ODDO BHF

Equity report– Initiating coverage

Software | France

Sidetrade

Outperform ➔ | Target price : 188 €

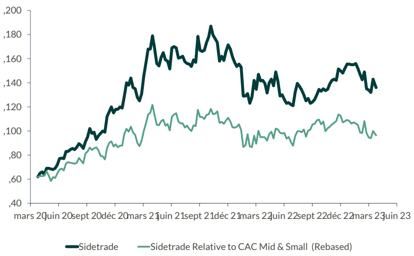
Price (24/04/2023) : € 136.00 | Upside : 38%

Revision	2022e	2023e
EPS	ns	ns

It always pays off in the end - coverage initiated with an Outperform rating

Publication date 25/04/2023 17:41

Writing date 25/04/2023 17:10



Sources : ODDO BHF Securities, SIX

Share data			
ALBFR FP | ALBFR.PA			
Market Cap (€m)			195
Enterprise value (€m)			179
Extrema 12 months (€)		120.0 -	167.0
Free Float (%)			56.6
Performance (%)	**1m**	**3m**	**12m**
Absolute	0.7	-11.1	-4.2
Perf. rel. Country Index	-1.9	-9.7	1.5
Perf. rel. CAC Mid & Small	-1.9	-9.7	1.5
P&L	**12/23e**	**12/24e**	**12/25e**
Sales (€m)	43.2	49.9	57.3
EBITDA (€m)	2.2	3.1	4.5
Current EBIT (€m)	3.9	5.2	6.9
Attr. net profit (€m)	3.4	4.4	5.9
Adjusted EPS (€)	2.45	3.15	4.22
Dividend (€)	0.00	0.00	0.00
P/E (x)	55.4	43.2	32.2
P/B (x)	6.2	5.4	4.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	2.9	3.6	4.6
EV/Sales (x)	4.14	3.48	2.88
EV/EBITDA (x)	81.4	56.0	36.8
EV/Current EBIT (x)	45.7	33.5	23.8
Gearing (%)	-51	-64	-76
Net Debt/EBITDA (x)	-6.9	-7.0	-6.7

Next Events	
01/05/2023	Q1 Sales
18/07/2023	H1 Sales
12/09/2023	H1 Results

With the participation of:
Amira Manai
Yosr Jamoussi

As cash -re-ascended the throne, demand for Order-to-Cash automation software is on the rise, amid the need to secure outstanding receivables and generate productivity gains, among other things. In this line of business, Sidetrade's SaaS platform harbours strong ambitions thanks to its undeniable qualities, namely a recognised technology, a mature Cloud/SaaS footprint, geo-extension, a robust business model, and a double-digit trajectory. The group is gathering pace, benefiting from drivers solid enough to sustain momentum and offer stock upside potential. We are initiating coverage with an Outperform rating and a TP of € 188.

Publisher with qualitative positioning and order-to-cash "3.0" specialist status

Founded in 2000 by current CEO Olivier Novasque, Sidetrade is a leading player in the order-to-cash customer process automation software segment (O2C). The company is a pioneer in Cloud/SaaS. It initially started off as a cash collection specialist, but it has gradually developed its offering and extended its functional coverage. Despite its modest size, Sidetrade can hold its own against major rivals (Highradius, FIS/GetPaid, Billtrust, Esker and ERP), and does even appear to have something of a technological edge in its core business (cash collection, risk management) thanks to the integration of Aimie, an AI platform well-known amongst specialists (and accredited by operational staff contacted when writing this report).

Set to gain momentum thanks to a host of drivers with the means to meet targets

Stellar momentum in 2022 (revenues up 13%, of which +22% for SaaS subscriptions, and record order intake, up 36% to € 6.4m in annual recurring revenue - ARR) boosted visibility, paving the way for embedded strong growth to be booked in 2023 (17%e). This acceleration comes after the group's strategy started to pay off in the US (>50% of order intake), a driver strengthened by the acquisition of Amalto (2021) and Gartner's listing among I2C leaders (2022). Other growth catalysts include: 1/ positioning in structurally buoyant trends (under-equipped market, growing at a double-digit pace), 2/ integration of new modules (to fertilise installed base), 3/ European regulations, and 4/ M&A (solid balance sheet, cash >€ 30m).

Ambitious (but controlled) 2025 trajectory: joining the Centaurs club

Thanks to a favourable outlook and a sustained investment policy (with a balanced growth/profitability trade-off), the group remains committed to its Fusion100 plan, rolled out to generate $ 100m in ARR by 2025 (including M&A). We believe it is difficult to deliver on this plan within this timeframe (only the trajectory matters after all), but its execution would make Sidetrade a near-"Centaur" (company >$ 100m in ARR), a new status (based on revenues, not valuation) increasingly scrutinised by P/E funds (critical mass, de-risked profile). We therefore see a speculative appeal in the long term (mature company, and management looking pragmatic on the subject). In the meantime, we are adopting a cautious approach with a 2023-27 revenue CAGR of 15% organically and leverage on earnings that can only come about very gradually (opex-intensive model) to tend towards a target EBIT margin of 20%+ in the long term.

Attractive growth profile-coverage initiated with Outperform rating, TP of € 188

Sidetrade boasts an attractive, low-risk profile, and its business model, combining double-digit growth, visibility, recurrence, and profitability, justifies a high valuation. The stock is trading at 3.8x 12m fwd revenues, at a discount to Cloud/SaaS peers, particularly in the US (attributable to its size, listing and liquidity). Beyond the multiples, we think the potential lies mainly in the growth profile: compounder status, and one of the industry's lowest PEG ratios. We believe the stock could double in the next three to five years. Based on our different methods, our fundamental valuation ranges between € 180 € and € 200 per share. In a concentrating market (increasing number of buyouts), Sidetrade is set to become a prime target in the future. We are initiating coverage of the stock with an Outperform rating and a target price of € 188.

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Sidetrade

Software | France
Market Cap: € 195m

Outperform
Target price: 188 €
Price (24/04/2023) : € 136.00

Company profile

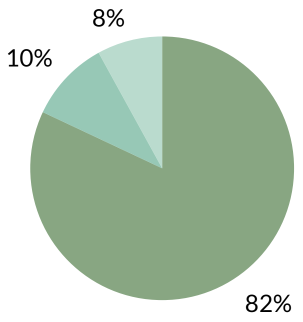
Founded in 2000, and pioneer of Cloud subscription-based model (SaaS), Sidetrade is a leading player in the order-to-cash process automation software (from order taking to cash collection), designed to secure outstandings, accelerate payment times, increase productivity, and improve customer relations and loyalty.

Shareholders

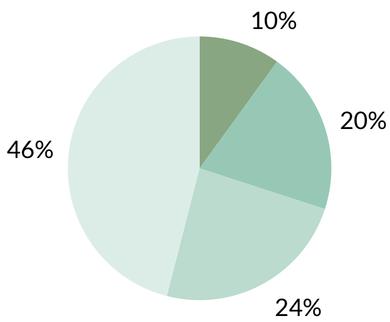
Free float	56.60%
Olivier Novasque	32.00%
Treasury stock	6.00%
Employees	5.40%

Sales breakdown (2022)

By business



By region



Investment case

At a time when cash is -more than ever- king (=increasing demand for B2B software to automate Order-to-Cash processes), Sidetrade's Cloud platform seems to us ideally positioned: recognised technology, advanced AI, pure player in Cloud/SaaS, and promising penetration in the US. Indeed, Sidetrade boasts an attractive and low-risk profile (a good vehicle to "leapfrog" over 2023), and its business model (combining double-digit growth, visibility, recurrence, and profitability) justifies a high valuation. In addition, the group is gathering pace, benefiting from tangible drivers solid enough to sustain momentum and offer stock upside potential. We are initiating coverage of the stock with an Outperform rating with a target price of €188.

SWOT analysis

Strengths

- Qualitative positioning in its segment. Among the three leaders referenced by Gartner
- Proven business model (pure SaaS player), with low risk (recurrence)
- Balanced trade-off between double-digit growth and profitability
- Solid balance sheet, making it possible to consider future development with confidence

Weaknesses

- Relatively small size compared to other global players
- Limited reseller/integrator network (because of low level of customisation)
- As yet limited position in the back end of the cycle (e.g. B2B payments)
- Growth model still opex intensive

Opportunities

- New technological bricks, developed internally, via M&A or partnerships
- Development of the channel and the indirect sales force
- Ramp-up in the US (the most mature market)
- European e-Invoicing regulations

Threats

- Deteriorating market environment (impact on demand and churn)
- Increased competition (better financed players, new entrants, etc.)
- Unfavourable USD fluctuations

ESG

Sidetrade entered the final stage in its efforts to formalise its CSR strategy. After calculating a complete carbon footprint, the group is preparing its first CSR report, slated to be published at the end of H1 2023. Reporting quantitative KPIs and formulating targets based on these KPIs should enable the group to speed up its CSR strategy. To date, we see the formalisation of governance choices with reference to a governance code (Middlenext) as a significant growth driver for Sidetrade.

See the dedicated section of the report for more details.

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SUMMARY OF OUR INVESTMENT CASE

At a time when cash is -more than ever- king (=increasing demand for business/B2B software to automate customer flows), Sidetrade's Cloud platform seems to us ideally positioned: recognised technology, advanced AI, pure player in Cloud/SaaS, and promising penetration in the US. Indeed, Sidetrade boasts an attractive and low-risk profile (a good vehicle to "leapfrog" over 2023), and its business model (combining double-digit growth, visibility, recurrence, and profitability) justifies a high valuation. In addition, the group is on a fast track and benefits from several drivers strong enough to give an additional boost to its financial profile and stock market value. We are initiating coverage of the stock with an Outperform rating with a target price of €188.

- **Founded in 2000 and listed on Euronext Growth since 2005, Sidetrade is a major historical player in the order-to-cash segment:** despite its relatively modest size, the group seems ideally positioned to be a winner in this growing market. We would like to look at three key success factors: 1/ a solid technological base (AI) and a broad functional coverage of the cycle, as a pure SaaS Cloud player (leading position in the Gartner I2C Magic Quadrant), 2/ significant commercial opportunities thanks to suitable geo-extension in the North American market, which constitutes a significant growth driver, and 3/ a relatively qualitative customer base, mostly made up of large customers (credibility, upsell potential).

- **A structurally buoyant market segment in a (paradoxically) favourable environment in the short-term:** the main growth factors include 1/ the need for big companies to upgrade their back office, 2/ under-equipped market, and 3/ growing adoption of the Cloud technology, particularly for this type of enterprise software. In addition, the cost of cash in the current environment and the search for productivity gains will further boost adoption over the next few years, despite threats of possible budgetary cuts to B2B software spending in the event of an economic downturn.

- **Defensive profile to better withstand severe recession:** a (proven) business model gives Sidetrade excellent visibility and resilience thanks to multi-year contracts (average contract term >3 years) and a high retention rate (90% recurring revenues, churn <5%). In the event of a major crisis, most companies start by halting capex (vs opex) investments, generating = less volatility on SaaS sales.

