## BRAVE CHANGING WORLD:
## INBOUND KEEPING YOU POSTED

# News & Views #59

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***"Plus ca change"...In this selection of our posts, we focus on vertical ingration in Digital/Media (AMAZON, MGM, French soccer TV Rights, WARNER), KAIOSID's successful financing milestone on its way to digital traceability leadership in packaging, ALCHIMIE (ALCHI FP) as a nimble player on the offensive in an established media lanscape ripe with defensive battles, Small Caps in a post-MIFID II and Covid-19 world, DBT (ALDBT FP) benefiting from more EV charging points in the UK, ARTEIA in light of Inbound's own art sector forecasts rightly pre-empting the Art Basel & UBS report, MAISON TAMBOITE as a league of its own in luxury and cycling, BIG BIRD and aerial data collection, synthetic diamonds and COURBET, "Inbound Said It First" (Bitcoin is not ESG, App tracing didn't really work), structural inflation - and more***

***Have a good read!***

***The Inbound Capital team***

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## SMALL CAPS

### SMALL CAPS: WHEN THE TIDE GOES OUT, WATCH OUT FOR THOSE WHO WERE SWIMMING NAKED

Yes, you can make money investing in small caps but it is important you do your homework as these companies remain by and large under-researched - even though European Small Cap coverage has actually INCREASED since MIFID II according to recent study.
MIFID II regulation has been accused of leaving Small Caps under-researched, a factor explaining why the latter were not always given access to the capital they needed. That is until Covid-19 hit, helicopter money from governments and central banks drove long term bond yields sub-zero, equities rallied and Small Caps became the toast of the markets. Will economic reality catch up fast enough with equities thanks to the multiplier effect? Conversely will inflation jam the markets? Whatever: when the tide of liquidities goes out, we'll see who was wearing a swimsuit or not. Before that happens, smaller companies are a fertile area for studious long-term investors who do their homework. Many of those under-researched small companies also don't meet all the investors they should, which incidentally puts those "in the know" at a distinct advantage. While some funds may be able to enjoy the benefits of quality independent small cap research like LPE RESEARCH, not everyone can afford to - something MIFID II has been blamed for. More often than not also, the so-called sponsored research is either restricted to a list or/and of too poor quality to be really useful. Bring on the New Normal! On the access side, Inbound Capital is on a mission to connect Small Caps with the right investors. And just wait for what we have in store on the sponsored research side.

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### DBT (ALDBT FP) CHARGED UP! £300M FUNDING BY OFGEM TO BUILD 3,550 NEW ULTRA-RAPID CHARGING POINTS IN THE UK

Britain's energy regulator Ofgem has given the green light for UK energy network companies to invest £300m for the installation of 1,800 new ultra-rapid electric car charge points for motorway service stations and a further 1,750 charge points in towns and cities. The regulator hopes that a better EV charging infrastructure will help motorists switch to electric cars as they feel more confident about traveling longer distance with such vehicles. The UK plans to ban the sale of new petrol and diesel cars from 2030 and phase out hybrid vehicles from 2035 as part of its plan to reduce road transport emissions. However, only 11% of new car registrations were for ultra-low emission cars in 2020.

The project is a good news for the development of electric vehicles in the UK and this is in line with the various initiatives currently taking place in Europe, such as the €100m funding programme launched in France in February. It also has positive implications for fast chargeurs manufacturers in Europe such as French group DBT (ALDBT, €40m market cap).

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

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## ALCHIMIE (ALCHI FP) ON THE OFFENSIVE IN A MEDIA/DIGITAL SPACE MARKED BY DEFENSIVE MOVES. TF1-M6: THE RESPONSE TO GLOBAL TV/VIDEO PLATFORMS IN FRANCE?

It is TF1 which finally reached a deal with M6 and RTL. Bouygues will become a controlling shareholder of the new group with a 30% stake, avoiding regulatory obstacles this way, while RTL will own 16%.

A major European television player with combined revenue of €3.4bn and an operating profit of €461m will have been created in the process. Importantly the merger will support the development of a strong national platform combining a catch-up and streaming offer (based on MyTF1 and 6play) and an SVOD offer". The operation is expected to generate €250m-€350m of synergies on EBITDA in 3 years.

