EuroLand Corporate

March 2017

Initiation of coverage

Accumulate	*Upside*	*10%*
Share price target		**4,60 €**
Price at 28/03/2017 (c)		4,18 €
NYSE Alternext		
Reuters / Bloomberg		ALANV.PA / ALANV FP

Performances	**Ytd**	**1m**	**3m**	**12m**
Absolute perf.	33,8%	-1,6%	33,8%	46,8%
Perf CAC small	6,6%	3,2%	7,6%	23,9%

Stock market data (in €m)	
Mkt. capitalisation (€m)	14,8
Nbr. of shares (millions)	3,6
12 month volume (shares)	1 152
12 month high/low	2,85 € / 6,02 €

Shareholders	
Founders and management	25%
LBO France	26%
Seventure	10%
Vitec	8%
Free float	31%

Financial data (in €m)				
at 31 Dec	**2016**	**2017e**	**2018e**	**2019e**
Sales	11,7	13,6	17,3	20,5
%ch	*55,2%*	*16,8%*	*26,8%*	*18,4%*
EBITDA	0,0	-0,4	1,1	2,3
%Sales	*0,3%*	*-3,1%*	*6,4%*	*11,2%*
Current operating result	-0,5	-0,7	0,8	1,9
%Sales	*-4,3%*	*-5,3%*	*4,5%*	*9,4%*
Net result, Gp share	0,1	-0,3	1,2	2,3
%Sales	*0,9%*	*-2,2%*	*7,0%*	*11,4%*
EPS (€)	0,04	-0,08	0,34	0,66
Net debt	0,9	-0,5	-1,0	-2,8
Gearing (%)	-123%	-55%	-47%	-65%
ROCE (%)	-33%	-36%	27%	51%
ROE (%)	-14%	-36%	59%	53%
Dividend n	0,00	0,00	0,00	0,00
Yield (%)	*ns*	*ns*	*ns*	*ns*

Ratios				
	2016	**2017e**	**2018e**	**2019e**
EV/sales (x)	1,3	1,1	0,9	0,7
EV/EBITDA (x)	ns	ns	13,3	6,5
EV/ROC (x)	ns	ns	19,2	7,7
PE (x)	ns	ns	12,3	6,4

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Anevia

Electronics

Season 2

In early 2015, Anevia embarked on a major strategic shift which has since enabled the company to return to growth and profitability. 2016 was thus marked by a very strong 55.2% increase in sales to €11.7m and net income of €0.1m (versus a loss of €5.3m in 2015). Anevia currently boasts optimised cash management with a reduction in operating costs (-€1.5m in 2016) and control over its WCR.

In view of the growth prospects and despite the re-rating in the shares since the beginning of the year (+33.8% ytd) following the acquisition of an 8% stake by industrial company Vitec, we are positive on the stock.

The €2.0bn fundraising in March 2017 will enable the Group to accelerate the development of software functionalities demanded by the market in its Telecom/Media business and to gain additional market share. Anevia will also benefit from the launch of its new head-end in the Enterprise business and the exclusive partnership signed with the Hoist Group. We thus expect Anevia's sales CAGR to approach 21% between 2016 and 2019.

Anevia will benefit from the growth in sales of licences, maintenance and high-margin services and should improve its gross margin rate. With the ongoing control over operating costs, we expect a rapid increase in profitability and a current operating margin of 9.4% in 2019 (vs 0.3% in 2016).

Based on our forecasts, we expect the company's operating cash flows to cover its capex and debt redemption requirements as of the 2018 financial year. We thus expect net cash of €1.2m in 2019 for shareholders' equity of €2.7m.

We are initiating coverage of Anevia with an Accumulate opinion and a fully diluted price target of €4.60 based on the average of our DCF and peer group comparison-derived valuations.

Contents

Investment case

2016 marked a turning point with a return to strong growth and profitability. After the cost overruns in 2014, Anevia immediately adapted its scale and repositioned its offer resulting in highly-satisfactory results as of the 2015 second half.

The R&D team is key to the Anevia offer

Anevia was founded by the developers of the VLC Media-player, placing innovation at the heart of the company's organisation. For the past three years, around 20% of sales have been invested in R&D with a team of some twenty people at the end of 2016 (of 54 people in the company at the end of 2016). Its research success has enabled Anevia to gain market share in the video delivery market by enhancing its offer on a continuous basis (Cloud DVR, storage and shortly advertising, optimization of latency time, etc.).

A strong growth outlook

By proposing TV and video delivery solutions to telecom and media operators, Anevia is positioned in a very rapidly-growing market which is undergoing a profound transformation. The changes in television viewing habits have led the players in this market to reinvent their offers in the online video space. The migration of the global players to OTT models (market CAGR of 20.0% between 2016 and 2019) linked to the rapid development of VoD services (2016 sales at €38.2bn - 2019e sales at €67.5bn) is going to multiply video traffic and streaming. Anevia is ideally positioned to capture this growth and support these players in the transformation of their TV and video distribution models and their network infrastructures, together with the optimisation of their video streaming management.

A cash-generative business model

By marketing the Telecom/Media portion of its products under licence, Anevia benefits from a high gross margin and significant visibility on its Maintenance and Integration revenues, which are highly cash generative. In view of its growth in this segment (CAGR of 25.3% between 2016 and 2019, reaching sales of €13.9m), we expect a rapid recovery in profitability. The Enterprise business (CAGR of 12.1% with sales of €6.5m in 2019) will make a positive contribution to profitability in absolute terms. Overall, the 2019 current operating margin should stand at 9.4%. Given the control over the WCR, operating cash flow should be sufficient to cover the company's needs.

Despite the re-rating in the stock since the beginning of the year, in our view Anevia's valuation has yet to price in the company's growth potential.

SWOT matrix

Strengths

- Strength growth and improving profitability
- Innovative ability
- Quality of the client base
- Ability to forget strong partnerships with ecosystem players to propose a comprehensive TV and video distribution offer
- Independent ‘Best in Breed’

Weaknesses

- Balance sheet
- Size
- No patents

Opportunities

- Transition to personalized audiovisual consumption
- Proliferation of devices
- Growing online video market
- Growing OTT market
- Need to develop TV services while reducing the cost of data storage
- International

Threats

- Competition from global players

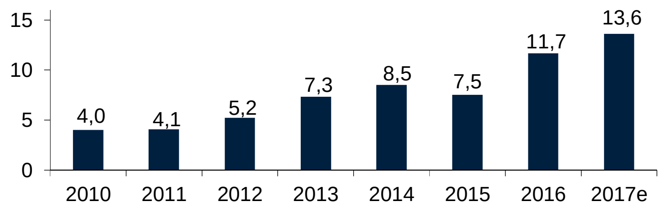
Business presentation

Anevia is a software vendor specialised in the delivery of video solutions at any time and anywhere, to the user's device of choice. Its software solutions generated sales of €11.7m in 2016 (+85.8%) and enabled telecom and media operators to reduce their infrastructure requirements and the cost of storing online video recordings. In a video market which is forecast to grow, Anevia should post an average annual growth rate of 20.5% through to 2019.

At the same time, Anevia markets head-ends which enable TV and video delivery on private networks (mainly hotels and hospitals). Its new Flamingo head-end, launched in 2016, optimises the remote mangement of equipment and contributes to reducing the costs of its integrator customers. The sales generated in this segment increased by 21.6% in 2016, to €4.6m.

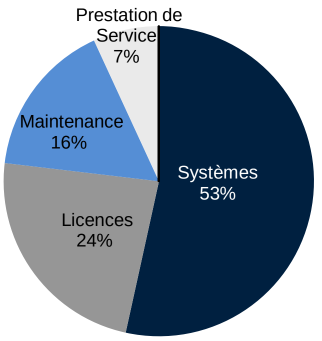
The €2.0m fundraising in March 2017 will enable the development of the new functionalities required by the market for its live and on-demand video multiscreen software, ViaMotion. Given the expected developments, Anevia should accelerate its growth momentum as of 2018 and reinforce its cash flow generation.

