

CORPORATE RESEARCH

9<sup>th</sup> June 2016

# M2i

## Heading for a world without pesticides

EV EUR53m- EUR66m

CORPORATE


End of December	12/15	12/16e	12/17e	12/18e
Revenues (EURm)	5,11	13,49	16,17	24,55
EBITDA (EURm)	-5,9	-0,45	0,30	4,7
EBIT(EURm)	-7,25	-2,99	-3,16	0,35
EPS as published (EUR)	-24,37	-11,41	-11,40	-0,01
EPS diluted (EUR)	-21,87	-10,24	-10,23	-0,01
ROCE	-281,3	230,9	67,2	-5,0

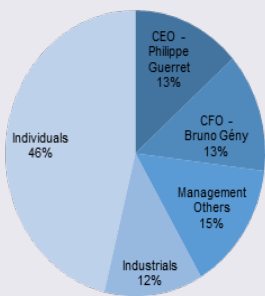
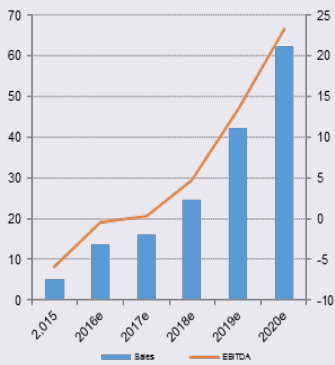
M2i offers lasting solutions in insecticide and antibiotic substitutes that are an answer to current challenges in accompanying global food production in the farming and animal health sectors. Positioned in the pheromones market that is growing by more than 20% a year and is valued at EUR1bn, the company is at a turning point with promising launches in farming and major partnerships reflecting a certain interest in its solutions. We value M2i at between EUR53m and EUR66m.

- **M2i's solutions in farming provide a sustainable answer to problems concerning resistance and toxicity of OGMs and insecticides.** For an equivalent efficacy and cost, pheromones hamper reproduction and help trap insects in the crops without killing them off. This segment should generate more than two-thirds of sales by 2020e (EUR40m on our estimates, vs. Margin in 2015). We expect major launches in the protection of grapevines, fruit (*D. suzukii* fly) and field crops (maize and cotton).
- **A number of partnerships have been set up with major players such as Biobee, Nufarm, Ceva and Virbac.** These testify to the rising interest of M2i's solutions while guaranteeing sales visibility.
- **A proprietary diffusion technology and efficient production facilities** underscore the group's competitive edge. As such, the active ingredient manufacturing business (used for Synthol™ and Onctose™) helps ensure a lasting source of revenues to cover all cost prices (BGe).
- **We value M2i at between EUR53m and EUR66m (pre-money; WACC of 15.6%)** and estimate 2016e and 2017e sales at EUR13.5m and EUR16.2m respectively. We estimate the company's financing requirements for R&D, production capacity and WCR at EUR15m.



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	<b>Analyst:</b>	<b>Sector Analyst Team:</b>
	Hugo Solvet	Mickael Chane Du
	33(0) 1 56 68 75 57	Eric Le Berrigaud
	hsolvet@bryangarnier.com	



### Company description

M2i offers sustainable solutions for the substitution of insecticides and antibiotics that answer current challenges in accompanying global food production in the farming and animal health sectors. Positioned in the pheromones market, the company is at a turning point with promising launches in farming and major partnerships reflecting a clear interest in these solutions.

Simplified Profit & Loss Account (EURm)	2014	2015	2016e	2017e	2018e	2019e	2020e
Revenues	3,9	5,1	13,5	16,2	24,6	42,1	62,5
Change (%)	-%	29,6%	164%	19,9%	51,9%	71,6%	48,2%
Adjusted EBITDA	-3,9	-5,9	-0,45	0,30	4,7	13,3	23,3
EBIT	-6,6	-7,2	-3,0	-3,2	0,35	8,0	17,1
Change (%)	-%	-9,2%	-58,8%	-5,9%	-%	2 190%	113%
Financial results	-0,05	-0,20	-0,32	-0,14	-0,19	-0,21	-0,34
Pre-Tax profits	-6,7	-7,4	-3,3	-3,3	0,17	7,8	16,8
Exceptionals	NM	NM	NM	NM	NM	NM	NM
Tax	1,6	0,03	0,0	0,0	-0,06	-2,6	-5,6
Profits from associates	NM	NM	NM	NM	NM	NM	NM
Minority interests	-1,6	-0,11	-0,11	-0,11	-0,11	-0,11	-0,11
Net profit	-3,5	-7,3	-3,4	-3,4	0,00	5,1	11,1
Restated net profit	NM	NM	NM	NM	NM	NM	NM
Change (%)	-%	-%	-%	-%	-%	-%	-%
<b>Cash Flow Statement (EURm)</b>							
Operating cash flows	-0,03	-3,6	0,47	0,37	5,2	12,0	19,1
Change in working capital	3,3	2,1	1,2	0,22	0,70	1,5	1,7
Capex, net	-2,9	-1,7	-4,2	-3,8	-4,6	-5,8	-5,6
Financial investments, net	-3,0	-1,6	-4,2	-3,8	-4,6	-5,8	-5,6
Dividends	NM	NM	NM	NM	NM	NM	NM
Other	NM	NM	NM	NM	NM	NM	NM
Net debt	6,1	9,5	8,9	2,7	-10,7	-27,1	-43,7
Free Cash flow	NM	-3,5	-3,4	-3,3	0,81	6,4	13,8
<b>Balance Sheet (EURm)</b>							
Tangible fixed assets	8,2	7,9	9,0	9,2	9,4	9,7	9,3
Intangibles assets	3,5	4,1	4,7	4,8	4,8	5,0	4,8
Cash & equivalents	0,12	0,16	-3,6	-7,0	-6,3	-0,18	13,3
current assets	1,7	1,3	1,3	1,3	1,3	1,3	1,3
Other assets	4,6	4,8	4,0	4,7	6,8	11,2	16,2
Total assets	18,2	18,3	15,4	13,0	15,9	27,0	44,9
L & ST Debt	0,42	2,5	2,5	2,5	2,5	2,5	2,5
Others liabilities	9,7	14,0	14,5	15,4	18,1	24,0	30,8
Shareholders' funds	8,1	1,7	-1,6	-4,9	-4,8	0,43	11,6
Total Liabilities	10,1	16,5	17,0	17,9	20,7	26,5	33,3
Capital employed	4,8	2,6	-1,3	-4,7	-4,7	0,39	10,8
<b>Ratios</b>							
Operating margin	-168	-142	-22,13	-19,55	1,43	19,08	27,37
Tax rate	-24,26	-0,34	0,0	0,0	-33,33	-33,33	-33,33
Net margin	-88,77	-143	-25,36	-21,15	-0,01	12,12	17,70
ROE (after tax)	-43,52	-427	214	69,76	0,07	1 192	95,32
ROCE (after tax)	-105	-281	231	67,17	-5,03	1 374	106
Gearing	75,75	556	-556	-55,33	224	-6 315	-376
Pay out ratio	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Number of shares, diluted	0,07	0,33	0,33	0,33	0,33	0,33	0,33
<b>Data per Share (EUR)</b>							
EPS	-50,74	-24,37	-11,41	-11,40	-0,01	17,03	36,87
Restated EPS	-50,74	-21,87	-10,24	-10,23	-0,01	15,28	33,08
% change	-%	-56,9%	-53,2%	0,0%	-99,9%	-%	117%
EPS bef. GDW	NM	NM	NM	NM	NM	NM	NM
BVPS	NM	NM	NM	NM	NM	NM	NM
Operating cash flows	-0,41	-10,74	1,41	1,12	15,52	35,85	57,09
FCF	0,0	-10,40	-10,20	-9,76	2,42	19,09	41,27
Net dividend	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Source: Company Data (historical); Bryan, Garnier & Co ests.

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# 1. Investment Case

*Why the interest now?*



## The reason for writing now

M2i offers sustainable solutions for substituting insecticides and antibiotics in an answer to current challenges on how to accompany global food production in the farming and animal health sectors. Positioned in a buoyant segment, the company is now at a turning point with several launches in crop protection. Major partnerships reflect a clear interest in this market and validate M2i's technology.

*Cheap or Expensive?*



## Valuation

There is no consensus on M2i. We estimate its sales at EUR13m and EUR16m in 2016e and 2017e. The company's EBITDA margin should be positive next year and tend towards 38.5% over the long term.

We value M2i at between EUR53m and EUR66m (pre-money). Our WACC works out to 15.6% (Beta = 2) and we assumed a growth rate to infinity equal to zero ( $g = 0.0\%$ ). Our median Enterprise Value is EUR59.1m.

To finance R&D spending, an extension in production capacity and WCR, we estimate the company requires EUR15m.

*When will I start making money?*



## Catalysts

In coming months, we expect wide-scale launches of M2i's solutions in crop protection (grapevines, cotton, maize, apple/pears). The distribution partnerships signed with Biobee, Nufarm and Koppert should provide the company the benefits of increasing visibility. At the same time, results from tests and approvals should also provide catalysts.

*Could I lose money?*



## Risks to our investment case

The main risks we have identified are: **1/** sales development via partnerships and direct marketing (market share, imposing the M2i brand), **2/** the company's ability to meet orders following wide-scale launches (supply chain and increasing production capacity), **3/** a decision by players such as DuPont or ChemChina to enter the market and develop their own production sites and/or the emergence of promising rival technologies.

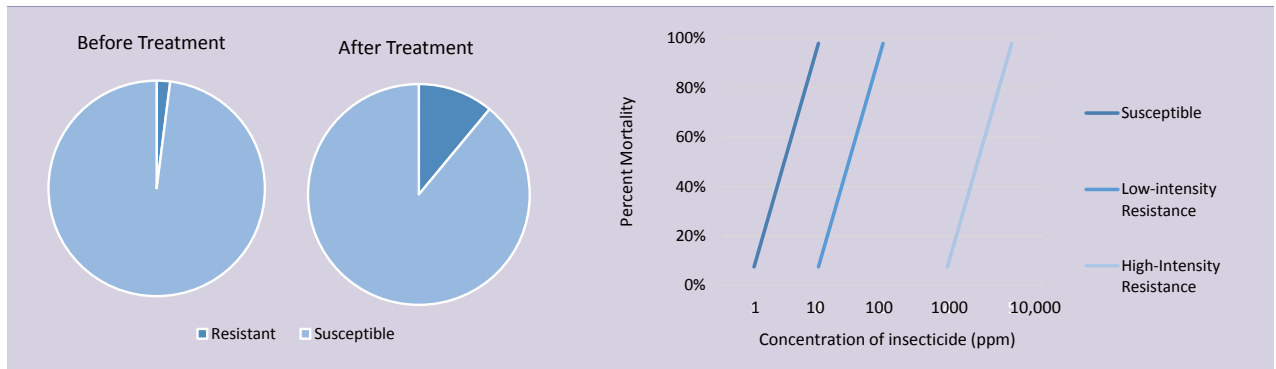
## 2. How to accompany global growth?

Global food production will have to increase by 70% by 2050

A United Nations report estimates that in order to satisfy growth in the global population from seven billion at present to 9.1 billion in 2050, global food production will have to increase by 70%, thereby prompting questions as to the best way to accompany this growth, while maintaining (or increasing) agricultural yields and food safety.

Today, a large majority of farm land throughout the world is treated with chemical pesticides. Although the companies that produce these products are subject to increasingly strict regulations (clinical tests, maximum concentration levels and other restrictions), use of pesticides is controversial. Indeed, while treatment spending per hectare is rising, insects and mushrooms are increasingly resistant to these products. In addition, long-term use of these products can carry major health risks not only for the producers themselves but also for local residents, and consumers.

**Fig. 1: Frequency and intensity of resistance**



*Frequency is the portion of the population resistant. Intensity is the measure of the strength of resistance exceeding the pesticide's toxicity.*

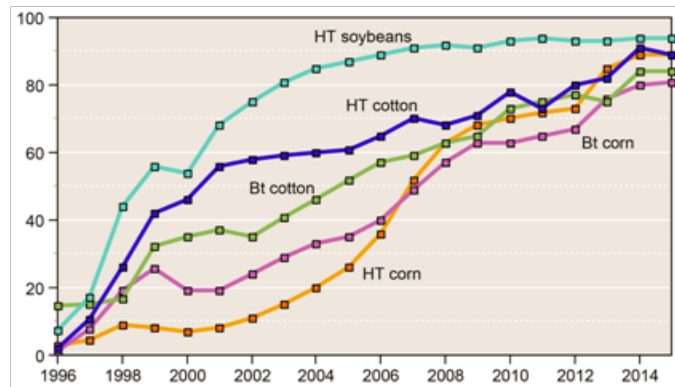
*Source: Adapted from: Managing Pesticide Resistance, Timothy J. Dennehy and John Dunley (1993).*

Pesticides and GMOs are widely used and have critical effects on the environment

A number of countries, with the US leading the way, have therefore gone down the route of genetically modified organisms (GMO), which has reduced the need for pesticides and insecticides and helped increase yields.

Research currently focuses on developing micro-organisms capable of reducing certain food deficiencies (useful in poor countries) or allergy risks.

**Fig. 2: Adoption of GMOs in the US (% of acres sewn)**



Source: USDA, Economic Research Service.

Insects are now resistant to GMOs

However, the pollution caused by GMOs is high. Firstly, genetically modified plants capable of resisting pests secrete their own insecticide (Bt, *Bacillus thuringiensis* which encodes a toxic protein). It has been proven that this insecticide accumulates in the soil during the plant's decomposition after harvesting. Although we do not have sufficient hindsight to measure with certainty the impact of this insecticide for humans, its dispersion into ground-waters is a source of concern and the first studies carried out suggest it can cause allergic reactions or even kill kidney tissues. Finally, the insects targeted have also changed genetically and expulse Bt by isolating it in their stomachs. In India, for example, almost 80% of the latest cotton harvest, which was nevertheless GMO, has just been destroyed by the pink bollworm. An increase in insecticide quantities and their reformulation every five years or so is therefore insufficient.

Animal stress affects yields

Concerning livestock farming, the democratisation of intensive breeding during the 1970s changed the behaviour of animals. Beyond the ethical impact highlighted by some, animal stress levels, which are particularly high in enclosed areas (pig and chicken farms) and/or the transport of animals outside their natural environment, not only has a direct impact on the quality of the meat produced (colour, conservation) but also on yields, notably with lower animal weight gain in stressful environments.

**Phytosanitary:** phytosanitary products are chemical products used to treat or prevent diseases in plants. By extension, this definition is used to designate products used to control plants, insects and mushrooms. Along with biocides, these products belong to the pesticide family. In Europe, and in the majority of countries, they must be approved and authorised for one or more uses that can vary depending on the region.

**Semiochemicals:** a pheromone or other chemical that conveys a signal from one organism to another so as to modify the behaviour of the recipient organism.

Semiochemical substances are classified as pheromones, which help communication between individuals within a same species, while allomones, kairomones and synomymes, which are exchanged between animals and plants, belong to different species. Semiochemicals can be sensed by smell for volatile components, or by taste for non-volatile components. Information carried by semiochemicals can help locate and recognise a sexual partner, a prey or a food source.



### 3. Biocontrol, a lasting alternative

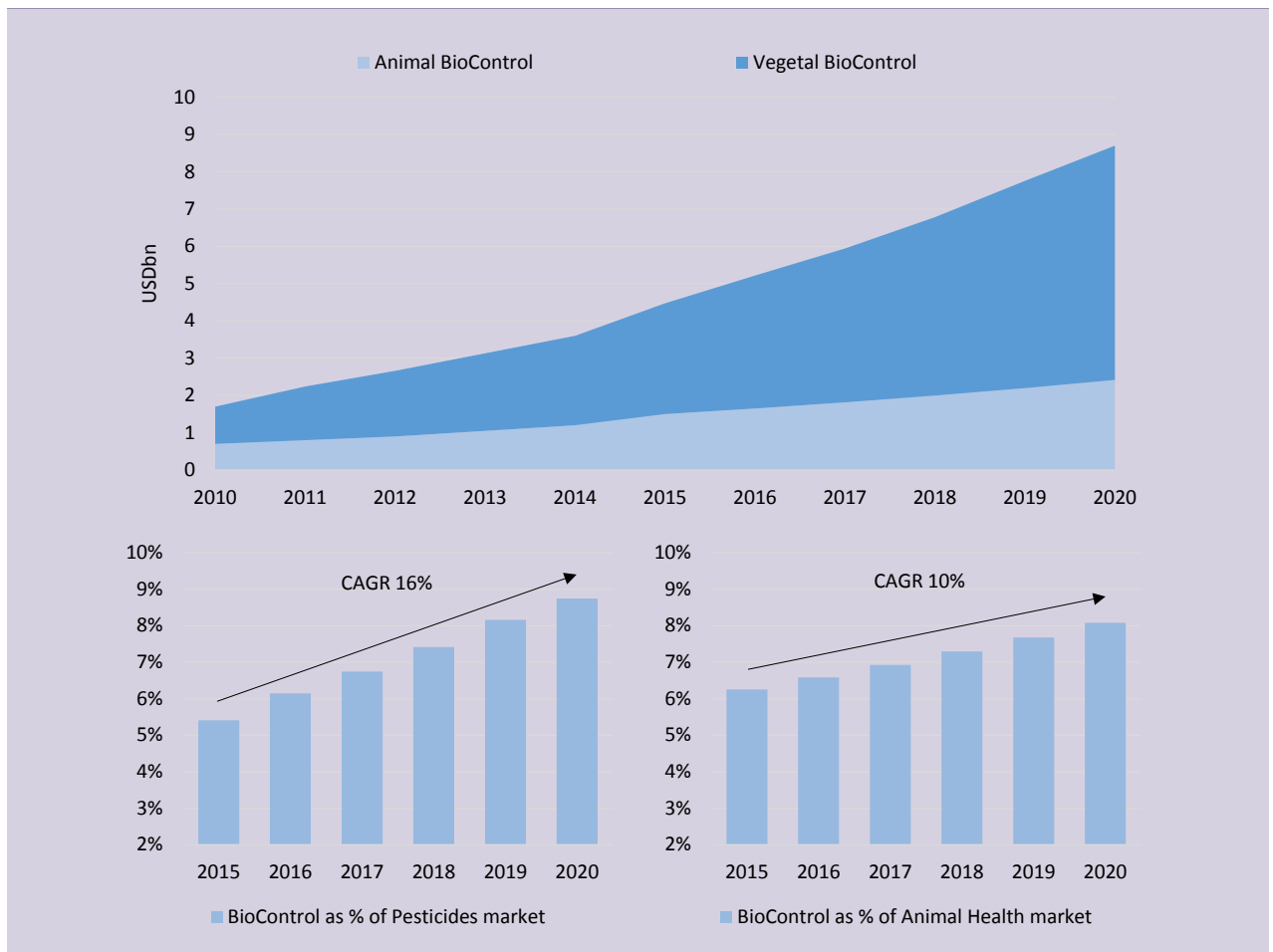
#### 3.1. A global market of more than USD8bn in 2020

Biocontrol, a USD4bn market with a 14% CAGR pointing to USD8bn in 2020e

The biocontrol market has emerged from the situation described above. This market includes all crop protection and animal behaviour management methods using living organisms or natural substances. More precisely, biocontrol is based on the principle of managing balances in pest populations (insects, viruses etc.) rather than on eradicating them. The most frequent applications of these techniques are currently used in the plant domain (insecticides primarily). However, we are beginning to see their emergence in the animal health field.

The global biocontrol market is very dynamic and is expected to grow by 14% over 2015-20. Whereas it represented around USD4bn last year, its size is set to double by 2020 to exceed USD8bn. In the plant protection field, biocontrol is the segment set to enjoy the highest growth, which we estimate at 16% a year. Start-up is likely to be slower in the animal health market in which biocontrol solutions are set to grow at a pace of 10% a year.

**Fig. 3: Biocontrol market (top), and market share in the pesticides and animal health markets respectively (bottom)**



Source: Company Data (historical); IBMA; Bio Market Database DunhamTrimmer LLC; Bryan, Garnier & Co ests.

## 3.2. Benefiting from an advantageous context

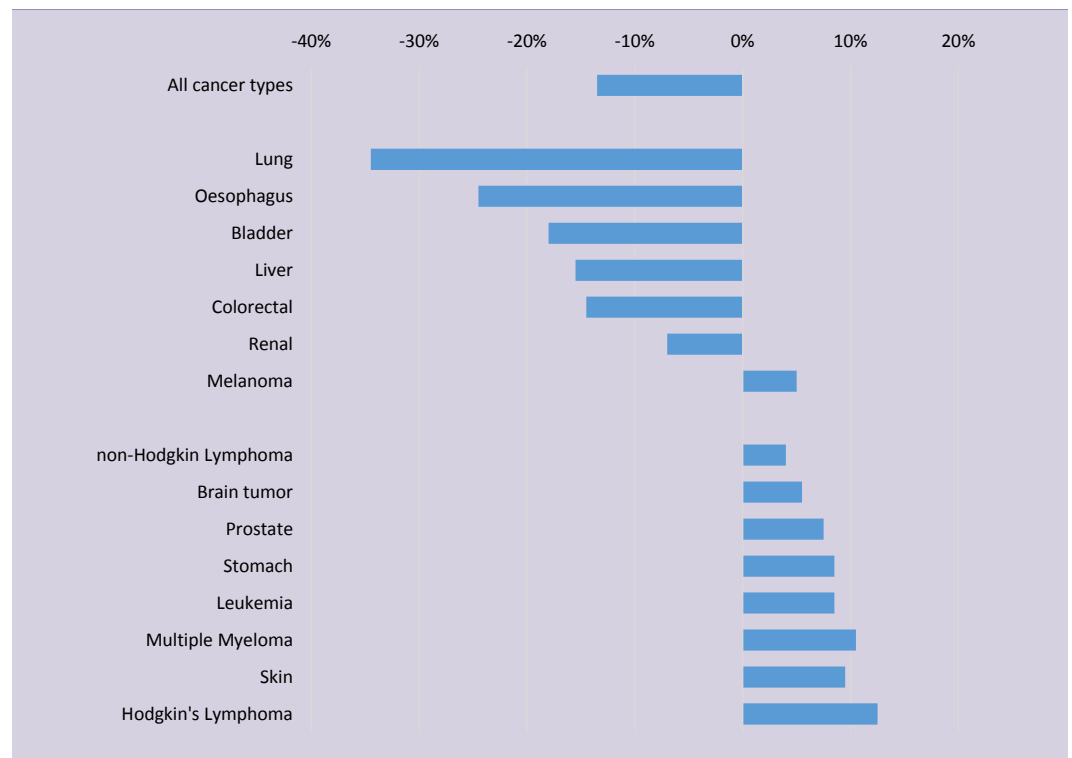
### 3.2.1. Pesticides at the heart of health concerns

3 million intoxications and 220,000 deaths caused by pesticides each year

The World Health Organisation estimates that three million people around the world suffer from intoxication caused by pesticides each year, leading to the death of 220,000 of them. Apart from short-term effects, undetectable intoxication levels could have long-term effects. In the US and in France, two main agricultural cohorts are being monitored in order to study these suspected effects (Agricultural Health Study in the US, AGRICAN in France).

