57.2	34.8
Reported EPS	€	4.26	0.20	0.61	0.83
Net dividend per share	€	0.00	0.00	0.15	0.20
Free cash flow per share	€	-55.2	1.22	0.33	0.67
Operating cash flow per share	€	-47.1	2.14	0.80	1.10
Book value per share	€	19.8	1.29	1.69	2.45

Number of ordinary shares	Th	287	6,358	6,358	6,358
Number of equivalent ordinary shares (year end)	Th	287	6,358	6,358	6,358
Number of shares market cap.	Th	287	6,358	6,358	6,358
Treasury stock (year end)	Th				
Number of shares net of treasury stock (year end)	Th	287	6,358	6,358	6,358
Number of common shares (average)	Th	281	3,322	6,358	6,358
Conversion of debt instruments into equity	Th				
Settlement of cashable stock options	Th				
Probable settlement of non mature stock options	Th				
Other commitments to issue new shares	Th				
Increase in shares outstanding (average)	Th	0.00	0.00	0.00	0.00
Number of diluted shares (average)	Th	281	3,322	6,358	6,358
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	4.34	0.39	0.61	0.83
EPS before goodwill amortisation (non-diluted)	€	4.34	0.39	0.61	0.83
Payout ratio	%	0.00	0.00	24.4	24.1
Capital payout ratio (div +share buy back/net income)	%	0.00	0.00	0.00	0.00

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€th	1,859	6,510	8,100	9,750
Funds from operations (FFO)	€th	2,232	-4,793	4,279	5,700
Ordinary shareholders' equity	€th	5,672	8,201	10,719	15,547
Gross debt	€th	36,347	28,498	27,000	26,000
o/w Less than 1 year - Gross debt	€th	8,593	990	1,000	1,000
o/w 1 to 5 year - Gross debt	€th	27,754	27,508	26,000	25,000
+ Gross Cash	€th	7,804	64.6	695	3,980
= Net debt / (cash)	€th	28,543	28,434	26,305	22,020

Bank borrowings	€th	23,686	16,000	15,000	14,000
Issued bonds	€th	12,461	12,000	12,000	12,000
Other financing	€th	200	498	0.00	0.00

Gearing (at book value)	%	388	347	255	155
Equity/Total asset (%)	%	11.8	20.8	26.8	37.9
<i>Adj. Net debt/EBITDA(R)</i>	x	15.4	4.37	3.25	2.26
<i>Adjusted Gross Debt/EBITDA(R)</i>	x	20.9	4.38	3.33	2.67
<i>Adj. gross debt/(Adj. gross debt+Equity)</i>	%	87.3	77.7	71.6	62.6
<i>Ebit cover</i>	x	0.84	2.48	3.36	4.66
<i>FFO/Gross Debt</i>	%	5.74	-16.8	15.8	21.9
<i>FFO/Net debt</i>	%	7.82	-16.9	16.3	25.9
<i>FCF/Adj. gross debt (%)</i>	%	-39.9	14.2	7.88	16.5
<i>(Gross cash+ "cash" FCF+undrawn)/ST debt</i>	x	-0.90	4.16	2.82	8.26
<i>"Cash" FCF/ST debt</i>	x	-1.61	4.10	2.13	4.28

ROE Analysis (Dupont's Breakdown)

		12/20A	12/21E	12/22E	12/23E
Tax burden (Net income/pretax pre excp income)	x	1.02	0.70	0.72	0.72
EBIT margin (EBIT/sales)	%	6.15	6.85	11.0	11.5
Assets rotation (Sales/Avg assets)	%	119	144	176	200
Financial leverage (Avg assets /Avg equity)	x	9.10	6.32	4.20	3.09
ROE	%	28.0	18.7	41.3	40.1
ROA	%	6.61	12.6	21.5	25.4

Shareholder's Equity Review (Group Share)

		12/20A	12/21E	12/22E	12/23E
Y-1 shareholders' equity	€th	3,046	5,766	8,201	10,719
+ Net profit of year	€th	1,219	1,299	3,910	5,273
- Dividends (parent cy)	€th	0.00	0.00	0.00	0.00
+ Additions to equity	€th	1,500	556	0.00	0.00
<i>o/w reduction (addition) to treasury shares</i>	€th	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	€th	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€th		581	-1,392	-445
= Year end shareholders' equity	€th	5,766	8,201	10,719	15,547

Staffing Analytics

		12/20A	12/21E	12/22E	12/23E
Sales per staff	€th	1,126	1,584	1,559	1,686
Staff costs per employee	€th	-43.5	-65.7	-72.3	-80.7
<i>Change in staff costs</i>	<i>%</i>	<i>-3.84</i>	<i>44.0</i>	<i>23.7</i>	<i>19.1</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>-42.8</i>	<i>51.2</i>	<i>9.95</i>	<i>11.7</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>49.5</i>	<i>28.8</i>	<i>28.6</i>	<i>28.4</i>

		12/20A	12/21E	12/22E	12/23E
Average workforce	unit	42.0	40.0	45.0	48.0
Europe	unit	42.0	40.0	45.0	48.0
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	€th	-1,825	-2,629	-3,252	-3,874
Wages and salaries	€th	-1,825	-2,629	-3,252	-3,874
<i>of which social security contributions</i>	€th	<i>-475</i>	<i>-704</i>	<i>-832</i>	<i>-989</i>
Pension related costs	€th		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/20A	12/21E	12/22E	12/23E
Total sales	€th	49,538	63,347	70,155	80,926
Products	€th	47,282	60,764	67,155	77,626
Other	€th	2,256	2,583	3,000	3,300

Divisional Breakdown Of Earnings

		12/20A	12/21E	12/22E	12/23E
EBITDA/R Analysis					
Group EBITDA	€th	4,360	6,510	8,100	9,750
Other/cancellations	€th	0.00	0.00	0.00	0.00
Total	€th	4,360	6,510	8,100	9,750
EBITDA/R margin	%	9.22	10.3	11.5	12.0

Revenue Breakdown By Country		12/20A	12/21E	12/22E	12/23E
United States	%	10.0	4.00		
China	%	10.0	0.00		
Europe	%	6.00	13.0		
France	%	74.0	83.0		
Other	%	0.00	0.00		

ROCE		12/20A	12/21E	12/22E	12/23E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	2.29	12.5	15.0	17.7
CFROIC	%	-35.3	11.8	5.91	11.7
Goodwill	€th	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	€th	0.00	0.00	0.00	0.00
All intangible assets	€th	634	471	505	505
Accumulated intangible amortisation	€th	1,006	1,169	1,170	1,170
Financial hedges (LT derivatives)	€th	0.00	0.00	0.00	0.00
Capitalised R&D	€th	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	576	642	672	699
Accumulated depreciation	€th	86.1	419	500	500
WCR	€th	42,782	33,368	34,847	35,563
Other assets	€th	0.88	0.88	0.88	0.88
Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	€th	43,993	34,481	36,024	36,767
Capital employed before depreciation	€th	45,084	36,069	37,694	38,437

Divisional Breakdown Of Capital Employed		12/20A	12/21E	12/22E	12/23E
Group EBITDA	€th				
Other	€th	43,993	34,481	36,024	36,767
Total capital employed	€th	43,993	34,481	36,024	36,767

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “**value**” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%