



BRAVE CHANGING WORLD:  
INBOUND KEEPING YOU POSTED



News & Views #50

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*“Plus ca change”...For this NUMBER 50 (!) of Brave Changing World, we focus on French Small Caps with LPE Research and the Day of Interest Rate Reckoning, fake vaccines and the critical need in Pharmaceuticals for digital traceability solution specialists like kaiosID (which made to the top 50 for FMCG), river transport, blockchain and the music industry, flying SPACs, Maison Tamboite and the LVMH’s LV Bikes, the demise of movie theatres - and more!*

*Thank you to all our BCW readers for helping us make it to 50:  
to many happy returns!*

*Have a good read!*

*The Inbound Capital team*

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## SMALL CAPS



### RIVER TRANSPORT IN FRANCE BACK TO THE LEVEL OF 2018

The total volume of goods transported in France by river boats and barges was down 10.6% year-on-year to 50.4 million tonnes in 2020 – and 11.5% expressed in tonnes x km - according to the public operator VNF (Voies Navigables de France), which manages the network of rivers and canals. This virtually fully offset the strong growth from the previous year (+10% in 2019 YoY). Construction which is one of the key sectors using river transport was sharply down in H1 2020 due to the impact of the first lockdown, and despite a slight rebound in H2. On the opposite, cereal producers which had an excellent harvest in 2019, have shown a better resilience in terms of utilisation – with a traffic only down 3.2%

River and canal transport is still viewed as one of the most reliable ways of transportation for basic materials and commodities through France and also one of the most efficient in terms of CO2 emissions.

Touax group (TOUP FP) is one of the key leasing operator of river barges in France and Inbound previously provided advisory services to the group.

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## The French small letter

March 1, 2021

Equity markets continue to rise. Over the past month, the CAC 40 has again gained more than 7% and French Small Caps have followed this trend. The initial sales and annual results of the companies were generally well appreciated and led to some upward revisions of results. The decline in the number of Covid-contaminated patients worldwide and the introduction of new vaccines have confirmed this trend. Finally, the increase in manufacturing PMI in the Euro zone (to 57.9 in February against 54.8 in January), one of its highest levels in 20 years, has finally convinced investors of the strong economic recovery to come.

Yes, but interest rates are rising.

Over the month, the American 10-year rate rose from 1.1% to 1.4%. In France, the 10-year OAT is still in negative territory, but has risen from -0.3% to more than -0.1%. This rise was driven by fears of inflation, particularly in the United States. Indeed, while inflation remains under control (consumer prices remain below the 2% target of the FED), there is reason to fear that it could be spurred by the combined effect of a stronger than expected economic recovery, an excessively favorable monetary policy and the rise in raw material prices (and therefore production costs).

Which values and which sectors should therefore be favored? In the short term, in (go to next page)

LPE Research – The French small letter  
March 1, 2021



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## FRENCH SMALL CAPS - WAS IT ALL JUST A BAD DREAM AFTER ALL?

While equity markets enjoyed some newfound momentum last month after pausing for a breath, the "interest rates" music has started to get louder - although the refrain has changed from "please cut them " to "watch them rise". That's what you get when you invoke the Gods of the Roaring 20s. French Small Caps have roughly tracked the new gains by the CAC 40, supported by upwards forecast revisions following positive initial sales & results, new vaccines coming on stream, less COVID-19 contaminations worldwide and the increase in manufacturing PMI in the Euro zone (one of its highest levels in 20 years). Surprise, surprise: inflation concerns are now driving interest rates up. Watch out, growth stocks with stratospheric valuations: your multiples may only hold because interest rates are low. The Day of Reckoning may be coming for fanciful digital stocks and/or those with puffed up valuations, at odds with underlying results and managements' merits. Did anybody mentioned "Corporate Governance" recently? Inbound has an introduction agreement with LPE Research, a truly independent French-small cap focused research firm: [www.lperesearch.com](http://www.lperesearch.com).

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## FLYING SPACs? AND NOW LILIUM - THIS IS GETTING RIDICULOUS!

