



BRAVE CHANGING WORLD:
INBOUND KEEPING YOU POSTED



News & Views #51

“Plus ca change”...In this selection of our posts, we focus on Small Caps frenzy and their relentless rise in EV/EBITDA valuation, a sense of “déjà vu” with volcanic activity in Iceland, recovery in the air (literally with ITP FP), the appetite of global cannabis leaders for Europe, new digital traceability solution vs. smuggling counterfeited tobacco, VCs joining the SPACs’ feast, bananas as the next Playstation joysticks, retail money and VCs - and more!

Have a good read!

The Inbound Capital team

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SMALL CAPS



RECOVERY IN THE AIR FOR PERFUME SPECIALIST INTERPARFUMS?

Interparfums (ITP, €2.6bn market cap), the perfume specialist which holds the Lanvin, Boucheron, Rochas, Montblanc and Jimmy Choo licenses, reported a 36% drop in operating profit in 2020 to €30.7m due to the pandemic while sales were down 25% at €367m. The 12.8% operating margin was however significantly better than expected and also come after the publication of sales ~20% above consensus in late January.

These encouraging developments reflect some agility and a more flexible operating model from the group. The Deputy CEO Philippe Santi guided for an operating margin of around 12% in 2021 as a significant increase in marketing and advertising spending will be necessary to support the return to growth.

The marginally better resilience shown by consumers in spite of the lockdown and curfew measures is a positive signal for the rest of the fragrance, cosmetic and luxury sectors and their supply chain for 2021, such as cosmetic packaging group Quadpack (ALQP) which offers a range of innovative solutions to beauty brands in Europe and globally.

Inbound offers advisory services to Quadpack.

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SMALL CAPS FRENZY?

From an equity point of view, the pandemic has been synonymous with a few rather extreme phenomena: from SPACs hysteria to the rise of Day Traders - hailed as "Modern Equity Yellow Vests" in France - to a the surge of Small Caps. Smaller firms, more vulnerable to economic downturn? That's without helicopter money from central banks and ultra-low bond yields both de-risking them and making them one of the few Yield Havens. INFRONT ANALYTICS (www.infrontanalytics.com)'s Small Cap Eurozone valuation index recorded another strong increase in 4Q20, reaching a record-high median 9.9x EV/EBITDA (vs. 8.7x in 3Q20), beating the last record of 9.6x in 1Q18 - which had steadily decline to 6.8x in 1Q20. Average constituents share performance was similar so the increase in EV/EBITDAx tracked market prices. EV/EBITA was 9.1x for French Small Caps, 10.4x for German ones(8.2x and 9.8x in 3Q20

resp). Just like the trees don't go to the skies, Small Caps will at some point face their reality check: equity performance being all about expectations (and beating them!), there are A LOT built in the valuation of some.

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THE SPAC WORLD IS MOVING FAST

How fascinating to look at the speed at which the SPAC world is moving. For most companies in the US, it is the new way to be listed. And now VC companies are joining the game and starting to create SPACs of their own as it is easy for them to tap into their pipeline of companies that could potentially be acquired by these SPACs.

The game is easy to understand: blank-check companies raise capital and IPO to merge with a private company that then becomes publicly traded. Easy, no? The main problem is to manage to target a company that can be well-received by public investors. And when you are a VC you can buy one of your own portfolio companies. And there is no conflict of interests as the SEC allows it even if the target should not be identified when the SPAC is raised.

VC firms were initially cautious on SPACs but with the new heights in SPAC frenzy, it was difficult not to join the game. Managing a SPAC can lead to impressive returns with little risk. Deal sponsors make on average a return of nearly 10 x their investment, according to a study by JP Morgan. It is also virtually impossible for them to lose money unless a SPAC doesn't find an acquisition target within 2 years.

One thing is sure: that trend will arrive in Europe sooner or later!

[#privateequity](#) [#SPAC](#) [#ipo](#)

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START-UPS & TECH



PHEW! DENMARK STOPPED THEM

Before you think about anything else, in this case it's nearly €15m worth of contraband cigarettes - the result of a successful sting jointly led by the Danish and Dutch authorities. 13 individuals were arrested in Denmark for their alleged role in smuggling counterfeit cigarettes produced in a clandestine factory and destined to the UK. This is the first case of an illegal factory being dismantled in Denmark which had the potential production capacity of several million cigarettes PER WEEK. The global fight against an ever-growing counterfeiting market in tobacco as well as FMCG, cosmetics or pharmaceutical etc calls for new weaponry such as the cutting edge digital solutions provided by leading Swiss start-up kaiosID (www.kaiosID.com). Inbound Capital is sole advisor to kaiosID.