- **Predictable double-digit growth trajectory set to gather pace in the future:** record bookings in 2022 (two-thirds booked as revenues N+1) gave the group excellent visibility over 2023. Sidetrade has indeed the means to accelerate its growth towards high teens (vs. historical average of 10-15%). The investments made in 2022, particularly in the US, should give Sidetrade the means to sustain this trajectory. This is in line with the Fusion 100 plan, rolled out to step up growth towards $ 100m in ARR by 2025.

- **Operational leverage may be limited in the short term, but potential for profitability is high and yet to be revealed:** with a high Cloud gross margin (92%), the best in the industry, and a long-term customer-generated ROI (payback: two years, LTV: ~20 years), we believe Sidetrade is in a position to turn in a margin close to the margins delivered by major Cloud players at scale at 20%+ of EBIT. This will ultimately be a key factor in Sidetrade's valuation.

- **Particularly strong balance sheet** (€ 20m net cash, including treasury stock): this gives the group the capacity to invest and expand through M&A when it is a strategically valid rationale (e.g. Amalto). We estimate Sidetrade's firepower at € 25-50m, i.e. the capacity to acquire around € 10m in revenue depending on the valuation levels used.
- **A stable ownership structure and aligned interests with regular share purchases by the CEO on the market**: this is obviously always a very positive signal in the small cap segment.
- **Demanding valuation but justified by the group's fundamental qualities:** short-term valuation multiples may seem high, but they are justified by visibility and a balanced trade-off between growth and profitability (organic growth: 15-20%; margin: 10%+). Our valuation stands at € 188 (obtained based on an average between DCF, peer comparison, and the application of a normative multiple on 2027 updated 12m aggregates). The various methods used give a € 180-200 range.
- **Speculative appeal in a consolidating market:** several recent deals (a spate of buyouts after numerous IPOs and fund-raising rounds over the past five years) stirred the sector in 2022 and early 2023. These deals were carried out at constantly very high valuation levels (Coupa, Billtrust, etc.). This remains a powerful signal for listed players that have strongly underperformed and constitute interesting valuation markers. We see Sidetrade as a potential target given its modest size and positioning. In addition, the financial profile and business model remain very LBO-compatible.

QUALITATIVE POSITIONING: O2C PURE PLAYER IN 100% SAAS CLOUD TECHNOLOGY

Founded in 2000 by its current CEO, Olivier Novasque, Sidetrade is a leading player in the order-to-cash process automation software (from order taking to cash collection) designed to secure outstanding amounts, speeding up payment times, increasing productivity, and improving customer relations and loyalty.

The company is a pioneer in the SaaS Cloud technology (84% of revenues). It started out as a cash collection specialist, but it gradually developed its offering and extended its functional coverage. Despite its modest size, Sidetrade is as good as major rivals (Highradius, FIS/GetPaid, Billtrust, Esker and market's major financial ERPs), and does even appear to have something of a technological edge in its core business (debt collection) thanks to the integration of Aimie, an AI platform well-known amongst specialists and accredited by operational staff (CFO, Credit managers) contacted for this report.

Based in Paris, the group is one of the few pure players in the French SaaS market to adopt an aggressive international strategy (alongside Esker, for example), first across Europe and, more recently, in the US, with offices in London, Birmingham, Dublin, Houston and Calgary. The company employs nearly 300 people and serves the needs of large customers (~3000 clients) in >85 countries (horizontal and generalist software).

A specialist in Order-to-Cash process automation

A smart "3.0" order-to-cash management platform

Sidetrade focuses on the digitisation of accounting and financial functions, particularly the processing and automation of processes relating to accounts receivable (order-to-cash cycle).

Since its creation in the 2000s, the group has published and marketed an artificial intelligence-powered Cloud platform, which, among other things, helps automate the processing of customer collections (debt collection) and the entire cash flow cycle in a company. Sidetrade's software suite also addresses other complementary functional areas such as claims management (Claims & Deductions), customer credit assessment (Credit Management), electronic invoicing (e-Invoicing) and automatic payment lettering (Cash app). Sidetrade's solution is composed of several modules covering a large part of the digitisation of inter-company flows (end-to-end process).

Overview of functional coverage of order-to-cash cycle

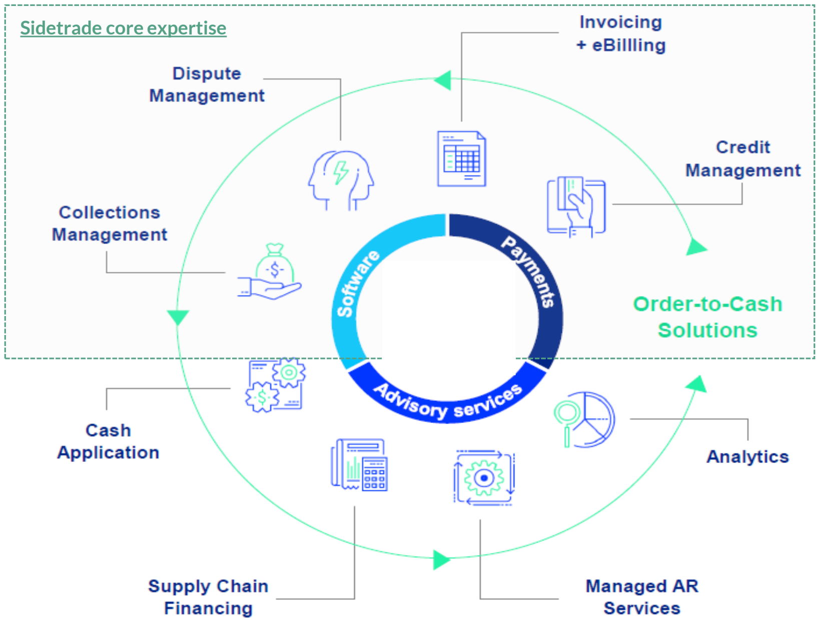


Chart 1 - Sources: Corcentric, ODDO BHF Securities

Description of the features and main modules within the order-to-cash cycle

Product/Capabilities	Description
Customer orders (Order Management)	This solution allows the customer service or sales administration department to fully digitise order entry and order taking (fax, email, mail, EDI, web, etc.) and ensure better management of the activity (visibility, contacts, stock management, etc.).
Customer credit management (Credit Management)	This module exploits external data (e.g. credit ratings) and internal data (e.g. payment behaviour) to better monitor the credit risk for each customer/prospect.
Customer invoices (AR/e-Invoicing)	This module enables the digitisation of customer invoices and ensures/automates the distribution (mail, e-mail, web portal, Chorus platform, EDI-XML) and electronic archiving of documents.
Payment collection (Cash Collection)	This module is used to set up reminder scenarios according to the customer's payment profile, and automate several tasks (reminder letters, payment reminders and statements of account, prioritisation of reminder calls, etc.) to accelerate collections, reduce DSO and secure revenue.
Claims & Deductions (Dispute Management)	This solution is used to manage customer invoicing disputes more quickly and efficiently using electronic workflows (commercial and non-commercial claims, back margins, etc.), and (ultimately) to release the payment of an invoice.
Lettering and management of cash collection (Cash apps)	This module is used to capture, read and extract data from payment notices to reconcile them with open invoices, which facilitates lettering in the ERP or accounting application.
Payment	This solution is used to receive payments from customers via multiple methods and provides secure payment gateways that comply with financial regulations in each country.

Table 2 – Source: ODDO BHF Securities

Sidetrade's Cloud platform is designed to automate and facilitate practices used in companies to collect debt and make the daily life of credit managers easier in terms of risk prevention, customer debt collection, and dispute management. Sidetrade's O2C platform helps companies get paid faster by improving each step of the cycle. In addition to invoice distribution and collection management, Sidetrade eliminates delays and errors in order processing that can impact collections or cash flow. The offering is also based on a collaborative platform designed to offer visibility at all levels (from sales representatives upstream of the process to the credit manager, via accounting, customer service and sales).

The benefits include a reduction in DSO, a reduction in routine operations, increased productivity, and improved customer relations.

The benefits include securing outstanding receivables and reducing DSO, increasing productivity, eliminating low-value manual tasks, reducing operational costs, speeding up sales cycles, and improving customer relationship and experience. The benefits are numerous for finance/accounting, collections, sales administration, and customer service/commerce departments.

Sidetrade' SaaS solution meets the challenge of securing a company's main asset, its receivables. Specifically, it is believed that 1/ the ROI on these solutions is <12 months, 2/ the average gain in DSO is ~6 days according to a customer survey (up to 30% reduction in collection times according to a BCG survey), 3/ a significant increase in the productivity of collection teams, (cutting costs by 15% to 30% on average depending on the organisation), 4/ an increase in customer satisfaction, and 5/ increased employee satisfaction (less repetitive work, redeployment on strategic tasks). In a nutshell, Sidetrade's solution enables its clients to reduce their costs while generating more cash by securing outstanding receivables.

Following several exchanges with operational staff (CFO or Credit Manager, clients or not of the software) made as part this report, Sidetrade's offering appears to stand out for 1/ its ease of implementation and deployment (quick start-up after training), requiring few complex settings or man-days in terms of Services (plug-and-play in a few months) 2/ its ergonomics (ease of use) thanks to good work on user experience (user-friendly) 3/ the collaborative aspect and visibility on the cycle by associating sales/front-office with back-office issues (e.g. communication between the dunning service, sometimes in a dedicated service centre, and sales staff), which seems to require specific costly development via a generalist ERP, 4/ its support in collection strategies (in addition to the Digital Letter proposed by Sidetrade) and 5/ its pricing structure (mostly subscription-based depending on revenue volume and not user: one invoice per year; "Salesforce style").

Sidetrade's pricing (based on size, modules and commitment)

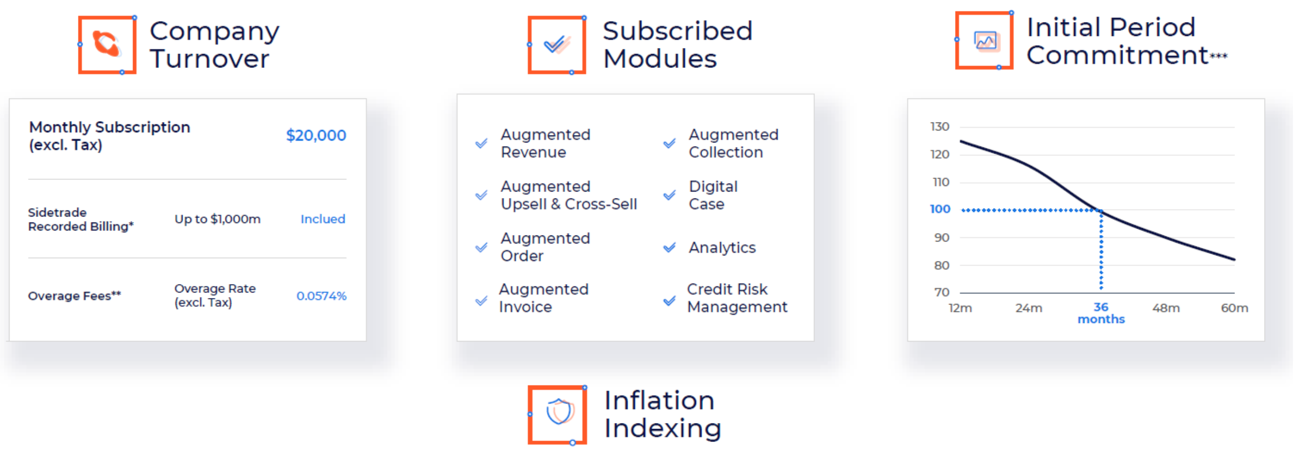


Chart 3 – Source: Company

Steady growth since the company's IPO in 2005, with solid balance between growth and profitability

Sidetrade has continued to expand through organic growth and via a number of M&A deals (BrightTarget, IKO System C-Radar, Amalto), which has enabled it to integrate new markets (e.g. sales-to-cash) and new technological bricks, especially in AI and Big Data.