Trend in sales since 2010 (€m)

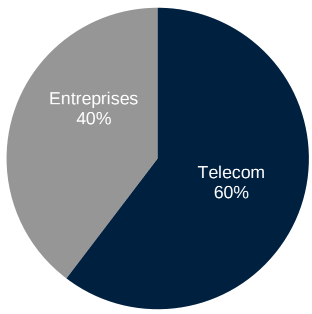


source: company/Euroland Corporate

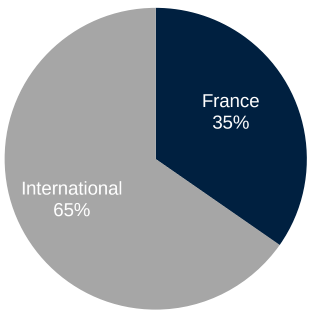
2016 sales by segment



2016 sales by business



2016 sales by geography



source: company/Euroland Corporate

A new story since early 2015

Laurent Lafarge, the former Chairman, again took operational control of the company in February 2015, having been warned of spiraling costs and the scatter-shot R&D strategy in place since 2014. After significant efforts directed at a 30% reduction in costs and a refocusing of R&D on, in particular, the Cloud DVR, the company returned to growth and profitability with 2016 sales of €11.7m (+55.2%) and net income of €0.1m (vs a loss of €5.3m 2015).

2014: the sideslip

Owing to its 2013 growth (+40.3% to €7.3m) and in the run-up to the prospective fundraising in 2014, the company began to recruit new commercial profiles as of early 2014 (opening offices in Asia, South America, the United States and Europe).

However, the roll-out of a new ERP and the outsourcing of the financial function impacted the company's growth and financial management. 2014 sales came in short of expectations at €8.5m (+15.9%) and the company reported a net loss of €3.9m.

As of October 2014, the Board of Directors launched a business review which highlighted a significant increase in overheads, with no corresponding growth in sales. The cash proceeds raised during the IPO (€5.8m) had been virtually exhausted in the ensuing six months.

2015: a new management, a new strategy

In February 2015, the new General Management implemented a strategy aimed at a rapid turnaround in this situation.

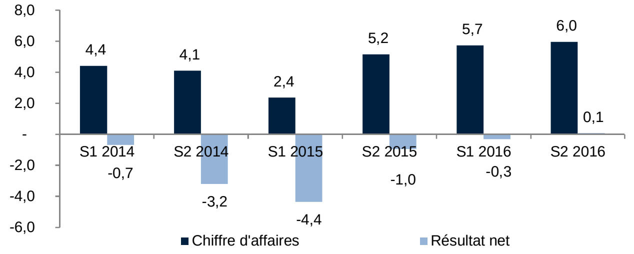
Cost savings…

The new management decided to cut costs by 30%. To this end, it closed the sales offices in Singapore and South America, and shed staff in the United States. It also reduced the recourse to outsourcing, cut the marketing and travel budgets and regrouped all of the teams at a single site in Gentilly.

… and a repositioning of the offer on the Cloud DVR

While the equity story in the IPO was based on the development of CDNs, R&D had been spread too thinly across multiple projects, resulting in no new product launches. As of 2015, the R&D team refocused on a promising offer, the Cloud DVR, by capitalising on its Origin Packager.

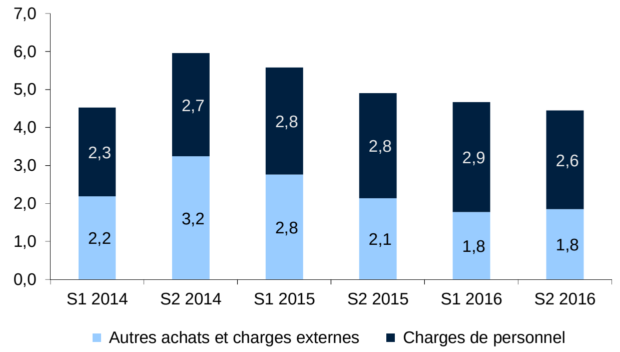
A turnaround reflected in the financial statements



source: company/Euroland Corporate

The initial measures implemented in 2015 began to pay off as of the 2015 second half with H2 2015 sales growth of 24% (vs H2 2014) and a recovery in profitability.

Trend in opex from H1 2014 to H2 2016



source: company/Euroland Corporate

2015 was also marked by a €1.7m recapitalisation (to €3.0m) and the contracting of a €2.0m loan from the BPI (a €1.1m zero interest loan and a €0.9m innovation loan from the European Investment Fund) which will enable the company to develop the Cloud DVR offer.

2016 consolidated the 2015 efforts with sales growth of 55.2% to €11.7m and net income of €0.1m in line with the Group's targets of growth and breakeven at the operating level. In view of the cost-saving measures put in place, Anevia reduced its opex (excluding amortisation and provisions) by an annual €1.4m in 2016 relative to 2014, while sales saw average annual growth of 17% over the same period.

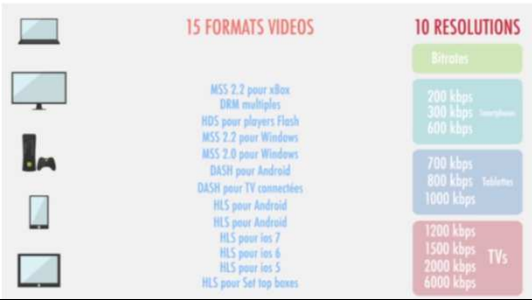
Having achieved this turnaround, Anevia now plans to re-accelerate its R&D efforts. The €2.0m fundraising in March 2017 thus constitutes a new lever to further enhance Anevia's video delivery technology (ads replacement, reduction in latency time, software virtualisation).

The video delivery technology: a differentiating offer

Currently, operators and distributors need to offer their subscribers the option of watching a TV programme, series or video-on-demand on any device, in multiscreen, together with viewing control and personalized recording services. Users want to record several programmes simultaneously, access the whole programme if they missed the beginning, and view both at home and on the move.

The number of screens, formats and different resolutions represents a substantial challenge in terms of video delivery and storage infrastructure. To respond to these needs with no increase to costs, operators and distributors require an **optimised TV and video delivery solution**. Anevia is positioned in this specific market by offering software solutions that optimise the preparation and internet network delivery of media steams.

Diversity of the devices, formats and resolutions



source: company/Euroland Corporate

The Anevia solution, ViaMotion, enables a sole copy of the video stream to transit on the network. The conversion to the targeted screen format, i.e. the **packaging,** is realised on the fly at the nearest point to viewers, enabling a massive reduction in saturation within the core of the network. The bandwidth requirements are considerably reduced, something which is synonymous with savings for the operators.

Video delivery process by ViaMotion

Encoded video → **Video stored on a packager in a sole format** → **On demand, the video is prepared as a function of the terminal and dispatched by network streaming**

Anevia stores two types of content:

1/ Live content to be able to offer start-over and replay services

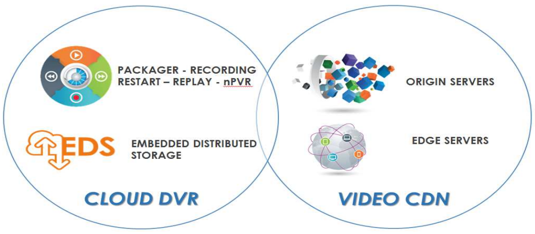
2/ Non-linear: to offer VOD, SVOD services, etc.

