

# Sporttotal

Germany | Media | MCAP EUR 85.4m

12 February 2018

# Hold

<b>Target Price</b>	<b>EUR 4.10</b> (3.30)
Current Price	EUR 3.99
Up/downside	2.8%
Change in TP	24.2%
Change in EPS	-0.4% 17E / -30.4% 18E

## 2018, the year of truth

We follow up on CEO Peter Lauterbach's bullish speech at our German conference and look at what is ahead for Sporttotal in 2018, during which it is set to step up the rollout of its sporttotal.tv platform. We lift our TP from EUR3.30 to EUR4.10 on greater-than-expected camera volumes.

### 2018, the year of truth

After testing the sporttotal.tv platform for a year, truth will out in 2018 with an acceleration in the camera roll-out across Germany and Austria. Thus, we should get the first feedback on the product and the group's attempts at monetising it. During our GCC, CEO Peter Lauterbach stated that he was satisfied so far and delivered an optimistic speech. In theory, we think sporttotal.tv offers a balanced risk-reward, as its investment case mixes dynamic demand for livestream sports (from both clubs and end-consumers) and solid credibility (top-notch automated technology, strong business partners, support from the German and Austrian football associations). It is not risk-free though, as visibility on monetisation potential is low and competition is picking up.

### Business model may not have reached full potential

The sporttotal.tv model may not have delivered its full potential yet. Multiple revenue sources remain unexploited or underdeveloped. Growth opportunities include: 1) the internationalisation of sporttotal.tv in one or more key European markets; 2) the extension of sporttotal.tv to sports other than association football; and 3) the development of alternative payment models beyond advertising and sponsorship. We are not there yet though, as visibility on the materialisation of any of these catalysts is quite limited, but it does give some extra appeal to the investment case.

### Lifting estimates, TP raised to EUR4.10, limited upside

We lift our top-line estimates after Sporttotal announced it aimed to have 3,370 cameras installed by 2020 (our previous estimates were based on 2,615 units). Valuation-wise, a DCF is the best method to value Sporttotal (project-oriented, niche market). Our DCF (9.5% WACC, 2% terminal growth) yields a fair value of EUR4.10 with limited upside.

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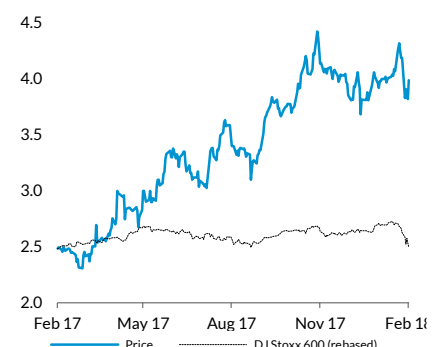
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#### Market data

Bloomberg: WIG1 GR	Reuters: WIGGk.DE
Market cap (EURm)	85
Free float	58%
No. of shares outstanding (m)	21
Avg. daily volume (EURm)	0.1
YTD abs performance	4.7%
52-week high/low (EUR)	4.43/2.31

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
Sales (m)	57.0	69.2	80.5
EBITDA adj (m)	2.7	8.3	14.5
EBIT adj (m)	1.5	4.8	7.2
Net profit adj (m)	1.7	3.8	6.2
Net fin. debt (m)	-8.5	4.2	-0.3
FCF (m)	-4.4	-12.7	4.5
EPS adj. and fully dil.	0.09	0.18	0.29
Consensus EPS	0.06	0.22	0.31
Net dividend	na	na	na

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
P/E adj and ful. dil.	46.4	22.2	13.7
EV/EBITDA	28.3	10.9	5.9
EV/EBIT	52.3	18.6	11.8
FCF yield	-6.3%	-16.0%	4.1%
Dividend yield	na	na	na
Net fin.debt/EBITDA	-3.1	0.5	0.0
Gearing	-49.1%	20.1%	-0.9%
ROIC	15.3%	21.4%	20.8%
EV/IC	8.9	3.6	3.2



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## Attractive value proposition for advertisers

The development of the group's digital and scalable sporttotal.tv business model relies on sound market drivers, such as: 1) growing consumption of livestreaming digital sports content (one-third of young internet users view live sports reporting over the internet); and 2) a proven increased in interest from amateur clubs and associations to promote their sports through video and live broadcasting.