Since it was listed on Euronext Growth (formerly Alternext), the group has delivered steady sales growth, combined with good profitability over the past several years (double-digit margins). Average growth over the past ten years (2012-22) stood at 11%, which takes into account several strategic choices regarding the product mix (the company has often been agile in the past when it came to repositioning its offering) that "curtailed" reported growth in certain years: e.g. discontinuing the Treasury Consulting business in 2017, migrating the Sage FRP Collect business (2013-15), discontinuing the B2C business (2018) and the Sales & Marketing business (2022). Core Cloud revenues have been growing steadily at a double-digit pace for several years.

Sidetrade's revenues and operating margin since the IPO

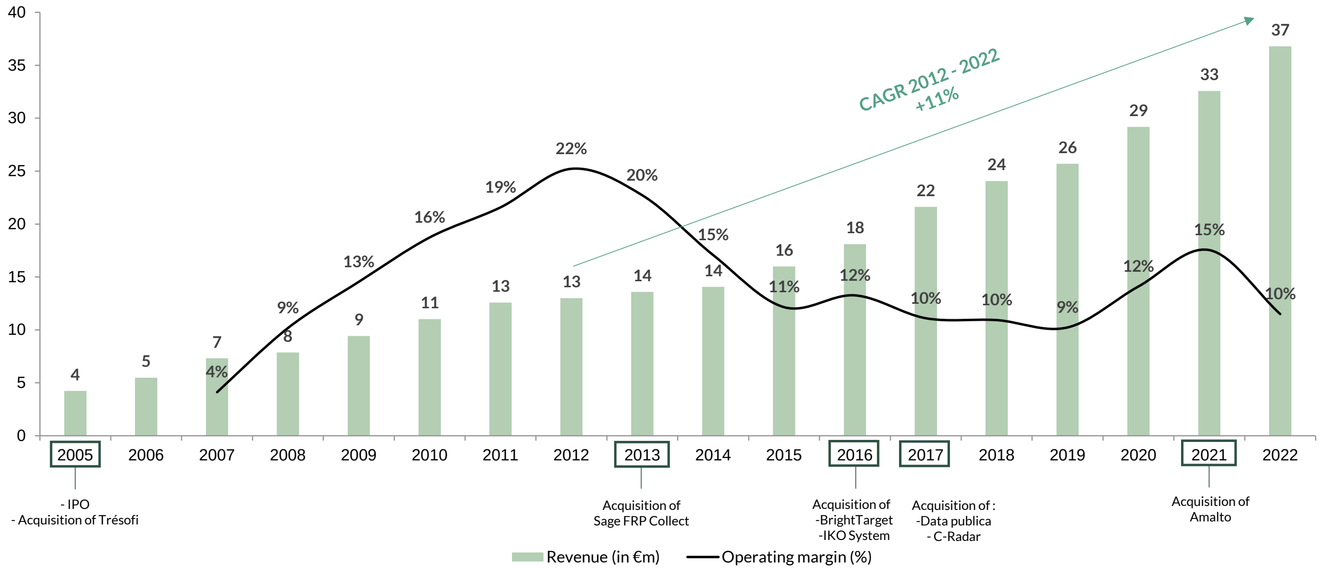


Chart 4 – Source: ODDO BHF Securities

Small but cutting-edge Software vendor with AI in SaaS mode/Cloud technology

Pioneer in Cloud, with a software suite, marketed using subscription- based model (100% SaaS)

From its inception, Sidetrade quickly developed a SaaS-based sales model, with a Cloud software architecture. The offering is marketed via monthly subscriptions, combined with services (training, installation, consulting). In Sidetrade's mix, subscriptions account for >80% of revenues, services around 10%, and the remainder comes from BPO activities, which are recurrent by nature.

Breakdown of Sidetrade's revenues (2022)

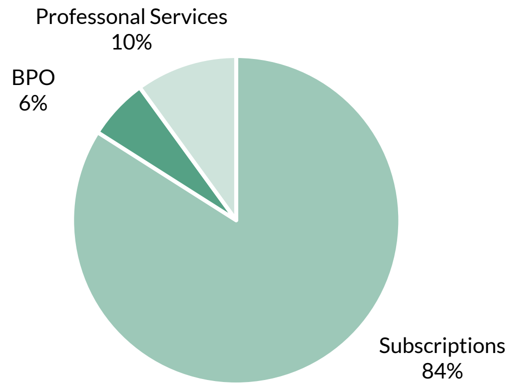


Chart 5 - Sources: Company, ODDO BHF Securities (est. for BPO/dedicated centre activities)

Since 2008, most of the international and European horizontal software players have been working hard to increase the share of recurring revenue in their mix, either through the adoption/sale of cloud solutions or simply by implementing a subscription-based billing model. Cloud penetration is therefore now a structural trend in the software industry. Over the past decade, the Cloud technology has emerged as an alternative to traditional corporate IT environments, almost indispensable for digital transformation

As a Cloud pure player, Sidetrade is one of the most mature SaaS vendors in the European landscape.

Overall, solutions dedicated to accounting and financial management, by their very nature, facilitate the adoption of the Cloud technology. Indeed, the penetration rate of Cloud offerings in the segments addressed by Sidetrade is increasingly significant due to low customisation, greater flexibility, and the need to turn to an open architecture. As a Cloud pure player since its creation in the 2000s, Sidetrade is a mature player in this market segment (as opposed to other historical players who started their Move to Cloud at a late stage), which enables the group to take full advantage of the benefits of SaaS Cloud.

Weight of SaaS (subscriptions) in Sidetrade's mix over 2016-22 (€m)

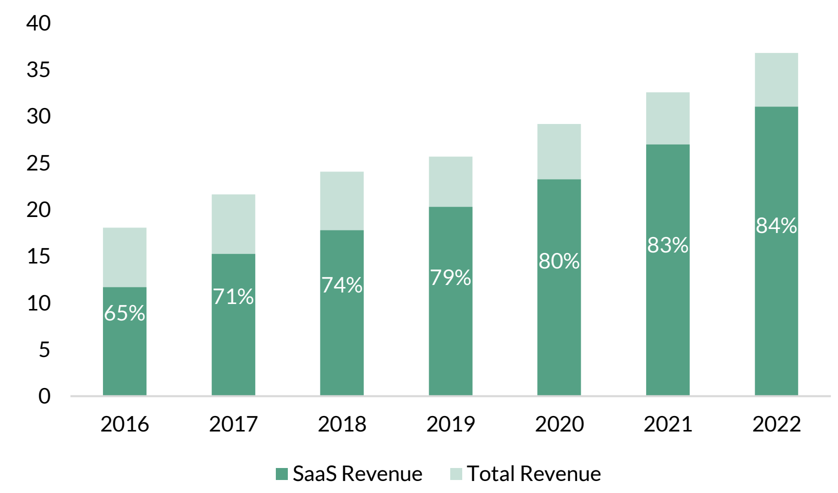


Chart 6 - Sources: Company, ODDO BHF Securities

...which offers several advantages, particularly in terms of the quality of revenues and visibility over revenues (highly resilient business model).

This delivery model (Cloud) and billing (SaaS = subscriptions) offers several advantages, both for Sidetrade and its clients:

- **Highly recurrent revenues:** for the publisher, subscriptions offer recurrence and therefore visibility while increasing cumulative revenues. The recurring part of the business, which includes subscription and BPO revenues, represents ~90% to date.
- **...and visibility on the revenue profile:** this was secured after the signing of multi-year contracts, composed for Sidetrade of an initial commitment period of nearly 35-40 months on average followed by successive periods of the same duration. These contracts are indexed to inflation (=Syntec for southern Europe, the UK CPI for northern Europe and the US CPI for the US), which makes it possible to pass on price hikes each year to the amount of SaaS subscriptions (the company has some pricing power to partially offset inflationary pressure on salaries).
- **A business model that can withstand cyclical ups and downs**: attrition is low for SaaS contracts, particularly at Sidetrade, which has had a high retention rate for several years. The average churn rate is <5%, which places it among the industry's best-in-the class players. In the event of a major crisis, most companies start by stopping capex (vs. opex) investments, bringing less volatility to SaaS sales.

- **Moving from a capex to an opex model**: this enables customers to reduce their initial investment and spread or scale (on certain features, such as invoice digitisation) the cost of their IT system and the addition of new functions
- **Multi-tenant solution**: the basis of Sidetrade's software is standardised (and industrialised), allowing all users to benefit from a similar platform, the same interfaces, addons and regular updates. On top of the advantage for the client, this model allows Sidetrade to i/ pool R&D costs for the same team of developers (~100 engineers) and ii/ work on the speed of integration (faster lead-time).
- **The solution developed is interoperable with existing ERPs and legacy systems**: this allows communication with the client's IS through connectors/APIs. It is also Cloud provider agnostic.

Sidetrade has its own infrastructure. The platform is run and operated using its own servers hosted in data centres. Although this choice is more complex to implement and amortise at the start (requiring investments and specialist production profiles), it currently allows Sidetrade to incur very low operating costs, below costs incurred on public cloud (AWS, Azure, Google, etc.).

Edge in collection technology with frontline proven AI (Aimie)

After having been a pioneer in Cloud/SaaS in the 2000s, Sidetrade has taken a certain lead in AI and machine learning (ML), applied to payment deadlines in recent years. Indeed, the group has invested significantly in Big Data, capitalising on the pool of its Cloud data from for >20 years. Since 2015, the company has scaled up its software by offering predictive (and prescriptive) models across the entire customer cycle, based on the analysis of the payment behaviour of several million businesses. The platform is now based on a state-of-the-art AI called Aimie that runs on trillions of B2B transactions. Indeed, Sidetrade has a unique B2B payment behaviour. This Data Lake is composed of 593m payment experiences, with a total value of >$ 4,600bn, processed over the past three years on around 21m B2B buyers worldwide.