Whereas farmers have a lower risk of developing cancer than the general population, 11 pathologies are nevertheless present for which a link with exposure to pesticides is suspected (eight types of cancer and three neurodegenerative diseases). Note that Parkinson's disease and non-Hodgkin's lymphoma were recently classified as professional diseases for farmers in France.

**Fig. 4: Risk of developing cancer (farmer vs. general population, %)**



Source: Adapté de Baldy et Lebailly (2007); Bryan, Garnier & Co ests.

### 3.2.2. Legislation and interest from agrochemicals groups

Numerous states and international organisations have clearly shown their intention to limit the negative impacts of chemical protection on the environment and humans and in so doing, are favouring techniques that enable yields to be maintained.

In Europe, Directive 2009/128/CE of the European Parliament and the Council of 21st October 2009 set up a framework to achieve a level of pesticide usage compatible with sustainable development and governing questions concerning the terms of phytopharmaceutical products destined for agriculture. This latter focuses especially on 1/ protection of aquatic environments, 2/ groundwater, 2/ strengthening of regulations concerning spraying, 4/ the need to train professionals and non-professionals in the risks that phytosanitary product usage can cause in humans. Via this directive, the European parliament has made EU member countries responsible for developing and strengthening legislation governing use of pesticides in order to make this compatible with sustainable development.

Ecophyto 2 aims to reduce pesticide use by 25% by 2020

This Directive was preceded in France by the Ecophyto 2018 plan proposed during the environmental Grenelle at end-2007. This plan has two main objectives:

- To reduce usage of phytosanitary products by 50% over the next 10 years (2018),
- To withdraw preparations from the market that include one of the 53 most worrying active substances, including 30 before the end of 2008.

The Labbé law bans the use of pesticides in public spaces and private gardens by 2017 and 2019

The Ecophyto 2 plan (Potier report), follows on from the first plan while nevertheless delaying the first deadline until 2025 and including the obligation to reduce use of phytosanitary products by 25% by 2020. The most concrete measure in this plan that came into effect in July 2016, was the 20% decline in pesticide sales (in number of unit doses) out to 2021. This measure included a derogation for biocontrol products. Meanwhile the Labbé law of 23rd January 2014 bans use of pesticides in public spaces and private gardens by 2020 and 2022 respectively, and this has now been brought forward to 2017 and 2019. As of 1st January 2017 therefore, pesticides will no longer be for sale to individuals and only a certified Certiphyto distributor will be able to sell them.

In Germany, Switzerland and certain regions in Italy, subsidies have been implemented in order to favour the adoption of these environmentally-friendly techniques. As such, we have noted a strong penetration of the various biocontrol techniques and especially sexual confusion solutions.

## 4. The pheromone segment

### 4.1. M2i positioned in a buoyant segment...

Pheromones are lasting solutions in insecticide substitutes

The biocontrol market includes four major families that are quite specific in biological control. M2i is positioned especially in the pheromone market in animal behaviour management and as a substitute for pesticides in plant biocontrol, see Chapter 10: Appendices.

**Fig. 5: Segmentation of biocontrol market**

	Natural substances	Chemical mediators	Micro-organisms	Macro-organisms
Product types	biostimulants, biofertilisers	Semiochemicals, pheromones	Virus, bacteria, mushrooms	Insects, mites, nematodes

Source: Company Data (historical); Bryan, Garnier & Co ests.

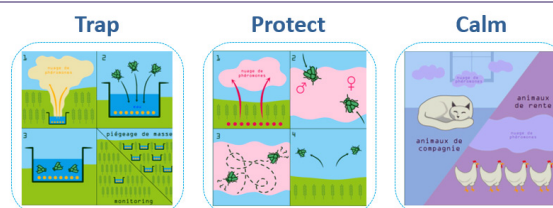
In the plant segment, pheromones have been used since the early nineties. There are two main uses of these with the aim of either confusing or trapping the insects.

- **Upsetting the pairing of males and females or the "sexual confusion" phenomena.** By saturating the atmosphere with pheromones, males become incapable of locating females. This limits mating, the number of caterpillar eggs, and hence reduces damage for plantations and harvests.
- **Entrapping** consists of spraying pheromones that are capable of attracting male and/or female insects of a species to a specific area in order to trap them.

In animals, pheromones find their application in behaviour management and parasite repelling. We discuss this in Chapter 7: Animal Biocontrol.

- **Behaviour management** via the use of pheromones has developed extensively in recent years for household pets as shown by the launch of Virbac by Zenifel in June 2015, for which M2i undertakes some of the manufacturing. For livestock, the interest of this technology should not be neglected, since stress levels of animals in intensive breeding have a direct impact on: 1/ the quality of the meat produced (colour, preserving), and 2/ yields (lower weight gain and increased aggressiveness capable of causing harm and death i.e. deadweight loss). The solution developed by M2i aims to replace neuroleptics in order to reduce animal stress levels.
- **Parasite control** is a genuine opportunity for the platform developed by the company. Indeed, the presence of parasites in breeding farms prompts the administration of large quantities of antibiotics to animals. Today, 80% of antibiotics produced are destined for animals, raising the problem of rising resistance.

**Fig. 6: Natural biocontrol mechanisms offered by M2i**



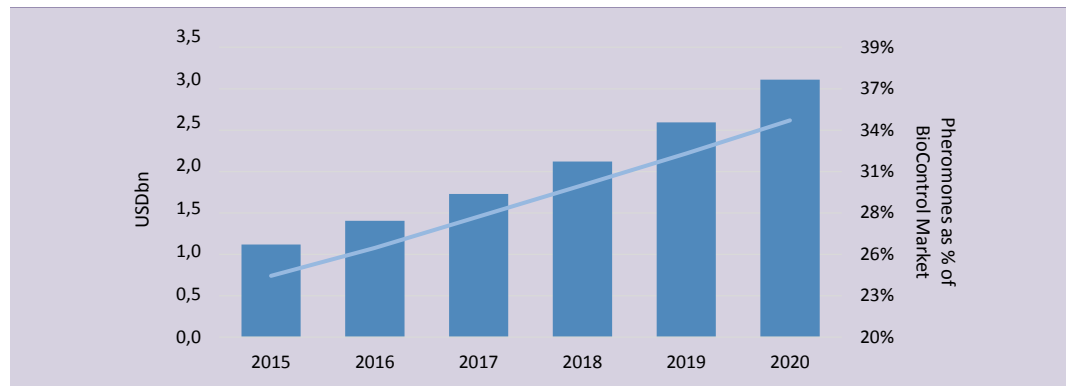
Source: Company Data (historical).

## 4.2. ... up 20% a year...

Pheromones, a USD1bn segment growing by more than 20% a year

In a fast-growing market, the pheromone segment is set to rise at an annualised pace of 22%. As such, it is set to triple in size to nudge the USD3bn mark by 2020 (BGe) and represent a third of the global biocontrol market by this date.

**Fig. 7: Prospective growth in the pheromone market**

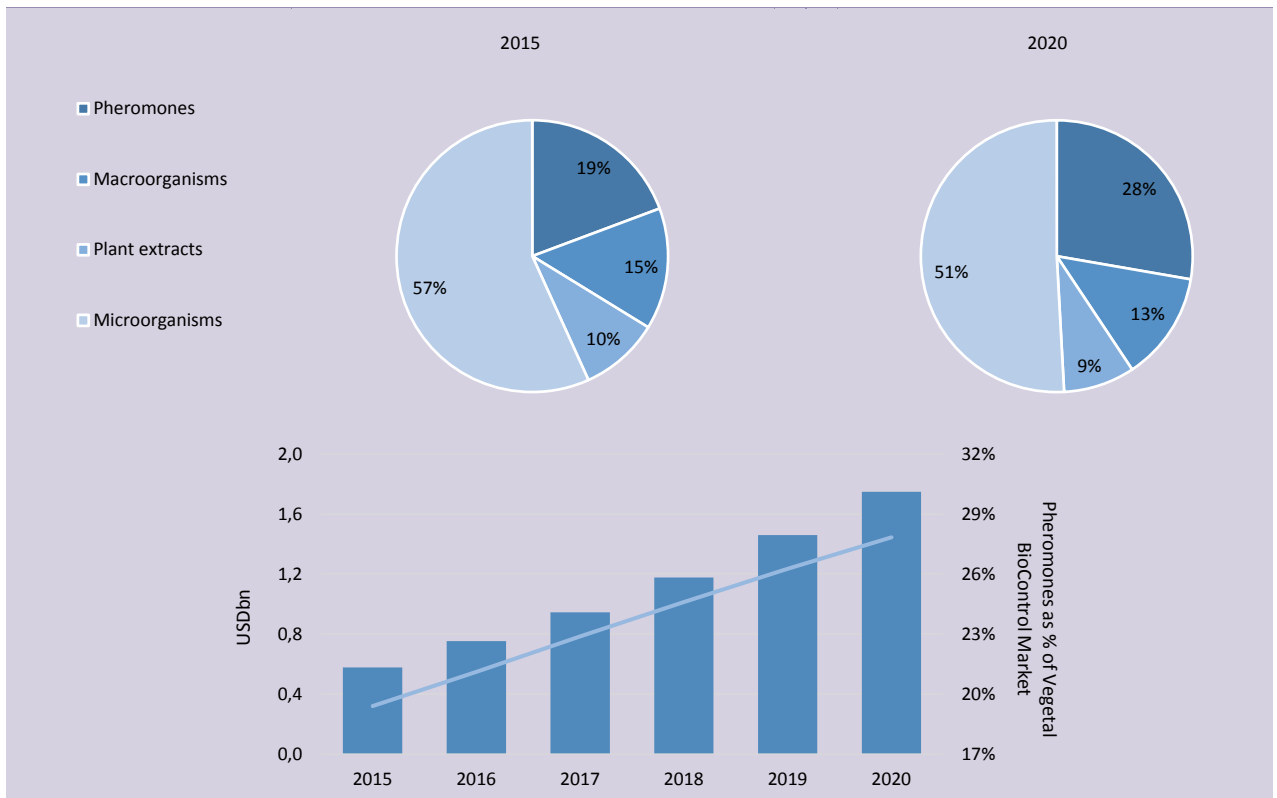


Source: Bryan, Garnier & Co ests.

Plant pheromones growing 25% a year

In the plant segment, biocontrol growth is set to be driven by pheromones for which we estimate average annual growth of 25% out to 2020e.

**Fig. 8: Share of pheromones in the plant biocontrol market**

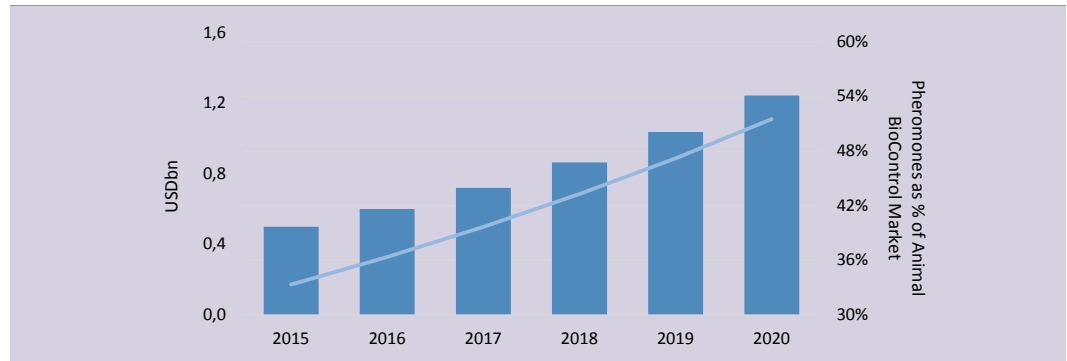


Source: Bryan, Garnier & Co ests.

Animal pheromones growing 20% a year

Within the animal healthcare market, we consider that major players in the sector should take an increasing interest in the biocontrol segment in coming years.

**Fig. 9: Share of pheromones in the animal biocontrol market**



Source: Bryan, Garnier & Co ests.

We believe that the trend shown above should continue, driven by the rising recognition of the advantages associated with the use of pheromones compared with other techniques.

### 4.3. ... driven by genuine advantages!

Compared with other segments in the biocontrol market and especially, that of micro and macro-organisms, the pheromone segment stands out clearly for several aspects: 1/ specificity, 2/ non-toxicity, 3/ zero resistance and 4/ shorter development times.

**Fig. 10: Presentation of different plant biocontrol techniques**

	Natural substances	Chemical mediators	Micro-organisms	Macro-organisms
<b>Product types</b>	Biostimulants, biofertilisers	Semiochemicals, pheromones	Virus, bacteria, mushrooms	Insects, mites, nematodes
<b>Advantages</b>	Innocuity No need for approval	Specific and biomimetic Backed by associations 0 residue/inputs (zero tox)	Usage in green farming Versatility	Simple/natural technology
<b>Disadvantages</b>	High cost (application) Little innovation	Still high cost Little innovation	Low content Resistance Residues/inputs (tox)	High cost Difficult application/transport Variable efficiency Resistance

Source: Company Data (historical); Bryan, Garnier & Co ests.

#### 4.3.1. Pheromones: specificity and non-toxicity

Pheromones have no risks for human health

The risks for health and the environment associated with the use of pheromones are considered as zero in view of their specific nature. Two factors should be considered, namely the product's toxicity and exposure levels. Note firstly that humans are naturally exposed to insect pheromones in their homes, gardens and fields with no unwanted side effects. Finally, pheromone release involves small quantities since the sensitivity of insects means they respond to low doses. The risk of exposure to an overly strong dose of the active ingredient is therefore marginal. Consequently, ground and water pollution is also minimal since it is similar to natural emissions (OECD, *guidance for registration requirements for pheromones and other semiochemicals used for arthropod pest control*).

### 4.3.2. Low resistance and short development times, a solution to agronomical dead-ends

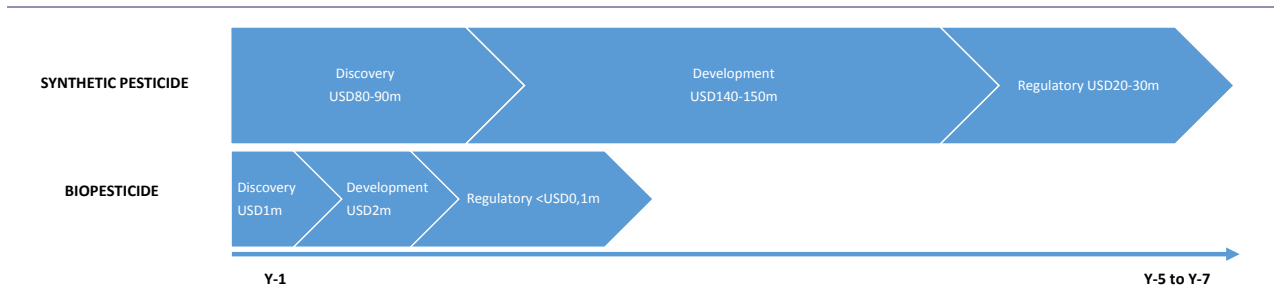
No resistance phenomenon possible

The use of pheromones can be seen as a definitive solution since it causes no resistance or dependency. These are specific molecules produced naturally by species, contrary to chemical pesticides that need to be redeveloped every 5-10 years.

Highly competitive development costs and time gain

In addition, note that development times and costs for biocontrol tools are far lower than for traditional pesticides (and micro-organisms). This is all the more applicable and is one of the strengths of M2i which boasts the full control of its production facilities (see Chapter 9: Flexible industrial facilities).

**Fig. 11: Average production time and cost for a biocontrol product vs. a traditional and micro-organism pesticide (by stage, indicative scale)**



Source: Adapted from: Bio Market Database DunhamTrimmer LLC; Bryan, Garnier & Co ests.

Whereas the overall cost of development for a traditional pesticide varies from USD240m to USD270m, a green pesticide costs less than USD5m to develop. However, this fact does not apply to micro-organisms for which development costs remain high and sometimes exceed those of traditional pesticides. Companies working in the green pesticide area (exc. micro-organisms) are involved later on in the discovery process since they often use materials stemming from state research. In many cases, universities or state-run organisations are customers to these companies. This is the case of M2i, for which a marginal share of sales stems from the INRA, which would like to develop biocontrol solutions. This close relationship helps maintain momentum in the company's R&D department. Development times are also lower since the companies do not have to carry out long-term toxicological studies. Note that R&D costs at M2i, which controls the entire value chain from development to manufacturing of the finished product, are around EUR1-2m per pheromone.

Government sponsorship plans and shorter review time for approvals than GMOs

Certain governments (France, US) are prioritising demands for approval of plant biocontrol products. As such, review periods are shorter than for traditional chemical pesticides. Whereas more than two years are necessary for a pesticide or micro-organism to be approved, only 18 months is needed for a pheromone, natural substance or macro-organism. In France, the decree of 9th April 2008, plans for a reduction in costs for the creation and filing of approval requests and even plans for financing in certain cases. Finally, launch costs in agrochemicals are high, often pushing the USD200m-mark (*Crop Life America*). In contrast, just USD10m is necessary for biocontrol products. M2i only shoulders a very small part of launch costs since it is associated with distribution companies (see Chapters 6.2, 7.3 and 7.4).

## A response to agrochemicals shortfalls

These advantages highlight the edge that biopesticides could have over traditional pesticides to respond more rapidly to agrochemical shortfalls. These shortfalls are defined as the inability encountered by certain farmers to protect their crops given the lack of available products since these solutions are often considered harmful and are withdrawn from the market. The recent ban on neonicotinoids voted by the National Assembly in March, in response to the dying-off of bees is a perfect illustration. As such, the ban with no exemption that is due to come into effect on 1st September 2018 suggests a return of viral jaundice or pests such as aphids for trees (hazelnut), cereals, corn or beetroot. This could cause a plunge in harvests estimated at between 15% and 40% depending on the crop and prompt a distortion in competition between France and its European neighbours.

### 4.4. Development brakes

Although the development of biocontrol techniques meets a number of limits encountered by traditional pesticides and fits into a wider legislative aim, it remains hampered.

#### 4.4.1. Logistics (macro-organisms)

Logistical restrictions are a major brake on the development of macro-organisms. Indeed, sachets containing eggs need to be deposited by hand among the crops. Elsewhere, national legislation relative to the import of living beings is heavy. This restricts the development capacity of specialised international groups or leads to significant setting-up costs.

#### 4.4.2. Cost of application methods

Traditional sexual confusion techniques require a degree of technicity concerning their application and imply a significant increase in the time spent on treatment, and hence the final cost for the producer. As shown below, the pheromone diffusers need to be deposited by hand in the plantations. Application of traditional pesticides by spraying is far faster and for crops requiring mass production remain the favoured treatment alternative along with micro-organisms, despite their toxicity.

#### 4.4.3. Access to pheromones

At present, CBC Shin-Etsu is the only multinational boasting the synthesis know-how necessary for wide-scale pheromone production. The pheromone manufacturing process at CBC Shin-Etsu implies several stages of synthesis. Other smaller companies have also developed synthesis know-how but their structure and customer type only allows them to respond to a small number of low-quantity orders.

#### 4.4.4. Efficiency questioned?

Given the lack of hindsight on their usage, the number of technical and economic publications on biocontrol solutions are few and far between. Whereas macro-organisms have a low success rate of around 60%, pesticides and micro-organisms boast a near-100% efficiency rate. However, the latter two cause toxicity and resistance, or gene mutation, that reduces their efficiency over the years. Pheromones are non-toxic and the first studies carried out by M2i show 1/ similar efficacy to chemical pesticides and 2/ a lasting effect. These points are discussed in Chapters 5.1.1: Microencapsulation and 5.2: Improved efficacy.



**Fig. 12: BASF pheromone diffusors (left) and Shin-Etsu (right)**



Source: BASF, Shin-Etsu, Andermatt Biocontrol AG.

## 5. M2i, a leader in pheromones

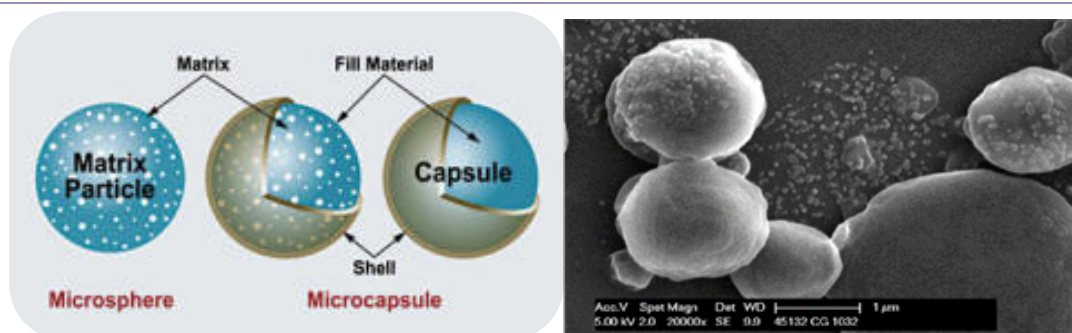
### 5.1. A breakthrough technology

#### 5.1.1. Microencapsulation

M2i technology overcome pheromones' historical brakes

The microencapsulation technology developed by M2i enables controlled release of the pheromonal substance. The principle active is microencapsulated by emulsion in natural, bee or olive-oil wax or other solvent-free waxes. The waxes used by M2i are biodegradable after 120-140 days. This breakthrough technology enables control of the active mobility within the particle depending on the size and the type of wax used. Control of pheromone release over time helps 1/ reduce the amount of product per diffusor and 2/ extend the duration of release without affecting efficiency.