Anevia products, solutions and technologies

Anevia markets three solutions: the **Origin Packager** which enables the delivery of TV channels to all screens live and on demand, the **Cloud DVR** which enables the recording of TV programmes in the network, and the **CDN**, which enables delivery to the greatest number of users. These solutions are mainly based on two products, **ViaMotion Plus** and **ViaMotion Edge,** which carry different technologies like: 1/ **Infinite** for the cloud recording of videos with no limitaton on time or space, 2/ **EDS**, a storage technology in hyperconverged mode, 3/ **Just in time packaging** which enables the on the fly formating of content for a given device.

Anevia's TV and video delivery products

ViaMotion Plus is an Origin Packager with a number of functionalities enabling cloud recording. Since June 2016, Anevia has proposed its own storage solution and is thus becoming a global player in video delivery.

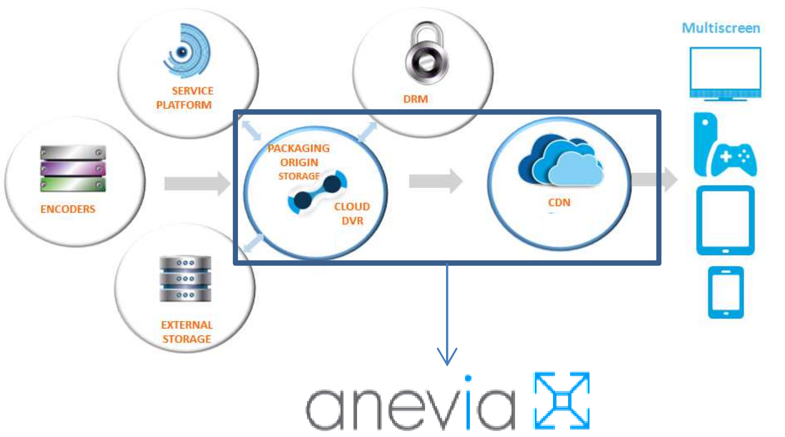


ViaMotion Edge is a CDN which caches and distributes TV and videos from the Origin server to various devices (TV, PCs, Mobiles, Tablets, etc).

source: company/Euroland Corporate

Anevia responds directly to calls to tender (around 40% of sales) but also forges partnerships with encoders (Arris, Ateme) and service platforms, and sometimes with local players to offer a global solution and be more competitive relative to the major generalists like Cisco, Ericsson and Nokia.

Live and non-linear TV delivery environment



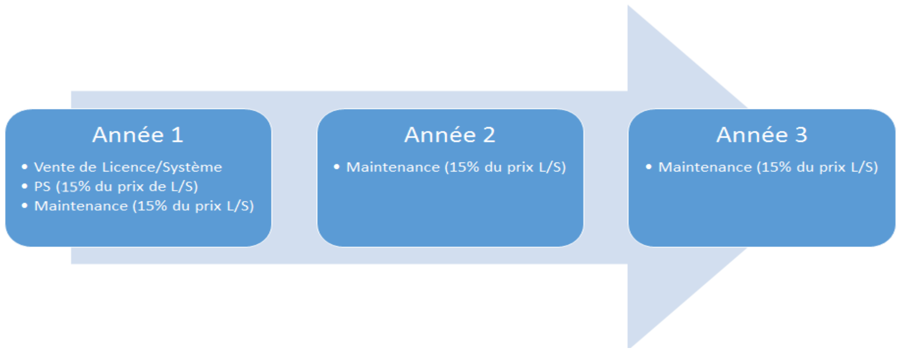
Telecom/Media business model:

In its Telecom/Media business, Anevia's revenues come from licence sales, maintenance and the integration of its software.

In year one, Anevia sells the licence (possibly with some hardware). Integration (shown in the 'service' segment) represents around 15% of the price of the licence with maintenance on top (15% of the licence price).

The price of a licence averages €300K and varies as a function of the number of users/subscribers, channels and formats (TV, tablet, Iphone, Androïd, etc.), the replay period and the desired quality standard. Anevia thus scales the resulting storage capacity and proposes **a licence + integration + maintenance package**.

Generation of sales in the segment



source: company/Euroland Corporate

Every year, Anevia can also market licence extensions generating incremental sales. Operators need to equip themselves with servers to supply more subscribers, manage more channels, offer more services and store more video recordings. The additional sales then drive Anevia's revenues, based on the needs of the additional servers.

Breakdown of Telecom/Media sales

Annual sales by segment (€m)	2 014	2 015	2 016
Telecom	**4,4**	**3,8**	**7,0**
Licence + system	3,0	2,2	5,0
o/w software licence	*3,0*	*2,2*	*2,2*
o/w systems	*0,0*	*0,0*	*2,8*
Maintenance	0,8	0,9	1,3
Services	0,6	0,6	0,7

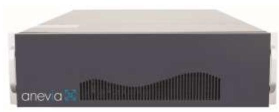
source: company/Euroland Corporate

While licence sales suffered from the impact of restructuring in 2015, maintenance and services revenues proved more resilient. 2016 was marked by the strong growth in systems sales through the 'Appliance' offer.

Head-ends aimed at the enterprise market

The IPTV head-ends in the Flamingo range enable TV distribution in the private domain (hotels, prisons, hospitals, yachts, etc.). Flamingo captures the live TV and radio content directly from the source before streaming it over IP networks to set-top boxes, PCs and other connected devices.

Flamingo head-ends



In its new March 2016 version, Anevia has developed a multi-tenant application hosted in the Cloud enabling partner integrators to carry out remote maintenance of their installed Flamingo base themselves. With its predictive alerts feature, the service enables lost-channel issues to be identified and rectified (like during a change of satellite broadcast frequency) before they have time to cause an interruption to the viewing experience. Anevia Cloud Monitoring also enables the avoidance of any TV service interruption due to lapsed pay-TV channel subscriptions.

Enterprise Business Model:

Anevia sales are generated via the sale of a system (server and software) per customers (hotels, hospitals, etc.) whose size and price depends on the number of users (number of rooms), channels, sources (cable, fibre, satellite) and functionalities.

The sales model for its head-ends is based on intermediation, with 100% of sales generated by integrators. The average business unit is €7K and the product lifespan is 4/5 years.

Anevia's integrator partners

Anevia's largest customers are Hoist Group (sales in excess of €1m), VDA (sales in excess of €250K) and the Exceptional Innovation-Quadriga Group (over €200K). Its customers install the Anevia solutions mainly in large hotels that are looking for high-quality TV delivery services. 2016 was marked by the exclusive partnership signed with Hoist Group which will offer Anevia solutions to its hotel customers.

Breakdown of Enterprise business sales

Annual sales by segment (€m)	2 014	2 015	2 016
Enterprises	**4,1**	**3,8**	**4,7**
Licence + system	3,6	3,1	4,0
o/w software licence			*0,4*
o/w systems			*3,6*
Maintenance	0,5	0,5	0,6
Services	0,1	0,2	0,1

source: company/Euroland Corporate

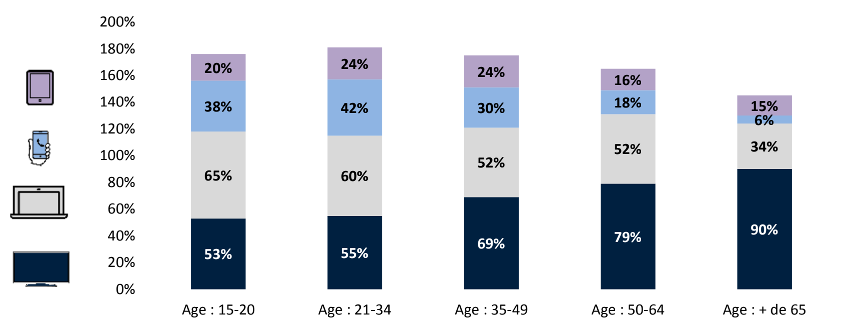
Audiovisuel: between growth and transformation

TV viewing habits have changed…

In 2016, worldwide television consumption remained at a very high level of 3h44 (vs 3h45 In 2015) of viewing time per day and per person (aged four years and over). This fall is explained, firstly, by the growth in mobile uses driven by the growth in smartphones and tablets, and secondly by the internet. This latter trend mainly affects young people but is increasingly spreading to older segments who are being won over by the new technologies.