In concrete terms, Sidetrade aggregates a set of transactions (between its clients, their clients, and buyers: a network logic with a snowball effect) and supplements them with external data to calculate a predictive payment score for each client. This score indicates the likely time to payment for each customer portfolio, enabling decision-makers to identify priorities to reduce late payments, identify the best collection actions and make recommendations on disputes and risks. Sidetrade's AI Aimie prioritises the workload of debt collectors, improves the efficiency of the dunning process, and anticipates the payment behaviour of each customer account. According to the company, the recommendations resulting from the Aimie are on average 53% more effective than those set by humans in terms of dunning.

Evolution of AI within the order-to-cash process: a differentiating factor for Sidetrade

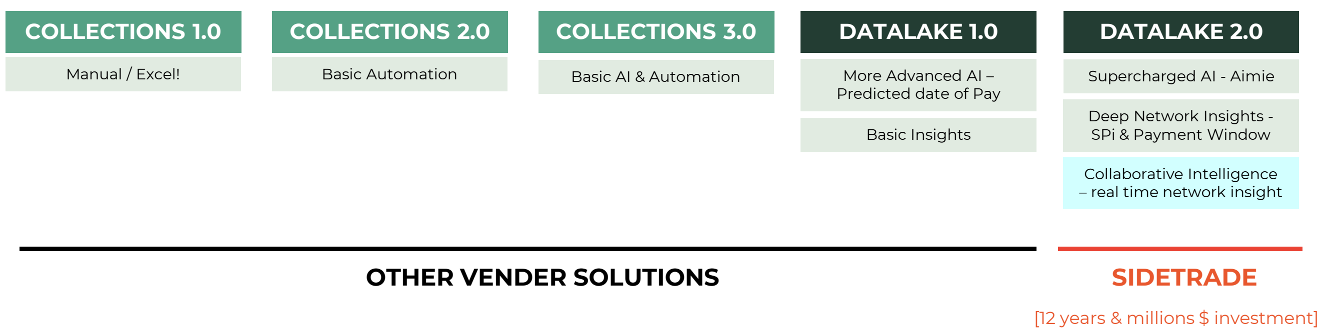


Chart 7 - Source: Company

Solutions to address upscale market (big clients) on a global level

Qualitative customer base, mainly composed of large customers/ETI

From our discussions with management, we understand Sidetrade mainly markets its solutions directly via its sales force. For the time being, the group only marginally uses influencers (big 4; consulting firms) or resellers. Indirect distribution is therefore very low in the group's mix. The group's customer portfolio is made up of nearly 3,000 customers in nearly 85 countries, including a large number of major accounts (representing >95% of orders).

This decision makes perfect sense, given the size of the group and the fact that Sidetrade's solutions are adapted for the upper mid-market and large accounts (segments generally addressed directly by publishers, the channel often used to conquer/scale on the lower layer of the market/SMEs). The customer base is therefore mainly made up of SMEs and large customers, i.e. organisations that generally have 1/ a greater cash culture (and relatively harmonised processes with a structured collection department), 2/ large invoicing volumes and challenges in terms of customer risk management and debt collection. Furthermore, the solution seems very suitable in companies with a large number of disputes (to reduce the amount of cash tied up), or when services are centralised (in shared service centres for example).

The “commercial sweet spot” in terms of size is now companies with revenues >€ 1bn (historically between € 100m and several tens of billions). Sidetrade's references include: XPO Logistics, Tarkett, Sodexo, Veolia, Manpower or more recently Insight (which selected Sidetrade among 6 O2C software providers), DXC Technology, Criteo or HP in 2022.

Customer references by sector

Chart 8 - Sources: Company, ODDO BHF Securities

We see this client base as qualitative in light of 1/ a lower risk of default (churn management), 2/ the size of the contracts signed, 3/ the ability to upsell internationally or to other subsidiaries, and 4/ a more cautious approach by other market players to the VSE/SME segment (Bill. com, AvidXchange...), who seem more inclined to postpone their investment in a more uncertain macroeconomic environment and see the digitisation of these processes as a "nice-to-have" with a probably less strategic urgency compared to large companies.

From a pan-European to a global platform

In recent years, Sidetrade's global market share has grown significantly, first in Europe and more recently in the US. Indeed, the group committed itself to exports early in its expansion cycle. This makes it one of the few French SaaS pure players (alongside Esker, for example) to successfully export its model internationally.

In 2011, the company opened a subsidiary in London to expand in the UK market, as the region offers greater commercial potential than France. In 2013, Sidetrade decided to open a pan-European platform in Dublin as part of the Target25 plan, strengthened in 2015 by the creation of a subsidiary in the Netherlands. The decision to penetrate the US market in 2021 (the most mature market) gave Sidetrade a new commercial dimension. Contribution from international revenues hit an all-time high of 54%, 24% generated in North America.

Group's global expansion over the past ten years

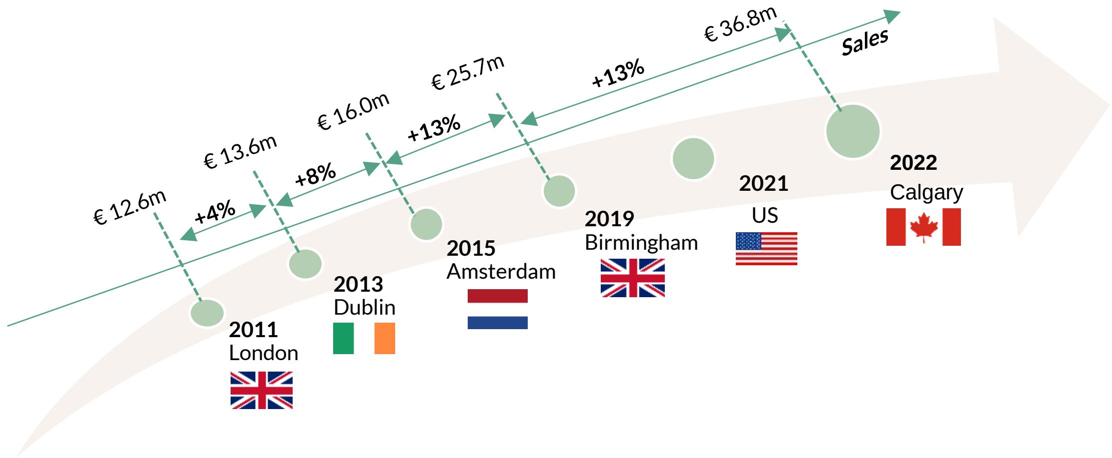
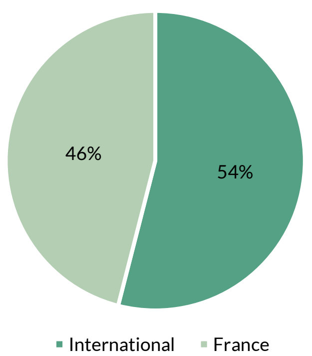


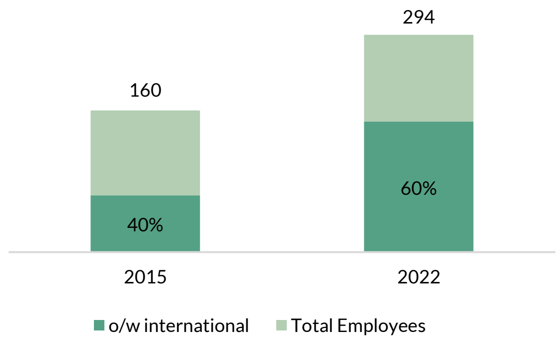
Chart 9 - Sources: Company, press reports, ODDO BHF Securities

Sidetrade's workforce is now close to 300 employees, with over 60% of the teams based overseas, including >50 employees in North America.

Share of international revenues in Sidetrade's mix



Evolution of workforce, % international



Charts 10 - Source: Company

IN A BUOYANT, BOOMING AND RAPIDLY CHANGING ORDER-TO-CASH SEGMENT

The Sidetrade business opportunity is significant, if not gigantic. Indeed, the digitisation and automation of Order-to-Cash processes in companies represent an addressable market of several billion euros for the group. Given its relatively emerging profile, and a market scope still difficult to determine, at this stage there is no precise indication of the size of this market segment (all business functions combined). That said, according to our research, information from competitors and specialist firms, there is a consensus of between € 5bn and € 10bn (>€ 3bn on the AR part[1]), up 10% to 15% per year according to data from the various firms. Our bottom-up approach, built based on an average ARR per contract and the number of addressable companies by Sidetrade (mainly Enterprise market), shows broadly similar data.

The main growth factors lie in 1/ the need for large companies to modernise their back-office, 2/ the low rate of equipment on the market, and 3/ the growing adoption of the Cloud, particularly for this type of business software. In addition, the cost of cash in the current environment and the search for productivity gains will also support the development of this segment over the next few years, despite possible budgetary constraints on B2B software spending in the event of an economic downturn.

Competition has been increasingly intense for several years on Order-to-Cash, but remains very fragmented between historical players (SAP, Sage, Oracle, even FIS/GetPaid) and pure SaaS players (HighRadius, Billtrust, Bill.com, Esker, Sidetrade) driven by the rapid adoption of Cloud in this market segment. The offer is therefore very fragmented in most countries (no leading player, the most significant specialists hold around 3-4% of the market).

Thus, thanks to its strategy of increasing its market share, its maturity in the Cloud and its status as 'Best of Breed' in collection/credit risk management, the group can continue to grow faster than its addressable market in the event of good commercial execution on its core business (=SaaS).

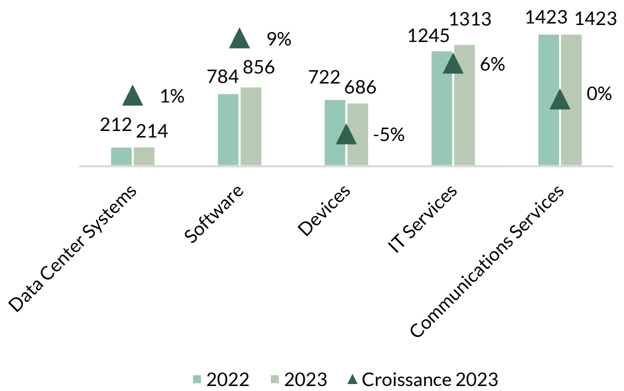
[1] AR: Accounts Receivable Automation

A booming market banking under-penetration, and in need of upgrading

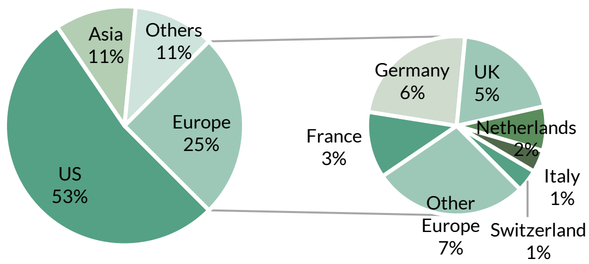
Prerequisite on the weight of software in global corporate IT spending

Software (and IT Services) revenues are linked, and somehow driven by the same pockets of business spending. According to Gartner, investments in software should represent nearly 20% of global IT spending in 2023. As such, despite a global economic slowdown, spending in the software segment continues to increase with an +7% in 2022 to $ 784bn and should total $ 856bn in 2023, up 9%. The US remains the largest market (>50% of global software spending), followed by Europe (25%) and Asia (11%). The weight of Europe is mainly driven by Germany (6%), the UK (5%) and France (3%). In this area, Numeum (formerly Syntec Numérique) is anticipating further sustained growth in the French Software market (Editors and Cloud platforms, € 21.6bn) at +9.4% for 2023.