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FINANCE & ECONOMY



US CANNABIS/CBD LEADER CURALEAF IS ENTERING THE RAPIDLY GROWING EUROPEAN MARKET

Europe is arousing the interest of the global cannabis leaders as its market is being liberalised and could grow from \$710m last year to \$100bn+ over time, overtaking the US. CBD is gradually transforming from an exclusively therapeutic-oriented market into a recreational one.

The US-based world's leading operator Curaleaf (\$653m sales in 2020, \$11bn market cap) is buying UK's marijuana producer Emmac Life Sciences for \$340m to gain a foothold in Europe and strengthen its sourcing. Emmac supplies the main European markets for therapeutic cannabis from Portugal and plans to increase production capacity to 10 tonnes p.a. by 2022.

Market consolidation is accelerating globally as with the merger between Canadian groups Aphria & Tilray to create a leader with \$700m in sales. The future champion has made Europe a priority and has invested \$20m there. The market remains largely fragmented with plenty of opportunities for agile smaller players.

Inbound is involved in the CBD sector, working closely with Grass & Co. on upcoming funding requirements as the company grows in the UK retail.

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PASSION CAPITAL SHIFTS THE VC INDUSTRY TO EMBRACE RETAIL

MONEY

Seedrs involvement in new fund raise shows the way forward.

The financial crises destroyed bank credit as a source of start-up financing. In its wake, the UK govt quickly ramped up SEIS and EIS funding incentives. Crowdfunding was redefined, VC fund launches took off.

Until now, retail investors in all forms, from UHNW's to the brand fans seeking a small supporting stake, have by and large had to follow the high-risk 'single stock' strategy of investing at pre-seed or seed stage. The desire to spread risk sees many retail investors employing a strategy of mass participation in as many offerings as possible.

Finally the ecosystem is responding. VCT structures have existed for many years, and now VC's are launching their own EIS and SEIS funds to help retail investors spread exposure. But Eileen Burbidge, an HM Treasury Special Envoy and Chair Of Tech City UK adds top table VC influence to the need to open up to retail money and earlier. Putting £1 of capital into play spread across 50+ companies, must be the right way forward. More will follow Capital Pilot #BoostFund.

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LIFESTYLE & OTHER



BANANAS SOON TO BECOME PLAYSTATION CONTROLLERS?

Those who thought that bananas were just excellent food after a marathon or any running session, would be very surprised to learn that Sony is thinking differently as it plans to turn

ordinary household objects into Playstation controllers. It isn't only bananas but also oranges or whichever food or object is available in your kitchen.

Sony Interactive Entertainment Inc. has made recently the request to patent a system that turns ordinary household objects and food products into PlayStation controllers. "The system comprises an input unit operable to obtain images of a passive object held by a user as a video game controller," the patent says.

In the patent, Sony uses a banana to visualize its new system but the system would work with anything from a coffee mug to a pen.

"It would be desirable if a user could use an inexpensive, simple, and non-electronic device as a video game peripheral"

Even though the patent is registered, it doesn't mean Sony will actually carry out the project (but now we want this to happen!). A patent only protects other competitors from utilizing this type of technology (obviously all Sony's competitors are thinking of turning bananas in consoles controllers). And all this doesn't mean that you can eat your Playstation.

[#technology](#) [#videogames](#)

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VOLCANIC ASH vs. EVIL (Dead): OH NO, NOT AGAIN!

Like the comic-horror series about the regular return of demonic trouble (<https://lnkd.in/eB4S4-6>), "never before have so many in Iceland experienced so much seismic activity" (Iceland Geo-Survey). Although it would apparently be nothing like in spring 2010, memories of the Eyjafjallajökull volcano eruption a decade ago are revived by Iceland's constant quakes - and they are bad. At the time the volcano spewed so much volcanic ash into the atmosphere it led to most of Europe's airspace being closed for weeks. ESG zealots would certainly feel their case against air travel is vindicated while plans to revive and boost rail communication get a further nod but neither airline companies and related companies nor holiday makers would need it: rather it would be felt as yet another disaster after the one that hit the world more than a year ago. Next the dinosaur-destroying style asteroid? Just don't watch GREENLAND (<https://lnkd.in/enBvWVi>)

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Inbound Capital acts as Outsourced Investor Relations for QUADPACK (ALQP FP).

Inbound Capital is advisor to Grass & Co.

Inbound Capital is sole advisor to Swiss start-up kaiosID.

Inbound Capital hopes no volcanic eruption in Iceland turns into a similar travel disaster as in 2010 nor harms its people.

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