**Fig. 13: Microencapsulation technology**



Source: Company Data (historical).

The microencapsulation technology allows for extended efficacy and ease of application

This technology can also enable the formulation of preparations with multiple active principles (pheromones) for an equivalent production cost to a product that we would qualify as more traditional. The utility of this for crops subject to damage caused by several insect types is clear. Only a low amount of research and development spending is required in order to determine the eventual antagonistic effect of a pheromone on another type of insect.

#### 5.1.2. Patent protection until 2029

Patent protection until 2029 at least

The group's patent portfolio is made up of 21 patents organised into 11 families and covering two of the company's business fields, namely fine chemicals and biocontrol. The first patents are due to expire in 2029. We have listed below the patents covering the technology and its applications (not including pheromones and chemical reactions). Olivier Guerret (Head of M2i's Biocontrol division) developed this technology at Coatex before the company was taken over by Arkema in 2007.

**Fig. 14: Patents owned by M2i (incl. licences) concerning the technology**

Number (publication or filing)	Denomination	Filed	Delivered	Expiry	Comment
15511374	Particles containing pheromones and manufacturing process	18/02/2015	n/a	18/02/2035	
1559087	Oxodegradable projectibles containing pheromones	25/09/2015	n/a	29/09/2035	
1563491	Solid composition for controlled release of semiochemical substances	30/12/2015	n/a	30/12/2035	
FR0703890	Procedure to formulate odorous active principles in order to protect them and increase their residue.	01/06/2007	24/07/2009	XX	Licensed to COATEX
FR0705045	Procedure to formulate agrochemical active principles in order to regulate their release kinetics, protect them from external aggression and safeguard their users.	12/07/2017	14/01/2011	XX	Licensed to COATEX
FR1262499	Micro-particles of active ingredients.	20/12/2012	27/06/2014	XX	Licensed to COATEX

Source: *Company Data (historical)*.

The group's key patents in the field of controlled release of pheromones were built on know-how in the microencapsulation of active substances, the applications of which in farming have been exclusively licensed out by Coatex, the Arkema group subsidiary specialised in the design and production of water-based rheology additives (mechanics and resistance of plastics and fluids). This licence agreement was initially concluded for a five-year period in 2013 and has now been extended until the patent expiry date (i.e. 2029). It also plans for the transfer of know-how. The presence of Alain Mari, the Chairman and CEO of Coatex on M2i's Board of Directors is perhaps reassuring in terms of both groups' aim to include the licensing of this patent over time.

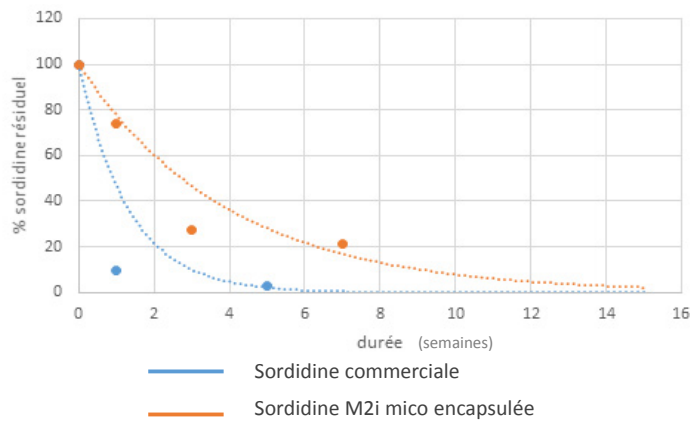
However, M2i currently boasts a far wider portfolio of patents and the underlying risk that the agreement with Coatex could represent is low in view of the portfolio of patents the company has developed in the biocontrol field.

## 5.2. Improved efficacy...

Efficacy over 120 days vs. 60 days for chemicals insecticides

Microencapsulation offers stable and prolonged release kinetics enabling products marketed by M2i to show continuous efficacy for around 90 to 120 days compared with 30 to 60 on average for classic pheromone diffusers. In the example below, around 60% of the active principle remains encapsulated after 15 days compared to 20% for a traditional insecticide.

**Fig. 15: Release kinetics (example banana weevil, sordidin)**

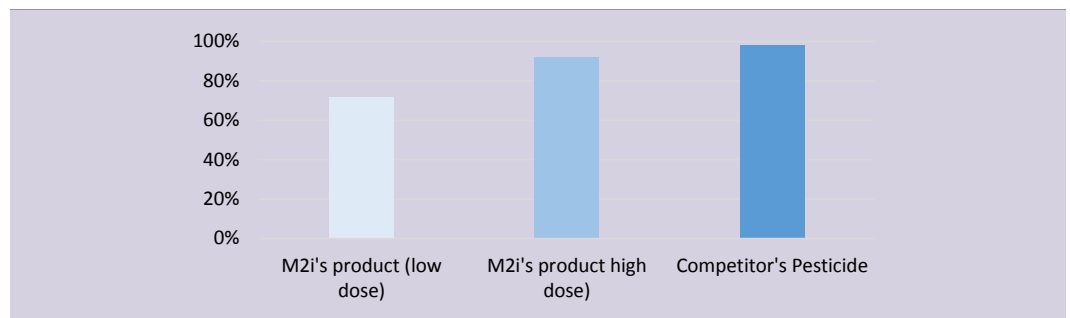


Source: Company Data (historical).

Efficacy comparable to middle-range insecticide

This specific feature is the key reason why the group's products stand out from the crowd and is not achieved to the detriment of efficacy. In coming months, results from numerous trials (see Chapter 11. Dense newsflow) currently undertaken by the company should be published. We believe that they could validate further the platform's added value and strengthen the company's recognition as well as the pheromone category.

**Fig. 16: M2i product efficiency (2 doses tested) vs rival pesticide in sexual confusion of corn borers**



Source: Company Data (historical); Bryan, Garnier & Co ests.

### 5.3. ... combined with innovative applications

Eight applications

Microencapsulation enables significant polyvalence in application procedures and has helped M2i to significantly extend the range of addressable clients. Since 2014, eight new applications have been developed by the company's engineers in order to offer solutions that best meet the challenges faced by farmers, state authorities and even individuals.

**Fig. 17: Application procedures invented by M2i**



Source: Company Data (historical).

Strong momentum in M2i's R&D department

Each of these methods aims to be used in a field and for specific applications that are discussed in the following sections of this note. In order to maintain momentum in its R&D platform, the company creates two types of partnerships, in chemicals and in proof-of-concept for its existing applications.

Multiple collaboration agreements with INRA or CNRS

- So-called chemical partnerships focus on fundamental research in order to explore innovate synthesis paths. The company therefore has close ties with Chimie ParisTech, ENSCM, the CNRS and the INRA.
- Application partnerships aimed at establishing proof-of-concept for existing products by placing the diffusors among crops. This type of partnership includes two paintball test campaigns and corn treatment tests. Two other partnerships warrant specific attention in our view.
  - In collaboration with the INRA, M2i is developing a test mass-trapping project in the fields of Tunisia. Here, what is of interest is the ability of the microencapsulation technology to maintain its release kinetics in an environment subject to wide-scale changes in temperature. We do not expect to see a change in efficacy of more than +/-15%.
  - Tests in vineyards are currently underway to fight against the Suzuki fly for grapes in the Sauternes region. This chateau's international reach should provide significant leverage to M2i group's ability to export.
  - Trials are underway for a sprayable method for vineyards in France, with these being the first trials for the approval file that M2i intends to submit within the next two years.

## 5.4. Answer to current limits

Given the superior efficacy over so-called classic pheromones (developed and marketed by rivals) and similar to pesticides, M2i is positioning its offer as a direct alternative to chemical pesticides.

As shown previously, the main interest for farmers is to maintain and/or increase their yields per hectare, as well as maintain their exit price. In our view, M2i's technological platform is a way of responding to these two issues. Another subject and no less important is the change in working conditions. Here again, the application procedures offered by M2i are a way of maintaining workloads at current levels and in certain cases of making them less arduous.

### Maintaining yields and potential increase in exit price

The crops treated with the company's solutions could be eligible for organic labelling at the request of the farmer. This could help generate a higher exit price than that likely with the use of chemical pesticides. In this way, farmers could increase their farming revenues thanks to both higher selling prices per hectare and lower costs per hectare. As such, in France for example, the net margin difference stands at EUR500/ha in organic terms compared with EUR250/ha for traditional methods. This difference is even wider in North America.

Eligibility for organic labelling enables higher farming revenues

**Fig. 18: Change in prices paid to organic/non-organic farmers**

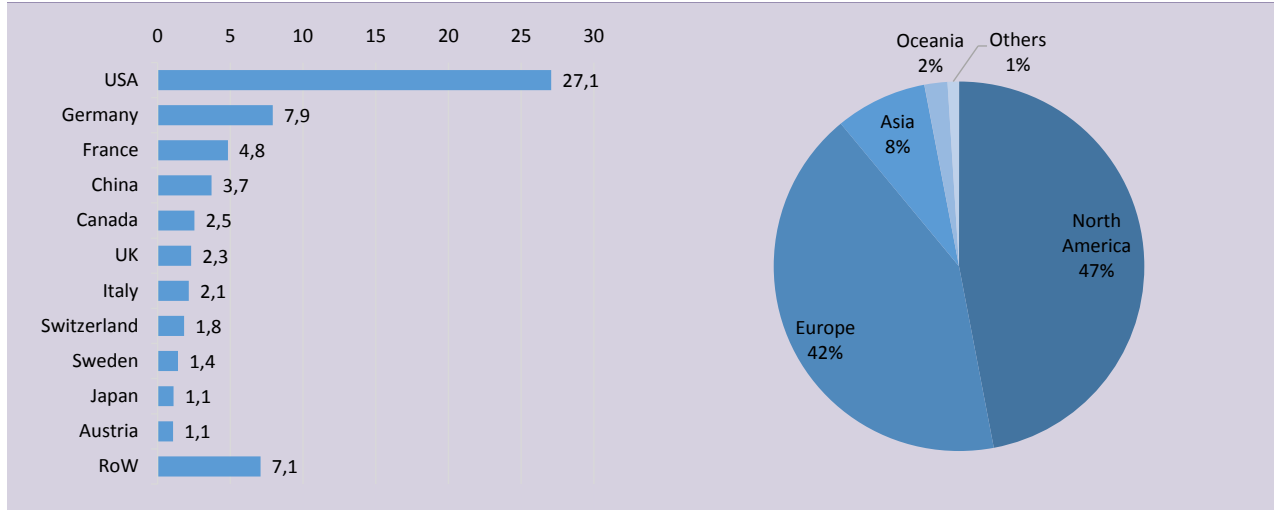


Source: <http://www.franceagrimer.fr/filiere-grandes-cultures/Cereales>.

Increasing interest from distributors

Major retailers and food groups are increasingly focused on the image they project and their environmental targets include measurements of phytosanitary product residues. As such, we believe that they should be increasingly interested in obtaining supplies from producers that help meet these criteria. These then favour agrochemical groups and enable them to run-down a majority of their production. This trend is taking shape especially since it fits with consumer habits of the Millenium generation, which tends to favour quality and the origin of products rather than brand image. Consequently, it is a major factor in the success of ethical products (organic, additive free, home-made). The US is the main market for organic products (43% of the global market estimated at more than USD60bn in 2014), up 11% a year.

**Fig. 19: Breakdown of organic products market in value terms (Top 10 in USDbn, regions in %)**



Source: FIBL & IFOAM, *The World of Organic Agriculture, Statistics & Emerging Trends 2016*.

**M2i's application methods allow for better working conditions**

**Heading for an improvement in working conditions**

The breakthrough application methods developed by M2i should help spread the use of pheromones. Indeed, they enable use of an alternative to pesticides while allowing similar efficiency levels and costs per hectare as current treatments.

In field crops, pheromone application methods currently marketed by M2i's rivals demand that work is stopped while they deposit the diffusors among the crops. The spray technique developed by the company enables a homogenous diffusion in a far shorter timeframe. In addition, stable and prolonged release kinetics allow one or two applications each season compared with three to five for classic pesticides.

For authorities needing to treat forests for the pine processionary caterpillar, pheromone release kinetics encapsulated in paintball balls are a fun, efficient and profitable alternative to the now banned plane spraying method.

M2i's prices are 1.5-2x lower than rival products

### Highly competitive prices

The prices billed by M2i are similar to those of companies offering mid-range chemical pesticides while enabling a higher selling price for the farmer (organic labelling). Compared with other pheromones, M2i prices are highly competitive since they are 1.5-2x cheaper than rival products.

**Fig. 20: Comparison of treatment prices per hectare of vines**

Company	Product	Technology	Target	Average cost EUR/HA	Application included
M2i	n/a	Pheromone	<i>Lobesia botrana</i>	100€/ha	YES
BASF*	RAK 2	Pheromone	<i>Lobesia botrana</i>	175€/ha	NO
CBC Shin-Etsu	ISONET 2	Pheromone	<i>Lobesia botrana</i>	150€/ha	NO
CBC Shin-Etsu	ISONET L	Pheromone	<i>Lobesia botrana</i>	110€/ha	NO
Syngenta	AFFIRM	Pesticide	All	70€/ha	NO
Bayer	Proclaim	Pesticide	All	120€/ha	NO

\*BASF obtains its pheromones from Shin-Etsu

Source: Company Data (historical); Coût des fournitures 2015.

Fewer steps in the production process allows for lower prices

As described in Chapter 4.4.3: Access to pheromones, Shin-Etsu's manufacturing process implies several stages of synthesis for the manufacturing of the *Lobesia botrana* pheromone. In our view, this protects M2i from the risk of seeing Shin-Etsu slash its prices. Note also that the procedure developed by M2i only includes two stages of synthesis, enabling the company to generate higher margins.



## 6. Plant biocontrol

M2i aims to become a major player in plant biocontrol by developing its businesses in the field of pest control for field crops, public parks and private gardens. In order to address these different customer and market types, management has drawn up a mixed sales strategy. Whereas the focus is to be placed on partnerships in order to maximise penetration in high volume markets, a direct marketing strategy is to be favoured for higher value added and less competitive applications.

### 6.1. Field crops

#### 6.1.1. Existing portfolio

Already a large portfolio

The solutions offered by M2i for field crops are used in monitoring techniques, mass trapping and sexual confusion. The company currently boasts a portfolio of 14 product ranges for 18 crop types. Its flexible industrial facilities (Chapter 9: Flexible Industrial Facilities) enables the group to remain opportunist in certain markets. Numerous anti-parasite products are developed in different formats, on demand for certain customers, or for the company for test purposes in order to establish the main method of marketing.

**Fig. 21: The company's current offering for field crops (non-exhaustive)**

Pest	Product	Country	Format
Banana weevil	Sordi Pro classic / Sordi Pro caps	West Indies / Africa	Classic and gel micro encapsulated
Palm-tree weevil	Rhynco pro caps / Rynchopro drops	France / Middle East	Liquid, pellet and gel micro encapsulated
Tomato leafminer	Tuta pro drops / Tuta pro caps	Europe / Africa / Middle East	Pellet and gel micro encapsulated
Mango fly	Ceratitits pro caps / Ceratitits pro drops	West Africa / Maghreb	Pellet and gel micro encapsulated
Batrocera invadens / dorsalis...	Batrocera pro drops / Batrocera Pro Caps	France / West Africa / Maghreb	Pellet and gel micro encapsulated
Oryctes	Oryctes pro drop / Oryctes pro classic	Africa / South East Asia	Several varieties
Suzuki fly	Suzuki pro classic / Suzuki pro caps	France / Germany	Pellet wick bottle
Pink bollworm	Pectipro spray	Israel	Spray
Boxwood borer	BoxT Pro caps	France	Syringes and liquid paint format
Pine processionary	Pine T Pro ball / Pine T Pro caps	France	Eppendorfs and paintball
Sweet potato weevil	Cylas Pro	French-speaking Africa	Septum
Sugarcane stem borer	Chilo Pro Caps	West Indies / Africa	Gel
Olive fly	Oleae Pro Caps	France / Mediterranean	Gel
Date fly	Batrachedra Pro Caps	Middle East / Maghreb	Gel
Grapevine moth	LB Pro	France / Chile, Argentina / Israel	Spray
Oriental fruit fly	na	Africa / Chile, Argentine	Spray

Source: Company Data (historical); Bryan, Garnier & Co ests.

### 6.1.2. Promising launches

Fig. 22: Launches planned over the next three years



Source: Company Data (historical).

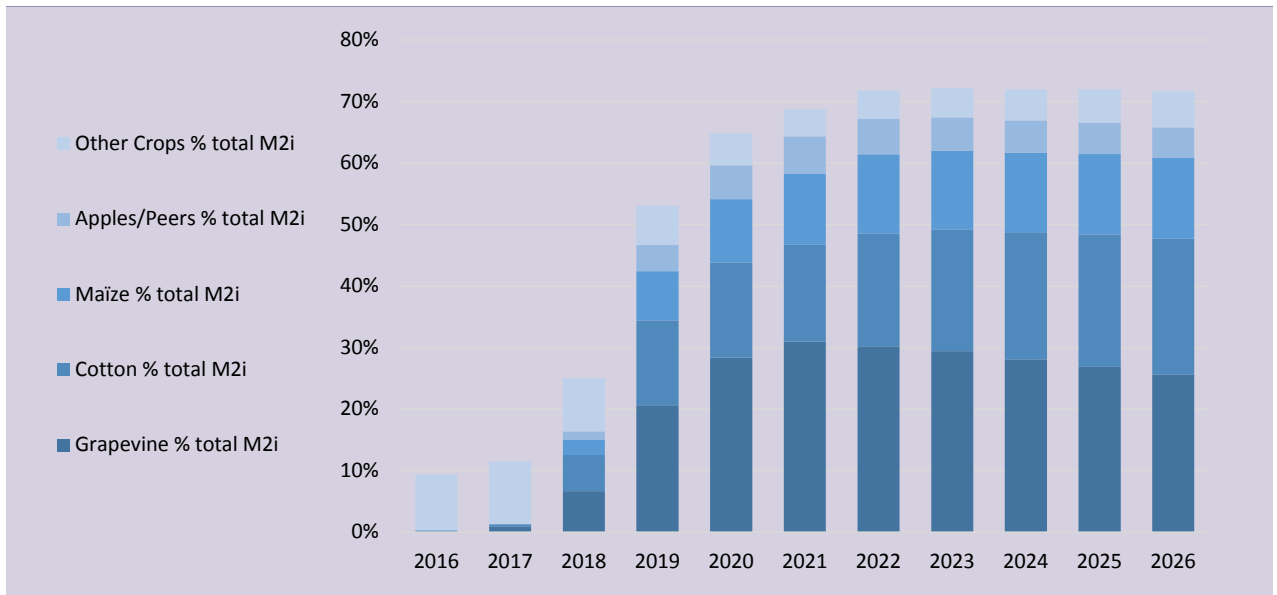
Plant biocontrol, 65% of sales towards 2020e vs 5% today

Our plant biocontrol sales estimates for the company have been organised by country for sales opportunities in treatment of 1/ grapevines, 2/ cotton, 3/ maize and 4/ apple and pear crops. Whereas these crops only accounted for around 5% of the group's 2015 sales (BG), primarily driven by the first sales from tests carried out, they should account for around 65% by 2020.

Fig. 23: Crop sales

in EURm (otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Crops</b>	1,3	1,9	6,1	22,3	40,5	54,5	59,6	62,9	64,0	65,2	66,3
% growth	11677%	47%	232%	263%	81%	35%	9%	5%	2%	2%	2%
% total M2i	9%	11%	25%	53%	65%	69%	72%	72%	72%	72%	72%
<b>o/w Grapevine</b>	0,0	0,1	1,6	8,7	17,7	24,5	25,1	25,6	25,0	24,3	23,7
% growth		3759%	1064%	433%	104%	38%	2%	2%	-3%	-3%	-3%
Grapevine % total M2i	0%	1%	7%	21%	28%	31%	30%	29%	28%	27%	26%
<b>o/w Cotton</b>	0,03	0,1	1,4	5,8	9,7	12,5	15,2	17,3	18,4	19,5	20,5
% growth	209%	94%	2147%	303%	66%	30%	22%	13%	7%	6%	5%
Cotton % total M2i	0%	0%	6%	14%	15%	16%	18%	20%	21%	22%	22%
<b>o/w Maize</b>	0,0	0,0	0,6	3,4	6,4	9,2	10,7	11,1	11,5	11,9	12,2
% growth				444%	91%	43%	17%	4%	3%	3%	3%
Maize % total M2i	0%	0%	3%	8%	10%	12%	13%	13%	13%	13%	13%
<b>o/w Apples/pears</b>	0,0	0,0	0,3	1,8	3,4	4,8	4,8	4,7	4,7	4,6	4,6
% growth				457%	91%	39%	0%	-1%	-1%	-1%	-1%
Apples/pears % total M2i	0%	0%	1%	4%	6%	6%	6%	5%	5%	5%	5%
<b>o/w Other Crops</b>	1,2	1,6	2,1	2,7	3,3	3,5	3,8	4,1	4,5	4,9	5,4
% growth		35%	29%	25%	22%	7%	8%	9%	9%	10%	10%
Other Crops % total M2i	9%	10%	9%	6%	5%	4%	5%	5%	5%	5%	6%

**Fig. 24: Percentage of the company's sales generated by crop treatments**



Source: Bryan, Garnier & Co ests.

### 6.1.3. Grapevines: a third of M2i revenues by 2020e

#### Vine, flagship solution

#### Current solutions

Among the offers destined for crops, grapevines harbour the highest sales potential for the company. We estimate that around a third of revenues could stem from this crop type by 2020.

One of the main vine pests is the Lobesia moth, which uses the peeled bark of the vine to hibernate and lay its eggs. The plant is the main host for the Lobesia larva, which feed on the grapes by hollowing them out and thereby favouring a rotting (*Botrytis cinerea*) that can cause the loss of harvests.