Global IT spend by segment ($bn)



Spending on software by geographic region (2021)



Charts 11 - Sources: IDC, Gartner (Jan 2023), ODDO BHF Securities

A fast-growing addressable Order-to-Cash market, especially in Cloud solutions

From our point of view, we first note that the digitisation and automation of customer accounts (O2C) is a market that appears to be even less mature than that of Procure-to-Pay, i.e. on the supplier side (purchase management, invoices inbound), particularly in the US. Indeed, over the last few years, companies seemed to see faster productivity gains, with financial departments more oriented towards 'costs' (Business Spend Management) than 'sales'. In addition, several major players have first chosen to cover this market segment, with a density in terms of offers generating in fact an increase in demand.

The management of customer receivables is still perceived as very archaic (piloted in excel, or with most of the deadlines negotiated by the sales departments). However, while most companies still rely on traditional, repetitive, and manual processes to manage the order-to-cash cycle (only 13% of companies have completely automated their O2C cycle according to SunGard), we have the feeling that the segment is now better structured, at an inflection point, and with an increasingly strategic appeal for large companies in the current environment.

The Sidetrade business opportunity is significant, if not gigantic. Indeed, the digitisation and automation of trade receivables in companies represent an addressable market of several billion euros for the group. Given its relatively emerging profile, and a market scope still difficult to determine, at this stage there is no precise indication of the exact size of this segment (all business functions combined). That said, according to our research, information from competitors and specialist firms, there is a consensus of between € 5bn and € 10bn (from $ 3.3bn on the AR part in 2022 to $ 6.5bn in 2027 after MarketsandMarkets), growing by 10% to 15% per year according to data from the various firms (+14.2% per year according to MarketsandMarkets). During its Investor Day at the end of 2022, BlackLine (competitor of Sidetrade) put forward an estimate of the market at $ 10bn by an independent analysis, calculated on the basis of 40,000 target customers in the US, UK and EMEA with an average ARR of $ 250k (which we deem a bit "toppish").

Our bottom-up approach, developed based on an average ARR per contract and the number of addressable companies by Sidetrade (large accounts), shows broadly similar data. Indeed, based on an arbitrary penetration rate, a target ARR and services for each market segment, we estimate that Sidetrade's global TAM is at around € 4bn by addressing the companies with 100 to >10,000 employees to date.

Estimate of the market addressable by Sidetrade (bottom-up approach according to several criteria) (€bn)

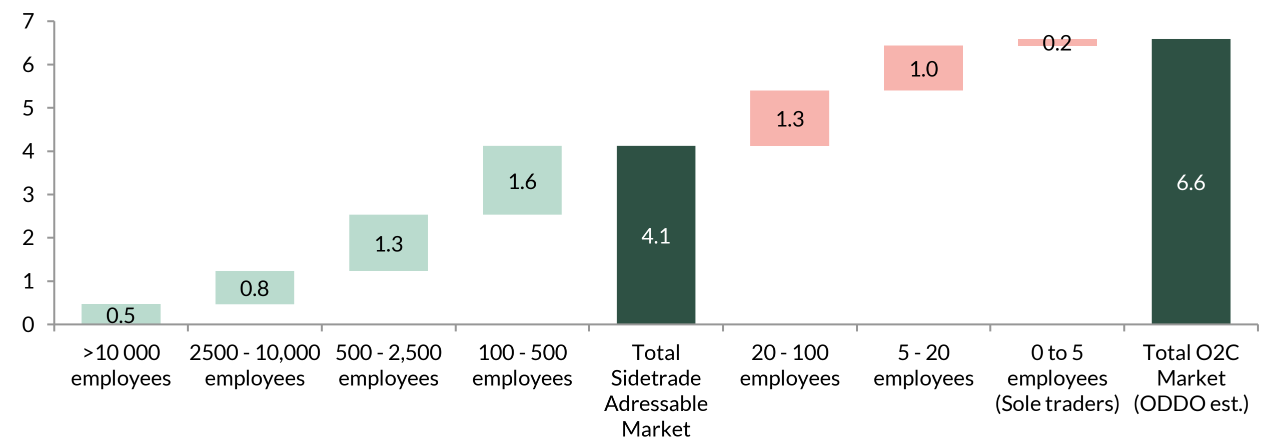


Chart 12 - Sources: FactSet (number of companies by segment), ODDO BHF Securities

As an indication, the business opportunities in a fully mature market (= equipment rate close to 100%) are considerable for Sidetrade. Several players in the sector (BlackLine, or Coupa during its IPO in 2016) have estimated the potential number of customers to be equipped (companies >500 employees, i.e. >€ 30m in sales) at nearly 200k: 100k in US, 50k+ in EMEA and 50k+ in APAC. Based on a target ARR of between € 100k and € 200k, this represents a TAM of between € 20bn and € 40bn over time (excluding the transactional part linked to B2B payment).

Market segmentation by need and maturity

		Sidetrade's core segments	
	SMB	**Middle Market**	**Enterprise**
Annual Revenue	<$ 5m	$ 5m - $ 1bn	>$ 1bn
Employee size	1-50 employees	50-1000 employees	1000+ employees
Available US market (# businesses)	~23m	~435k	~6k
Adoption of Automation	(Excel, Paper)	(Point Solutions, Paper)	(ERP, Point Solutions)
Back Office Complexity			
Illustrative Accounting Systems	Xero, Intuit Quickbooks	Sage Intacct, NetSuite, SAP Concur	SAP Business One, Oracle, Workday…
Illustrative AR Solutions	Bill.com	Billtrust, Esker	Highradius, Sidetrade, FIS/GetPaid

Table 13 - Sources: Avidxchange, ODDO BHF Securities

To meet the key challenges and changing needs of CFOs and finance departments

Deep (digital and cultural) transformation of finance departments: post-pandemic wake-up call

Following the health crisis and the multiple lockdowns, digitisation has been accelerated by the need for dematerialisation of companies coupled with the large-scale adoption of telework. This is increasingly encouraging companies to thoroughly review and modernise their back office with appropriate software solutions.

Therefore, it is essential for CFOs to have centralided transparency, visibility, and control over company-wide cash flows, while accounts receivable and credit managers are often faced with relatively heavy and tedious tasks, and with different payment behaviours according to customers/industries.

Furthermore, the end of the pandemic and of the "whatever it takes" attitude has naturally increased concerns related to cash. This in a context where many companies lack a cash culture or do not have dedicated solutions (often the customer accounts in the few companies that are already well "processed" are still managed by extension from their existing legacy/ERP system).

The cash stake: at the top of the pile. Soft failover observed by most market players

In a context of inflation (= rising costs), rising interest rates (= cost of cash), and economic uncertainties (= risk of bankruptcies), the current situation pleads (more than ever) in favour of protecting cash. But while the "race for cash" has never been so crucial, the processes of debt collection or automatic lettering are still complex for companies to grasp (lack of resources, resistance to change, complexity of existing processes and systems legacy), and still too dependent on manual tasks.

Insofar as accounts receivable represent the main source of assets on the balance sheet (>1/3 of current assets on average), the transition from invoice to collection is therefore a major challenge for most companies (this cycle can absorb 40%+ of working capital) and remains a major leverage for WCR optimisation (= first source of financing).

As such, cash management and cash generation are major issues for companies, which have a greater need to automate the processing of their customer receipts, to structure debt collection, manage customer risk and manage disputes.

Therefore most players in this market are "coming out of the woodwork" and are seeing a gradual shift, with increased demand and more "mature" teams on the subject. While the electronic invoicing module (e-invoicing) is considered as the most mature and the most developed (for offers, regulations or ROI matters), the module for collecting customer debts appears increasingly more relevant, as it allows companies to better manage their cash flow by reducing late payments and bad debts.

From our point of view (and that of sector professionals), companies will therefore focus more on cash/DSO optimisation, while to date the financial departments have been rather focused on costs, commitments, and expenses.

An obviously competitive environment, but still very fragmented

A competitive market, but where everything remains to be done

We believe that the customer account automation (O2C) software market represents a deposit and opportunities large enough to accommodate several successful companies, especially since there is no real leader, nor a player capable of covering all aspects of the cycle.

Despite everything, there is a growing number of specialists and local players in this market (see overview of the main competitors below), particularly in North America, which naturally tends to "evangelise" the market. While several publishers, notably the US, advocate an end-to-end vision (e.g., HighRadius), it is not uncommon to continue to observe multi-referencing on different modules in large companies. In a market where the boundaries remain blurred, it is therefore necessary to clearly distinguish between the players positioned very 'front' and upstream of the cycle (=book-to-bill), those at the heart of the process (=Credit-to-Cash) and downstream players (=B2B payment).

Schematically, Sidetrade is therefore evolving in a competitive environment shared between generalists, specialised players, and several new entrants who are trying to disrupt this segment (startups).

- Large ERP publishers, which generally have an integrated suite including modules or bricks to automate client workstations such as SAP (FSCM), Oracle, Sage (Intacct); Workday… For example, invoice automation first emerged as an extended function of financial ERPs.
- The big specialists in the sector (in competition with Sidetrade), who are generally Cloud native and with an end-to-end view of the O2C cycle (Best of Breed logic / one-stop-shop platform): HighRadius, FIS/GetPaid, Billtrust, and to a lesser extent BlackLine, Bill.com, Esker…
- New entrants (Cloud-native too), e.g. startups specialising in billing software (Kolleno), or at the crossroads of CRM and ERP (Apttus/Conga, RecVue, etc.), with the idea of filling the gap existing between the front and back office. Moreover, some new players in the FinTech world specialise in niche functionalities (scoring, credit insurance and/or factoring).

That said, we believe that the most recognised, aggressive players, and in direct competition with Sidetrade, are HighRadius, Billtrust (two players with a historical prism on the downstream side, i.e. cash application or B2B payment), FIS/GetPaid, or to a lesser extent Esker upstream (customer order management, electronic invoicing). Sidetrade benefits from its expertise in collection, 'flagship' product to penetrate its target market and win the battle on the top of the market (also addressed by HighRadius or FIS/GetPaid).