The group's ability to meet increasing demand with a high-quality product (we are impressed by the quality of the broadcasting after watching a few games and highlights) makes for an attractive value proposition for local and global advertisers. We add that sporttotal.tv's audience is very targeted (young and middle-aged males), which could allow Sporttotal to command a premium on ad/sponsorship sales.

From an execution perspective, sporttotal.tv's credibility is well established. thanks to: 1) a solid partner network (Allianz, Deutsche Post, Telekom, BILD); 2) top-notch automated video technology through an exclusive agreement with the Israeli tech company Pixellot; and 3) the support of German and Austrian football associations.

## What are the risks?

Like all small, nascent markets, it will take some time for a sustainable economic model to emerge. Sporttotal faces two main risks that are linked to competition and monetisation.

On a standalone basis, we believe the offering looks attractive enough to support a quick rollout, allowing the group to meet its target of 3,370 installed cameras by 2020. However, the German market is not competition-free. A smaller competitor, soccerwatch, is developing a competitive offering and aims to have 500 cameras deployed by mid-summer 2018 (sporttotal will have 2x the cameras installed by then). The start-up claims to offer clubs and associations up to 50% of advertising revenues, compared to 10% for sporttotal.tv. We note that soccerwatch has received technical support from Vodafone and IT company Adesso. Soccerwatch's offer certainly looks competitive, but we think Sporttotal.tv's is superior, as the group's cooperation with the German Football Association (Deutscher Fußball-Bund of DFB) and *Bild* guarantees the widest coverage possible. Fussball.de, the DFB's platform had 3bn page views in 2016.

To grow product awareness, sporttotal.tv opened a Facebook page that has 13,000 followers so far. Currently, an undisclosed but likely significant numbers of views come via Facebook, where sporttotal.tv has no control over advertising or monetisation. Sporttotal's ability to convert Facebook viewers/subscribers to its portal will be decisive to support the expected growth in advertising revenues. In 2018, Sporttotal aims for an average of 15,500 views per game, including all formats (live, highlights, replay) and channels (website, app, Facebook). The group does not break down these numbers, but we think that at least half of reported views cannot be monetised at the moment.

**Sound market drivers + quality product = attractive value proposition for advertisers**

**Main risks relates to competition and audience monetisation**

## Business model may not have yet reached full potential

We believe the sporttotal.tv model may not have delivered its full potential yet, as potential revenue sources remain unexploited or underdeveloped. Growth catalysts include: 1) sporttotal.tv entering one or more key European markets; 2) extending sporttotal.tv to other sports (potentially any indoor sport); and 3) developing alternative payment models beyond core advertising and direct sponsorship. Monetisation would improve the revenue trajectory and potentially trigger a rerating of the shares. We are not exactly there yet though, given that the visibility on these potential catalysts, in terms of timing or financial reward, is fairly limited.

### Sporttotal.tv is securing a first-mover advantage in Austria

Sporttotal has been exporting its livestreaming digital platform to Austria since Q4 2017. The group came to an agreement with the Austrian Football Association (ÖFB) to allow it to present its technology to all regional league clubs. The group aims to install 200 cameras in Austria in 2018 (out of a total of 1,894 targeted by the group in 2018) after the end of the pilot phase in Q1.

The size of the addressable market is not comparable to Germany (one-tenth the size, according to the group), but we see it as an encouraging step in the development of sporttotal.tv, as it lends the product additional credibility. Despite the differences in the two markets' potential, we think the execution risk-reward is similar, given their similar sports cultures. We note that the same development model is being applied to Austria, in which the clubs pay a membership fee to sporttotal.tv (EUR9.90 per month) in exchange for a 10% share in all in-video ad proceeds. Like in Germany with fussball.de, the content will be broadcast via the most popular football platform in the country (fussballoesterreich.at) in addition to the sporttotal.tv streaming platform. To our knowledge, Sporttotal is the first such player in Austria, thus securing a first-mover advantage.