At present, a number of solutions exist:

- Chemical solutions for prevention or cure (insecticide or acyl urea treatments). These two treatment types are not only toxic for the environment but also leave a toxic residue. In addition, several administrations are necessary, thereby prompting high costs.

- Biological approaches:

**Fig. 25: Overview of various biological approaches in grapevine**

Pest	Host	Approaches			
		Micro-organisms	Macro-organisms	Pheromones	Natural extracts
Worm	Grapes	Bt	no solution	Upstream prevention	Spinosad
Lobesia	Vine	Bt	no solution	Sexual confusion	Spinosad

Source: *Company Data (historical); ENDURE network report.*

The insecticide based on *Bacillus thuringiensis* produces toxins that cause lesions in the digestive tubes of the larva, which die within 48 hours. Albeit very efficient, this technique has a number of limits. Firstly, it is not specific to one insect type and can therefore change the balance of the grapevine ecosystem and a resistance to the bacillus has been proven (works by the Insect Biology Research Institute). Finally, two administrations are needed. This is a minimum amount since the bacillus' sensitivity to UV light or the rain can require repeated administrations (every 10 days) and hence a high treatment cost.

Spinosad is a natural solution based on extracts from two toxins (spinosyn A and D) secreted by a bacteria living in the ground (*Saccharopolyspora spinosa*). It acts as a neurotoxin that once touched or ingested by the insect, excites the nervous system leading to muscular contracts and then total paralysis. This biological insecticide is not specific and has a lifespan of around three hours. In addition to toxicity noted in bees, residue can be found in wine (FIBL study, Switzerland).

The sexual confusion technique is currently the most environmentally friendly and causes no resistance, eventual toxicity or inter-species cross-over. Although it is costly and requires a laborious application, it has nevertheless seduced a number of wine growers. The various reports available on its use point to a penetration rate for this approach of 3-5% of French vineyards in 2014. Meanwhile Swiss and German wine-makers use this method for 45% and 75% of their vineyards respectively. Note that the halt to subsidies for the sexual confusion method by the German Länder could reduce this penetration rate and we have factored this into our valuation.

M2i's pheromonal solutions are the most environmentally-friendly available

### Potential of M2i's technology

We believe that the technological breakthrough offered by M2i's micro-encapsulation technique should contribute to recognising this treatment method. Indeed, application by spraying causes no extra costs and helps obtain a treatment cost similar to that of a mid-range insecticide, with similar efficiency it not better.

**Fig. 26: Comparison of treatment prices per ha of vineyard**

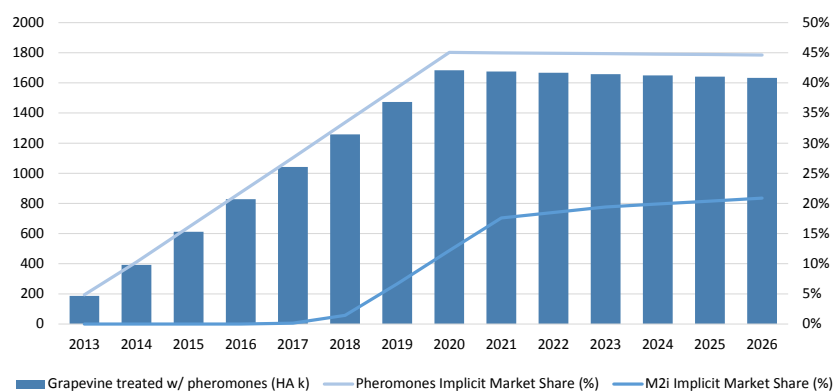
Company	Product	Technology	Target	Average cost EUR/HA	Application included
M2i	n/a	Pheromone	<i>Lobesia botrana</i>	100€/ha	YES
BASF	RAK 2	Pheromone	<i>Lobesia botrana</i>	175€/ha	NO
CBC Shin-Etsu	ISONET 2	Pheromone	<i>Lobesia botrana</i>	150€/ha	NO
CBC Shin-Etsu	ISONET L	Pheromone	<i>Lobesia botrana</i>	110€/ha	NO
Syngenta	AFFIRM	Pesticide	All	70€/ha	NO
Bayer	Proclaim	Pesticide	All	120€/ha	NO

Source: Company Data (historical); 2015 cost of supplies

Vine, EUR25m of sales in 2020e

Grapevines represent slightly more than 2% of crop surface areas in France at less than 800,000 hectares, behind Spain (1m ha) and China (800,000 ha). However, the company aims to go beyond the French market. Taking into account only the countries in which M2i intends to market its product against the Lobesia moth, the overall surface of grapevine crops stands at 3,841m hectares. Adjusted for the penetration of 1/ pheromones and 2/ M2i in this type of crop, we estimate a market share for the company rising from <1% in 2015 to 12.2% in 2020e, then 20% in 2025e (% penetration in grapevine crops treated by pheromones) or around EUR25m in sales further out.

**Fig. 27: Hectares of grapevines treated by pheromones (EURm, left and as a %, right, of M2i's implicit market share\*)**



\*Include the following countries: Chile, Argentina, Israel, France, Germany, Italy, Spain, Portugal, South Africa, USA.

Source: Bryan, Garnier & Co ests.

### Emerging methods: limited use

Emerging methods have limitations

Among the emerging technologies that could represent a medium/long-term risk for the company, we would note that of vibratory confusion. This technique has been tested on leafhoppers (a sucking insect feeding on sap in plants and hosted by grapevines) that carry the *flavescence dorée* bacteria (*Scaphoideus titanus*), a vine disease that has caused substantial losses (more than 25,000 ha affected in France). Mating in leafhoppers involves communication by specific vibratory signals initiated by the male and spread by the plant and in certain cases, capable of spreading from one vine to another (Cokel & Virant-Doberlet, 2003; Eriksson et al., 2011). Laboratory experiments have managed to reproduce phenomenon and prevent mating (Mazzoni et al., 2009b). As such, the first small-scale studies undertaken in crops in Italy have shown unfertilised female rates ranging from 80-100% (*Exploitation of Insect Vibrational Signals Reveals a New Method of Pest Management*, Eriksson et al., 2012). The variable nature of results highlights one of the limits of this technology which can be explained by the emission of contradictory vibratory signals of rival males. Finally, we believe that the scope of application of this method remains limited since leafhoppers are to our knowledge the only insects that use this communication method for their reproduction.

**Fig. 28: Grapevine sales model**

in EURm (otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>o/w Grapevine</b>	<b>0,0</b>	<b>0,1</b>	<b>1,6</b>	<b>8,7</b>	<b>17,7</b>	<b>24,5</b>	<b>25,1</b>	<b>25,6</b>	<b>25,0</b>	<b>24,3</b>	<b>23,7</b>
<b>% growth</b>		<b>3759%</b>	<b>1064%</b>	<b>433%</b>	<b>104%</b>	<b>38%</b>	<b>2%</b>	<b>2%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Grapevine % total M2i</b>	<b>0%</b>	<b>1%</b>	<b>7%</b>	<b>21%</b>	<b>28%</b>	<b>31%</b>	<b>30%</b>	<b>29%</b>	<b>28%</b>	<b>27%</b>	<b>26%</b>
<b>Chile - Grapevine (HA '000)</b>	214	218	221	224	228	231	234	238	241	245	249
<b>% growth</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>	<b>1,5%</b>
Chile - Pheromones adoption (%)	13%	14%	16%	18%	20%	20%	20%	20%	20%	20%	20%
Chile - M2i penetration (%)	0,0%	1,5%	2,7%	3,8%	5,0%	5,5%	6,0%	6,5%	7,0%	7,5%	8,0%
Chile - Price/HA (EUR)	100	100	95	90	86	81	77	74	70	66	63
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Chile - Sales	0,00	0,05	0,09	0,14	0,20	0,21	0,22	0,23	0,24	0,24	0,25
<b>% growth</b>			<b>93%</b>	<b>54%</b>	<b>39%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>
<b>Argentina - Grapevine (HA '000)</b>	228	230	232	235	237	239	242	244	247	249	252
<b>% growth</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>
Argentina - Pheromones adoption (%)	13%	14%	16%	18%	20%	20%	20%	20%	20%	20%	20%
Argentina - M2i penetration (%)	0,0%	1,5%	2,7%	3,8%	5,0%	5,5%	6,0%	6,5%	7,0%	7,5%	8,0%
Argentina - Price/HA (EUR)	100	100	95	90	86	81	77	74	70	66	63
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Argentina - Sales	0,00	0,05	0,10	0,15	0,20	0,21	0,22	0,23	0,24	0,25	0,25
<b>% growth</b>			<b>93%</b>	<b>54%</b>	<b>38%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>
<b>Israël - Grapevine (HA '000)</b>	8,8	8,9	9,0	9,1	9,2	9,3	9,4	9,5	9,5	9,6	9,7
<b>% growth</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>	<b>1,0%</b>
Israël - Pheromones adoption (%)	27%	36%	44%	52%	60%	60%	60%	60%	60%	60%	60%
Israël - M2i penetration (%)	1,5%	14,3%	27,2%	40,0%	40,5%	41,0%	41,5%	42,0%	42,5%	43,0%	43,5%
Israël - Price/HA (EUR)	100	95	90	86	81	77	74	70	66	63	60
<b>% growth</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Israël - Sales	0,00	0,04	0,10	0,16	0,18	0,18	0,17	0,17	0,16	0,16	0,15
<b>% growth</b>		<b>1089%</b>	<b>123%</b>	<b>68%</b>	<b>12%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>France - Grapevine (HA '000)</b>	749	746	742	738	735	731	727	724	720	716	713
<b>% growth</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>	<b>-0,5%</b>
France - Pheromones adoption (%)	13%	18%	23%	28%	33%	33%	33%	33%	33%	33%	33%
France - M2i penetration (%)	0,0%	0,0%	1,5%	11,0%	20,5%	30,0%	30,5%	31,0%	31,5%	32,0%	32,5%
France - Price/HA (EUR)	100	100	100	95	90	86	81	77	74	70	66
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
France - Sales	0,00	0,00	0,26	2,16	4,48	6,20	5,96	5,73	5,50	5,28	5,07
<b>% growth</b>				<b>744%</b>	<b>108%</b>	<b>38%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>
<b>Germany - Grapevine (HA '000)</b>	100	100	100	100	100	100	100	100	100	100	100
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
Germany - Pheromones adoption (%)	65%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Germany - M2i penetration (%)	0,0%	0,0%	1,5%	7,7%	13,8%	20,0%	20,5%	21,0%	21,5%	22,0%	22,5%
Germany - Price/HA (EUR)	100	100	100	95	90	86	81	77	74	70	66
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Germany - Sales	0,00	0,00	0,09	0,44	0,75	1,02	1,00	0,97	0,94	0,92	0,89
<b>% growth</b>				<b>386%</b>	<b>71%</b>	<b>37%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Italy - Grapevine (HA '000)</b>	746	739	731	724	717	710	702	695	689	682	675
<b>% growth</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>
Italy - Pheromones adoption (%)	27%	36%	44%	52%	60%	60%	60%	60%	60%	60%	60%
Italy - M2i penetration (%)	0,0%	0,0%	1,5%	7,7%	13,8%	20,0%	20,5%	21,0%	21,5%	22,0%	22,5%
Italy - Price/HA (EUR)	100	100	100	95	90	86	81	77	74	70	66
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Italy - Sales	0,00	0,00	0,48	2,73	5,37	7,30	7,04	6,78	6,53	6,28	6,04
<b>% growth</b>				<b>470%</b>	<b>96%</b>	<b>36%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>	<b>-4%</b>
<b>Spain - Grapevine (HA '000)</b>	970	961	951	941	932	923	914	904	895	886	878
<b>% growth</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>
Spain - Pheromones adoption (%)	23%	30%	37%	43%	50%	50%	50%	50%	50%	50%	50%
Spain - M2i penetration (%)	0,0%	0,0%	1,5%	6,0%	10,5%	15,0%	15,5%	16,0%	16,5%	17,0%	17,5%
Spain - Price/HA (EUR)	100	100	100	95	90	86	81	77	74	70	66
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Spain - Sales	0,00	0,00	0,52	2,32	4,42	5,93	5,77	5,60	5,43	5,26	5,09
<b>% growth</b>				<b>345%</b>	<b>90%</b>	<b>34%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Portugal - Grapevine (HA '000)</b>	239	239	239	239	239	239	239	239	239	239	239
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
Portugal - Pheromones adoption (%)	27%	36%	44%	52%	60%	60%	60%	60%	60%	60%	60%
Portugal - M2i penetration (%)	0,0%	0,0%	1,5%	7,7%	13,8%	20,0%	20,5%	21,0%	21,5%	22,0%	22,5%
Portugal - Price/HA (EUR)	100	100	100	95	90	86	81	77	74	70	66
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
Portugal - Sales	0,00	0,00	0,16	0,90	1,79	2,46	2,39	2,33	2,27	2,20	2,14
<b>% growth</b>				<b>476%</b>	<b>98%</b>	<b>37%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>South Africa - Grapevine (HA '000)</b>	133	134	134	135	136	136	137	138	138	139	140
<b>% growth</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>
South Africa - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
South Africa - M2i penetration (%)	0,0%	0,0%	0,0%	1,5%	4,9%	8,3%	11,6%	15,0%	15,5%	16,0%	16,5%
South Africa - Price/HA (EUR)	100	100	100	100	95	90	86	81	77	74	70
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
South Africa - Sales	0,00	0,00	0,00	0,05	0,19	0,30	0,41	0,50	0,50	0,49	0,48
<b>% growth</b>					<b>256%</b>	<b>62%</b>	<b>35%</b>	<b>23%</b>	<b>-1%</b>	<b>-1%</b>	<b>-2%</b>
<b>USA - Grapevine (HA '000)</b>	407	407	407	407	407	407	407	407	407	407	407
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
USA - Pheromones adoption (%)	23%	30%	37%	43%	50%	50%	50%	50%	50%	50%	50%
USA - M2i penetration (%)	0,0%	0,0%	0,0%	1,5%	4,9%	8,3%	11,6%	15,0%	15,5%	16,0%	16,5%
USA - Price/HA (EUR)	200	200	200	200	194	188	183	177	172	167	162
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
USA - Sales	0,00	0,00	0,00	0,53	1,92	3,16	4,32	5,40	5,42	5,42	5,43
<b>% growth</b>					<b>264%</b>	<b>64%</b>	<b>37%</b>	<b>25%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Source: Bryan, Garnier & Co ests.

#### 6.1.4. Other crops

Maize, cotton,  
apples/pears

Other types of crop pests represent significant sales potential for the company in our view:

- The corn borer (*Sesamia nonagrioides*). This insect can cause yield losses of up to 30% of the potential harvest and is one of the pests that led to the rapid adoption of GMOs. This method is nevertheless increasingly criticised and biocontrol techniques are still too expensive for wide-scale adoption. Indeed, the only technique currently existing excluding pesticides, is use of trichogrammes (macro-organisms). However, these come in the form of encapsulated eggs that need to be deposited by hand or spread by helicopter.
- The pink bollworm has returned massively, especially in India. Whereas the majority of cotton plants are GMO, the pink bollworm has mutated over the years to become resistant and is now attacking the plants again. Although Monsanto has stated that this resistance is natural and foreseeable, it is nevertheless worrying since apart from pesticides, there is no technique currently on the market that can efficiently treat this pest.
- Codling moths in apples and pears. Sexual confusion via traditional and costly application methods is the main technique used in apple and pear orchards. Carpovirusin is a green insecticide marketed since the end of the 90s and is of increasing interest although it requires three/five applications a year.

We expect future launches of pheromones for the pink bollworm, the corn borer and codling moths to create value for the company. Our estimates point to a contribution from these solutions of 32% of sales by 2020 or EUR16.1m and EUR32.7m in 2026. Sales models for these two markets are set out at the end of the report (Chapter 12: Appendices).

As many opportunities as  
there are pests

Note that the company's development opportunities do not end here. Rapeseed, wheat, barley and even tobacco are other examples of crops that could be treated by M2i. Solutions for these remain in the early development phase and as such, we have not taken account of them in our model.



## 6.2. A mixed sales strategy

1/ Partnerships in mass markets

2/ Standalone strategy in less crowded/local markets

M2i's sales strategy differs according to the pheromone launched, the type of crop and the market to address. An overview points to two main focuses: 1/ structuring partnerships to penetrate the crop and mass markets, 2/ direct marketing for local and/or less competitive markets.

### 6.2.1. Structuring partnerships, Nufarm and Biobee

#### NUFARM

Nufarm is an agrichemicals group employing more than 3,500 staff in 100 countries. It had USD2.7bn in sales in 2015. In December 2015, M2i and Nufarm signed a two-year marketing agreement (renewable for three years at the company's initiative) concerning the pine processionary caterpillar pheromone using the paintball and Eppendorf method that should come onto the French market during 2016. The agreement makes Nufarm M2i's exclusive distributor in France for this pheromone. The partner is responsible for approval procedures on a country by country basis and M2i for production and supply.

M2i has inked partnerships with leading distributors

We estimate sales prompted by this agreement at EUR1.5m in 2020 assuming marketing in France only. Sales generated by this agreement are the main source of revenues for the parks and gardens segments in our model and are set out in the appendices to this report. Nufarm has officially requested that M2i extend the partnership to other countries, however the company is waiting to reply pending a more in-depth analysis of other markets.

#### BIOBEE

The agreement concluded in December 2015 with Biobee concerns the development and launch of grapevine, apple and cotton solutions. Biobee is a major player in parasite and biological control as well as in pollination control. M2i's partner is responsible for exclusive marketing of the above-mentioned products in Israel, South Africa, Chile and Argentina (non-exhaustive) and in India, Turkey and Brazil (among others) non-exclusively. As formulated at present, the agreement rules out the US. Biobee also distributes existing products in M2i's portfolio (e.g. pine processionary in Israel) and contractually guarantees M2i sales of EUR500,000 as of 2019.

The company is currently negotiating other partnerships with distributors that could reference between five and 10 products in the company's garden range. In this same range, alongside Koppert, M2i has developed a product for the boxwood borer for Bayer Jardins. Koppert distributes this on a wide scale in European garden stores, for which it is the distributor.

In field crops, the group aims to sign partnerships with agricultural cooperatives as it has done with Invivo in the animal and plant field and with Arvalys under the framework of a single inter-ministerial fund for wireworm control.

M2i and Ceva are currently developing several products for parasite control (see Chapter 7.4: A second virtuous partnership with Ceva). In addition, the two companies are important players in the creation of Pheromone Valley, a project aiming to create a cluster in the South-West to promote animal and plant biocontrol solutions and which should see the light before the end of 2016.

When distribution partnerships are set up, the company's products are marketed under the white brand "M2i enhanced®". This helps maximise penetration of products while ensuring rising visibility with end-customers. More widely, the interest held by major agrochemical groups and distributors in M2i is clear, since they can benefit from the opportunity of associating their image with innovative solutions in a market where the existing offering has seen no technological breakthrough for more than a decade.

### 6.2.2. Own-brand sales in niche markets

In less competitive or smaller markets, M2i is considering direct marketing, for which it will need to strengthen its sales force currently made up of:

- Four sales staff managing major accounts and directly addressing cooperatives, wholesalers and distributors in North and South America, western Europe and West and South Africa.
- 11 marketing executives responsible for the setting up and import of products into distant regions such as Asia-Pacific and the Middle East. In these regions, the executives are responsible for identifying potential local partners and managing approvals.

Own-brand products are sold directly to cooperatives and/or wholesalers. In certain cases, the company can use a partnership in addition to its own salesforce. As such, launch costs are low for the group and we prefer to focus on storage costs and ramp-up in output as discussed in Chapter 9.1.2: Industrial Facilities.

## 6.3. Competition in plant biocontrol

Fragmented competition,  
few integrated players

At first glance, the competitive backdrop in the plant biocontrol market looks dense. After analysing the various players present in the market, we can nevertheless affirm with a degree of certainty that M2i's profile makes it a fully-fledged player in the segment.

### Multinational players

Bayer, BASF, Nufarm, Certis and Sumitomo are among these players who are not only active in the biocontrol products segment, but also in pesticides. They have significant know-how in chemicals and distribution. Note that BASF obtains its pheromone supplies from Shin-Etsu but does not produce them itself. These multinational groups as well as the smaller sized chemists discussed below do not offer breakthrough application methods such as those offered by M2i, and this has prompted Nufarm to enter into a partnership agreement with the company.

### Chemicals groups

The groups provide molecules, whether formulated or not (Shin-Etsu, Bedoukian, SEDQ and Chemtica). All plant biocontrol players obtain pheromones from these groups in order to manufacture the finished product. Shin-Etsu is the leader in this segment and currently supplies almost 90% of the pheromones used. The other groups have a more limited geographical reach (Chemtica in Central America, SEDQ in the Mediterranean Basin and Bedoukian in the US).

### Manufacturers of finished products and distributors

These companies are specialised in the plant biocontrol segment and associated sectors (seeds, phytosanitary products), but have no control of the chemical synthesis of pheromones (Biotop, Sumi Agro, Andermatt, Russel IPM, Arysta LS, Koppert, Certis). They distribute the products whose approval they are often responsible for. Koppert, Certis, Andermatt and Isagro are distributors

specialised in pheromones but have no finished product manufacturing business. A number of these such as Koppert and Certis have become M2i customers as of this year. Biogard, the European subsidiary of CBC Shin-Etsu, agrochemicals group and leader in crop protection (irrespective of the segment) does not directly distribute its plant biocontrol products. This is the case for BASF and Sutera.

**Fig. 29: Competitive backdrop in plant biocontrol**

	Natural substances	Chemical mediators	Micro-organisms	Macro-organisms	
Main players	Koppert	InVivo (Bioline)	BASF	Bioline (Syngenta)	
	Certis (Mitsui)	Koppert	Bayer	Koppert	
	Andermatt	Biogard (Shin-Etsu)	Biogard (Shin-Etsu)	Biobest (La Floridienne)	
	Arysta LifeScience (PSP)	Certis (Mitsui)	Certis (Mitsui)	Certis (Mitsui)	
	Novozymes	Andermatt	Arysta LifeScience (PSP)	Andermatt	
	De Sangosse	Isagro	Andermatt	E-Nema	
	Valagro	Suterra	E-Nema		
	Bayer	BASF	Isagro		
	Syngenta		BioBest	De Sangosse	
			Arysta LifeSciences	DOW Chemicals	
			Suttera	Monsanto	
				Dupont	
			Lallemand		
		Lesaffre			
		Pasteuria BioSc (Syngenta)			
		InVivo			

Source: Company Data (historical); Bryan, Garnier & Co ests.