Among the key success factors and specificities, 1/ the Sidetrade platform is multi-tenant (shared software architecture from a single instance), facilitating updates and maintenance, while HighRadius or FIS/GetPaid are, according to our contacts, single-tenant (development for a specific client, high customisation level, etc.). 2/ the compatibility of Cloud solutions with all ERPs offers a competitive advantage compared to generalists (financial ERP), while large accounts generally have several ERPs in terms of brands or versions (in need of agnostic solutions). Moreover, while ERPs have quickly grasped the interest of digitising customer/supplier back-offices, these add-ons are still perceived as "rudimentary", not very flexible, and on cumbersome architectures to implement (e.g. FSCM/SAP).

In addition, not all players started their SaaS migration at the same time. Those who have migrated more quickly to the Cloud based on a subscription model (SaaS mode) are the best positioned to benefit from the segment’s momentum, and this is the case of Sidetrade. As such, thanks to its strategy to increase its market share, its maturity in the Cloud and its 'Best of Breed' status, the group can continue to grow faster than its addressable market in the event of good commercial execution in its core business (=SaaS).

Main metrics of Sidetrade's direct competitors

Name	Expertise	Revenue (est.)	% Subscription Fees	% Transaction Fees	# Clients	# FTE	M&A
Billtrust	▪ AR automation ▪ Payment	>$80 m (software)	50%**	50%**	2000+	550+	Order2Cash iController
Bill.com	▪ AR/AP automation ▪ Payment	~$ 150m* (ARR, excl. Transaction)	24%	65%	436k*	700	Finmark Divvy Invoice2go
Highradius	▪ AR automation ▪ Cash application ▪ Cash collection	~$ 150m	100%**	-	550	1400+	-
BlackLine	▪ Financial close (core products) ▪ Cash application ▪ Cash collection (Rimilia)	>$500m o/w 80% on core products, i.e. ~$100 m in AR	94%**	6%**	4200	>1500	FourQ Systems Rimilia
Serrala	▪ Cash application ▪ Collection & Dispute ▪ Risk & compliance	~ €120m	100%	-	3500	700	AcceptEasy (real-time payments)
FIS (Getpaid/ ex-SunGard)	▪ Cash collection ▪ Credit management	€ 50m**	100%**	0%	1000	n.a.	-
Visma/Onguard	▪ Credit Management ▪ Cash allocation (IA) ▪ Order management ▪ Risk management	>€ 10m (Onguard)	30% SaaS	-	>750	n/a	Outstanding24
Esker	▪ E-Invoicing ▪ Order management	c. € 100m on O2C	50%**	50%**	1700	1000	TermSync MarketDojo
Versapay	▪ AR automation ▪ Cash application ▪ B2B payment	~$ 10m	100% SaaS	-	8000+	190+	DadeSystems
YayPay (Quadient)	▪ AR automation	€ 2m	100%	-	n/a	60+	-
Cforia	▪ AR automation	€ 10m	25% SaaS	-	250	~50	-
Tesorio	▪ WC/AR automation	n/a	100%	-	n/a	<100	-

Table 14 – Sources: Companies, IDC, Gartner, ODDO BHF Securities / 1. Including Divvy and Invoice2go; **Oddo BHF estimates*

Segmentation of the Order-to-Cash market / positioning of some key players

Type	Firm size	Market	Main Players	Level of maturity
Fortune 500 & Governments	>10 000 employees	Enterprise Market	highradius SIDETRADE BLACKLINE FIS	High
Lower end of the Enterprise Market	2,500 – 10,000 employees	Enterprise Market	billtrust	High/Medium
Higher end of the mid-market	500 – 2,500 employees	Mid-Market	ESKER	Medium
Lower end of the mid-market	100 – 500 employees	Mid-Market	Tesorio	Medium
Medium businesses	20-100 employees	SMB Market	YayPay	Low
Small businesses	5-20 employees	SMB Market	bill.com	Low
Microbusinesses	0 to 5 employees (Sole traders)	SMB Market		Low

Table 15 - Sources: companies, ODDO BHF Securities

Consolidation/Take-private/partnership: a booming Segment

In recent years, this segment has been very active with a proliferation of strategic or financial deals. The market was notably marked by an increase in the number of M&A operations and investments in the US and European markets, with the rational desire to seize all opportunities to expand to new solutions or new geographical areas.

As such, after a wave of IPOs observed in the sector (Software/FinTech) from 2018 to 2021, particularly in the US, movements have now been reversed with an increase in public-to-private operations following the major de-rating in the Tech sector in 2022.

Among the notable operations of recent years:

- **Bill.com**, listed since 2019, accelerated its build-up in 2021 with the announcement of the acquisition of Divvy for $2.5 billion (credit card and expense management platform for SMEs), and Invoice2go for $ 625m (invoicing software). More recently, the group acquired Finmark (financial planning and analysis software).

- **Billtrust** listed in 2020 on the US market via a SPAC (South Mountain Merger) with valuation of $ 1.3bn. In 2022, the group was acquired by the Swedish PE fund EQT for $ 1.7bn, i.e. 8x fwd revenues. Meanwhile, Billtrust has strengthened in Europe with the acquisition of iController in 2020 and Order2Cash in early 2022.

- **HighRadius**, unlisted, has raised nearly $ 500m since its creation, including the last funding round (Series C) in 2021 for $ 300m, carried out based on a valuation of $ 3.1bn (vs >$ 1bn in series B). This allowed the company to accelerate its development on the European market (offices in London, Amsterdam, Frankfurt, Paris and Warsaw).

- **BlackLine**, listed since 2016, acquired Rimilia in 2020 for $ 150m, a UK company specialising in the automation of customer collections. In 2022, the company announced the acquisition of FourQ for $ 165m (excluding $ 75m in potential earnouts), which complements BlackLine's B2B financial management solution. Moreover, the company benefits from its partnership with SAP (S/4HANA), which represents almost 25% of revenues to date.

- **VersaPay** was acquired in 2020 by Gret Hill Partners for nearly $ 100m, i.e. >10x fwd revenue. In 2022, the group announced the acquisition of DadeSystems, which was a long-time partner of the company.

- **Coupa Software**, listed since 2016, indirect competitor of Sidetrade (leadership in Procure-to-Pay), was acquired by Thoma Bravo at the end of 2022 for $ 8bn, i.e. 9x fwd revenues.

- **OnGuard** was acquired by Main Capital in 2020 for an estimated valuation of € 40m, i.e. 3x fwd sales in our opinion.

- In Europe, **Quadient** acquired two software vendors: **Beanworks** in P2P for € 70m and **YayPay** in O2C for c. € 17m.est to accelerate its transformation.

- On the upstream "quote-to-cash" part, Thoma Bravo acquired in 2020 **Conga** (digitisation of documents) via Apptus (leader in the field of Quote-to-Cash solutions) for $ 715m.

- Finland-based Sidetrade's indirect P2P competitor **Basware** was delisted in 2022 by the Accel-KKR consortium at a valuation of >€ 600m, which had shown "moderate" multiples at 4x fwd revenue given the low level of maturity of the company in SaaS.

CLEARLY IDENTIFIED GROWTH VECTORS

Beyond the buoyant cycle expected in Sidetrade's target market, the group will benefit from several levers to outperform the underlying growth of its segment. Indeed, we have identified several drivers and pockets of growth that can be exploited by Sidetrade over the next few years: 1/ new offers and customers, 2/ international development, particularly in North America, 3/ regulatory drivers in Europe (particularly in France), and 4/ possible external growth operations as part of the Fusion100 plan to expand the functional coverage or in geo-extension.

Vector 1: expand functional coverage to promote the upsell segment and fertilise the installed base

Sidetrade maintains a high technological intensity to enrich its platform, in a logic of 'One-stop-shop'

Sidetrade has chosen to maintain a high technological intensity to get closer to the best industry standards, with significant R&D investments (at the group level) for several years.

Weight of R&D* expenditure in Sidetrade's sales (2016-2022)

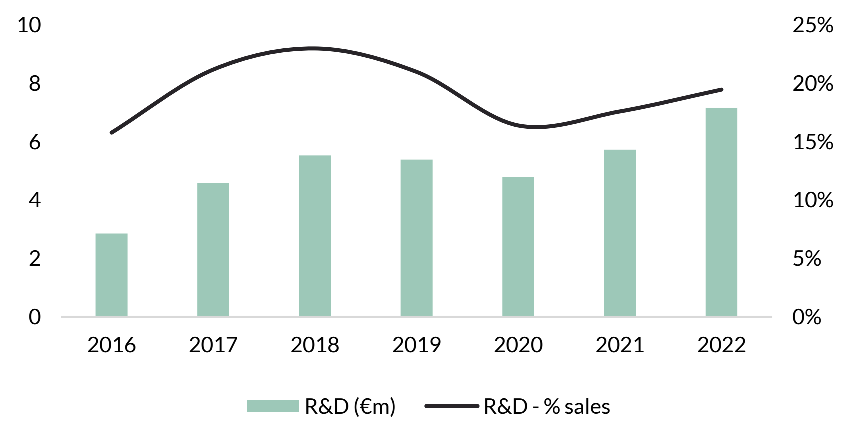


*Chart 16 - Sources: Company, ODDO BHF Securities/*excl. Tax Research Credit*

The group should continue to invest (organically and/or via M&A) to continue to expand the functions supported by the platform and maintain its competitive edge. After the acquisition of Amalto in Q2 2021 (dematerialisation of flows and invoices), and like the commercial launch of its new Cash apps module on the back end of the cycle in Q4 2022, we understand that the group continues to identify complementary segments capable of further enriching its offer. Management intends, for example, to reinforce the risk part (notably the B2B online part) with automated credit authorisations. Moreover, in the medium term, we could imagine a partnership in B2B payment to complete the downstream solution (M&A operation unlikely given the very high valuation levels in this market segment).

...which should expand business opportunities and generate incremental revenue for Sidetrade

The broadening of the functional coverage of the platform should lead to additional positive price/volume effects, although they are difficult to quantify at this stage, with 1/ an upsell effect; 2/ an expansion of the addressable market; and 3/ attractive positioning with CFOs and Credit Managers, particularly in the US.

Indeed, the integration of new modules promotes upselling and offers an important growth driver, while we have the feeling that in recent years, Sidetrade has focused more on a strategy of 'hunting' rather than 'farming' (73% of 2022 order intake from new customers).

Moreover, this strategy of "land and expand" (on functionalities, departments, or regions) also seems relevant insofar as historically, the penetration of large accounts has often been achieved through subsidiaries (= local initiatives often isolated), creating opportunities to move up the chain. In addition, this also responds to the trend of shared service centres within large companies (i.e., dedicated and centralised teams to manage the processes of all entities).

Additionally, new modules (e.g.: Cash apps) widen the possible outlets in terms of referencing on large calls for tenders (e.g., historic contract with DXC), and make it possible to position themselves more strategically with financial departments, in demand for visibility on all processes. Indeed, CFOs tend to favour platforms capable of managing the entire cycle (one-stop-shop) to reduce the number of suppliers. Ultimately, this could therefore increase new business and the acquisition of new logos.