### Further internationalisation unlikely in the short term

We view further internationalisation of sporttotal.tv as a catalyst in the long run. Sporttotal.tv is in its early phases in Germany/Austria, and we argue that venturing into other large European markets (France, UK, Spain, Italy) would need to have had the economic model validated on a large scale first, in order to back further investments (EUR30m already planned up to 2020E).

We assume management is focussed only on the execution in Germany/Austria in 2018-20. We note, however, that Switzerland seems to have the right profile for Sporttotal (German-speaking with a modest size and geographic proximity).

At this point, we have no clues about the imminence of a pilot phase in a significant market. Nevertheless, it is worth pointing out that Sporttotal could, at some point, leverage its JV cooperation with Alibaba Sports group, a subsidiary of the Chinese conglomerate Alibaba, for the organisation, production and marketing of live sporting events. So far, the partnership, in place since early 2016, has not come to much, but Sporttotal is hopeful it can lead to new business. That said, visibility here is quite low.

**Numerous catalysts  
but low visibility**

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### **It is not all about football**

The camera system is technologically suitable for many sports (futsal, handball, volleyball, field hockey, etc.) beyond football. The group's decision to first address football was motivated by the sport's popularity, which guaranteed the best chance of success. We expect Sporttotal to gradually include other sports, but we assume this will be done more slowly and with a different model. Indeed, other sports' low popularity compared to football could require the participation of a financial partner or sponsor to share the costs for the acquisition and installation of cameras. We note that sporttotal.tv is now broadcasting field hockey as well as football.

### **Alternative/smaller sources of revenues are left to be developed**

On top of advertising and direct sponsorship (set to remain by far the main sources of revenues), Sporttotal is considering developing alternative revenue streams. It is already active in the marketing of content products and services. The sale of video content to clubs for player scouting or coaching purpose is one example. Also, we can assume that publishers may be interested in buying some video content too. In future, Sporttotal aims to develop payment models in which any entity or group could use the camera for a fee. It is also considering a team app that would allow every club to create its own YouTube channel that would enable user to interact with the club.

### **Estimates summary**

For 2017, Sporttotal is set to record sales of around EUR57m. The contribution from sporttotal.tv (digital business line) is set to be c. EUR2m. Reported earnings for 2017 are set to be released on 29 March, but Sporttotal expects EUR2.7m in EBITDA and EUR1.5m in EBIT. This would represent a turnaround at an operating level after a loss-making 2016. We have aligned our 2017 forecasts accordingly.

Sporttotal aims for EUR100m in sales and a 10% EBIT margin by 2020, driven by the roll-out of sporttotal.tv. This guidance looks quite aggressive, as it would imply a three-year sales CAGR of 21% and a three-year EBIT CAGR of 90%. Our conservative estimates (EUR90m) still see strong top-line growth as a result of the deployment of systems across Germany and Austria.

We get to our Digital sales figure by adding up revenues from: 1) advertising (average CPM rate × views and page impressions); 2) direct sponsorships (EUR5m from Hyundai, plus two potential contracts); 3) the sale of contents (up to EUR2m); and 4) net fees paid by clubs (EUR9.90 per month per camera). We do not factor in any paid models or further expansion to new markets. Overall, we see revenues of EUR27m in 2020E, with advertising and direct sponsorship making up the bulk of this figure (95%).

In the Venues division, we include the recently signed EUR8m contract for the technical equipment for a racetrack project in Nalchik, Russia. The first construction phase should be completed by the end of 2018. Another construction phase with similar volumes could add another EUR8m, but we do not factor that in at this stage. We note that such projects typically have high operating margins of above 20% and are likely to contribute to enhancing the group's profitability.

