

Osmozis

Buy - TP EUR6.7

Every campsite's best buddy

Smart cities: improving sustainability and comfort



March 2021

THEMATICS

As of September 2020, Bryan Garnier & Co's Equity Research has become more thematic-focused. This note specifically addresses and illustrates the following thematic:

Smart cities: improving sustainability and comfort

The camping best buddy



While the share price performance has been somewhat disappointing since the 2017 IPO, we believe the key issue for Osmozis remains its ability to generate firm top-line growth. Combining strong market share, more subscription-based contracts and specifically designed connected products, Osmozis' efforts should now gradually start to pay off.

- Flat revenue of EUR8m over the 2017-2020 period was a key disappointment, following a strong previous track record with 29% growth in revenue in 2016, and average growth of 24% between 2009 and 2016 in the number of pitches benefiting from the group's products or services.
- The flat performance was mostly explained by disappointing sales momentum, in a steady competitive backdrop. Changes at the commercial level with a new head of sales for the third time since the IPO have not helped either.
- However, the top-line focus should not mask the group's successes with an impressive EBITDA margin recovery over 2017-2019 (+c500bp to 21%), two acquisitions enabling the group to muscle its hardware (fibre) and software (PMS) proposal, and an ongoing leadership position in France with around 33% market share.
- Today, the group's offer is sufficiently large with a wide spectrum of products and services, some of them recently launched, and marketing is now the priority. This will be the key objective for Sébastien Deschamps, the group's new sales director since February 2020.
- Osmozis' international ambitions have changed too. Germany, the Netherlands and the UK are no longer a priority and efforts will be fully refocused on Spain and Italy. That said, expansion beyond France will depend on the group's ability to find the right target for an acquisition, which will not be an easy task.
- We estimate Osmozis' net profit at close to breakeven in 2021 and positive in 2022. Thereafter, we target 2025 revenues of EUR20m and EBITDA margin close to 30%, combined with FCF close to EUR1m. With these estimates and an 8.4% WACC-based DCF, we value Osmozis at EUR6.7 per share. An alternative multiple-based approach suggests this valuation is valid. Obviously, it will mostly depend on the group's ability to generate sufficient revenue growth over the period.
- We initiate coverage of Osmozis with a Buy rating.

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating



CONVICTION BUY

The highest possible rating, based on a very strong conviction in the mid/long-term outlook and strategic choices made by a company, and should therefore be reflected in the extent of upside in the associated target price. There is no reason to limit the number of CONVICTION BUY ratings, however they must also reflect some kind of preference in relative terms within a sector.



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.



CONVICTION SELL

This is the lowest possible rating reflecting a strong disagreement with the main strategic choices made by a company, pointing to the risk of de-rating and value destruction and which is obviously also reflected in downside potential between the share price and the target price.

DISTRIBUTION OF STOCK RATINGS

Conviction BUY	11.3%
BUY ratings	56.7%
NEUTRAL ratings	14.2%
SELL ratings	17.7%
Conviction SELL	0%

Research Disclosure Legend

Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	Yes
Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	Yes

TARGET PRICE : As of September 2020, we are moving our historical FV (Fair Value) system to share our views on the theoretical valuation of a company, to a TP (Target Price) system. The main reason behind this change is to provide flexibility in reflecting the different scenarios and assumptions we make for each investment case. FV was the theoretical valuation of a company NOW. TP will be the theoretical value of a company over a standard 12-month period. With this new system, it will therefore be possible to include many more scenarios, to make more accurate and precise assumptions and to some extent, to project ourselves at the right time for the purpose of the investment case. With TP instead of FV, we should also be more aligned with our ratings, which is always better for a good global understanding of our opinions.

Summary of Investment Research Conflict Management Policy is available www.bryangarnier.com

London	Paris	Munich	New York
Bryan, Garnier & Co Ltd	Bryan, Garnier & Co Ltd	Bryan, Garnier & Co. GmbH	Bryan Garnier Securities LLC
Beaufort House 15 St. Botolph Street London EC3A 7BB United Kingdom	26 Avenue des Champs-Élysées 75008 Paris France	Widenmayerstrasse 29 80538 Munich Germany	750 Lexington Avenue 16th floor New York, NY 10022 United States
+44 207 332 2500	+33 1 56 68 75 20	+49 89 2422 62 11	+1 212 337 7000
Oslo	Stockholm	Reykjavik	
Beringer Finance AS	Beringer Finance	Höfðatorg, Katrínartún 2 105 Reykjavik Iceland	
Beddingen 8, Aker Brygge Postbox: 0117 Oslo Oslo 0250 Norway	Malmskillandsgatan 32, 6th Floor 111 51 Stockholm Sweden		
+47 908 45 025	+46 722 401 080	+354 554 78 00	

This Report is produced by:

BRYAN GARNIER & Co Limited

A company registered in England, number 03034095, with head office located at 15 St Botolph Street, Beaufort House, EC3A 7BB, London (UK), and its branch registered in France, Number 452 605 512.

Bryan Garnier & Co Limited is approved and regulated by the FCA (Reference number 178733).

Head of Research at the branch office in France: Mr Thomas COUDRY

This Report is distributed by:

BRYAN GARNIER SECURITIES

A joint-stock company, registered in France, number 849 438 478, with head office located at 26 avenue des Champs Elysées, 75008 Paris (France).

Bryan Garnier Securities is approved and regulated by the ACPR and the AMF (Bank code 15683).

Responsible for the publication: Mr Eric LE BERRIGAUD

Hereinafter, the unit made up of Bryan Garnier & Co Limited and Bryan Garnier Securities will be designated as "Bryan Garnier".

This document is classified as being investment research (independent research). Bryan Garnier has in place the required arrangements required for investment research as set out in the regulation.

Important information

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

This Report is based on information obtained from sources that Bryan Garnier believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Bryan Garnier makes no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier and/or its affiliates, may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies). Should it be the case, appropriate disclosure is included in this Report.

Bryan Garnier and/or its affiliates are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

This Report is intended exclusively for professional clients and eligible counterparties within the meaning of the Markets in Financial Instruments Directive II (MiFID II). Any recipient who is not such a person should return the Report to Bryan Garnier immediately and should not rely on it for any purposes whatsoever.

Disclosures specific to clients in the United Kingdom:

This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors:

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.