We believe that the entrance of large chemicals players in the pheromone market could pave the way for consolidation

As such, there are not many integrated companies that produce pheromones, design diffusors and distribute their products either directly or via distributors. M2i's integrated profile makes the company capable of offering an attractive end-price but also provides it wide flexibility in the launch of new R&D projects, at the request of a specific customer or more opportunistically if it identifies a need for a specific market.

Further out, we are not ruling out the prospect of chemical phytosanitary players such as DuPont, Dow Chemicals and Monsanto etc. becoming interested in the pheromone sector. Their entry into this market would probably prompt a consolidation of the segment.

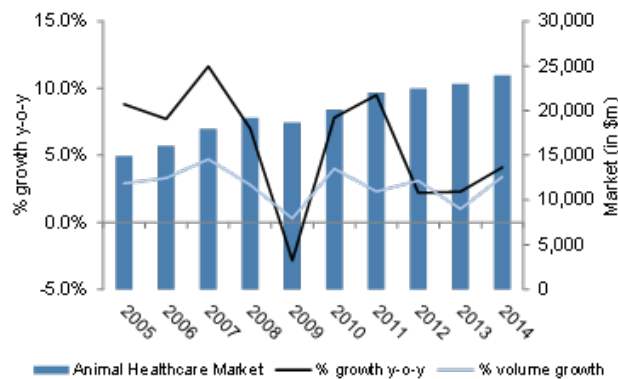
## 7. Animal biocontrol

### 7.1. Overview of animal healthcare market

Animal health market of USD24bn growing 4.5% a year

The animal healthcare market is estimated at USD24bn (2014) and should grow at an average annual pace of 4.5% out to 2020 to stand at around USD30bn. It is divided into two parts governed by quite distinct economic logics: household pets and livestock.

**Fig. 30: Change in animal healthcare market (2005-2013)**



Source: Vetnosis.

- The household pet market (49% of the market) should be the main engine in the market, especially with emerging markets as the main supporting factors (volumes, increase in spending associated with urbanisation). Developed countries are likely to remain the key contributors, based on the fact that pets are enjoying increasing attention within households (pricing power, specialty care).
- The livestock market (51% of the animal healthcare market) is more of a volume-based market guided by profitability concerns. Growth in this segment is more correlated with GDP and populations within the regions considered.

Long dominated by the subsidiaries of major pharma groups, only three pure players stand out in the French market: Ceva, Virbac and Vetoquinol.

**Fig. 31: Main players in animal health (sales in USDbn)**



Source: Company Data (historical).

Biocontrol methods mainly used in the household pet segment

## 7.2. M2i positioned in the animal biocontrol segment

As discussed in Chapter 4.1: M2i positioned in a buoyant segment, control of the mechanisms governing relations between species in order to influence their behaviour can be used in two main segments.

- **Biocides:** aimed at fighting against insects and parasites as substitutes for traditional treatments. This market is on the cusp between animal and plant biocontrol and represents an opportunity of USD1bn for M2i, up 5% a year. No solution using pheromones is currently marketed.
- **Animal behaviour designates** products that can have a visible effect on an animal's activities as noted by an outside observer. This breaks down into two main families that we find among the major players: household pets and livestock.
  - In household pets, food complements and substitutes, and drugs (subject to marketing approval) are the products that make up the majority of sales. The share of biocontrol products, exclusively made up of pheromone-based solutions stood at USD500m in 2015, up 20%.
  - For livestock, no biocontrol product is currently available although the well-being of these creatures is vital for farmers. Among the existing solutions, none enables the prevention of stressful situations for animals (impact on weight, quality of meat). In the early 2000s, Ceva withdrew a calming drug for pigs since its application method was too restrictive (via the groin).

**Fig. 32: Pheromones in the animal biocontrol and healthcare markets**

In USDm otherwise indicated	2015	2016	2017	2018	2019	2020	CAGR15-20
Animal Health Market	24	25	26	27	29	30	4,5%
o/w Animal Biocontrol	1,5	1,7	1,8	2,0	2,2	2,4	10,0%
BioControl as % of Animal Health market	6%	7%	7%	7%	8%	8%	
<b>Pheromones</b>	<b>0,5</b>	<b>0,6</b>	<b>0,7</b>	<b>0,9</b>	<b>1,0</b>	<b>1,2</b>	<b>20,0%</b>
<b>Pheromone as % of Animal Health market</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	
<b>Pheromone as % of Animal Biocontrol Market</b>	<b>33%</b>	<b>36%</b>	<b>40%</b>	<b>43%</b>	<b>47%</b>	<b>52%</b>	

*Our estimates exclude all penetration of pheromones in livestock behaviour management which is part of an R&D project at M2i.*

*Source: Bryan, Garnier & Co ests.*

Strengthened by its expertise in the pheromones market, M2i has focused its business on providing innovative solutions for pets in developed countries (Europe and the US) and livestock in emerging markets (mainly China). Two partnerships with Ceva and Virbac respectively, in our view validate M2i's technological platform and expertise.

The company's interest in favouring a partnership model in the animal sector is to avoid rolling out a global distribution network with hefty marketing costs and control of the logistical chain.

Virbac and Ceva, two major partnerships

### 7.3. A first partnership with VIRBAC

In July 2014, M2i signed an agreement concerning the development and some of the production for a calming drug for cats based on specifications defined by the partner. Created after more than a year's development, the product, Zenifel, has proven efficacy in reducing stress in cats during periods of chronic and acute environmental stress (*Response to Acute Stress in Domestic Cats Using Synthetic Analogues of Natural Appeasing Pheromones with Nepeta cataria Extract Rich in Nepetalactone: A Double-blinded, Randomized, Positive Controlled Cross-over Study*).

The solution has been marketed in two forms in France since June 2015 and should see its launch extended to the rest of the world by 2017.

**Fig. 33: Zenifel diffusor and spray**



Source: Virbac.

This partnership was concluded for a five-year period with tacit renewal for two years. If Virbac decided not to entrust M2i part of Zenifel's production, the company would be entitled to a royalty payment over 10 years.

### 7.4. A second virtuous partnership with CEVA

#### 7.4.1. CEVA's rising interest in pheromones...

The two companies signed a major agreement in September 2015 concerning the development, production and launch of products for behaviour management and harmful insects present in animal environments. As such, M2i became Ceva's exclusive partner for a 10-year period and the two companies have implemented a common R&D programme guaranteeing M2i recognition of more than EUR0.5m in R&D revenues a year (BGe). For all the assets stemming from this partnership, M2i is to handle production whereas Ceva is to handle marketing. Although the agreement allows M2i to honour already existing partnerships, it prevents the group from signing any more in the animal biocontrol field.

#### 7.4.2. ....but also in M2i's chemicals expertise

Since the initial agreement was signed in September 2015, ties between the two companies have strengthened and the agreement has been extended. In February 2016, Ceva became a customer to M2i's CRMO division, which is now referenced for the production of certain veterinary active ingredients.

M2i succeeded in expanding its partnership with CEVA from animal health to the production of key products

## 7.5. R&D: all eyes on the Asian market

In the animal healthcare field, M2i is involved in numerous R&D projects. Among these, the project to develop a calming drug for pigs in the Chinese market has caught our attention especially.

Opportunity in the pig market in China, 50% of the global pig market

In the stressful environments specific to intensive breeding, animals can show low weight gain and develop aggressive behaviour causing a decline in the food conversion ratio and/or deadweight losses for the producer. On this basis, M2i has developed a pheromone aimed at calming the animals, especially pigs, in order to favour weight-gain and health. After the encouraging results obtained in France for around 20 animals (weight-gain and low harm rate), the company has started tests in five Chinese farms (around 100 pigs), the results of which should be available in H2 2016. The pheromone is diffused via a hot or cold diffuser (75% of Chinese pig farms do not have electricity) and the first sales, assuming results are positive, could be generated as of 2017. We would not be surprised if Ceva were to take this product under licence. Indeed, the agreement between M2i and Ceva excludes China, where Ceva is very present. Interest in the Chinese market is all the greater in view of the country's lead in pig production. Since farming was liberalised in China at the end of the 1970s, pork consumption has multiplied by seven in the country, making it the largest producer and consumer of pork with almost 500m pigs bred and eaten a year, representing half of the global market.

## 7.6. Animal biocontrol sales

Animal biocontrol should represent 7% of sales towards 2020e

We estimate that sales in the animal biocontrol division could account for 7% of the group's sales by 2020, or EUR5m, driven by the partnership with Ceva in particular.

**Fig. 34: Animal biocontrol sales**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>BIO Animal</b>	0,2	0,9	2,0	2,5	3,2	3,9	4,7	4,7	4,7	4,5	4,1	4,1
<b>% growth</b>		500%	118%	29%	25%	23%	21%	0%	0%	-3%	-10%	0%
<b>% total M2i</b>	3%	7%	13%	11%	8%	7%	6%	6%	5%	5%	4%	4%
<b>CEVA Partnership</b>	0,2	0,7	1,7	2,2	2,7	3,4	4,1	4,1	4,1	3,9	3,5	3,5
<b>% growth</b>		367%	140%	29%	25%	23%	22%	0%	0%	-4%	-11%	0%
o/w CRO - CEVA	0,2	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,5		
<b>% growth</b>		300%	0%	0%	0%	0%	0%	0%	0%	-25%		
o/w CMO pheromones - CEVA		0,1	1,1	1,6	2,1	2,8	3,5	3,5	3,5	3,5	3,5	3,5
<b>% growth</b>			980%	45%	35%	30%	27%	0%	0%	0%	0%	0%
<b>Zenifel - Virbac</b>		0,1	0,2	0,3	0,3	0,4	0,5	0,5	0,5	0,5	0,5	0,5
<b>Other Pheromones</b>		0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1

Source: Company Data (historical); Bryan, Garnier & Co ests.

## 8. A CRMO business

### 8.1. Market overview

The CMO (Contract Manufacturing Officer) and CRMO (Contract Research and Manufacturing Officer) activities house the research and development activities and manufacturing of active principle ingredients (API). These activities take place upstream in the value chain of a pharmaceuticals product and feed pharmaceuticals groups which then formulate and market them.

**Fig. 35: Value chain of a pharmaceuticals product**

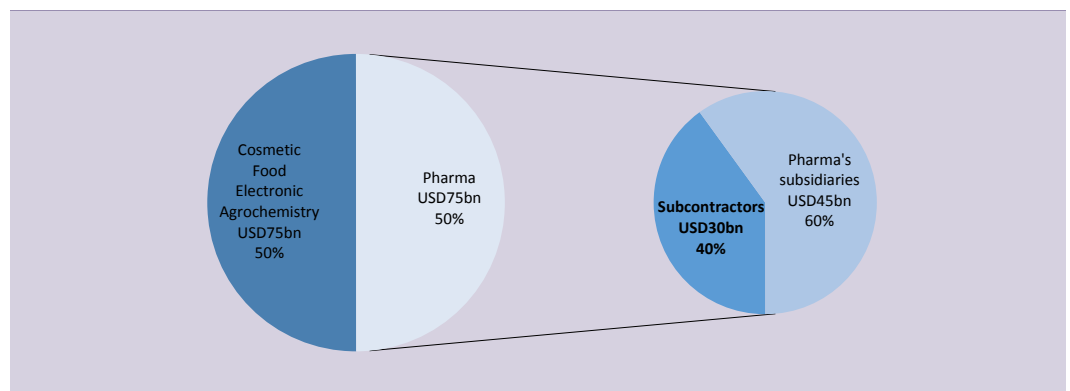


Source: Bryan, Garnier & Co ests.

APIs destined for the pharmaceuticals industry account for 50% of the global API market, up 8% a year and estimated at USD75bn in 2015. We note two main types of producers:

- Subsidiaries of pharma companies (30% of overall market or 60% of fine chemicals market destined for pharmaceuticals companies, USD45bn).
- API manufacturers for third parties (e.g. M2i, 40% of global market or 40% of fine chemicals market destined for the pharmaceuticals industry). These are experts in the synthesis of complex molecular structure products requiring specific know-how. APIs are most frequently synthesised for a single customer under the framework of exclusive contracts.

**Fig. 36: Fine chemicals market (end-customers)**



Source: Bryan, Garnier & Co ests.

Another market segmentation destined for the pharmaceuticals industry can be established depending on the end use of the synthesised API: 50% is included in generics formulation, and the other 50% is used for new molecules formulation (protected by patent).



Europe has long been the main fine chemicals production area. Although its contribution to global API production has narrowed in light of the ramp-up of Asian rivals, Europe continues to account for a third of global production. Market growth is estimated at an average annual 8% and stems more from value than volumes, since drugs contain increasingly few APIs in their make-up. Market growth is set to be driven by: 1/ strategies by major pharma groups aimed at outsourcing more in order to reserve their financing ability and their know-how for research, 2/ growth in generic drugs frequently produced by manufacturers with no internal API synthesis ability. The market is highly competitive and dominated by companies from Europe (Lonza, Siegfried, Novasep), North-America (Cambrex, Malinckrodt) and Japan (Ajinomoto). We estimate that the 10 most frequently prescribed drugs account for 40% of total API needs, thereby prompting a number of CMOs to outsource part of the production that they receive themselves.

## 8.2. The group's CMO/CRMO business

### Historical business

This business breaks down into two complementary businesses: 1/ the sale of pharmaceutical active ingredients and synthesis intermediaries (CMO) and 2/ the sale of R&D and production services for third parties (CRMO).

### 8.2.1. CMO

The molecules produced by M2i are destined for use in the human or animal healthcare sectors as well as in aromas and perfumes. There are two distinct types of molecule.

#### Active ingredients

These are destined to become a direct part of the drug's make-up. At end-2015, the company had six marketed active principle ingredients in its portfolio and more than 12 in development. In order to maximise the group's ability to market its APIs, the projects need to meet the various criteria discussed below:

- The end product in which the API becomes part of the formulation needs to have a long history of marketing and pharmacovigilance. Preferably, it should have stable sales with a potential opening in emerging markets.
- M2i has the ability to become the leading producer or first entrant for a need that the company has identified and has full control of the technical and regulatory development, in order for it to position itself with a low loss-leading price enabling customers to reduce source switching costs.

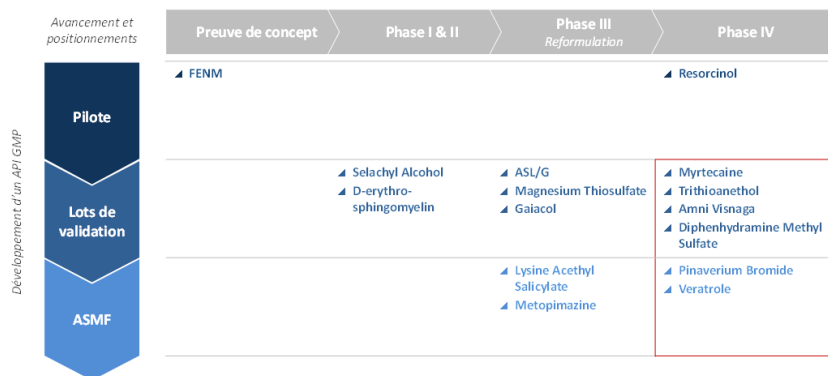
Pharmaceutical active ingredients are subject to strict regulations and must be manufactured according to rules that are part of good manufacturing practices (GMP). All active ingredients must follow an active substance master file procedure (ASMFP) and the drug manufacturer is obliged to declare the list of suppliers to the authorities when it makes its request for marketing approval. M2i remains the owner of its know-how even when the API enters the formulation of a product marketed by a pharmaceuticals group. Indeed, the latter does not have access to all stages of the manufacturing process, making it difficult to change supply once the drug is marketed.

### Early intermediaries

Intermediaries step in upstream of the chemical synthesis of active ingredients. Here M2i focuses on developing reactive agents that can be used in both synthesis of high value-added active ingredients and with the most applications possible. This enables the group to position itself in the last stage of the synthesis that requires fundamental expertise since it has a great influence on the pureness of the final product, thereby justifying a high price. Early intermediaries benefit from lower entry barriers since their use does not require prior authorisation.

**Fig. 37: Portfolio of products on the market and in development**

Molécule	Médicament princeps et indication	Capacité de production (2016)
<b>Principes actifs</b>		
ANETHOLE TRITHIONE	Sulfarlem™ Bouche sèche Digestion difficile	15mt
DIPHENHYDRAMINE METHYL SULFATE	Onctose™ Prurit Piqûres d'insectes	5mt
MYRTECAINE (Nopoxamine)	Algésal™ Douleurs musculaires et ligamenteuses	2mt
MYRTECAINE LAURYL SULFATE	Acidrine™ Douleurs gastriques	500kg
PINAVERIUM BROMIDE	Dicetel™ Syndrome du côlon irritable	24mt
VERATROLE	Synthol™ Piqûres d'insectes, contusion, ecchymoses	4mt
<b>Intermédiaires de synthèse</b>		
BROMO-METHYL-CYCLOPROPANE	Utilisé par exemple pour la buprénorphine	4mt
N-TRIFLUOROACETYL-L-LYSINE	Utilisé pour le glatiramer	1,5mt
1,3 – PROPANEDITHIOL	Utilisé pour des cristaux liquides	10mt
2-BROMOTHIOPHENE	Utilisé pour le tiotropione	2,5mt
CYCLOBUTANE CARBOXYALDEHYDE	Utilisé pour par exemple le betaxolol	500kg
4-CHLOROBUTYL VERATRATE (CBV)	Utilisé pour le duspatalin	120mt



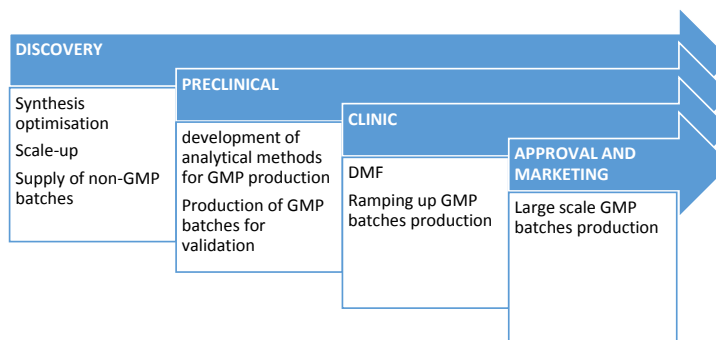
Source: Company Data (historical).

Among its customers, M2i has industrialists and pharmaceuticals companies such as Ceva, BASF (previously mentioned) and GSK, Sanofi and Bayer. The company therefore produces active ingredients destined for Synthol™ (veratol) and Onctose™ (diphenhydramine methyl sulfate).

### 8.2.2. CRMO

In addition to its active ingredient sales business, M2i makes its R&D and regulatory expertise available to pharmaceutical groups. Its flexible industrial facilities enable it to adapt to the different volume, analytical and regulatory specifics of each case and stage in the pharmaceutical development process. In addition to players established in the sector, M2i has also made a range of needs available to biotechnology groups varying from a few dozen grams for a clinical trial to the development of a full file with the supply of several tonnes.

**Fig. 38: CRMO services offered by M2i**



Source: Bryan, Garnier & Co ests.

### 8.2.3. Stability of revenues and fixed cost coverage

After signing numerous contracts in 2015, we estimate that revenues stemming from the pharma division (CMO/CRMO) should be close to EUR11m in 2016, then grow at a slower pace before stabilising at 20% of the group's sales beyond 2020.

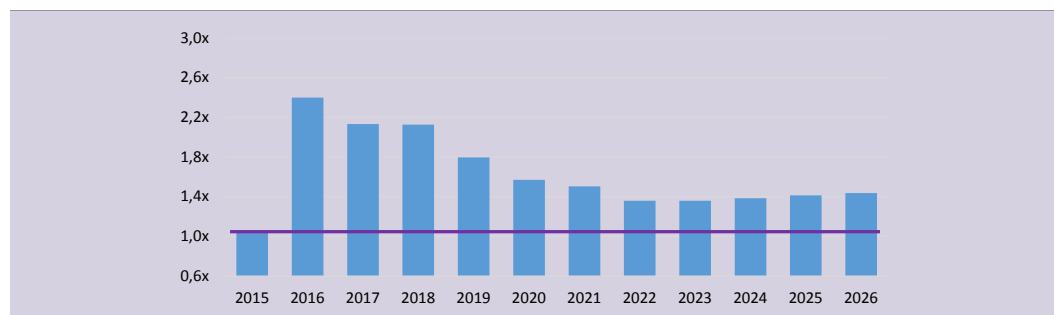
**Fig. 39: Pharma division sales**

(in EURm otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>PHARMA</b>	<b>10,9</b>	<b>11,2</b>	<b>13,9</b>	<b>14,1</b>	<b>15,9</b>	<b>18,2</b>	<b>16,9</b>	<b>17,7</b>	<b>18,5</b>	<b>19,3</b>	<b>20,1</b>
% growth	251%	2%	24%	2%	13%	15%	-7%	4%	4%	4%	4%
% total M2i	81%	69%	56%	34%	25%	23%	20%	20%	21%	21%	22%
CMO (exc. Pheromones) - CEVA	1,1	1,2	1,3	1,3	1,4	1,5	1,5	1,5	1,5	1,5	1,5
% growth		8%	7%	7%	6%	6%	0%	0%	0%	0%	0%
CMO Other	9,4	10,0	12,6	12,8	14,5	16,7	15,4	16,2	17,0	17,8	18,6
% growth	258%	7%	26%	1%	13%	15%	-8%	5%	5%	5%	5%
CRO - Other contracts	0,4	0,5	0,5	0,5	0,6	0,6	0,6	0,7	0,7	0,7	0,8
% growth	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%

Source: Bryan, Garnier & Co ests.