The new group will however remain lilliputian vs. main US Media groups such as Netflix, Disney or GAFAs… But it is viewed as the only way to resist their platforms and to protect French creation.

Interestingly a nimble player like Alchimie (ALCHI, €90m mkt cap) has also successfully launched last year TVPlayer, a SVOD platform that contribute to create and package profitably original thematic channels from creative talents and content of various European media groups.

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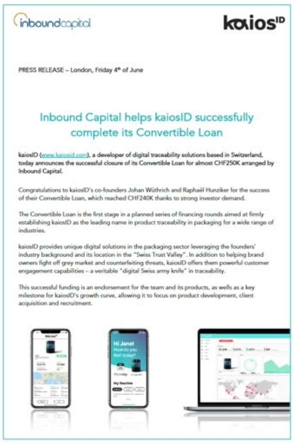
## START-UPS




### CONGRATULATIONS TO KAIOSID!

CONGRATULATIONS to kaiosID's co-founders Johan Wüthrich and Raphaël Hunziker for the success of their Convertible Loan (CL), reaching almost CHF250K thanks to strong investor demand. This is the first stage in a planned series of financing rounds aimed at firmly establishing Switzerland-based kaiosID as the leading name in product traceability in packaging and customer engagement for a wide range of industries. On top of being an endorsement for the team and its digital solutions, it is a key milestone for kaiosID’s growth trajectory. Inbound Capital is sole advisor to kaiosID: https://lnkd.in/eE67pnS

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### THE BEAUTIFUL IS ALWAYS BIZARRE: NOT MAISON TAMBOITE

Charles Baudelaire would be proven wrong with the bicycles produced by the centenary-old maker of made-to-measure bicycles: they are "just" beautiful. Enjoying a strong renaissance even before the pandemic, family-owned Maison Tamboite ticks all the "boites" for cycling enthusiasts, premium lifestyle aficionados, brand fanatics, ESG adepts and supporters of the Relance France and "Made in (Ile de) France" (Paris and surroundings were at the heart of European cycle making historically). Maison Tamboite is truly back. Inbound is sole advisor to Maison Tamboite.

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## TRANSPORT IS HARD TO DECARBONIZE

Tackling the climate and air pollution crises requires curbing all motorized transport, particularly private cars, as quickly as possible. Focusing on electric vehicles is slowing down the race to zero emissions as electric cars aren't truly zero-carbon.

The best way to reduce transport emissions quickly, and globally, is to swap cars for cycling, e-biking, and walking which is called active travel. Active travel is cheaper, healthier, better for the environment, and no slower on congested urban streets. People who walk or cycle have lower carbon footprints from daily travel. A study on 4000 people living in big cities in Europe shows that people who cycled every day had 84% lower carbon emissions than those who didn't. Emissions from cycling can be more than 30x lower for each trip than driving a fossil fuel car, and 10x lower than driving an electric one.

Active travel can contribute to tackling the climate emergency earlier than electric vehicles while providing affordable, reliable, clean, healthy transportation.

And if you use a Maison Tamboite bicycle, you will do it with style! Inbound Capital is advising Maison Tamboite in its present fundraising.

# Maison Tamboite #ebikes

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GLOBAL ART MARKET: INBOUND CAPITAL FORECASTS vs. ACTUAL

WWW.ARTEIA.COM IS ALREADY WHERE THE ART ECOSYSTEM IS GOING

| Global Fine Art Trading Market (in $bn) | 2019A | Inbound 2020e | % Change | 2020A | % Change | Inbound 2021e | % Chang |
|---|---|---|---|---|---|---|---|
| Physical | 58.1 | 32.0 | -45% | 39.7 | -32% | 55.6 | 40% |
| Online | 5.9 | 11.8 | 100% | 10.4 | 76% | 18.2 | 75% |
| TOTAL | 64.0 | 43.8 | -32% | 50.1 | -22% | 73.8 | 47% |

*Source: Inbound Capital, Art Basel & UBS Report*

| Share of Total | 2019A | Inbound 2020e | 2020A | Inboun 2021e |
|---|---|---|---|---|
| Physical | 90.8% | 73.0% | 79% | 75% |
| Online | 9.2% | 27.0% | 21% | 25% |
| TOTAL | 100.0% | 100.0% | 100% | 100% |