Traditional television is now having to contend with the rise of the internet and its ability to always be offering new TV viewing modes (video on demand, replay, personal video storage, etc.). Before the 2000s, viewers could watch traditional television programmes at set times but, in recent years, they have moved from a passive to an active role by seeking more and more control over their mode of consumption.

Breakdown in devices used to watch TV and video in 2015



source: Nielsen/Euroland Corporate

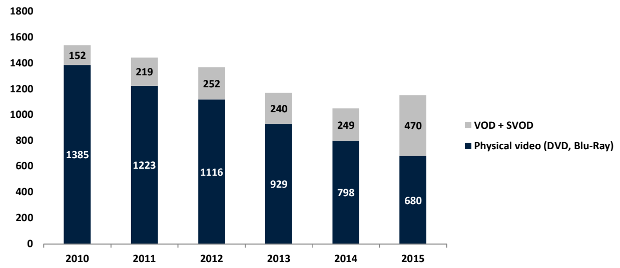
…as have the services

For TV content providers, the growth in new devices represents an opportunity to supply new forms of content presentation, moving towards greater interactivity and intuitiveness. Service offers have been developed to offer more flexibility to end customers. Television is increasingly seeing itself in a 'delinearised' manner, i.e. beyond viewing programmes at the time they are broadcast on the television. We are thus entering a **transition from the Traditional Audiovisual Landscape to the Personalised Audiovisual landscape.**

➢ **Video on Demand** (VoD) enables consumers to rent and purchase audiovisual content (films, TV series) by the unit.

This content is stored on servers by content distributors and is ready to be dispatched as a function of demand.
The global VoD market was worth US$20bn in 2014 and is expected to amount to US$38.2bn in 2016. This growth should continue through to 2020, driven by the growth in internet networks in emerging countries and the increasing popularity of VoD services.

Forecast trend for global VoD and the physical video market (€bn)



source: Idate / Euroland Corporate

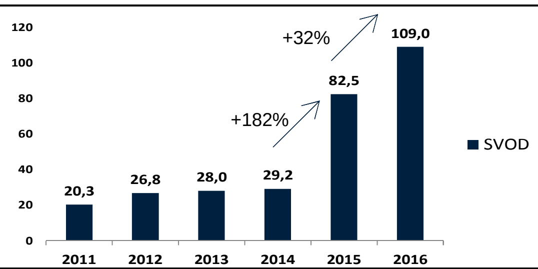
Unlike the sale of physical videos whose decline has averaged 10% over the past four years, the VoD market has enjoyed steady growth since its emergence in 2005. Having averaged annual growth of 15.3% between 2016 and 2020, VoD is establishing itself as a real growth relay for the audiovisual market.

➢ **Subscription video on demand (SVoD)** offers unlimited access to a catalogue of films and TV programming in return for a monthly subscription fee.

The French SVoD market reached the €100m sales threshold for the first time in its history duing 2016, achieving 32% growth in one year. In 2017, GFK's forecasts point to SVoD growing by 19.3% to €130m.

The OTT offers under the Netflix, CanalPlay and Hulu banners had significantly dynamised this market, prior to the arrival of Zive, launched by SFR in November 2015. Numerous smaller-scale national offers are now positioned opposite these giants in the SVoD market.

French SVoD market (€m)

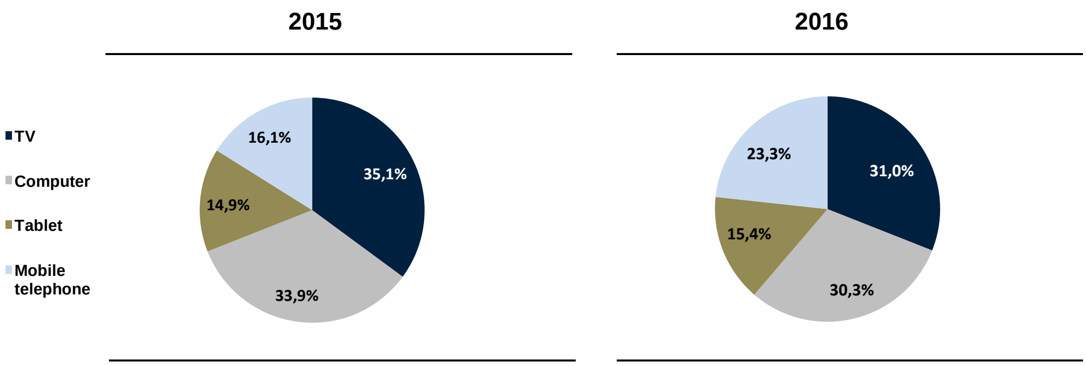


source: GFK / Euroland Corporate

➢ **Catch-up TV or TV Replay (TVR)** enables the re-viewing of programmes recently broadcast live on a television or other form of interface.

In 2016, the offer of free national channels available via TV Replay on the internet amounted to 20,014 hours of programming. This catch-up service is offered over the internet or via the French internet access provider offers and connected televisions. The programmes posted online on video replay services are, for the most part, free for a period of seven to 30 days. They are then withdrawn from the catalogue or their access becomes fee-based.

Breakdown in online television viewing in France by device



source: CNC / Euroland Corporate

Replay is proving very successful in France. TV remains the consumption vector of choice for the French, even if its use declined by 11.7% in 2016. In parallel, tablets and mobile telephones offer the consumer more flexibility and their use increased by a respective +3.4% and +44.7% (year to date in November 2016).

➢ **Internet platforms** are integrating more and more entertainment videos that can drive audience figures and revenues. Google was one of the pioneers with the acquisition of YouTube and the enrichment of its video proposition with theme channels.

➢ **Connected televisions (Smart TV)** enable direct access to interactive services (replay, VOD). According to IHS research, more than one in two televisions sold in the world in H1 2016 was connected.

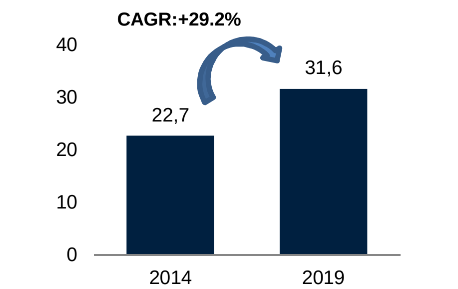
The OTT boom

The OTT technology is a term used to describe a player who delivers content, particularly audiovisual, directly by internet without passing through a traditional network operator (cable, telephony, satellite), their content thus coming ‘over the top’ of existing operator equipment.

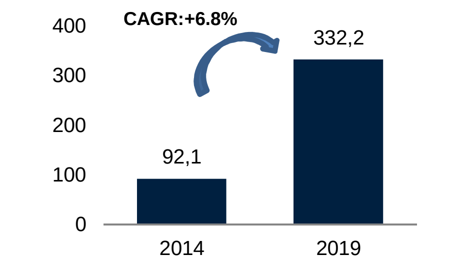
OTT needs to be differentiated from television by internet (IPTV). In the latter case, it is the French internet access providers who offer audiovisual content directly via their networks.

The offers from these players are proposed on all devices, whether they be smart televisions, computers, tablets or smartphones.