In 2016, more than 90% of sales from the CMO/CRMO business should stem from products on the market. The CMO/CRMO is important since it helps cover all the costs of goods sold and the procurement costs engaged by the company.

**Fig. 40: Coverage of COGS by revenues in the CMO/CRMO division**



Source: Company Data (historical); Bryan, Garnier & Co ests.

## 9. Flexible industrial facilities

### 9.1. Plants

#### 9.1.1. Four plants making M2i an integrated player

The group has four plants in France (103 full-time employees) covering all the stages of product development from R&D to the finished product, enabling it to be an integrated player in the pheromones market:

- The head office is located in Saint Cloud (Paris region) and houses 12 employees.
- The R&D centre (Lacq, Pyrénées-Atlantiques) has 16 full-time employees. Formulas destined for the animal and plant biocontrol fields are developed at this site, which also has the capacity to produce the first batches destined for trials.
- The production centre in Salin-de-Giraud (Provence-Alpes Côte-d'Azur) has 57 full-time employees. This is the heart of the group's industrial facilities where active substances, pheromones and intermediary assets for the CRO/CRMO business are produced. The site was taken over from Groupe Solvay in 2013. Given that the plant was historically a production site for active ingredients and synthesis intermediaries destined for the pharma industry, with its very demanding manufacturing standards, it is this same site that today provides M2i unique know-how in the production of efficient pheromones.
- The group's last plant is located in Parnac, (Lot) and is responsible for bottling the biocontrol products. M2i employs 18 people at this site.

#### 9.1.2. Industrial facilities

The group's core industrial plant is located at Salin-de-Giraud and covers 20 hectares, especially a 1,170m<sup>2</sup> production hall with 26 reactors spread over six lines. Each reactor has average production capacity of close to 2,000 litres corresponding to a reactional capacity for the building of 55m<sup>3</sup>. Since the reactors are interconnected, the site benefits from considerable production flexibility. It is currently functioning continuously (3x8 shifts) five days a week 48 weeks a year, corresponding to a load rate of 67%. Annual production capacity totals 200 tonnes, including 50 tonnes of liquid pheromones, with the company's main business being that of CRMO: production of solid pharmaceutical active ingredients (60t) and liquid synthesis intermediaries (90t).

In its current organisation, this capacity cannot meet end-demand for around 200 tonnes of pheromones a year as we have estimated (plant biocontrol). As such, M2i aims to strengthen its industrial plants, for a combined cost over the next two years that we estimate at EUR4.4m.

■ Step 1

Adding a separation column for distillation is set to require capex of EUR400k that should start be invested in late 2016 for a start-up during H2 2017. This is the only production bottleneck that we identify and adding a column should help double production capacity (100t vs. 50t) on a same productivity and load basis. Passing through the distillation column is the final stage of the pheromone manufacturing process before bottling.

■ Step 2

Switching to continuous production 24/7 for 48 weeks a year (four weeks of maintenance vs. three at present) would lift the load factor to 92% for a cost that we estimate at EUR2m (payroll expenses primarily, with the recruitment of 30 more staff).

The interest for the company of adding a distillation column before switching to continuous production is to help manufacture up to two types of pheromones during the portfolio strengthening period and the first launches (low quantity orders). In a second phase, switching to to continuous production should help meet higher quantity orders. At the same time, increasing the productivity of machines can be achieved continuously by streamlining production schedules for solid products (pharmaceutical ingredients) or liquid products (pheromones). This would represent a marginal cost that could increase the plant's productivity to 85% over a period of time that we estimate at five years.

**Fig. 41: Maximum capacity of production plant**

	Current capacity	Max capacity
Load	67%	92%
Productivity	75%	85%
Tonnes/yr	50	155

Source: Company Data (historical); Bryan, Garnier & Co ests.

However, the plant's maximum capacity does not allow the company to meet the end-demand that we have factored in for plant biocontrol (around 200 tonnes). As such, an increase in capacity is likely to be needed further out. The surface areas of the industrial manufacturing building should enable the group to strengthen its production plant up to a maximum of 200 tonnes a year. The capex spending needed for each additional tonne produced stands at EUR180,000 calculated on the basis of the maximum capacity of the plant).

**Fig. 42: CAPEX investment plan**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
1/ Capacity with CAPEX + increased Load & Productivity	50	101	103	143	144	146	148	150	152	154	155
Delta to meet demand (in Tons)	0	0	0	0	0	0	6	21	33	43	53
2/ Additional distillation column						78	78	78	78	78	78
3/ Capacity with CAPEX + increased Load & Productivity + 3rd Column	50	101	103	143	144	224	226	228	229	231	233
Delta to meet demand (in Tons)	0	0	0	0	0	0	0	0	0	0	0

Source: Company Data (historical); Bryan, Garnier & Co ests.

We are not ruling out the prospect of the investments mentioned above being higher than expected if the company decided to 1/ acquire a second site in order to dilute production risk, currently focused on its only plant, or 2/ start a second production business in another country.

Regular inspection and potential FDA clearance of the production site for API manufacturing in 2019

### 9.1.3. Reliability

The plant has operated under good manufacturing practices since 1996 and is regularly inspected by the ANSM and also audited by the Environmental Protection Agency (EPA). Note that the plant has never received a warning letter from the regulatory authorities. In addition, no product manufactured by M2i has been called back as yet. Since the plant was taken over from Solvay in 2013, 94.9% of the GMP batches were liberated immediately or by derogation, 4.2% following adjustments and just 0.9% (or two lots out of 212) were rejected.

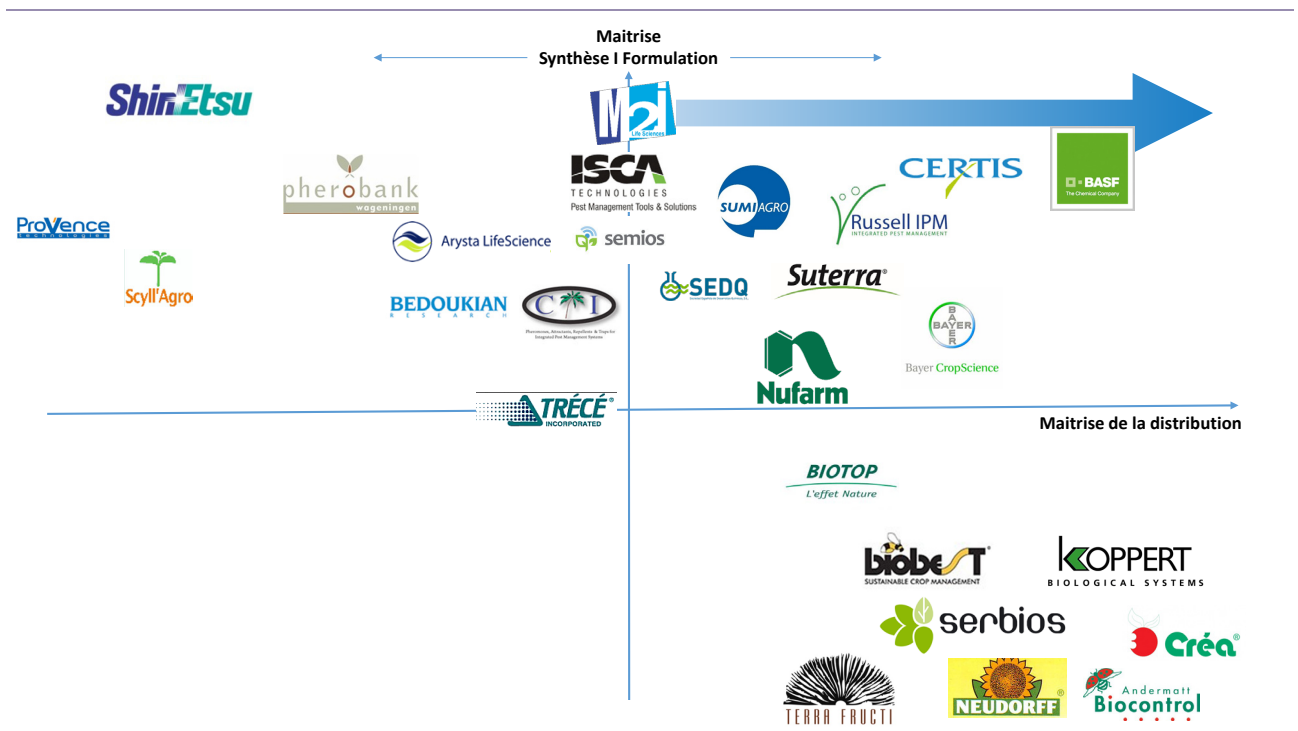
Under the framework of a project from a pharmaceutical laboratory, M2i has started procedures to benefit from the FDA-approved label, which could be delivered as of 2019.

## 9.2. M2i, an integrated player

M2i is the only integrated player

The company's flexible production facilities provide it full control of the synthesis and formulation of pheromones. Combined with a strategy aimed at developing a direct marketing model, M2i is set to strengthen its integrated agrochemical model as a fully-fledged player in the biocontrol market.

Fig. 43: Competition mapping



Source: Bryan, Garnier & Co ests.

## 10. Management and shareholders

### 10.1. Management

#### 10.1.1. Management

**Philippe Guerret (co-founder, CEO).** Before joining the pharmaceuticals and fine chemicals sector in 2004, Philippe Guerret was VP Strategy Businesses at Dufry (duty-free) and led the company's sale to Elixir (via Grupo Areas SA) associated with the private equity fund Advent International. From 2004 until end-2010 he was executive CEO of Minafin, the holding company of Minakem, an expert group in fine chemicals and the synthesis and formulation of pharmaceuticals products (600 employees, four industrial sites). From 2011 to 2012, he was CEO and Board Member of medical technology companies Osyris and then DMS (listed on Euronext). Philippe Guerret is an EDHEC graduate.

**Bruno Gény (co-founder and CFO).** From 1996 to 2001, Bruno Gény occupied the position of SVP Chairman of the Board of Directors at the Choice Hotel Canada group before joining Deloitte CF, where he remained for more than seven years and undertook the restructuring of the French chemicals group Rhodia in his role as Principal. Strengthened by this experience, he began to work with Philippe Guerret on the project to create M2i, which was effectively founded in 2012. Bruno Gény, is a graduate from the EM Lyon, and also has an MBA from Aston University in the UK.

**Olivier Guerret (Head of Biocontrol Division).** A Polytechnique graduate (1991) with a PhD, Olivier Guerret started his career in 2004 at Arkema, before joining Coatex as Head of Innovation and Marketing. Here he discovered and filed patents for application of the microencapsulation technology. In 2008, Coatex was bought by Arkema and Olivier Guerret returned to the group as Head of Innovation and Strategy. In 2013, he finally left Arkema to join M2i, where he is now Head of Biocontrol.

**Gilles Rubinstenn (Head of Pharma Active Principal Ingredients Division).** After graduating from the ENS in 1994 and obtaining a PhD in Chemistry and Physics from the Université Pierre et Marie Curie, Gilles Rubinstenn worked at l'Oréal from 1998 to 2004 where he was responsible for managing research projects (33 patents) and then restructuring the R&D department. From 2007 to 2012, he managed the Pierre-Gilles de Gennes research foundation which has a network of 140 laboratories (1,500 researchers) for which it developed public-private partnerships. He then became Chairman of the Board at IDF Innov (specialised in technological transfers and raising private funds) before joining M2i as head of the Pharma Active Ingredients division in 2013.

**Johann Fournil (Head of Marketing and Strategy).** After graduating from EDHEC in 1996, Johann Fournil rapidly joined Peugeot as head of Advertising and Marketing for the western France region. Over 17 years at the group (now Peugeot-Citroën) he occupied a number of managerial positions and became Head of Brand Image for Europe and the Middle-East. In 2013, he joined M2i as Head of Public Relations and Business Development.

### 10.1.2. The Board

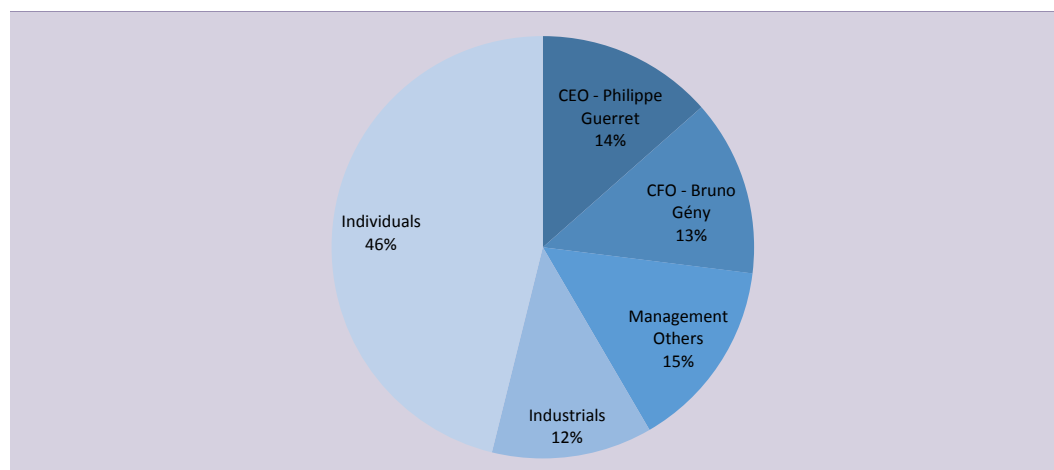
**Michel Peagram (Chairman of the Board of Directors).** With a doctor's in chemistry from the University of Oxford, Michel Peagram, has spent the majority of his career in the pharmaceuticals and chemicals industry (Pfizer, Croda). He then created Holliday Chemicals PLC, listed in 1993 in London and bought Rockwood Holdings (USA) in 2008. He is currently Chairman of the Board at Quixant (design and manufacturing of IT equipment) and board member at GAMA Aviation (commercial airline company).

M2i's Board is made up of four other members. **Jean-François Velut (Administrator)**, a business lawyer exercising at the Velut & Associés firm where he has been partner and manager since 2008. He is also administrator and founder of several companies working in a variety of fields. **Fangying Chen (Administrator)** has a degree in biology from the University of Zhejiang (Hangzhou, China). At the same time, she is head of sales and marketing at Zhejiang Qiming Pharmaceuticals. Finally, **Alain Mari (Administrator)** has 38 years of expertise in the fine chemicals industry. He is currently Chairman and CEO of Coatex. He previously had various management functions at Elf Atochem and Omya.

## 10.2. Shareholding structure (pre-IPO)

The company's management owns 42% of the share capital while Chinese industrialists own 25%. Among these are Pharmaster (fine chemicals) Qiming Pharmaceuticals, whose sales and marketing director is on the group's board. The rest of the shareholding structure is made up of individuals who decided to back the company's development when it was created in 2012.

**Fig. 44: Capital structure (pre-IPO)**



Source: Company Data (historical).



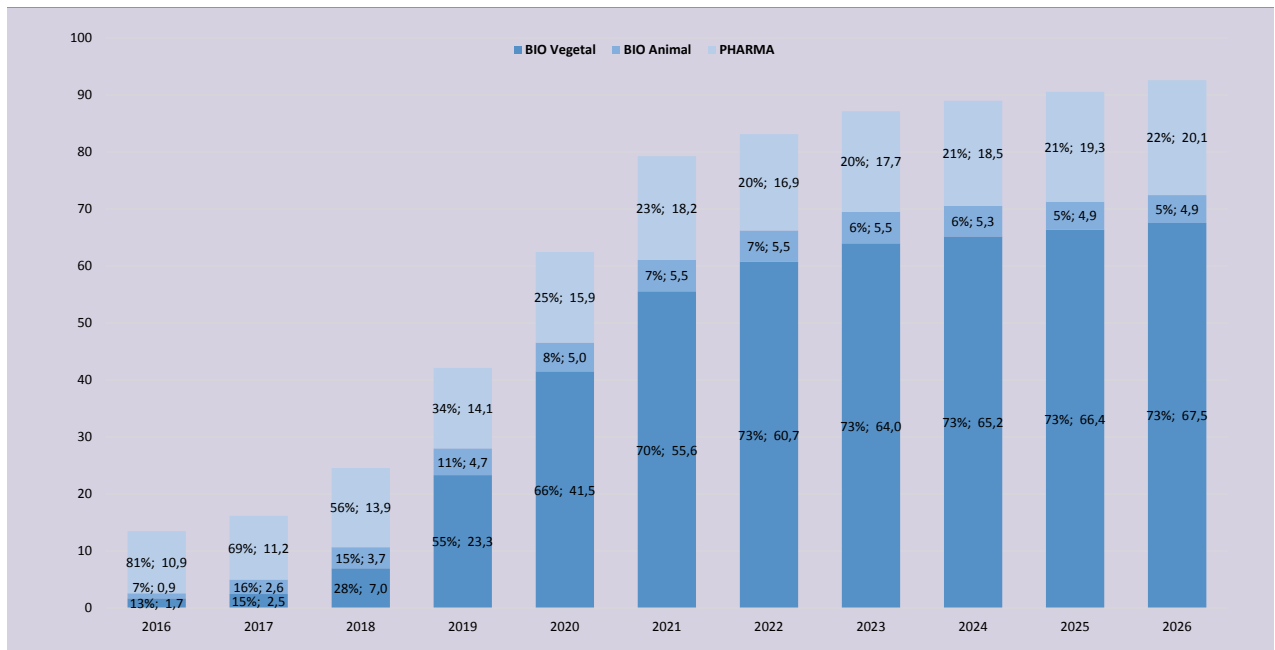
# 11. Valuation EUR53m-EUR66m

## 11.1. Growth profile

M2i's growth should be driven by Plant Biocontrol's sales

M2i has an attractive growth profile. Our estimates point to sales of EUR13.5m in 2016e, 4% above the guidance provided by the company, and we expect a level of EUR62.5m in 2020e, driven by sales in the vegetal.

**Fig. 45: M2i's sales split (EURm)**

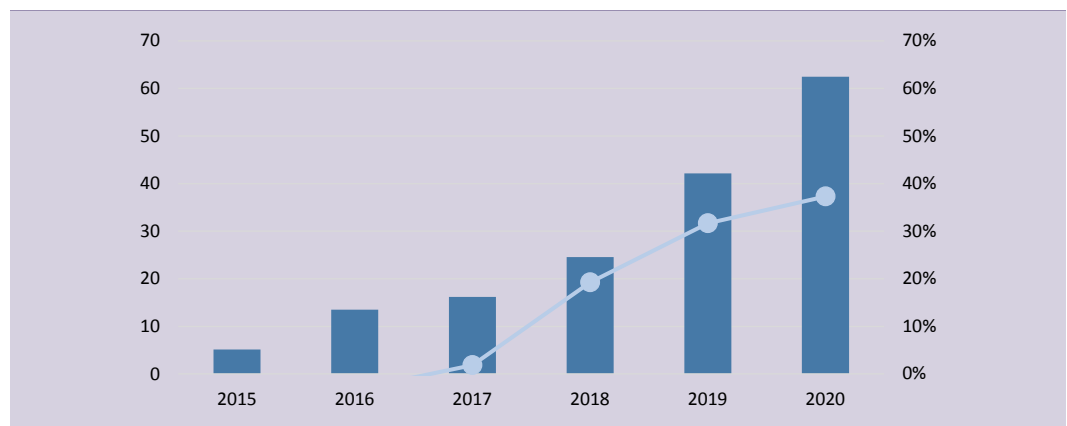


Source: Bryan, Garnier & Co ests.

EBITDA should turn positive in 2017

With 1/ limited investments for increasing production capacity and 2/ a CRMO division that already covers COGS, this sales growth should go hand-in-hand with a rise in the company's profitability. As such, we estimate that the company should generate positive EBITDA as of next year.

**Fig. 46: Change in sales (LHS) and margin growth (EBITDA/sales, RHS) BGe**



Source: Company Data (historical); Bryan, Garnier & Co ests.

## 11.2. WACC

WACC = 15.6%  
 Beta = 2  
 g = 0.0%

Our weighted average cost of capital (WACC) stands at 15.6% and includes a risk-free rate of 1.6% and a risk premium of 7.0%. We have assumed a beta of 2 ( $\beta=2$ ), which factors in execution risk associated with small sized companies offering a growth profile.

**Fig. 47: WACC calculation assumptions**

WACC M2i	
Cost of debt before tax	12.3%
Tax rate	33.3%
Effective cost of debt	8.2%
Risk free rate	1.6%
Equity risk premium	7.0%
Beta	2.0
Cost of equity	15.6%
<b>WACC</b>	<b>15.6%</b>

Source: Bryan, Garnier & Co ests.

## 11.3. DCF valuation

Average EV of EUR59.1  
 Range of EUR53-66m

We have valued M2i by DCF at a rate of 15.6% and have cautiously assumed a growth rate to infinity close to zero ( $g=0.0\%$ ). As such, our average EV works out to EUR59.1m.

**Fig. 48: Overview of our DCF model**

### DFCF

in EURm (otherwise indicated)	2015	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	∞
<b>Sales</b>	5,1	13,5	16,2	24,6	42,1	62,5	79,3	83,1	87,1	89,0	90,5	92,6	93
% growth		164%	20%	52%	72%	48%	27%	5%	5%	2%	2%	2%	0,0%
<b>EBIT</b>	-7,2	-3,0	-3,2	0,4	8,0	17,1	23,3	24,7	25,9	26,4	26,8	27,4	27,3
% Sales	-141,7%	-22,1%	-19,6%	1,4%	19,1%	27,4%	29,4%	29,7%	29,8%	29,7%	29,6%	29,6%	29,5%
<b>D&amp;A</b>	1,6	2,5	3,5	4,4	5,3	6,2	7,1	7,5	7,8	8,0	8,1	8,3	8,3
% Sales	31,7%	18,8%	21,4%	17,8%	12,6%	10,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
<b>Change in WC</b>	2,2	1,2	0,2	0,7	1,5	1,7	1,4	0,3	0,3	0,2	0,1	0,2	0,2
% Sales	43,3%	9,2%	1,4%	2,8%	3,5%	2,7%	1,8%	0,4%	0,4%	0,2%	0,1%	0,2%	0,2%
<b>CAPEX</b>	-1,7	-4,2	-3,8	-4,6	-5,8	-5,6	-7,5	-7,5	-7,8	-8,0	-8,1	-8,3	-8,3
% Sales	-33,0%	-31,1%	-23,4%	-18,6%	-13,8%	-9,0%	-9,5%	-9,0%	-9,0%	-9,0%	-9,0%	-9,0%	-9,0%
<b>Taxes</b>	1,6	0,0	0,0	-0,1	-2,6	-5,6	-7,7	-8,1	-8,5	-8,8	-8,9	-8,7	-9,0
% Tax Rate	0%	0%	0%	-33%	-33%	-33%	-33%	-33%	-33%	-33%	-33%	-33%	-33,0%
<b>FCF</b>	-3,5	-3,4	-3,3	0,8	6,4	13,8	16,6	16,9	17,7	17,8	18,1	18,8	118,5
variation %		-2%	-4%	-125%	690%	116%	20%	2%	5%	1%	1%	4%	
Discount	0	1	2	3	4	5	6	7	8	9	10	11	12
Discounted FCF	-3	-2,9	-2,4	0,5	3,6	6,7	7,0	6,1	5,6	4,8	4,2	3,8	20,8
+ Sum DFCF		36,9											
+ Terminal Value		20,8											
+ LT Financial Assets		3,4											
- Net Debt		-2,6											
- Provisions		0,7											
- Minority Interests		-0,1											
= EV		59,1											

Source: Bryan, Garnier & Co ests.