*Source: Inbound Capital, Art Basel & UBS Report*



## ARTEÏA IS ALREADY WHERE THE ART WORLD IS GOING

Back in June last year, Inbound Capital correctly forecast the massive impact the pandemic would have on the global art market: https://lnkd.in/g7TJKDb. In particular, we forecast that the surge in online usage and take-up of digital solutions - such as art specialist Arteïa's - would partially make up for the decline in physical sales. The latest Art Basel & UBS report vindicates our predictions (www.artbasel.com): the 2020 global fine art trading market was down 22% (vs. our 32%) to $50.1bn, partially saved by online sales which nearly doubled ($10.4m, in line with our $11.8m). Online as a share of the total market increased from 9% in 2019 to 21% last year (vs. our 27%). For 2021, we expect physical transactions to rebound sharply (+40%) and online to grow another 75% (25% share of the total), for a global market close to $74bn. Inbound is advisor to Arteïa.

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## BIG BIRD GOES UP, AND UP...

More resistant than drones, less polluting (and expensive) than helicopters, Big Bird offers a green solution for aerial surveillance with its hydrogen-filled airships.

Home | Big Bird (big-bird.tech)

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## ROLLING STONES

Jewellery specialist PANDORA (PNDORA DC) renouncing to natural, mine-extracted diamonds gave a serious boost to their synthetic counterparts (it's forbidden to say "cultivated" or "grown" in France since 2002) like those produced by CHANEL-backed COURBET. To be fair, natural diamonds have steadily polished their traceability credentials since the Kimberley certification process (2002) and the active roles subsequently played by the Responsible Jewellery Council and then the National Diamond Council. They also don't use up nearly as much energy (and water) as synthetic diamonds to be produced. Affordability is the main differentiator, with synthetic diamonds 30-40% cheaper - not to mention unlimited production capacity. No wonder they appeal more to the younger generation. Shine on crazy synthetic diamonds! True to its investor access capacity, Inbound was first to bring COURBET to CITIGROUP's GLOBAL CONSUMER CONFERENCE in 2019.

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## FINANCE & ECONOMY

### INBOUND SAID IT FIRST: TRACING & TRACKING APPS DIDN'T REALLY WORK

The fact that no EU country has been able to provide a reliable indicator to confirm the efficiency of such apps is arguably in itself a confession of some failure. Recent articles in the French press trumpeting the so-called "incredible success" of the TousAntiCovid app are misleading: TousAntiCovid is only the re-launched version of the ill-fated StopCovid tracing app launched in the midst of the first lockdown last year - with lame results. It took a full re-branding - with massive (read: expensive) TV and other media campaign - and being incentivised to go to it to download the precious mandatory attestation of travel to get is (slowly) accepted. We said it as early as April last year, just check out our White Paper. At the time, the Canard Enchaine satirical political newspaper also pointed to a prohibitively high maintenance costs, possibly north of €200K/month (€2.5m+/year). But hey, we moved from the "Age of Austerity" to "Age of the Quoi-Qu'il-En-Coute"!

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### INBOUND SAID IT FIRST: BITCOIN IS NOT ESG

Inbound has repeatedly said that for all the hype around bitcoin and other cryptocurrencies, they are shockingly carbon-unfriendly. "Que d'eau, que d'eau...NEEDED", would Mac Mahon say these days looking at all those servers needing be cooled down. Not to mention the fact the process to produce digital coins demands machines so powerful and running at full tilt that they need massive energy suppliers. One thing for sure: Great Thunberg is unlikely to feel sorry about the recent bitcoin crash!

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## EVIDENCE THAT INFLATION BECOMING "STRUCTURAL" IN THE US. PROCEED WITH

The fear is that a global rise in interest rates will stop this bull market in its tracks. COVID aside, an unsurprising dominant theme therefore for financial markets in 2021, has been the will it/won't it debate around the re-emergence of inflation.

Equity markets have shrugged off this concern so far, but weakness in early April and May as 10 year treasuries hit yields of 1.75% reminded of the correlation. Those who rightly pushed the deflation debate against the judgement of most economists post the financial crises, may need to look carefully at the sudden and significant rise in lead times in the US (chart). This is not a year on year affect of rising prices, but a structural shortage of goods at a time of abundant cash in the system. This might also impact cross-border and not restrict inflation increases to certain geographies.