Global OTT market in 2014/2019 (€bn)



Global OTT market in 2014/2019 (million subscribers)



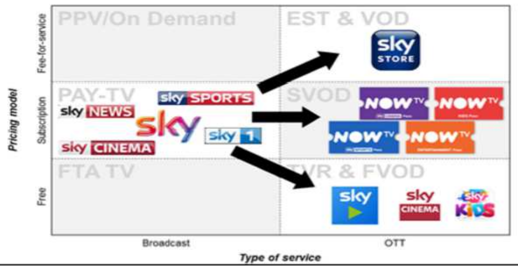
source: Juniper Research / Euroland Corporate

OTT is going to see an explosive growth phase through to 2019, driven by the very strong growth in smart televisions and independent terminals. The number of subscribers to OTT services, of which Netflix and Amazon prime are the most well known, should soar from over 92.1m in 2014 to more than 332.2m in 2019. Sales for the OTT market are expected to surpass €31.6bn in 2019, generating a CAGR of 11.7% over the 2016 to 2019 period.
It is thanks to the OTT players that video on demand (VoD) has seen considerable growth in recent years, challenging the linear programming of traditional television.

Television services are accelerating their transition to OTT

Most audiovisual companies have begun to develop proprietary OTT positioning strategies. Faced with significant competition in their existing markets, content distributors led by the French internet access providers are changing their models to capture new consumers. Benefiting from the potential of VoD is becoming the number one strategy for these players.

Example of Sky UK's OTT positioning



source: IDATE

This migration of content distributors towards the OTT model will considerably increase video traffic and require substantial investment in network restructuring for all the players. An optimal network enables them to:

- Reduce distribution expenses by minimising the costs of storing and using bandwidth,
- Optimise traffic management on the networks and provide consumers with a high-quality service which is rapid and comprehensive,
- Maintain an optimal viewing experience quality during peak periods.

Anevia is perfectly positioned with its high value-added, end-to-end solution (Origin Packager, Cloud DVR, CDN), aimed at supporting content distributors in the transformation of their network infrastructure.

Anevia's competitors in the Telecom/Media business

Name	Country	Business Model	Competitor offer	Positioning
Cisco	USA	Integrator on a global scale	End-to-end value chain	Global
Ericsson	Sweden	Integrator on a global scale	End-to-end value chain	Global
Huawei	Chine	Integrator on a global scale	End-to-end value chain	Global
Elemental (Amazon Web Services)	USA	Hardware and Software	Solutions for PayTV operators broadcasters and content providers (Cloud DVR, Packagers)	Global
Edgeware	Sweden	Hardware and Software	Solutions for broadcasters, telecoms operators cable operators and content providers, (CDN, Cloud DVR, Packagers)	Global
Broadpeak	France	Hardware and Software	Solutions for PayTV operators and content providers (CDN, Origin Packager, Cloud DVR)	Global

source: société / Euroland Corporate

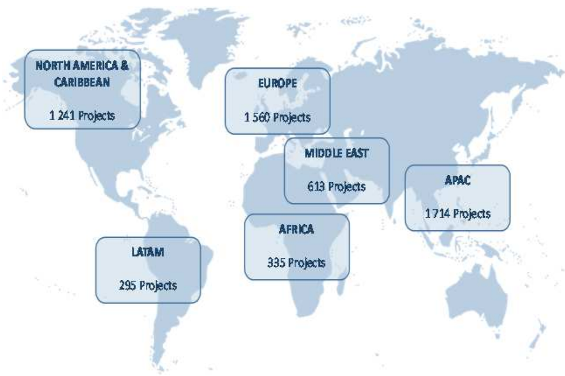
The private sectors are changing channels!

A multitude of private sectors (hotels, cruise ships, marine and aviation companies, etc.) also need to invest large sums in digitising their infrastructure to be able to propose a higher-quality and more-comprehensive offer.

The hotel market is driving the segment

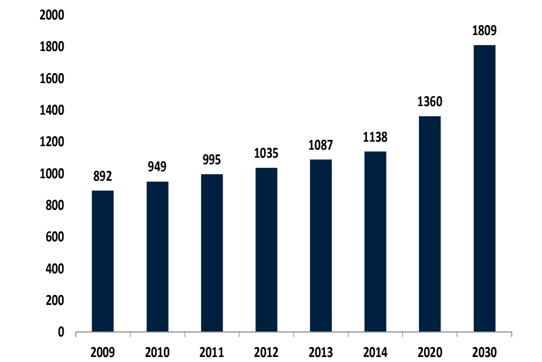
International tourism reached 1,138 million arrivals in 2014 and should grow by +19.5% between 2014 and 2020 and +33% between 2020 and 2030. The hotel construction market has numbered 5,738 projects in the pipeline in Europe since December 2016.

Geographical breakdown of construction projects in 2016



source: Tophotelproject

International tourist arrivals (m)



source: Hotel Groups, Xerfi

This rapidly-growing market is benefiting from an overall improvement in the economic environment.

With a view to capturing this growth, the hotel brands, and especially the high end brands, must be always reinventing themselves and developing their offers. For most customers, a hotel's TV offer is a key element and must be high quality (number of channels, HD, optimal reception quality, etc.).

Anevia's positioning in this market offers all the players a flexible solution capable of optimising the management of video streaming (storage, multiscreen, unlimited choice of channels, etc.) aimed at helping them to achieve maximum television service quality.

Anevia's competitors in the Enterprise business

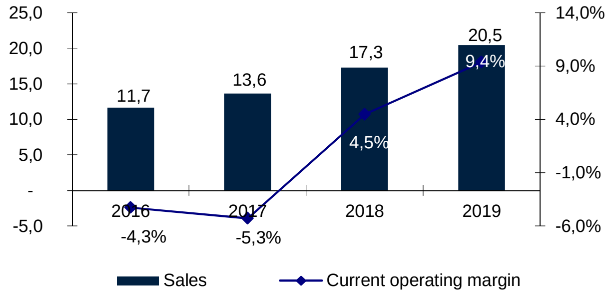
Name	Country	Business Model	Competitor offer	Positioning
Cisco	USA	Integrator on a global scale	End-to-end value chain	Global
Teleste	France	Hardware and Software	Head-ends for the hotel industry, system integrators operators and content suppliers	Global
Wisi	France	Hardware	Head-ends and network equipment for the hotel industry	Global
Triax	Denmark	Hardware	Head-ends for hotels, hospitals, prisons, companies and cable operators	Global
Ikusi	Spain	Hardware	Head-ends for the hotel, health, maritime, sport, collective housing and exceptional building industries	Global
Packet Ship	UK	Hardware and Software	Server software components, TV Replay, VoD and catchup TV for the hotel industry	Global

source: competitor / Euroland Corporate

Strategic and financial outlook

After a year of very strong growth driven by the relevance of Anevia's Origin Packager offer, the launch on the market of the cloud storage offer (Cloud DVR), the commercialisation of the new Flamingo head-end and the partnership signed with the leader in the hotel services market Hoist Group, Anevia plans to continue its rapid development while preserving its profitability. We thus expect a sales CAGR of 25% through to 2019 with an operating margin of 9.4% over the same period.

2016-19e trend in sales and operating result

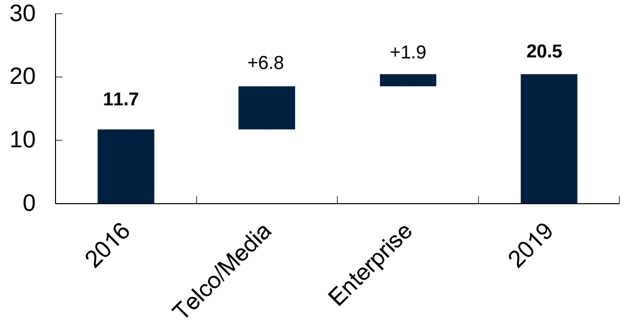


source : Euroland Corporate

The €2.0bn fundraising in March 2017 will support Anevia's Telecom/Media offer by enabling the reinforcement of its R&D team. The company will also benefit from a rapidly-expanding video market, the need for TV operators to offer live and non-linear TV services and the strong growth in OTT. At the same time, the commitment to accelerating its development in new rapidly-growing geographical regions should enable Anevia to step up its international growth. We are thus forecasting a Telecom/Media business CAGR of 25.3% through to 2019, to €13.9m.