Weight of upsell/cross-sell in new SaaS contracts (2022)

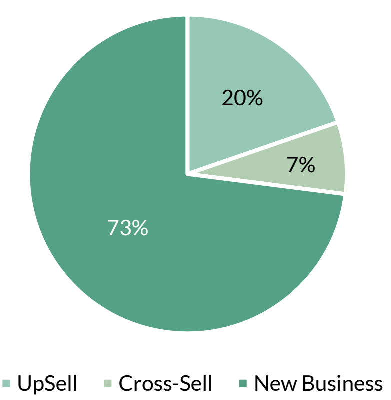


Chart 17 - Source: Company

This growth vector is even more important for Sidetrade given that the offer is built on a relatively fixed pricing basis (very little sales from transactional/variable income, modulo on e-invoicing or overages), and independent of the number of users. There is therefore virtually no ramp-up effect on historical subscriber cohorts. Despite everything, the growth potential on the installed base is not exhausted but lies more in the company's ability to diversify its businesses or its regions.

Finally, it is logical to think that the integration of new offers tends to increase, in fact, the size of the contracts signed. This effect could, in our opinion, arouse the interest of influencers/distributors/resellers, and thus optimise the distribution channels (= boost indirect sales and the channel), to create an additional scalability effect over time.

Vector 2: the conquest of the West, an important source of growth

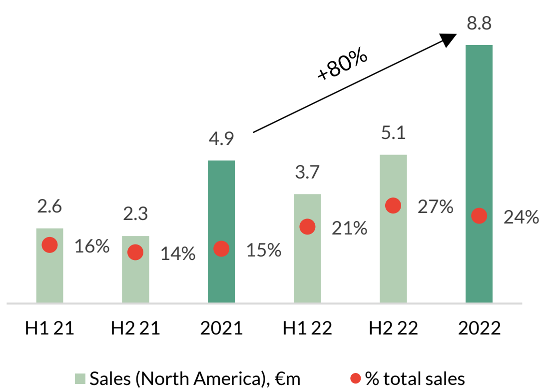
Penetration of the North American market at high speed

Beyond the company's two target markets (France and UK), Sidetrade has made the conquest of the US market one of the major strategic axes of its "Fusion 100" plan from 2020. While, for many French publishers, the shift across the Atlantic often generates a dilemma and a complex equation to manage, Sidetrade seems on the right track to accelerate its development in this high-potential area (market maturity and significant growth reservoir).

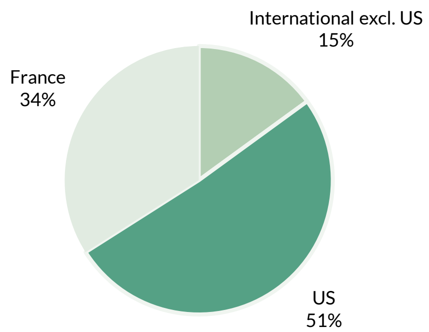
Almost two years after its start (Q2 2021), the group is ahead of its development plan and already has a solid base with nearly $ 10m in revenue (almost as many ARRs) in the region and 50 people at the local level (divided between the US and Canada, where the group recently opened a rear base in Calgary for support or commercial prospecting/pre-sales activities).

As such, thanks to an offensive strategy (sustained investment phase), the group has recorded numerous commercial successes against the competition, including DXC (historic contract for Sidetrade), or HP in 2022: two contracts which illustrate the change in size of the group. Among the other notable points since the start of the US, the group has benefited from cross-selling with the signatures of Tarkett US and XPO Logistics US following the success encountered with the European subsidiaries of these 2 customers, or sales (UpSell) on existing US customers such as Tech Data US, Bunzl Canada or Expedia.

US activity since the start-up (Q2 2021)



Share of US in total order intake (2022)



Charts 18 - Sources: Company, ODDO BHF Securities

New contracts in the US already represent >50% of 2022 order intake (admittedly supported by positive Forex and a slowing commercial engine in the UK, but above management expectations). This performance is noteworthy given 1/ the time usually required to ramp up a new sales team (several months) and 2/ the sales cycles observed in the sector (~six to nine months).

These contracts won over the competition (notably HighRadius, Billtrust or FIS/Getpaid) illustrate, on the one hand, the technological advance of Sidetrade (qualitative positioning), and on the other hand, the excellent execution of the commercial force, which will continue to gain momentum in the next few quarters.

In addition, the impact of the US is also remarkable on the size of deals with an average group ARR which has increased two-fold to € 215k in 2022 (vs € 119k in 2021).

Acquisition of Amalto in 2021, a real bridgehead for the development of Sidetrade in North America

Sidetrade's penetration in the US was strengthened in April 2021 by the acquisition of Amalto, a company created in 2005 and specialist in the dematerialisation of inter-company financial transactions (purchase orders and invoicing), for an amount of $ 16m (excluding earnouts), financed by bank loan. In 2020, Amalto, which employed ~20 people, generated sales of $ 4.3m, for EBITDA of c.20% and net cash close to € 1m.

The strategic appeal of this deal was significant in several ways:

- From an operating point of view, this transaction allowed Sidetrade to take an important step in the execution of its plan with a total post-acquisition revenue of nearly $ 7m in North America. Indeed, by already generating >90% of its sales in the US on around forty large customers, mainly industry/O&G (e.g. Chevron, GE, Iron Mountain or Schlumberger), Amalto has considerably strengthened the Sidetrade system in the US. In addition, it made it possible to set up the American headquarters in Houston, in the Amalto offices, and to capitalise on the base in Calgary.
- From a technological point of view, Amalto enabled Sidetrade to add two bricks in its platform, i.e. i/ Augmented Order, which makes it possible to dematerialise incoming customer orders and to automatically integrate them into IS, regardless of either the format (pdf, xml, edifact, excel, email or secure protocols), and ii/ Augmented Invoicing (dematerialisation of customer invoices), which allows Sidetrade to position itself on the future compliance of B2B companies (see dedicated section below).
- From a financial point of view, the operation was relevant and opportunistic. Indeed, the price paid (<4x revenue, and 5x the ARR in our opinion) appears attractive given the valuations of the sector in 2021 (below the average for transactions), despite a few explanatory factors (on the mix/share exceptional services, or on part of the technological base - EDI).

(Already) in the big leagues: positioned among the three leaders in Gartner's new 'I2C' Magic Quadrant

In 2022, Sidetrade was positioned among the three World Leaders in Gartner's 1st Magic Quadrant dedicated to 'Invoice-to-Cash' solutions, a major asset for large US accounts. Indeed, this positioning remains a mark of recognition, credibility, and visibility on the US market (in generating deals with DFIs, but also with IT teams).

Sidetrade positioned among Top 3 leaders in Gartner's I2C Magic Quadrant

Chart 19 - Sources: Company, Gartner

Vector 3: a favourable regulatory environment, particularly in Europe

While the vectors of adoption for the automation of processes linked to suppliers (Procure-to-Pay) are mainly driven by internal directives (budget control, traceability, cash-flow optimisation, reduction of processing costs, access to portals suppliers, etc.), the Order-to-Cash process embeds several additional factors of adoption, in terms of regulations (e.g. European directive 2014/55) of compliance and tax compliance, i.e. as much complexity which is gradually pushing companies to automate the whole process and their back office.

In Europe, the switch to electronic invoicing has gone from a “nice-to-have” status to a “must-have”, with obligations on B2G transactions in a large majority of European countries, gradually extended to B2B and B2C in the next few years (states' aim to reduce VAT fraud). This is already the case in Italy/Finland, under way in France and Spain, and under discussion in Germany. Thus, from 2024 and until 2026 in France, this obligation will concern large companies (2024), medium-sized companies (2025) and all other companies (from 2026). As such, all transactions in France should be archived and digitised in the Cloud (on a Chorus-type platform). Note that an experiment is underway in the US to also introduce a standardised electronic invoicing model.

The difficulty for companies will consist in managing 1/ the multiplicity of electronic invoice formats (XML = standard, EDI, PDF, etc.) and 2/ the diversity of communication channels used for the transmission of invoices: Chorus for B2G invoices in France, other public portals in European countries, private supplier portals for certain companies, dematerialisation operators, etc.

While we consider that the wave of equipment will be gradual, and that this compliance could become a "convenience" (new entrants, large volumes, low margins), this is an interesting pocket of growth for Sidetrade insofar as this generates referencing, and calls for deeper reflection on the modernisation and redesign of processes in companies (i.e., opening up technical architectures to go beyond simple compliance). Thus, the value to be captured for solution providers lies more in the upsell than the "only" dematerialisation of documents.

In this context, and as a first approach, Sidetrade announced in 2021 that it had joined the European electronic procurement network Peppol (= technological standard), as a certified Access Point. From now on, the publisher can send the electronic invoices of its customers to all the private or public structures that are members of the network. OpenPeppol notably allows you to connect to Chorus Pro, a portal dedicated to electronic invoicing in the context of public procurement in France. In the UK, Peppol is one of the 2 standards recognised by the Ministry of Health for the management of its suppliers.

Vector 4: possible external growth, geo-extension or strengthening of the offer

After the acquisition of Amalto in 2021 (on the e-Invoicing part in particular), we understand that management remains on the lookout for possible tactical operations (bolt-on), given the market fragmentation. The M&A leverage could be used to 1/ strengthen locally in currently unpenetrated markets such as Germany, 2/ increase its commercial surface in existing markets and 3/ add new technological bricks to its platform. That said, we consider a transformative acquisition unlikely, which could in the short term destabilise the current dynamic and the group's investment policy (i.e., we believe that Sidetrade seeks to be able to continue to self-finance its growth over the next few years).

In general, thanks to its economic model and limited capex, Sidetrade generates FCF of around 15-20% of sales (€ 6.0m in 2021), with gross cash which can be mobilised close to € 20m. It should also be noted that the company owns 85k treasury shares (valued at ~€ 12m at the current share price).

Sidetrade's gross cash and financial debt position, in €m

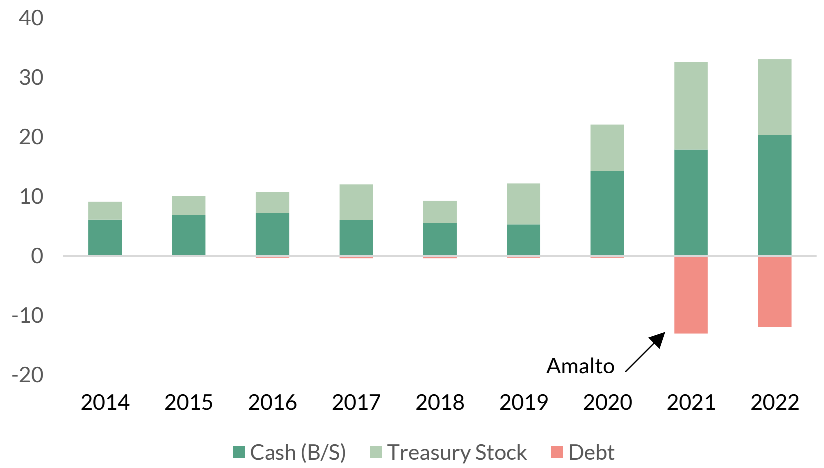


Chart 20 - Sources: Company, ODDO BHF Securities

As such, assuming (arbitrarily) a target size of ~€ 10m, and what the company is willing to pay (=assuming similar or lower multiples than Sidetrade, 3-5x prospective revenue), we consider that it could allocate between € 25m and € 50m for M&A, a satisfactory firepower given the size of the company. This would therefore be financed by cash on the balance sheet (€ 20m in net cash at the end of 2022 including treasury stock), and/or supplemented by bank loans (the company could, in our opinion, raise around € 20m-€ 25m) or a possible capital increase (unlikely: risk of dilution).