**Expected  
turnaround in 2017**

**EUR100m sales  
target by 2020  
rather looks  
aggressive**

**Table 1: Forecasts summary (EURm)**

	2017E	2018E	2019E	2020E
<b>Sales</b>	<b>57</b>	<b>69</b>	<b>81</b>	<b>89</b>
Growth	3%	21%	16%	11%
o/w Digital	3	11	18	27
Growth	NA	272%	69%	49%
<b>EBIT</b>	<b>1.5</b>	<b>4.8</b>	<b>7.2</b>	<b>8.9</b>
Growth	NA	227%	50%	23%
EBIT margin	2.6%	7.0%	9.0%	10.0%
<b>EPS</b>	<b>0.09</b>	<b>0.18</b>	<b>0.29</b>	<b>0.35</b>
Growth	NA	109%	62%	21%

Source: Kepler Cheuvreux

## DCF yields a fair value of EUR4.10 per share

A DCF method suits the nature of the investment case (project-oriented, niche market); other methods look irrelevant. We make the following assumptions:

- **WACC of 10%:** We apply a high beta of 2 to reflect the low liquidity of the shares and the level of execution risk (competition, monetisation, absence of a track record, lack of visibility on revenue development, etc.).
- **Investments:** Sporttotal committed to investing EUR30m in 2017-20E to match expected growth. We assume the company spent EUR5m in 2017 and will invest EUR25m in 2018-19 (EUR18m in 2018 and EUR7m in 2019). For funding, Sporttotal is considering both debt and equity.
- **D&A:** We assume D&A will reach a peak in 2020E (EUR8m, 9% of sales) before decreasing. Camera systems will be depreciated over five years.
- **Income tax:** We assume Sporttotal will not pay any income tax in the next three years, as it benefitted from a corporation and trade tax loss carry-forward of around EUR45m at end-2016.
- **Revenue growth:** 14% CAGR over 2017-21E, 2% beyond (assuming no further camera roll-out).
- **EBIT margin:** Improvement to 10% in 2020E, peak at 12% in 2025, long-term EBIT margin set at 10%.
- **Free cash flow:** Positive FCF as of 2019E.

Our DCF points to a fair equity value of EUR4.00 per share.

Table 2: DCF summary (EURm)

EURm	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2027+
Revenue	69.2	80.5	89.3	96.9	98.8	100.8	102.8	104.8	106.9	109.1	111.3
Growth	21.4%	16.3%	10.9%	8.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT	4.8	7.2	8.9	10.2	10.4	11.1	11.3	12.6	12.8	13.1	11.1
Growth	227%	50%	23%	14%	2%	7%	2%	11%	2%	2%	-15%
EBIT margin	7.0%	9.0%	10.0%	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	12.0%	10.0%
EBIT(1-t)	4.8	7.2	8.5	9.2	8.8	8.9	8.5	9.4	9.6	9.8	8.3
D&A	3.5	7.2	8.0	7.3	6.4	5.0	4.1	3.1	3.2	3.3	3.3
% of sales	-5.0%	-9.0%	-9.0%	-7.5%	-6.5%	-5.0%	-4.0%	-3.0%	-3.0%	-3.0%	-3.0%
Change in WC	-2.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-18.0	-7.0	-4.9	-4.4	-4.0	-3.5	-3.6	-3.7	-3.7	-3.3	-3.3
% of sales	-26.0%	-8.7%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Free cash-flow	-11.7	5.5	11.6	12.1	11.3	10.4	9.0	8.9	9.1	9.8	8.3
Discounted FCF	-10.7	4.6	8.8	8.4	7.2	6.0	4.8	4.3	4.0	3.9	
Sum of discounted FCF											41.3
PV Terminal Value											3.4
Terminal Value											44.5
<b>Value of operations</b>											<b>85.8</b>
(+) Cash (2017E)											6.9
(-) Debt (2017E)											4.8
(-) Pensions (2017E)											0.5
(-) Minorities (2017E)											0.6
<b>Equity Value</b>											<b>86.8</b>
nb shares											21.4
<b>Equity value per share (EUR)</b>											<b>4.05</b>