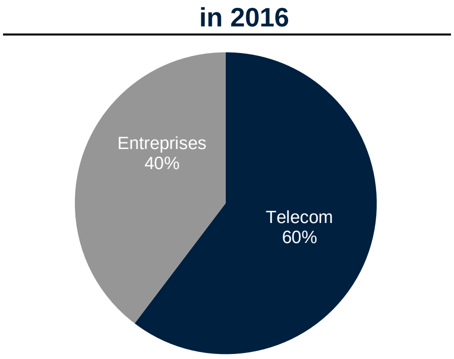
With the launch of the new Flamingo in 2016, the signature of the exclusive partnership with Hoist Group and the growth in Asia, the Enterprise business should also see a strong growth trend. We are forecasting an Enterprise business sales CAGR of 12.1% through to 2019 to €6.5m.

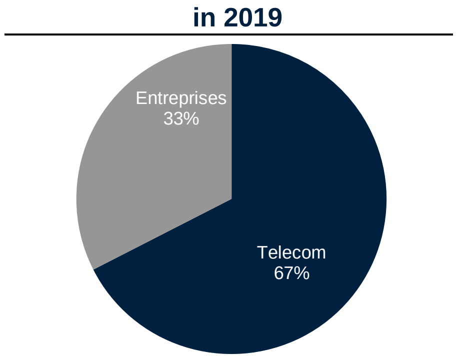
Contribution from each segment to 2016/2019 sales growth



source : Euroland Corporate

Breakdown in sales by segment





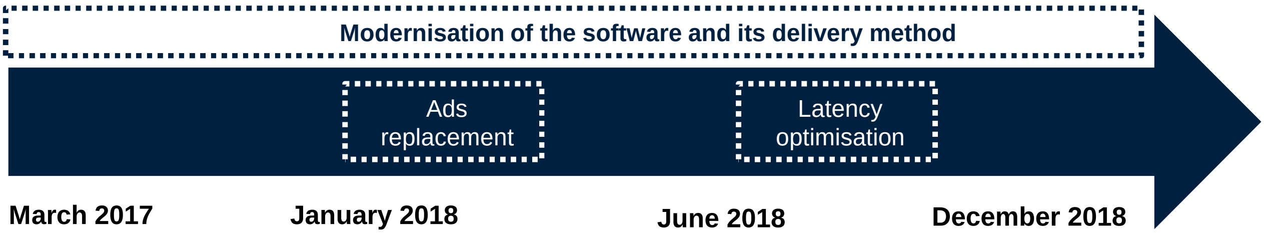
source : Euroland Corporate

Strong Telecom/Media momentum…

… Driven by innovation…

The storage offer and the relevance of the Origin Packager proposition drove growth in 2016 with Telecom/Media sales of €7.1m (+88.7%). Anevia plans to further acclerate its development in this segment to gain market share by proposing new functionalities on its ViaMotion platforms.

Calendar of technological developments in the Telecom business



Anevia will develop the **ads replacement** functionality enabling operators to offer their subscribers targeted advertising. With the personalisation of television for viewing by Ipad, replays and video on demand, and unlike live TV, advertisers now have the possibility of knowing who they are addressing and are looking to optimise this presence. The technology that Anevia plans to develop in early 2018 will enable operators to adapt TV distribution and videos depending on the user.

Anevia also plans to optimise the **latency time** during live television transmissions so that all viewers can see the same image at the same time. This new requirement is particularly important for the new generation who tweet and comment in real-time on TV progammes but also for bookmakers who can fall victim to this latency time during the placing of bets.

At the same time, Anevia is going to **modernise its software and delivery mode.** The company thus plans to develop scalability (with the option of starting and shutting down servers remotely on a real-time basis) and new deployment modes (like the container technology). Anevia will thus improve availability and optimise its installation costs. It may also adjust its pricing model.

The new functionalities should enable Anevia to increase the average sale price of licences and its licence sales volumes.

… And by incremental sales over its installed base

The sales on the installed base are correlated with the growth for Anevia's customers, i.e. their number of subscribers, channels and services (non-linear and more live viewing, number of days of replay, etc.). This implies extensions in functionalities, storage capacity and servers which are going to drive the growth in Anevia's sales.

Anevia is expected to continue to develop its Telecom/Media business mainly in Europe, the Middle East and the United States, followed by Central and Southern America. To this end, the company is expected to prospect for local accounts but also support its customers in their international deployment.

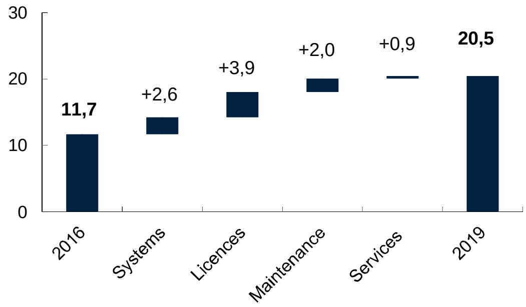
An Enterprise business with potential underpinned by Hotel/Hospital demand

In 2016, the new Flamingo head-end drove the growth in Enterprise business sales to €4.6m (+21.6%). Anevia will be able to count on: 1/ the new functionalities and modularity of its head-end, 2/ the partnership signed in 2016 with leading hotel services provider, Hoist Group.

In addition to these two elements acquired in 2016, Anevia plans to respond to the need for hotels and hospitals to offer their customers/patients on-demand TV services (e.g.TV news in start over and replay) and the option of viewing their programmes on Ipad ('Bring your own device').

These new functionalities are going to reinforce sales volumes and contribute to the growth in incremental sales in the Enterprise business.

Trend in Anevia's 2016-2019e sales



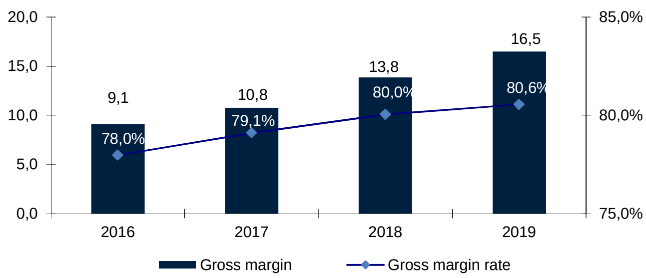
source : Euroland Corporate

The main growth contributor over the coming years is Licence sales (+€3.9m of sales between 2016 and 2019 on our numbers), mostly driven by the Telecom/Media business. Maintenance and services will thus benefit from the momentum in this segment. The sale of systems, mainly via the growth in the Enterprise business will be the second contributor to growth.

An increase in profitability

In view of the rapid ramp-up in Telecom/Media and the company's determination to rein in systems sales in this business so as to avoid a negative impact on the Group's overall gross margin, we expect the gross margin rate to increase by some two percentage points by 2019.

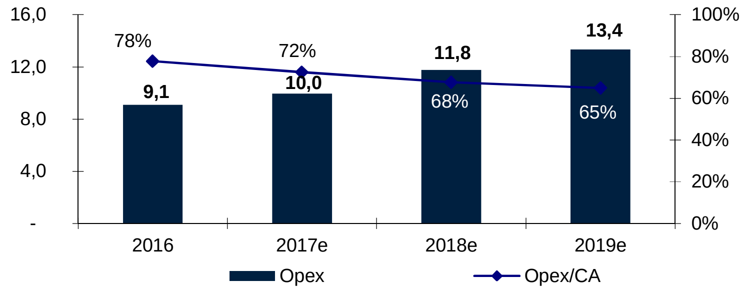
2016-19e gross margin and gross margin rate



source : Euroland Corporate

After a period focused on saving costs, Anevia has again launched some limited investment to support its innovation efforts (+6 people in 2017) and growth (+10 people in commercial, product marketing and support). Given the growth, 2018 will see the full benefit of this investment. Anevia should thus post a relative decline in opex as a proportion of sales.