Flying SPACs ? And now Lilium - this is getting ridiculous !

Only a few weeks ago, I commented on the decision by Archer to merge with the Atlas Crest SPAC valuing the revenue-less company at \$3.8bn.

The FT then reported that the co-founders of LinkedIn and Zynga are nearing a deal to merge their Reinvent Technology Partners SPAC with Joby Aviation. Wait for it ...apparently 600 hours of successful prototype flights tests and planned deployment in 2024 is already worth \$5.7bn.

And now the Germans wish to muscle their way to the dance floor with Munich based Lilium seeking a \$2bn valuation and a merger with the Qell SPAC. Hello ! That's a cumulative \$11.5bn on a hope and a prayer. So like Biotech then !

You can't quibble with the idea. I mean ever since Sean Connery lived twice flying around in Little Nellie, we have dreamt of substituting the commute with our own 'air vehicle'. But is it right to take 3rd party shareholders along for the ride ? Stephen Fitzpatrick and Richard Branson are good UK examples of UHNW's financing such endeavours themselves. At least the British bets are hedged by Baillie Gifford's shareholdings in both Joby and Lilium.

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## START-UPS & TECH



## DIGITAL TRACEABILITY AND BRAND ENGAGEMENT EXPERT KaiosID

### MAKES IT TO THE TOP 5 POST-COVID FMCG SOLUTION PROVIDERS

From tech to biotech?... SoftBank is reported to plan to accelerate investments in the biotech and healthcare sector.

SB Northstar, SoftBank's asset management arm in which founder Masayoshi Son also holds a

33% stake, announced in January that it invested \$312m in Pacific Biosciences, a U.S. DNA-sequencing company whose stock has risen c. 9-fold in 2020, and is reported to consider more investments in the sector. SoftBank has already invested in healthcare startups, primarily through its Vision Fund, such as 10x Genomics and Roivant Sciences. The group also has a \$298m stake in Canadian antibody-drug discovery platform AbCellera Biologics, made a small investment in 4D Molecular Therapeutics, and is planning \$900m convertible debt investment in PacBio, according to the WSJ.

There has been a lot of speculation about how Softbank will spend some of the \$80bn the group has available for investments, after Masayoshi Son announced plans to sell off \$43bn of assets last year. SB Northstar, was holding \$22bn of “highly liquid listed stocks” at the end of 2020. This is in the context of Nasdaq Biotechnology Index having jumped 37% in 2020, twice as much as the S&P 500.

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## **SOME ICEBERGS ARE NOT MELTING: COUNTERFEITING & GREY MARKETS OF PHARMACEUTICAL PRODUCTS...**

... are growing ones. This is particularly true of the vaccines against COVID-19. The recent seizure by Interpol of almost 5500 fake vaccine doses (3000 in China, 2,400 in South Africa) are only the tip of that iceberg. Like the Dark Side of the E-commerce Force, criminal activities related to anti-COVID-19 vaccines have taken a whole new dimension with the surge online transactions triggered by the pandemic. Dangerous and even lethal vaccines have been increasingly offered on dubious websites and on the "darknet". Fake is no longer an issue mainly for the luxury cosmetics or FMCG sectors and concerns the pharmaceutical industry as well. New threats call for new weaponry: hence the critical importance of cutting-edge solutions like those provided by digital traceability specialist kaiosID: [www.kaiosID.com](http://www.kaiosID.com). Inbound is sole advisor of kaiosID

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## MAISON TAMBOITE STANDS FOR LV BIKES

LVMH (€265bn market cap, MC FP)'s LOUIS VUITTON decision to rely on centenary-old MAISON TAMBOITE (<https://lnkd.in/e2GKRCCG>) to produce its LV BIKES makes perfect sense. Each bicycle is "sur mesure" and literally an exhibition of meticulous craftsmanship by itself: assembled entirely by hand at the Maison Tamboite studio in the Bastille district of Paris, its requires weeks of collaborative work between different craftspeople (chrome-plater, enameller, precision mechanic, cabinetmaker, leather worker etc). Its bikes are to bicycles what Haute Horlogerie is to watches. With the LV Bikes, Maison Tamboite marries a unique expertise with the epitome of a true luxury brand. It is also at the cross of secular growth trends, from new mobility trends to ESG-focused changing lifestyles and, yes, affordable luxury. While remaining firmly in the super premium segment, Maison Tamboite aims to address growing categories of cycling enthusiasts looking for exceptional bicycles. Inbound is advisor to Maison Tamboite.