The following tables show the sensitivity of our valuation depending on the assumptions retained in terms of growth rate to infinity, EBIT margin and the capex level (as a percentage of sales). The lower and upper thresholds of our valuation stand at EUR53 and EUR66.

**Fig. 49: Sensitivity analysis**

		WACC								
		13,6%	14,1%	14,6%	15,1%	15,6%	16,1%	16,6%	17,1%	17,6%
<b>g</b>	3,0%	84	79	74	70	66	62	59	56	53
	2,0%	80	75	71	67	<b>63</b>	60	57	54	51
	1,0%	76	72	68	64	<b>61</b>	58	55	52	50
	<b>0,0%</b>	73	69	<b>66</b>	<b>62</b>	<b>59</b>	<b>56</b>	<b>53</b>	51	49
	-1,0%	71	67	64	60	<b>57</b>	55	52	50	47
	-2,0%	69	65	62	59	<b>56</b>	53	51	49	46
	-3,0%	67	63	60	57	55	52	50	48	46

		WACC								
		13,6%	14,1%	14,6%	15,1%	15,6%	16,1%	16,6%	17,1%	17,6%
<b>EBIT % of sales</b>	35,5%	79	75	71	67	63	60	57	54	52
	33,5%	77	73	69	65	<b>62</b>	59	56	53	51
	31,5%	75	71	67	64	<b>61</b>	57	55	52	50
	<b>29,5%</b>	73	69	<b>66</b>	<b>62</b>	<b>59</b>	<b>56</b>	<b>53</b>	51	49
	27,5%	71	68	64	61	<b>58</b>	55	52	50	48
	25,5%	69	66	62	59	<b>56</b>	54	51	49	47
	23,5%	67	64	61	58	55	52	50	48	46

		WACC								
		13,6%	14,1%	14,6%	15,1%	15,6%	16,1%	16,6%	17,1%	17,6%
<b>CAPEX % of sales</b>	-4,5%	80	75	71	67	64	61	57	55	52
	-6,0%	78	73	69	66	<b>62</b>	59	56	53	51
	-7,5%	76	71	68	64	<b>61</b>	58	55	52	50
	<b>-9,0%</b>	73	69	<b>66</b>	<b>62</b>	<b>59</b>	<b>56</b>	<b>53</b>	51	49
	-10,5%	71	67	64	61	<b>58</b>	55	52	50	47
	-12,0%	69	65	62	59	<b>56</b>	53	51	48	46
	-13,5%	67	63	60	57	54	52	49	47	45

Source: Bryan, Garnier & Co ests.

## 11.4. Peer comparison

M2i has a best-in class profile in our peer sample

Our median EV works out to EUR59.1m, in line in terms of EV/sales multiples relative to our peer group in 2017. We would highlight that M2i has a best-in-class profile in view of its projected sales growth as well as operating leverage, higher than that of our sample.

**Fig. 50: Comparison of peer EV/sales multiples**

Company	EV (local currency in bn)	Field	EV / SALES 2017
NUFARM LTD	3.2	Vegetal / Agrochemistry	1.12
SYNGENTA AG-REG	39.6	Vegetal / Agrochemistry	2.86
SHIN-ETSU CHEM CO LTD	1905.4	Vegetal / Agrochemistry	1.48
MONSANTO CO	56.2	Vegetal / Agrochemistry	3.91
VIRBAC SA	2.0	Animal Health	2.08
DECHRA PHARMA PLC	1.1	Animal Health	4.11
ZOETIS INC	27.6	Animal Health	5.35
GENUS PLC	1.0	Animal Health	2.45
LONZA GROUP AG-REG	10.7	CRMO/Fine Chemistry	2.55
DU PONT (E.I.) DE NEMOURS	64.9	CRMO/Fine Chemistry	2.41
BAYER	91.0	CRMO/Fine Chemistry	1.87
<b>NOVOZYMES</b>	<b>98.8</b>	<b>CRMO/Fine Chemistry</b>	<b>6.43</b>
<b>Weighted average (based on M2i's 2017 revenue split)</b>			<b>3.60</b>
M2i implied EV			58.3
<b>M2i EV (BGe)</b>			<b>59.1</b>
<b>Premium/discount</b>			<b>1%</b>

Source: Bloomberg; Bryan, Garnier & Co ests.

**Fig. 51: Peer growth profiles**

Company	EV (local currency in m)	Field	Sales CAGR15-20	EBITDA margin gain in bp/yr 15-20
NUFARM LTD	3,2	Vegetal / Agrochemistry	3.4%	52
SYNGENTA AG-REG	39,6	Vegetal / Agrochemistry	4.0%	83
SHIN-ETSU CHEM CO LTD	1905,4	Vegetal / Agrochemistry	1.7%	161
MONSANTO CO	56,2	Vegetal / Agrochemistry	1.3%	339
VIRBAC SA	2,0	Animal Health	5.4%	78
DECHRA PHARMA PLC	1,1	Animal Health	12.8%	30
ZOETIS INC	27,6	Animal Health	5.0%	258
GENUS PLC	1,0	Animal Health	4.9%	na
LONZA GROUP AG-REG	10,7	CRMO/Fine Chemistry	4.6%	45
DU PONT (E.I.) DE NEMOURS	64,9	CRMO/Fine Chemistry	3.3%	234
BAYER	91,0	CRMO/Fine Chemistry	3.8%	54
NOVOZYMES	98,8	CRMO/Fine Chemistry	6.1%	34
<b>average</b>			<b>4.7%</b>	<b>124bp</b>
<b>M2i Growth Profile</b>			<b>65%</b>	<b>710bp*</b>

\*base 2017 (when EBITDA margin turns positive). If base 2015, then 3068bp gain in average per year

Source: Bloomberg; Bryan, Garnier & Co ests.

## 11.5. Dense newsflow

### ■ H2 2016

- Approval in Israel of sprayable cotton pheromone against pink bollworm
- Results of tests for grapevines and apples (South America and France)
- Approval of paintball in France
- Results of tests for maize

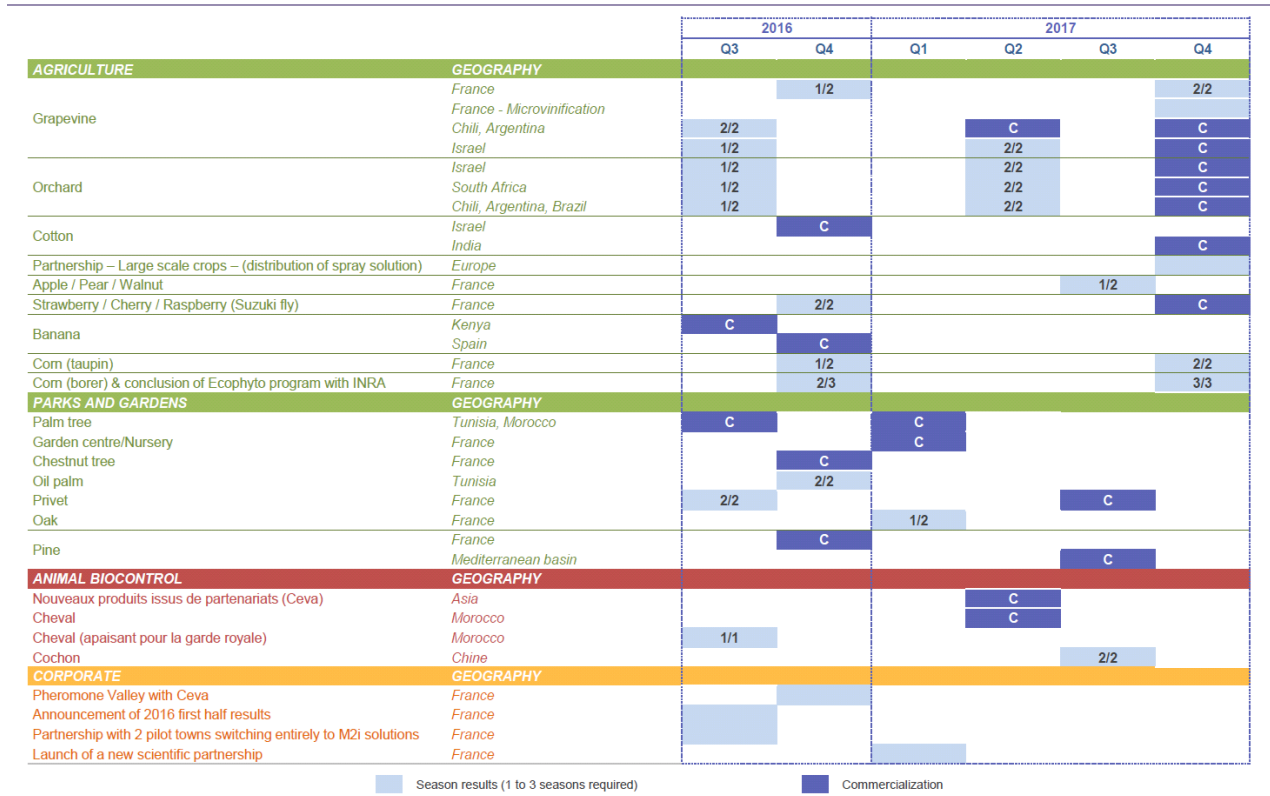
### ■ H1 2017

- Application of Labbé Law in France banning the use of pesticides in public spaces and private gardens by 2017 and 2019 respectively.
- Launch of first product from partnership agreement with Ceva

### ■ H2 2017

- Approval of sexual confusion solution for apples and pears in South Africa and launch of approval request for the *D. surukii* fruit fly.
- Approval in India of sprayable cotton pheromone against pink bollworm.

Fig. 52: M2i 2016-2017 newsflow



Source: Company Data (historical).

## 12. Appendices

**Fig. 53: Cotton sales model**

in EURm (otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>o/w Cotton</b>	<b>0,03</b>	<b>0,1</b>	<b>1,4</b>	<b>5,8</b>	<b>9,7</b>	<b>12,5</b>	<b>15,2</b>	<b>17,3</b>	<b>18,4</b>	<b>19,5</b>	<b>20,5</b>
<b>% growth</b>	<b>209%</b>	<b>94%</b>	<b>2147%</b>	<b>303%</b>	<b>66%</b>	<b>30%</b>	<b>22%</b>	<b>13%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>
<b>Cotton % total M2i</b>	<b>0%</b>	<b>0%</b>	<b>6%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>18%</b>	<b>20%</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>
Israël - Cotton (HA '000)	29	29	29	29	29	29	29	29	29	29	29
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Israël - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
Israël - M2i penetration (%)	23,3%	36,7%	50,0%	50,5%	51,0%	51,5%	52,0%	52,5%	53,0%	53,5%	54,0%
Israël - Price/HA (EUR)	34	33	32	32	31	30	29	29	28	27	26
% growth	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Israël - Sales	0,03	0,06	0,10	0,12	0,13	0,13	0,13	0,13	0,13	0,12	0,12
% growth	209%	94%	61%	16%	13%	-2%	-2%	-2%	-2%	-2%	-2%
Sudan - Cotton (HA '000)	90	90	90	90	90	90	90	90	90	90	90
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Sudan - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
Sudan - M2i penetration (%)	0,0%	0,0%	1,5%	8,6%	15,8%	22,9%	30,0%	30,5%	31,0%	31,5%	32,0%
Sudan - Price/HA (EUR)	35	35	35	34	33	32	32	31	30	29	29
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Sudan - Sales	0,00	0,00	0,01	0,07	0,14	0,20	0,26	0,25	0,25	0,25	0,25
% growth				558%	104%	42%	28%	-1%	-1%	-1%	-1%
Egypt - Cotton (HA '000)	105	105	105	105	105	105	105	105	105	105	105
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Egypt - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
Egypt - M2i penetration (%)	0,0%	0,0%	1,5%	8,6%	15,8%	22,9%	30,0%	30,5%	31,0%	31,5%	32,0%
Egypt - Price/HA (EUR)	35	35	35	34	33	32	32	31	30	29	29
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Egypt - Sales	0,00	0,00	0,01	0,08	0,17	0,23	0,30	0,30	0,29	0,29	0,29
% growth				558%	104%	42%	28%	-1%	-1%	-1%	-1%
India - Cotton (HA '000)	11 260	11 260	11 260	11 260	11 260	11 260	11 260	11 260	11 260	11 260	11 260
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
India - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
India - M2i penetration (%)	0,0%	0,0%	1,5%	2,4%	3,3%	4,1%	5,0%	5,5%	6,0%	6,5%	7,0%
India - Price/HA (EUR)	35	35	35	34	33	32	32	31	30	29	29
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
India - Sales	0,00	0,00	1,32	2,39	3,65	4,52	5,34	5,73	6,09	6,44	6,76
% growth				81%	53%	24%	18%	7%	6%	6%	5%
USA - Cotton (HA '000)	34 300	34 300	34 300	34 300	34 300	34 300	34 300	34 300	34 300	34 300	34 300
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
USA - Pheromones adoption (%)	10%	13%	15%	18%	20%	20%	20%	20%	20%	20%	20%
USA - M2i penetration (%)	0,0%	0,0%	0,0%	1,5%	2,4%	3,3%	4,1%	5,0%	5,5%	6,0%	6,5%
USA - Price/HA (EUR)	35	35	35	35	34	33	32	32	31	30	29
% growth	0%	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
USA - Sales	0,00	0,00	0,00	3,16	5,56	7,42	9,18	10,85	11,64	12,38	13,07
% growth				76%	33%	24%	18%	7%	6%	6%	6%

Source: Bryan, Garnier & Co ests.

Fig. 54: Maize sales model

in EURm (otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>o/w Maize</b>	<b>0,0</b>	<b>0,0</b>	<b>0,6</b>	<b>3,4</b>	<b>6,4</b>	<b>9,2</b>	<b>10,7</b>	<b>11,1</b>	<b>11,5</b>	<b>11,9</b>	<b>12,2</b>
<b>% growth</b>				<b>444%</b>	<b>91%</b>	<b>43%</b>	<b>17%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Maize % total M2i</b>	<b>0%</b>	<b>0%</b>	<b>3%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>
<b>France - Maize (HA '000)</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>	<b>9 592</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>France - Pheromones adoption (%)</b>	<b>12%</b>	<b>14%</b>	<b>17%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>France - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>4,3%</b>	<b>7,2%</b>	<b>10,0%</b>	<b>10,5%</b>	<b>11,0%</b>	<b>11,5%</b>	<b>12,0%</b>	<b>12,5%</b>
<b>France - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>20</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>France - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,62</b>	<b>2,03</b>	<b>3,27</b>	<b>4,45</b>	<b>4,55</b>	<b>4,65</b>	<b>4,74</b>	<b>4,82</b>	<b>4,90</b>
<b>% growth</b>				<b>228%</b>	<b>61%</b>	<b>36%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Germany - Maize (HA '000)</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>	<b>6 469</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Germany - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Germany - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>4,3%</b>	<b>7,2%</b>	<b>10,0%</b>	<b>10,5%</b>	<b>11,0%</b>	<b>11,5%</b>	<b>12,0%</b>
<b>Germany - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Germany - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,43</b>	<b>1,37</b>	<b>2,20</b>	<b>3,00</b>	<b>3,07</b>	<b>3,13</b>	<b>3,20</b>	<b>3,25</b>
<b>% growth</b>					<b>221%</b>	<b>61%</b>	<b>36%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Spain - Maize (HA '000)</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>	<b>6 261</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Spain - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Spain - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>7,0%</b>
<b>Spain - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Spain - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,41</b>	<b>0,81</b>	<b>1,14</b>	<b>1,45</b>	<b>1,56</b>	<b>1,65</b>	<b>1,75</b>	<b>1,84</b>
<b>% growth</b>					<b>97%</b>	<b>40%</b>	<b>27%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>
<b>Poland - Maize (HA '000)</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>	<b>7 485</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Poland - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Poland - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>7,0%</b>
<b>Poland - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Poland - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,49</b>	<b>0,97</b>	<b>1,36</b>	<b>1,73</b>	<b>1,86</b>	<b>1,98</b>	<b>2,09</b>	<b>2,19</b>
<b>% growth</b>					<b>97%</b>	<b>40%</b>	<b>27%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>
<b>Italy - Maize (HA '000)</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>	<b>3 173</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Italy - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Italy - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>7,0%</b>
<b>Italy - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Italy - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,21</b>	<b>0,41</b>	<b>0,58</b>	<b>0,74</b>	<b>0,79</b>	<b>0,84</b>	<b>0,89</b>	<b>0,93</b>
<b>% growth</b>					<b>97%</b>	<b>40%</b>	<b>27%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>
<b>Romania - Maize (HA '000)</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>	<b>5 522</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Romania - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Romania - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>7,0%</b>	<b>7,5%</b>
<b>Romania - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>20</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Romania - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,31</b>	<b>0,63</b>	<b>1,01</b>	<b>1,28</b>	<b>1,37</b>	<b>1,46</b>	<b>1,54</b>	<b>1,62</b>	<b>1,69</b>
<b>% growth</b>				<b>101%</b>	<b>60%</b>	<b>27%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>
<b>Hungary - Maize (HA '000)</b>	<b>2 728</b>	<b>2 700</b>	<b>2 673</b>	<b>2 647</b>	<b>2 620</b>	<b>2 594</b>	<b>2 568</b>	<b>2 542</b>	<b>2 517</b>	<b>2 492</b>	<b>2 467</b>
<b>% growth</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>	<b>-1,0%</b>
<b>Hungary - Pheromones adoption (%)</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Hungary - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>7,0%</b>
<b>Hungary - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>Hungary - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,17</b>	<b>0,34</b>	<b>0,47</b>	<b>0,60</b>	<b>0,63</b>	<b>0,67</b>	<b>0,70</b>	<b>0,72</b>
<b>% growth</b>					<b>95%</b>	<b>39%</b>	<b>26%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>
<b>USA - Maize (HA '000)</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>	<b>38 850</b>
<b>% growth</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>USA - Pheromones adoption (%)</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>USA - M2i penetration (%)</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,5%</b>	<b>2,4%</b>	<b>3,3%</b>	<b>4,1%</b>	<b>5,0%</b>	<b>5,5%</b>	<b>6,0%</b>
<b>USA - Price/HA (EUR)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>21</b>
<b>% growth</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
<b>USA - Sales</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1,46</b>	<b>2,25</b>	<b>3,00</b>	<b>3,71</b>	<b>4,39</b>	<b>4,71</b>	<b>5,01</b>
<b>% growth</b>						<b>54%</b>	<b>33%</b>	<b>24%</b>	<b>18%</b>	<b>7%</b>	<b>6%</b>

Source: Bryan, Garnier & Co ests.