Trend in opex (in €m and % of sales)



source : Euroland Corporate

Forecast income statement

Income statement (€m)	2016	2017e	2018e	2019e
Sales	11,7	13,6	17,3	20,5
EBITDA	0,0	-0,4	1,1	2,3
Current operating result	-0,5	-0,7	0,8	1,9
Operating result	-0,5	-0,7	0,8	1,9
Financial result	0,0	-0,1	-0,1	-0,1
Taxation	-0,6	-0,5	-0,6	-0,6
Net result, Group share	0,1	-0,3	1,2	2,3

source : Euroland Corporate

A reinforced balance sheet

In view of the losses posted in 2014, Anevia realised a €1.7m recapitalisation in 2015 together with the contracting of a €2.0m loan from the BPI (French Public Investment Bank) to finance the development of its storage offer. With growth and profitability having been reinstated, Anevia is going to accelerate its development via the new €2.0m fundraising realised in March 2017. These recapitalisations have reinforced the balance sheet with equity once more expected to be positive in 2017 and forecast net cash of €0.7m.

Valuation

In view of the significant proportion of the business with good cash flow visibility, we value Anevia using the DCF methodology.

DCF valuation

We have assumed the following:

• Sales growth: we expect an average annual growth rate of 20.5% between 2016 and 2019 mainly due to the forecast strong growth for Telecom/Media licences and international development. Between 2019 and 2016, we expect a sales CAGR of 8.1% followed by a growth rate to perpetuity of 2.0%.

• Operating result: the operating margin should improve by 2018 due to Anevia's operational leverage effect. The operating margin is thus expected to be 9.4% in 2019. Our subsequent assumption is a margin adjusting to 10.5% in 2026.

• Investment: we assume an annual level of renewal and development capex of around 4.0% of sales through to 2026 to finance product innovation.

• WCR: we expect a WCR level of approaching 5.0% of sales, excluding taxes.

• Net financial debt: taking into account the estimated 31/12/2017 level (€-0.4m)

• Summary of our WACC calculation assumptions.

Risk premium	5,0%
Beta excluding debt	1,7
Beta w ith debt	1,7
Cost of equity	**9,5%**
Cost of debt after tax	**4,0%**
Weighted average cost of capital	**9,5%**
Grow th rate to perpetuity	2,0%

source : Euroland Corporate

2017e-2026e cash flow statement

En M€	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Sales	**13,6**	**17,3**	**20,5**	**22,9**	**25,2**	**27,2**	**29,4**	**31,8**	**33,4**	**34,4**
Sales growth	*0,0%*	*26,8%*	*18,4%*	*12,0%*	*10,0%*	*8,0%*	*8,0%*	*8,0%*	*5,0%*	*3,0%*
Current operating result	**-0,7**	**0,8**	**1,9**	**2,2**	**2,5**	**2,7**	**3,0**	**3,3**	**3,5**	**3,6**
Current operating margin	*-5,3%*	*4,5%*	*9,4%*	*9,6%*	*9,8%*	*10,0%*	*10,2%*	*10,5%*	*10,5%*	*10,5%*
- Taxation	0,0	0,3	0,6	0,7	0,8	0,9	1,0	1,1	1,2	1,2
+ D&A	0,3	0,3	0,4	0,6	0,8	0,9	1,0	1,1	1,2	1,3
Operating cash flow	**-0,4**	**0,9**	**1,7**	**2,0**	**2,4**	**2,7**	**3,0**	**3,3**	**3,5**	**3,7**
- Change in WCR	0,1	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,0
- Capex	-0,5	-0,7	-0,8	-0,9	-1,0	-1,1	-1,2	-1,3	-1,3	-1,4
Free Cash Flows	**-1,0**	**0,0**	**0,7**	**1,0**	**1,3**	**1,5**	**1,7**	**1,9**	**2,1**	**2,3**
Discounted FCF	**-1,0**	**0,0**	**0,5**	**0,7**	**0,8**	**0,9**	**0,9**	**0,9**	**0,9**	**0,9**

source: Euroland Corporate

Valuation sensitivity matrix

		Perpetual growth rate				
		1,0%	**1,5%**	**2,0%**	**2,5%**	**3,0%**
WACC	**8,5%**	5,5	5,8	6,1	6,5	6,9
	9,0%	5,0	5,3	5,6	5,9	6,2
	9,5%	4,7	4,9	**5,1**	5,4	5,7
	10,0%	4,3	4,5	4,7	4,9	5,2
	10,5%	4,0	4,2	4,3	4,5	4,7

source: Euroland Corporate

Our fully diluted DCF-derived valuation for Anevia stands at €5.10 per share with a WACC of 9.50% and a growth rate to perpetuity of 2.0%.

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Peer group-derived valuation

In view of Anevia's business profile, we have chosen a sample of international midcap players in the management and optimisation of video streaming universe.

Created in 1991, Ateme is specialised in video compression solutions for television, cable, IPTV and OTT. Its solution facilitates and accelerates the streaming of live and on-demand videos, while preserving image quality. In 2016, this French company generated sales of €37.4 million (versus €28.6 million in 2015) of which 88% internationally. Ateme numbers more than 300 customers worldwide.

Harmonic Inc. is the European leader in the manufacturing and commercialisation of video infrastructure software solutions. Created in 1988, its solution enables customers to deliver a comprehensive range of video services to mass market devices (TV, computers, tablets and Smartphone). 2016 sales amounted to US$113.1m with the breakdown as follows:

- Video revenue (90.5% of sales)
- Cable Edge revenue (9.5% of sales)

Created in 2004, Edgeware offers the leading operators and owners an end-to-end Software/Hardware content solution enabling delivery of TV video content on IP networks via the insertion of non-linear TV services. 2016 sales stood at €252m (+23.9 %) with the breakdown as follows:

- Products (82.5% of sales)
- Services (17.5% of sales)

Main aggregates of the sample

				CA				EBITDA				EBIT				RN			
Société	Capitalisation	Dette nette	VE	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
Ateme SA	107	1	108	29	38	48	64	-3	4	7	12	-5	1	4	8	-2	1	4	7
Harmonic Inc.	422	-51	371	340	385	404	456	7	20	52	51	-11	2	23	37	-14	-3	16	26
Edgeware AB	111	-2	109	22	27	33	40	2	3	5	8	1	2	4	6	1	2	4	5

source: FactSet / Euroland Corporate

Valuation multiples of the sample

Société	VE/CA			VE/EBITDA				VE/EBIT			PER		
	2015	2017	2018	2015	2016	2017	2018	2015	2017	2018	2015	2016	2018
Ateme SA	3,8x	2,2x	1,7x	ns	30,7x	15,2x	9,2x	ns	27,6x	13,3x	ns	177,7x	15,7x
Harmonic Inc.	1,1x	0,9x	0,8x	52,4x	18,4x	7,1x	7,2x	ns	16,1x	10,1x	ns	ns	16,2x
Edgeware AB	5,0x	3,3x	2,7x	51,0x	37,6x	20,1x	14,1x	72,8x	25,1x	16,9x	96,3x	66,5x	21,6x
Mean	**3,3x**	**2,2x**	**1,7x**	**51,7x**	**28,9x**	**14,1x**	**10,2x**	**72,8x**	**22,9x**	**13,4x**	**96,3x**	**122,1x**	**17,8x**
Median	**3,8x**	**2,2x**	**1,7x**	**51,7x**	**30,7x**	**15,2x**	**9,2x**	**72,8x**	**25,1x**	**13,3x**	**96,3x**	**122,1x**	**16,2x**

source: FactSet / Euroland Corporate

We apply the average valuation multiples to Anevia's EBITDA, current operating income and net income for 2018 and 2019. **After applying a sizeable 10% discount, we derive a fully diluted Anevia valuation of €4.10 per share.**

Conclusion

In conclusion, we are initiating coverage of Anevia with an Accumulate opinion and a fully diluted share price target of €4.60, derived from the average of the DCF (€5.10) and peer group comparison (€4.10) valuations.