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## FINANCE & ECONOMY



## THE ALL-ELECTRIC CAR REVOLUTION IS ON ITS WAY

The industry is being transformed as all cars sold worldwide in 20 years will have to be electric, in compliance with the Paris agreement on global warming. Europe aims to be carbon neutral by 2050 while Norway will ban sales of thermal vehicles from 2025. The EU CO2 emission thresholds on new vehicles will decrease 38% by 2030. Manufacturers are forced to comply or face heavy fines.

This race is reshuffling the cards in the industry as groups must invest billions of euros to adapt. The winners are pure electric players, like Tesla, who don't have to manage the transition, while many insufficiently profitable incumbents are struggling to prepare for the future. Renault has been initially successful with its ZOE but failed to develop a range generating economies of scale and potentially profitable for the future.

Access to capital is another reasons for manufacturers to invest in electric as investors value existing market shares less vs. electric opportunity. As Tesla raises €10bn equity, it can easily finance its growth. Same for Lucid Motors, the US electric car start-up which has raised \$4bn on a valuation of \$24bn with no production...

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## LIFESTYLE & OTHER



### IS THIS THE END OF MOVIE THEATERS?

If we listen to Bob Chapek, Disney's CEO, there is no hope as he is not sure that "there's going back" to pre-pandemic theatrical windows.

Disney in 2019 released 11 films that earned at least \$1 billion, which “will continue to be a big deal” to the company. But he acknowledged the uncertainty that the ongoing COVID-19 pandemic brings, given how few screens are currently open and moviegoers’ willingness to return to theaters. Those possible changes to consumer behavior are “more profound” to him. He thinks that the consumer is now more impatient to get titles at home pretty much when he wants them as he has been used to during the pandemic. Even if he says that the company will ultimately let consumer behavior guide its decisions on the theatrical windowing front, it seems that for him the deal is done!

But if we look at China, the story is different. With nowhere to go during Chinese New Year, Chinese people rushed to movie theaters with a movie such as "Detective Chinatown 3" (Don't ask me what it is talking about!) generating \$397m during its first WE. And it is not the only movie making such good figures.....

So maybe [#socialmedia](#) [#netflix](#) [#digitalcontent](#) there is some hope for better times after the pandemic...

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## HOW BLOCKCHAIN WILL ROCK THE MUSIC INDUSTRY

There are always new surprises with blockchain. Now it concerns the music business.

American rock band Kings of Leon announced that they'll offer their latest album, "When You See Yourself," in the form of an NFT (non-fungible token), making it among the first bands to do so. Kings of Leon is offering its album package with a vinyl and digital download for a token priced at \$50 (around 5 months of subscription to Spotify). It'll be released Friday on YellowHeart (a ticketing and music streaming NFT platform) and open for two weeks starting at noon ET. After that two-week period, no more will be made.

The album will mark the first time that fans can purchase an album on blockchain the same day as its traditional release on other platforms.

Kings of Leon is also offering more exclusive items as part of a series called "NFT Yourself."

People can bid on one of six "golden ticket" experiences, which offer fans four front row seats to the show of their choice during each tour for life.

I don't know if it is a revolutionary move but what is sure is that everyone is talking about it. In an industry where you have to make some buzz to be visible (with streaming you need to be a top star to be visible!), this is a clever move!

[#blockchain #artsandentertainment](#)

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Inbound Capital is sole advisor to kaiosID.

Inbound Capital has an introduction agreement with LPE Research.

Inbound Capital provided advisory services to Touax Group (TOUP FP).

Inbound Capital is advisor to Maison Tamboite.

Inbound Capital previously acted as outsourced Investor Relations for DBT (ALDBT FP).

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