Industrial automation/blockchain should help beat inflation LT, but any ST monetary policy normalisation could hurt. Watch treasuries again.

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# LIFESTYLE & OTHER

## VERTICAL INTEGRATION (1): MEDIA & TELECOMS

Most of the time vertical integration doesn't work. Media and telecoms are not an exception. The only company which seems to be successful with vertical integration is Amazon and time will tell if buying MGM is a good deal.

What would happen if Carrefour buys Danone? Carrefour would have a monopoly to sell Danone's products but to be profitable Danone will continue to need to sell its products to Auchan or Casino. On the opposite, to be happy, Carrefour's clients want Danone's products but also Nestlé's products and small producers' products.

It is the same with media and telecom. ATT buying Time Warner was clearly a mistake spending $85.4 bn, and hundreds of millions or more to fight the U.S. Department of Justice for regulatory approval to do it. Then, ATT announced a $43 bn deal to spin off WarnerMedia (the rebranded Time Warner) and combine it with Discovery. It's hard to see where the value creation is. And, it is the same story. It was not profitable for ATT to have

exclusivity on WarnerMedia's content and Time Warner's users wanted to have access to much more content.
Maybe Amazon will be more successful with its acquisition of MGM as it needs content to satisfy its Prime clients on a global basis. Time will tell.
#verticalintegration
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## VERTICAL INTEGRATION (2): AMAZON (AMZN US) & FRENCH SOCCER TV RIGHTS

What is sure is that the attribution of the French soccer TV rights is always full of surprise. Canal+ is the company that really needs these rights as it is a must-have content to attract subscribers. But for many years there has always been a new competitor with deeper and deeper pockets coming from nowhere: TPS, Orange, BeIn Sports, Mediapro and now Amazon.
As for the acquisition of MGM, the underlying target of Amazon is not to attract TV subscribers to its Prime offer but to attract subscribers which will use other Amazon services. And amazon can become a marketplace for all the streaming offers. It will get more and more data and will be able to do SVOD but also AVOD with targeted advertising. And ultimately it will be able to do T-commerce: you can buy immediately what you see on TV. Nice!
So it's clear that, for Amazon, buying the French soccer TV rights is just a drop in the ocean to reach its ultimate target whereas for Canal+ it is a question of life and death. And once again the French Ligue doesn't care as its only target is to get as much money as possible with a reliable client (they have learned their lesson with Mediapro).
So while Jeff Bezos is preparing his soon-to-come space trip, Vincent Bolloré who is supposed to prepare his retirement (in 2022 he says) must be very upset!
#amazon #soccerrights
**Click here to find out more >>**

## VERTICAL INTEGRATION (3): AMAZN (AMZN US) & MGM

I said that I didn't believe in vertical integration, but there a deal that contradicts this statement: Amazon buying MGM. There is clearly much more than competing on content with the other streaming platforms in it.

1. Award-winning programs are just window dressing to push the subscriber to go subscribing to other services via Prime.
2. Amazon Prime could become a consolidator in the streaming sector. Prime's subscribers have their credit cards stored in the Amazon system. Adding a subscription to another streaming platform such as Netflix is very easy. It will be well-received as viewers want to get all the services from a single source.
3. Amazon has a lot of data on their viewers who do their shopping on Amazon. It can help advertisers target people who buy their products. Amazon has a large TVOD business so it can offer viewers a choice when they search for movies or series not included with Prime: pay $1.99 to watch an episode or watch it for free with ads.
4. Amazon can explore the T-commerce area. Who is better suited to sell you the ingredients to the recipe Giada just prepared on Discovery + than the company that just happens to own Whole Foods?

The MGM sale is not part of the streaming war and the game Amazon is playing is a whole lot bigger than just TV.

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Inbound Capital provides targeted international introductions to Alchimie (ALCHI FP).
Inbound Capital is advisor to Arteïa.
Inbound Capital is sole advisor to Maison Tamboite and kaiosID.
Inbound Capital previously acted as outsourced Investor Relations for DBT (ALDBT FP).
Inbound Capital provided targeted introductions to Courbet and Big Bird.
Inbound Capital provides targeted introductions to LPE Research.



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