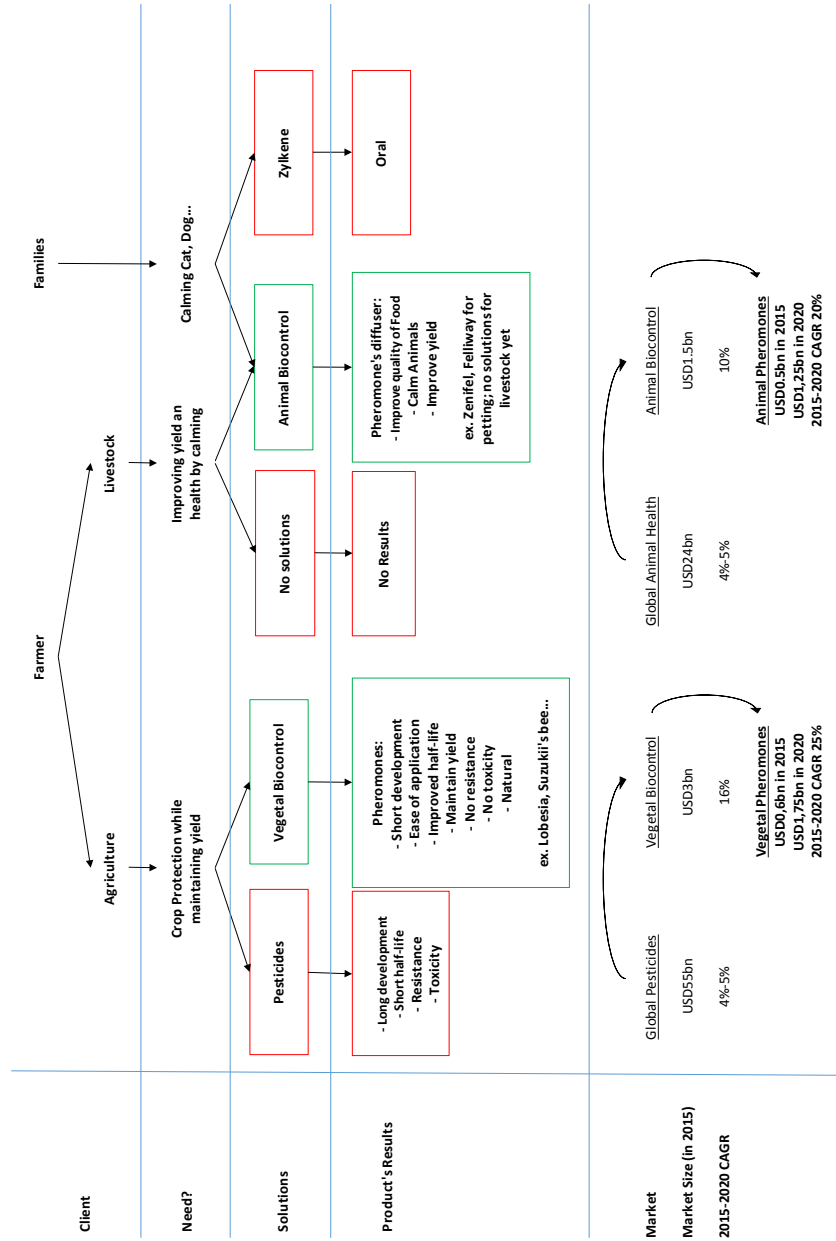
**Fig. 55: Apples/pears sales model**

in EURm (otherwise indicated)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>o/w Apples/Peers</b>	<b>0,0</b>	<b>0,0</b>	<b>0,3</b>	<b>1,8</b>	<b>3,4</b>	<b>4,8</b>	<b>4,8</b>	<b>4,7</b>	<b>4,7</b>	<b>4,6</b>	<b>4,6</b>
<b>% growth</b>				<b>457%</b>	<b>91%</b>	<b>39%</b>	<b>0%</b>	<b>-1%</b>	<b>-1%</b>	<b>-1%</b>	<b>-1%</b>
<b>Apples/Peers % total M2i</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
France - Apples/Peers (HA '000)	46	46	46	45	45	45	45	45	44	44	44
% growth	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%	-0,5%
France - Pheromones adoption (%)	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
France - M2i penetration (%)	0,0%	0,0%	1,5%	11,0%	20,5%	30,0%	30,5%	31,0%	31,5%	32,0%	32,5%
France - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
France - Sales	0,00	0,00	0,05	0,39	0,70	1,00	0,99	0,97	0,96	0,94	0,93
% growth				611%	81%	42%	-1%	-1%	-1%	-1%	-1%
Germany - Apples/Peers (HA '000)	34	34	34	34	34	34	34	34	34	34	34
% growth	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Germany - Pheromones adoption (%)	67%	70%	73%	77%	80%	80%	80%	80%	80%	80%	80%
Germany - M2i penetration (%)	0,0%	0,0%	1,5%	11,0%	20,5%	30,0%	30,5%	31,0%	31,5%	32,0%	32,5%
Germany - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Germany - Sales	0,00	0,00	0,04	0,28	0,52	0,75	0,74	0,73	0,73	0,72	0,71
% growth				648%	90%	43%	-1%	-1%	-1%	-1%	-1%
Italy - Apples/Peers (HA '000)	85	83	82	81	80	78	77	76	75	74	73
% growth	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%
Italy - Pheromones adoption (%)	23%	30%	37%	43%	50%	50%	50%	50%	50%	50%	50%
Italy - M2i penetration (%)	0,0%	0,0%	1,5%	7,7%	13,8%	20,0%	20,5%	21,0%	21,5%	22,0%	22,5%
Italy - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Italy - Sales	0,00	0,00	0,05	0,26	0,52	0,73	0,72	0,70	0,69	0,68	0,67
% growth				481%	100%	39%	-2%	-2%	-2%	-2%	-2%
Spain - Apples/Peers (HA '000)	30	29	29	28	28	28	27	27	26	26	26
% growth	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%
Spain - Pheromones adoption (%)	23%	30%	37%	43%	50%	50%	50%	50%	50%	50%	50%
Spain - M2i penetration (%)	0,0%	0,0%	1,5%	7,7%	13,8%	20,0%	20,5%	21,0%	21,5%	22,0%	22,5%
Spain - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Spain - Sales	0,00	0,00	0,02	0,09	0,18	0,26	0,25	0,25	0,24	0,24	0,24
% growth				481%	100%	39%	-2%	-2%	-2%	-2%	-2%
Poland - Apples/Peers (HA '000)	193	191	188	185	182	179	177	174	171	169	166
% growth	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%
Poland - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
Poland - M2i penetration (%)	0,0%	0,0%	1,5%	11,0%	20,5%	30,0%	30,5%	31,0%	31,5%	32,0%	32,5%
Poland - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Poland - Sales	0,00	0,00	0,06	0,52	1,06	1,50	1,46	1,43	1,39	1,36	1,32
% growth				726%	105%	41%	-2%	-2%	-2%	-2%	-2%
Hungary - Apples/Peers (HA '000)	33	32	32	31	31	30	30	29	29	29	28
% growth	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%	-1,5%
Hungary - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
Hungary - M2i penetration (%)	0,0%	0,0%	1,5%	11,0%	20,5%	30,0%	30,5%	31,0%	31,5%	32,0%	32,5%
Hungary - Price/HA (EUR)	100	100	100	98	95	93	90	88	86	84	82
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Hungary - Sales	0,00	0,00	0,01	0,09	0,18	0,25	0,25	0,24	0,24	0,23	0,22
% growth				726%	105%	41%	-2%	-2%	-2%	-2%	-2%
USA - Apples/Peers (HA '000)	149	147	146	144	143	141	140	138	137	136	134
% growth	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%	-1,0%
USA - Pheromones adoption (%)	15%	18%	22%	26%	30%	30%	30%	30%	30%	30%	30%
USA - M2i penetration (%)	0,0%	0,0%	1,5%	2,4%	3,3%	4,1%	5,0%	5,5%	6,0%	6,5%	7,0%
USA - Price/HA (EUR)	200	200	200	195	190	185	181	176	172	168	163
% growth	0%	0%	0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
USA - Sales	0,00	0,00	0,10	0,17	0,26	0,32	0,38	0,40	0,42	0,44	0,46
% growth				79%	52%	23%	17%	6%	5%	5%	4%

Source: Bryan, Garnier &amp; Co ests.



Fig. 56: Positioning in plant and animal biocontrol



Source: Bryan, Garnier & Co ests.

**Fig. 57: PnL**

<b>PnL</b>													
<b>in EURm (otherwise indicated)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Revenues	3,9	5,1	13,5	16,2	24,6	42,1	62,5	79,3	83,1	87,1	89,0	90,5	92,6
% growth	0%	30%	164%	20%	52%	72%	48%	27%	5%	5%	2%	2%	2%
COGS	-3,3	-2,9	-4,5	-5,2	-6,5	-7,9	-10,1	-12,1	-12,4	-13,0	-13,3	-13,6	-14,0
% revenues	-84,5%	-57,5%	-33,7%	-32,4%	-26,6%	-18,7%	-16,2%	-15,3%	-15,0%	-14,9%	-15,0%	-15,1%	-15,1%
% growth	0%	-12%	54%	15%	25%	21%	29%	20%	3%	4%	3%	2%	3%
<b>Gross Margin</b>	<b>0,6</b>	<b>2,2</b>	<b>8,9</b>	<b>10,9</b>	<b>18,0</b>	<b>34,3</b>	<b>52,3</b>	<b>67,1</b>	<b>70,7</b>	<b>74,1</b>	<b>75,7</b>	<b>76,9</b>	<b>78,6</b>
% revenues	15%	42,5%	66,3%	67,6%	73,4%	81,3%	83,8%	84,7%	85,0%	85,1%	85,0%	84,9%	84,9%
% growth	0%	256%	312%	22%	65%	90%	53%	28%	5%	5%	2%	2%	2%
gains bp	0	2701	2388	129	581	790	244	94	31	5	-7	-8	-8
External expenses	-1,3	-1,9	-3,3	-4,0	-6,1	-9,3	-13,1	-16,6	-17,5	-18,3	-18,7	-19,0	-19,4
% revenues	-34%	-37%	-25%	-25%	-25%	-22%	-21%	-21%	-21%	-21%	-21%	-21%	-21%
% growth	0%	41%	77%	22%	52%	51%	41%	27%	5%	5%	2%	2%	2%
SG&A	-4,3	-5,2	-5,8	-6,3	-6,9	-11,4	-15,6	-19,8	-20,8	-21,8	-22,2	-22,6	-23,1
% revenues	-108%	-102%	-43%	-39%	-28%	-27%	-25%	-25%	-25%	-25%	-25%	-25%	-25%
% growth	0%	22%	11%	9%	9%	65%	37%	27%	5%	5%	2%	2%	2%
Taxes	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3
% revenues	-8%	-6%	-2%	-2%	-1%	-1%	0%	0%	0%	0%	0%	0%	0%
% growth	0%	-5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other Contributive Operating Income/Ex	-0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% revenues	-8%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% growth	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
D&A	-2,7	-1,3	-2,5	-3,5	-4,4	-5,3	-6,2	-7,1	-7,5	-7,8	-8,0	-8,1	-8,3
% revenues	-69%	-26%	-19%	-21%	-18%	-13%	-10%	-9%	-9%	-9%	-9%	-9%	-9%
Other Operating Income/Expenses	1,7	-0,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% revenues	42%	-15%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% growth	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>EBITDA</b>	<b>-3,9</b>	<b>-5,9</b>	<b>-0,4</b>	<b>0,3</b>	<b>4,7</b>	<b>13,3</b>	<b>23,3</b>	<b>30,4</b>	<b>32,2</b>	<b>33,8</b>	<b>34,4</b>	<b>35,0</b>	<b>35,7</b>
% revenues	-99%	-116%	-3,3%	1,8%	19,3%	31,7%	37,3%	38,4%	38,7%	38,8%	38,7%	38,6%	38,6%
gains bp	0	-1681	11276	515	1742	1240	567	104	33	7	-6	-7	-7
% growth	0%	52%	-92%	-166%	1498%	182%	75%	30%	6%	5%	2%	2%	2%
<b>EBIT</b>	<b>-6,6</b>	<b>-7,2</b>	<b>-3,0</b>	<b>-3,2</b>	<b>0,4</b>	<b>8,0</b>	<b>17,1</b>	<b>23,3</b>	<b>24,7</b>	<b>25,9</b>	<b>26,4</b>	<b>26,8</b>	<b>27,4</b>
% revenues	-168%	-142%	-22,1%	-19,6%	1,4%	19,1%	27,4%	29,4%	29,7%	29,8%	29,7%	29,6%	29,6%
gains bp	0	2649	11958	258	2098	1765	828	199	33	7	-6	-7	-7
% growth	0	9%	-59%	6%	-111%	2190%	113%	36%	6%	5%	2%	2%	2%
Interests	0,0	-0,2	-0,3	-0,1	-0,2	-0,2	-0,3	-0,3	-0,3	-0,3	-0,1	-0,1	-1,1
Treasury products	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Financials income/expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Profit Before Tax</b>	<b>-6,7</b>	<b>-7,4</b>	<b>-3,3</b>	<b>-3,3</b>	<b>0,2</b>	<b>7,8</b>	<b>16,8</b>	<b>23,0</b>	<b>24,4</b>	<b>25,6</b>	<b>26,3</b>	<b>26,7</b>	<b>26,2</b>
% revenues	-169%	-146%	-25%	-20%	1%	19%	27%	29%	29%	29%	30%	29%	28%
% growth	0%	11%	-56%	0%	-105%	4627%	114%	37%	6%	5%	2%	2%	-2%
taxes	1,6	0,0	0,0	0,0	-0,1	-2,6	-5,6	-7,7	-8,1	-8,5	-8,8	-8,9	-8,7
% tax rate	-24%	0%	0%	0%	-33%	-33%	-33%	-33%	-33%	-33%	-33%	-33%	-33%
<b>Net Income Group</b>	<b>-5,1</b>	<b>-7,4</b>	<b>-3,3</b>	<b>-3,3</b>	<b>0,1</b>	<b>5,2</b>	<b>11,2</b>	<b>15,3</b>	<b>16,3</b>	<b>17,1</b>	<b>17,5</b>	<b>17,8</b>	<b>17,5</b>
% revenues	-128%	-145%	-25%	-20%	0%	12%	18%	19%	20%	20%	20%	20%	19%
% growth	0%	47%	-55%	0%	-103%	4627%	114%	37%	6%	5%	2%	2%	-2%
Non Controlling interest	-1,6	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
% Net Income	31%	2%	3%	3%	-103%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
<b>Net Income attributable to M2i</b>	<b>-3,5</b>	<b>-7,3</b>	<b>-3,4</b>	<b>-3,4</b>	<b>0,0</b>	<b>5,1</b>	<b>11,1</b>	<b>15,2</b>	<b>16,2</b>	<b>17,0</b>	<b>17,4</b>	<b>17,7</b>	<b>17,4</b>
% revenues	-89%	-143%	-25%	-21%	0%	12%	18%	19%	19%	19%	20%	20%	19%
% growth	0%	109%	-53%	0%	-100%	-143276%	117%	38%	6%	5%	2%	2%	-2%
NoS reported (in k shares)	69	300	300	300	300	300	300	300	300	300	300	300	300
NoS diluted (in k shares)	69	334	334	334	334	334	334	334	334	334	334	334	334
<b>EPS reported (EUR/share)</b>	<b>-50,74</b>	<b>-24,37</b>	<b>-11,41</b>	<b>-11,40</b>	<b>-0,01</b>	<b>17,03</b>	<b>36,87</b>	<b>50,69</b>	<b>53,86</b>	<b>56,64</b>	<b>58,05</b>	<b>58,94</b>	<b>57,91</b>
% growth	0%	-52%	-53%	0%	-100%	na	117%	38%	6%	5%	2%	2%	-2%
<b>EPS diluted (EUR/share)</b>	<b>-50,74</b>	<b>-21,87</b>	<b>-10,24</b>	<b>-10,23</b>	<b>-0,01</b>	<b>15,28</b>	<b>33,08</b>	<b>45,49</b>	<b>48,33</b>	<b>50,83</b>	<b>52,10</b>	<b>52,89</b>	<b>51,97</b>
% growth	0%	-57%	-53%	0%	-100%	na	117%	38%	6%	5%	2%	2%	-2%

Source: Company Data (historical); Bryan, Garnier & Co ests.

Fig. 58: Balance Sheet

## BALANCE SHEET

in EURm (otherwise indicated)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Goodwill	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4
Intangible	3,5	4,1	4,6	4,7	4,7	4,8	4,6	4,7	4,7	4,7	4,7	4,7	4,7
PPE	6,6	6,3	7,3	7,4	7,3	7,6	7,1	7,4	7,4	7,4	7,4	7,4	7,4
Non-Current Financial assets	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Deferred tax	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
<b>Total Non-Current Assets</b>	<b>11,7</b>	<b>12,0</b>	<b>13,6</b>	<b>13,7</b>	<b>13,7</b>	<b>14,0</b>	<b>13,3</b>	<b>13,7</b>	<b>13,7</b>	<b>13,7</b>	<b>13,7</b>	<b>13,7</b>	<b>13,7</b>
Inventories	2,7	2,6	2,2	2,7	4,1	7,0	10,4	13,2	13,9	14,5	14,8	15,1	15,4
Accounts Receivables	1,3	1,6	1,1	1,3	2,0	3,5	5,2	6,6	6,9	7,3	7,4	7,5	7,7
Current Tax receivable	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Other Current assets	1,7	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3
Cash & Cash Equivalents	0,1	0,2	-3,5	-6,7	-5,8	0,6	14,1	29,4	46,0	63,4	81,1	99,0	116,6
<b>Total Current Assets</b>	<b>6,5</b>	<b>6,2</b>	<b>1,8</b>	<b>-0,7</b>	<b>2,2</b>	<b>13,0</b>	<b>31,6</b>	<b>51,1</b>	<b>68,6</b>	<b>87,1</b>	<b>105,2</b>	<b>123,5</b>	<b>141,7</b>
<b>Total Assets</b>	<b>18,2</b>	<b>18,3</b>	<b>15,4</b>	<b>13,0</b>	<b>15,9</b>	<b>27,0</b>	<b>44,9</b>	<b>64,8</b>	<b>82,4</b>	<b>100,8</b>	<b>119,0</b>	<b>137,3</b>	<b>155,4</b>
Capital	0,2	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Additional Paid-in capital	0,3	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8
Retained earnings	10,1	2,2	-8,4	-11,7	-11,6	-6,4	4,8	20,1	36,3	53,4	71,0	88,8	106,2
Net Income	-3,5	-7,3	-3,4	-3,4	0,0	5,1	11,1	15,2	16,2	17,0	17,4	17,7	17,4
Non-controlling interests	1,0	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3
<b>Total Equity</b>	<b>8,1</b>	<b>1,7</b>	<b>-1,6</b>	<b>-4,9</b>	<b>-4,8</b>	<b>0,4</b>	<b>11,6</b>	<b>26,9</b>	<b>43,2</b>	<b>60,3</b>	<b>77,8</b>	<b>95,6</b>	<b>113,1</b>
Long-term Debt	0,4	2,5	2,5	2,5	2,5	2,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5
Other non-current financial liabilities	0,9	3,4	3,4	3,4	3,4	3,4	3,4	3,4	3,4	3,4	3,4	3,4	3,4
Provision for pensions	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5
Other provisions	0,0	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Deferred tax													
<b>Total Non-Current Liabilities</b>	<b>1,9</b>	<b>6,6</b>	<b>6,6</b>	<b>6,6</b>	<b>6,6</b>	<b>6,6</b>	<b>5,6</b>	<b>5,6</b>	<b>5,6</b>	<b>5,6</b>	<b>5,6</b>	<b>5,6</b>	<b>5,6</b>
Short-Term Debt	0,0	0	0	0	0	0	1	0	0	0	0	0	0
Other current financial liabilities	0,4	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Accounts Payables	3,7	4,0	4,5	5,4	8,2	14,0	20,8	26,4	27,7	29,0	29,7	30,2	30,9
Deferred tax	0,0												
Other Liabilities	4,1	5,7	5,7	5,7	5,7	5,7	5,7	5,7	5,7	5,7	5,7	5,7	5,7
<b>Total Current Liabilities</b>	<b>8,3</b>	<b>9,9</b>	<b>10,4</b>	<b>11,3</b>	<b>14,1</b>	<b>19,9</b>	<b>27,7</b>	<b>32,3</b>	<b>33,6</b>	<b>34,9</b>	<b>35,5</b>	<b>36,1</b>	<b>36,7</b>
<b>Total Liabilities</b>	<b>18,2</b>	<b>18,3</b>	<b>15,4</b>	<b>13,0</b>	<b>15,9</b>	<b>27,0</b>	<b>44,9</b>	<b>64,8</b>	<b>82,4</b>	<b>100,8</b>	<b>119,0</b>	<b>137,3</b>	<b>155,4</b>

Fig. 59: Cash Flow Statement

## CASH FLOW

in EURm (otherwise indicated)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net Income	-5,1	-7,4	-3,3	-3,3	0,1	5,2	11,2	15,3	16,3	17,1	17,5	17,8	17,5
D&A, Provisions	2,8	1,6	2,7	3,7	4,8	5,8	6,9	7,9	8,3	8,7	8,9	9,1	9,3
% revenues	71%	32%	20%	23%	19%	14%	11,0%	10,0%	10%	10%	10%	10%	10%
Gain on disposal	0,2	0,0											
Others	0,0	0,0											
Interest (cost of debt)	0,0	0,2											
Income tax expense	-1,6	0,0											
Change in Operating WC	3,3	2,1	1,2	0,2	0,7	1,5	1,7	1,4	0,3	0,3	0,2	0,1	0,2
payable tax expense disbursed	0,3	-0,1											
<b>Operating cash flow</b>	<b>0,0</b>	<b>-3,6</b>	<b>0,6</b>	<b>0,6</b>	<b>5,6</b>	<b>12,5</b>	<b>19,7</b>	<b>24,6</b>	<b>24,9</b>	<b>26,1</b>	<b>26,6</b>	<b>27,0</b>	<b>26,9</b>
CAPEX (purchase of PPE, intangibles)	-2,9	-1,7	-4,2	-3,8	-4,7	-6,1	-6,2	-8,3	-8,3	-8,7	-8,9	-9,1	-9,3
% revenues without CAPEX plan	-73%	-33%	-28%	-24%	-19%	-15%	-10%	-10%	-10%	-10%	-10%	-10%	-10%
% revenues	-73%	-33%	-31%	-24%	-19%	-15%	-10%	-11%	-10%	-10%	-10%	-10%	-10%
Purchase/Proceeds disposals (PPE, intangibles)	0,0	0,0											
changes in loan and advances to customers	-0,1	0,0											
<b>Investing Cash Flow</b>	<b>-3,0</b>	<b>-1,6</b>	<b>-4,2</b>	<b>-3,8</b>	<b>-4,7</b>	<b>-6,1</b>	<b>-6,2</b>	<b>-8,3</b>	<b>-8,3</b>	<b>-8,7</b>	<b>-8,9</b>	<b>-9,1</b>	<b>-9,3</b>
Proceed from capital increase	2,9	1,1											
Issuance/Purchase of treasury shares	0,0	0,0											
Proceeds from issuance of debt	0,3	2,4											
Repayment of debt	0,0	-0,4	0,0	0,0	0,0	0,0	0,0	-1,0	0,0	0,0	0,0	0,0	0,0
Interest paid	0,0	-0,2											
Other financing activities	-0,2	2,2											
<b>Investing Cash Flow</b>	<b>2,9</b>	<b>5,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-1,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Cash BoP</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-7</b>	<b>-6</b>	<b>1</b>	<b>14</b>	<b>29</b>	<b>46</b>	<b>63</b>	<b>81</b>	<b>99</b>
Net Increase/Decrease in cash	-0,1	-0,1	-3,6	-3,2	0,9	6,4	13,5	15,3	16,6	17,4	17,7	17,9	17,7
<b>Cash EoP</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-7</b>	<b>-6</b>	<b>1</b>	<b>14</b>	<b>29</b>	<b>46</b>	<b>63</b>	<b>81</b>	<b>99</b>	<b>117</b>

Source: Company Data (historical); Bryan, Garnier &amp; Co ests.

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### Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

BUY ratings 56.2%

NEUTRAL ratings 34%

SELL ratings 9.7%

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