Income statement (€m)	2014	2015	2016	2017e	2018e	2019e
Sales	8,5	7,5	11,7	13,6	17,3	20,5
EBITDA	-3,4	-4,8	0,0	-0,4	1,1	2,3
Current operating result	-4,4	-5,2	-0,5	-0,7	0,8	1,9
Operating result	-4,4	-5,2	-0,5	-0,7	0,8	1,9
Financial result	0,0	0,0	0,0	-0,1	-0,1	-0,1
Taxation	-0,6	-0,3	-0,6	-0,5	-0,6	-0,6
Net result, Group share	-3,9	-5,3	0,1	-0,3	1,2	2,3
Balance sheet (€m)	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Long-term assets	0,7	0,7	0,6	0,9	1,2	1,7
o/w goodwill	0,0	0,0	0,0	0,0	0,0	0,0
WCR	1,5	0,2	0,5	0,6	0,8	1,0
Cash + short-term investments	2,6	2,7	2,1	3,3	3,3	4,4
Shareholders' equity	2,8	-0,9	-0,8	0,8	2,0	4,4
Borrowings and financial debt	1,3	3,3	3,0	2,8	2,3	1,6
Total balance sheet	8,1	7,5	8,1	10,4	12,4	15,3
Cash flow statement (€m)	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Cash flows from operations	-3,7	-5,0	0,4	0,0	1,5	2,7
Change in WCR	0,4	-1,8	0,4	0,1	0,2	0,2
Cash flow from operating activities	-4,2	-3,2	0,0	-0,1	1,3	2,5
Operational investment, net	-0,5	-0,3	-0,6	-0,5	-0,7	-0,8
Financial investments, net	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from investment activities, net	-0,5	-0,3	-0,6	-0,5	-0,7	-0,8
Capital increase	5,8	1,6	0,0	1,9	0,0	0,0
Change in borrowings	0,4	2,1	-0,2	-0,2	-0,5	-0,8
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0
Other	6,2	3,8	-0,2	1,7	-0,5	-0,8
Cash flow from financing activities, net	1,5	0,4	-0,8	1,1	0,2	1,0
Change in net financial debt	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Sales growth	15,9%	-11,6%	55,2%	16,8%	26,8%	18,4%
EBITDA margin	-39,8%	-64,0%	0,3%	-3,1%	6,4%	11,2%
Current operating margin	-52,0%	-68,7%	-4,3%	-5,3%	4,5%	9,4%
Operating margin	-52,0%	-68,7%	-4,3%	-5,3%	4,5%	9,4%
Net margin	-45,7%	-70,5%	0,9%	-2,2%	7,0%	11,4%
Capex/sales	-5,8%	-3,8%	-5,0%	-4,0%	-4,0%	-4,0%
WCR/sales	17,8%	2,0%	4,6%	4,5%	4,7%	4,8%
ROCE	-149,4%	-526,7%	-32,9%	-35,9%	27,3%	51,0%
ROCE excl. GW	-149,4%	-526,7%	-32,9%	-35,9%	27,3%	51,0%
ROE	-139,1%	600,3%	-14,4%	-36,1%	59,3%	53,5%
Payout	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Debt ratios	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Gearing (%)	-48%	-60%	-123%	-55%	-47%	-65%
Net debt/EBITDA	0,4	-0,1	27,3	1,1	-0,9	-1,2
EBITDA/financial costs	215,7	124,1	-2,3	-5,4	9,1	16,2
Valuation	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Number of shares (in millions)	2,5	3,1	3,1	3,6	3,6	3,6
Average number of share (in millions)	2,5	2,8	3,1	3,3	3,6	3,6
Share price (annual average in euros)	6,7	3,5	5,0	4,2	4,2	4,2
(1) Average market capitalisation	0,0	0,0	0,0	0,0	0,0	0,0
(2) Net debt (+)/ net cash (-)	-1,3	0,5	0,9	-0,5	-1,0	-2,8
(3) Carrying value of minority interests	0,0	0,0	0,0	0,0	0,0	0,0
(4) Fair value of financial assets	0,2	0,2	0,2	0,2	0,2	0,2
Enterprise value = (1)+(2)+(3)-(4)	-1,6	0,3	0,8	-0,6	-1,1	-3,0
PER	0,0	0,0	0,0	0,0	0,0	0,0
EV/ EBITDA	0,5	-0,1	22,3	1,5	-1,0	-1,3
EV/ROC	0,4	-0,1	-1,5	0,9	-1,5	-1,6
EV/sales	-0,2	0,0	0,1	0,0	-0,1	-0,1
P/B	0,0	0,0	0,0	0,0	0,0	0,0
Per share data €)	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
EPS	-1,6	-1,7	0,0	-0,1	0,3	0,7
Book value/share	1,1	-0,3	-0,3	0,2	0,6	1,2
Dividend/share	0,0	0,0	0,0	0,0	0,0	0,0

Recommendation system:

EuroLand Corporate recommendations cover the coming twelve-month period and are defined as follows:

Buy: potential valuation upside exceeding 15% on an absolute basis relative to the current share price, backed by high-quality fundamentals.

Accumulate: potential valuation upside of between 0% and 15% on an absolute basis relative to the current share price.

Lighten: potential valuation downside of between 0% and 15% on an absolute basis relative to the current share price.

Sell: potentiel downside of more than 15% on an absolute basis relative to the current share price, excessive valuation.

Under review: recommendation under review due to a transaction involving the share capital (takeover bid/exchange offer/capital increase, etc.), a change in analyst or a situation of temporary conflict of interest between Euroland Corporate and the issuer.

Recommendation history over the past 12 months:

Buy: (-)

Accumulate: Since 29/03/2017

Lighten: (-)

Sell: (-)

Under review: (-)

Valuation methodologies:

This document may mention valuation methodologies whose definitions are summarized as follows:

1/ Peer group comparison: the valuation multiples of the relevant company are compared with those of a sample of companies in the same business sector or with a similar financial proflle. The average of the sample serves as a valuation reference point, to which the analyst applies any applicable discounts or premia resulting from his or her perception of the specific characteristics of the company in question (legal status, growth outlook, level of profitability, etc.).

2/ NAV: the Revalued Net Asset Value is based on the estimated market value of the assets in a company's balance sheet, using the methodology deemed appropriate by the analyst.

3/ Sum of the Parts: consists of valuing the different businesses in a company separately based on the valuation methods most appropriate for these individual activities then adding them together.

4/ Discounted Cash Flow (DCF): consists of determining the present day value of the future cash flows the company is expected to generate. Cash flow projections are established by the analyst based on his or her assumptions and modelling. The discount rate used is the average weighted cost of capital, which represents the cost of the company's debt and the theoretical cost of equity as estimated by the analyst, weighted by the proportion of the two components in the company's financing.

5/ Transaction multiples: consists of applying the multiples observed in transactions already realized involving companies comparable to the company in question.

6/ Discounted dividends: consists of establishing the discounted value of the dividends to be received by a shareholder in the company, based on dividend forecasts made by the analyst and the discount rate which is deemed appropriate (generally the theoretical cost of equity).

7/ EVA: the "Economic Value Added" methodology consists of determining the annual growth in the profitability generated by a company from its assets relative to its cost of capital (also known as "value creation"). This growth in profitability is then discounted for the years to come at a discount rate corresponding to the average weighted cost of capital, and the result obtained is added to the net book value.

DETECTION OF POTENTIAL CONFLICTS OF INTEREST

Corporate Finance	Analyst's personal interest	Ownership of assets in the issuer	Prior communication to the issuer	Liquidity agreement	Eurovalue* contract
No	No	No	Yes	No	Yes

* Stockmarketcoordinationcomprisingregularfinancialresearchwithorwithoutliquidity.

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