Source: Kepler Cheuvreux

Table 3: Sensitivity table (EUR per share)

		Perpetual growth			LT EBIT margin				
		1.5%	2.0%	2.5%					
WACC	10.5%	3.45	3.55	3.67	WACC	10.5%	3.39	3.55	3.72
	10.0%	3.68	3.80	3.93		10.0%	3.61	3.80	3.99
	9.5%	3.91	4.05	4.21		9.5%	3.84	4.05	4.26
	9.0%	4.22	4.39	4.58		9.0%	4.15	4.39	4.62
	8.5%	4.55	4.75	4.99		8.5%	4.49	4.75	5.02

Source: Kepler Cheuvreux

# Key financials

FY to 31/12 (EUR)	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Income Statement (EURm)</b>								
Sales	na	na	na	60.0	56.6	57.0	69.2	80.5
% Change	na	na	na	na	-5.7%	0.7%	21.4%	16.3%
EBITDA adjusted	na	na	na	0.5	-1.5	2.7	8.3	14.5
EBITDA margin (%)	na	na	na	0.9%	-2.6%	4.8%	12.0%	18.0%
EBIT adjusted	na	na	na	-1.1	-3.8	1.5	4.8	7.2
EBIT margin (%)	na	na	na	-1.9%	-6.7%	2.6%	7.0%	9.0%
Net financial items & associates	na	na	na	-0.5	-0.4	-1.0	-1.0	-1.0
Others	na	na	na	0.0	0.0	0.0	0.0	0.0
Tax	na	na	na	0.2	0.3	0.0	0.0	0.0
Net profit from continuing operations	na	na	na	-1.4	-3.9	0.5	3.8	6.2
Net profit from discontinuing activities	na	na	na	-0.1	-2.5	1.2	0.0	0.0
Net profit before minorities	na	na	na	-1.5	-6.4	1.7	3.8	6.2
Net profit reported	na	na	na	-1.5	-6.2	1.7	3.8	6.2
Net profit adjusted	na	na	na	2.7	-6.2	1.7	3.8	6.2
<b>Cash Flow Statement (EURm)</b>								
Cash flow from operating activities	na	na	na	-0.8	-1.4	0.6	5.3	11.5
Capex	na	na	na	-2.6	-3.4	-5.0	-18.0	-7.0
Free cash flow	na	na	na	-3.5	-4.7	-4.4	-12.7	4.5
Acquisitions & Divestments	na	na	na	0.3	0.1	3.2	0.0	0.0
Dividend paid	na	na	na	0.0	0.0	0.0	0.0	0.0
Others	na	na	na	1.6	6.8	8.0	0.0	0.0
Change in net financial debt	na	na	na	-1.6	2.2	6.8	-12.7	4.5
<b>Balance Sheet (EURm)</b>								
Intangible assets	na	na	na	2.0	4.4	3.3	3.8	4.3
Tangible assets	na	na	na	7.2	1.5	3.1	17.2	16.4
Financial & other non-current assets	na	na	na	1.3	1.1	1.1	1.1	1.1
Total shareholders' equity	na	na	na	4.0	7.5	17.2	21.1	27.3
Pension provisions	na	na	na	0.5	0.5	0.5	0.5	0.5
Liabilities and provisions	na	na	na	18.2	14.2	16.7	16.7	16.7
Net financial debt	na	na	na	2.9	-1.6	-8.5	4.2	-0.3
Working capital requirement	na	na	na	-2.5	0.0	2.3	4.3	6.3
Invested Capital	na	na	na	6.6	5.9	8.7	25.2	27.0
<b>Per share data</b>								
EPS adjusted	na	na	na	0.22	-0.41	0.09	0.18	0.29
EPS adj and fully diluted	na	na	na	0.22	-0.41	0.09	0.18	0.29
% Change	na	na	na	na	-chg	+chg	108.7%	62.5%
EPS reported	na	na	na	-0.13	-0.41	0.09	0.18	0.29
Cash flow per share	na	na	na	-0.07	-0.09	0.03	0.25	0.54
Book value per share	na	na	na	0.33	0.50	0.88	0.98	1.28
Dividend per share	na	na	na	na	na	na	na	na
Number of shares, YE (m)	na	na	na	12.75	17.69	21.42	21.42	21.42
<b>Ratios</b>								
ROE (%)	na	na	na	na	-107.3%	13.6%	20.1%	25.8%
ROIC (%)	na	na	na	na	-45.6%	15.3%	21.4%	20.8%
Net fin. debt / EBITDA (x)	na	na	na	5.5	1.1	-3.1	0.5	0.0
Gearing (%)	na	na	na	71.9%	-21.4%	-49.1%	20.1%	-0.9%
<b>Valuation</b>								
P/E adjusted	na	na	na	7.0	na	46.4	22.2	13.7
P/E adjusted and fully diluted	na	na	na	7.0	na	46.4	22.2	13.7
P/BV	na	na	na	4.6	4.3	4.5	4.1	3.1
P/CF	na	na	na	na	na	na	16.1	7.4
Dividend yield (%)	na	na	na	na	na	na	na	na
FCF yield (%)	na	na	na	-19.5%	-13.0%	-6.3%	-16.0%	4.1%
EV/Sales	na	na	na	0.4	0.6	1.4	1.3	1.1
EV/EBITDA	na	na	na	43.9	na	28.3	10.9	5.9
EV/EBIT	na	na	na	na	na	52.3	18.6	11.8



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Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

## Companies mentioned

Stock	ISIN	Currency	Price
Sporttotal	DE000A1EMG56	EUR	3.99

Source: Factset closing prices of 09/02/2018

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Company Name	Disclosure
Sporttotal	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer

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Name of the Research Analyst(s): Baptiste de Leudeville

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Rating ratio Kepler Cheuvreux Q4 2017

Rating Breakdown	A	B
Buy	46%	42%
Hold	35%	37%
Reduce	17%	13%
Not Rated/Under Review/Accept Offer	2%	8%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

## 12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Sporttotal ()	06/06/2017 07:13	Equity Research	Hold	3.30	

Credit research does not issue target prices. Left intentionally blank.

Please refer to the following link <https://research.keplercheuvreux.com/app/disclosure> for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.

## Equity research

### Rating system

KEPLER CHEUVREUX equity research ratings and target prices are issued in absolute terms, not relative to any given benchmark. A rating on a stock is set after assessing the twelve months expected upside or downside of the stock derived from the analyst's fair value (target price) and in the light of the risk profile of the company. Ratings are defined as follows:



**Buy:** The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

**Hold:** The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

**Reduce:** There is an expected downside.

**Accept offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

**Reject offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

**Under review:** An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

**Not rated:** The stock is not covered.

**Restricted:** A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Due to share prices volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

### Valuation methodology and risks

Unless otherwise stated in this report, target prices and investment recommendations are determined based on fundamental research methodologies and relies on commonly used valuation methodologies such as Discounted Cash Flow (DCF), valuation multiples comparison with history and peers, Dividend Discount Model (DDM).

Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war). In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe.

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## Credit research

### Recommendation system (issuer or instrument level)

**Buy:** The analyst has a positive conviction either in absolute or relative valuation terms and/or expects a tightening of the issuer's debt securities spread over a 6 months period.

**Hold:** The analyst has a stable credit fundamental opinion on the issuer and/or performances of the debt securities over a 6 months period.

**Sell:** The analyst expects of a widening of the credit spread to some or all debt securities of the issuer and/or a negative fundamental view over a 6 months period.

**No recommendation:** The analyst does not provide formal, continuous coverage of this issuer and has not assigned a recommendation to the issuer.

**Restricted:** A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Recommendations on interest bearing securities mostly focus on the credit spread and on the rating views and methodologies of recognized agencies (S&P, Moody's and Fitch). Ratings and recommendations may differ for a single issuer according the maturity profile, subordination or market valuation of interest bearing securities.

### Valuation methodology and risks

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Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war) and also on methodologies' changes of recognized agencies. In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

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