OUTLOOK: AMBITIOUS TRAJECTORY FOR 2025. THE RIGHT BALANCE OF GROWTH AND PROFITABILITY

We have been reassured by our contacts with the company about its fundamentals and outlook over the coming years. Thanks to numerous drivers, Sidetrade seems to have reached a turning point with a material step-up in its business momentum and growth profile, illustrated by record activity in 2022 despite a demanding comparison base (sales +13%, of which+22% for SaaS subscriptions, and a record order intake with ARR of € 6.4m, up 36%, and >€ 10m including services). These results enhance visibility on the financial profile and already provide a strong growth carryover for 2023 (+17%e) and beyond.

All this is in line with the Fusion100 plan, based on a vigorous investment policy and ambitious growth trajectory, with a sales target of $ 100m by 2025 (including ~20-25% through M&A in our view) underpinned by accelerating growth over the next three years (towards 20%+) while preserving solid P&L ratios (+/-10% of EBIT). While these deadlines appear challenging to meet in view of the economic backdrop, the trajectory remains attractive and its execution would make Sidetrade (excluding services) a "Centaur" (company with ARR >$ 100m). As such, whether the company meets its targets on schedule is of little importance, in our view, compared with the improvement in momentum (a delay seems logical but only the trajectory matters).

In the meantime, we have taken a more conservative approach by modelling a 2023-27 organic revenue CAGR of 15%, with operating leverage on growth set to materialise only very gradually in results (because of reinvestments in a still opex-intensive model) before reaching a target EBIT margin of 20%+.

Fusion100 plan: growth is the priority to attain $ 100m of revenues by 2025

Sidetrade is fully committed today to its Fusion100 plan, launched in 2021, which aims to accelerate growth over the coming years with a target CAGR over 2021-25 of 20-25% per year (vs 10-15% in recent years). This ambitious plan, based on a targeted investment programme, seeks to boost sales rapidly towards $ 100m by 2025 (~€ 90m). Note that the execution of this plan would make Sidetrade (excluding professional services) a quasi-Centaur (company with ARR of >$ 100m), a new status that would see it cross a new threshold in terms of size.

According to management, this plan is based on three key pillars: 1/ continue to lead the way in AI and offer the most complete platform on the market in the near future; 2/ strengthen its leadership in the European market and become one of the top 3 operators in the US; and 3/ seize any opportunities for bolt-on acquisitions.

Sidetrade will likely struggle to attain this plan's targets by 2025. Achieving this would necessitate average annual organic growth of 25% over the next three years and € 20m of sales from M&A, implying a cash-out of around € 50-100m based on current sector valuation ranges. These targets are more credible on an ARR basis or by 2027, in our view. But over and above these figures and the timing, we particularly appreciate the implied growth trajectory, which is accelerating and should boost the stock's future momentum.

Acceleration in bookings and SaaS revenues over the coming years

A record year in 2022, in line with the group's growth strategy and medium-term ambitions

Sidetrade reported on 4 April quality 2022 results that bode well for 2023 and beyond. Despite intensive investments, particularly in North America, we view 2022 as a reference year for the group and one fully in line with its Fusion100 plan.

❖ 2022 sales of € 36.8m and operating margin of 10%, combining strong growth and financial discipline

In 2022, the group generated FY sales of € 36.8m, up 13% year-on-year and close to 10% organically on our estimates (Amalto's contribution in Q1 and a modestly positive forex impact over the year). Order-to-cash solutions obviously drove growth to +18%, including an acceleration to +22% in SaaS subscriptions, while sales & marketing activities, due to be discontinued as they are considered non-core by the group, reported a 60% drop in sales to € 0.9m. While this division is marginal today in the mix, this strategic choice by management nonetheless diluted growth by 5pts, leading to a less attractive visual performance than the reality of Sidetrade's core business.

Another noteworthy point was the excellent performance in Q4, when growth accelerated strongly at all levels, including an increase of over 20% in core activities thanks to SaaS subscriptions (+27 year-on-year).

Sidetrade's quarterly growth in 2022

€ m	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Revenue	**7.5**	**8.6**	**8.2**	**8.3**	**8.4**	**9.4**	**9.2**	**9.7**
Foreign exchange					*12.0%*	*9.3%*	*12.2%*	*16.9%*
O2C business	6.8	8.0	7.7	7.9	8.1	9.2	9.1	9.5
Foreign exchange					*19.1%*	*15.7%*	*18.2%*	*20.3%*
o/w subscriptions	5.5	6.5	6.8	6.4	6.7	7.6	7.7	8.1
Foreign exchange					*21.8%*	*16.9%*	*13.2%*	*26.6%*
Sales & Marketing	0.7	0.6	0.6	0.4	0.3	0.2	0.2	0.2

Table 221 – Sources: Company, ODDO BHF Securities

According to the information released by the company, activities purely linked to SaaS (i.e. excluding professional services, BPO activities or legacy sales & marketing solutions) grew by a solid 15% year-on-year, in line with the past five-year trend, mainly driven by contracts signed in 2021. Note that this performance corresponds in reality to an acceleration in organic growth, as 2021 results were mainly driven by the acquisition of Amalto in Q2 2021 (flat organic growth on our estimates).

However, this growth acceleration was coupled with a sharp rise in opex in 2022 (+22%), including additional investments in North America (€ 7m in 2022 vs € 3.5m in 2021). While this extra investment was partly absorbed by a high gross margin (79%), this caused EBIT to fall by 26% to € 3.7m, leading to a 5pt erosion of the operating margin to 10%.

This figure takes into account € 2.7m in research tax credit (vs € 2.2m in 2021), i.e. ~7pts of EBIT in the full year, and still low capitalised R&D of € 0.3m, representing 4% of R&D costs in 2022. On the bottom line, Sidetrade's attributable net profit stood at € 3.4m. We consider these results reassuring overall (no surprises or momentum effect) and they attest to a good balance between growth and profitability in a context of accelerating investments.

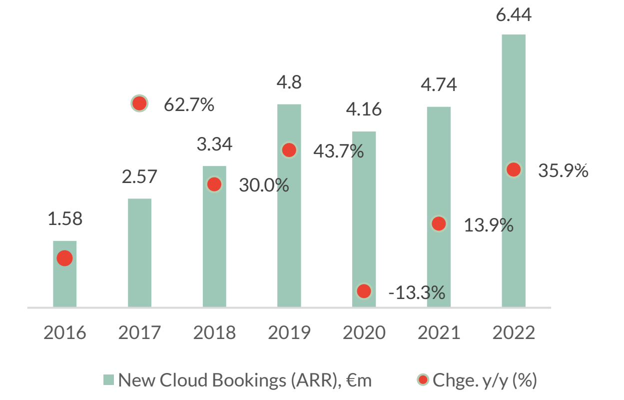
Sidetrade's historical performance (2016-2022)							
€ m	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	**18.1**	**21.6**	**24.1**	**25.7**	**29.2**	**32.6**	**36.8**
o/w SaaS	11.7	15.3	17.8	20.3	23.2	27.0	31.0
Var y/y	-	*19.7%*	*11.2%*	*6.8%*	*13.5%*	*11.7%*	*13.0%*
Var. y/y SaaS	-	*30.7%*	*16.7%*	*14.1%*	*14.4%*	*16.1%*	*15.0%*
Gross Profit	**12.5**	**16.1**	**18.1**	**20.0**	**23.1**	**25.7**	**29.0**
Gross Margin	*69%*	*74%*	*75%*	*78%*	*79%*	*79%*	*79%*
Opex (incl. D&A)	10.5	14.0	15.7	17.7	19.5	20.7	25.3
Var. y/y	-	*33%*	*13%*	*12%*	*11%*	*6%*	*22%*
Non-IFRS EBIT	**2.1**	**2.1**	**2.3**	**2.3**	**3.5**	**5.0**	**3.7**
Non-IFRS EBIT margin	*11%*	*10%*	*10%*	*9%*	*12%*	*15%*	*10%*

Table 222 – Sources: company, ODDO BHF Securities

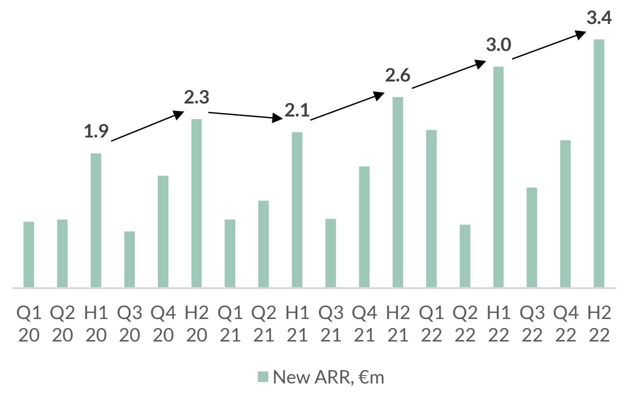
Record order intake in 2022, a key indicator of Sidetrade's business momentum

The standout point in 2022 was the order intake, a key indicator to assess future performance (the current year's revenues mainly reflect the past year's business performance). Orders reached a new record (despite a visible lengthening of sales cycles) with 36% growth in new subscription revenues on an annual basis (ARR) to € 6.4m. This record performance for Sidetrade was driven in particular by the first commercial successes in the US (51% of the order intake), with major signings such as DXC and HP, or Criteo in Europe. These three deals represented around 40% of the 2022 ARR. Adding associated services (implementation, training…), which represented € 3.84m (+37%), the annual value of contracts signed in 2022 was € 10.3m. Growth in the total value of these contracts was even more remarkable at € 20.7m, up 60%, thanks to longer average lock-in periods (44.9 months).

Growth in the order intake (ARR SaaS) since 2016



Quarterly growth in SaaS bookings (2020-22)



Charts 223 – Sources: company, ODDO BHF Securities company, ODDO BHF Securities

Embedded growth that provides excellent visibility, giving management confidence in 2023

The resilience of the economic model (90% recurring), the low churn rate (3.8% in 2022) and the record order intake (two-thirds of which is recorded in sales Y+1) already give the group excellent visibility on 2023. As such, Sidetrade has the means to accelerate its growth to the high teens this year (vs an historical average of <15%), in line with the initial target of the Fusion100 plan, which aims to raise organic growth from a range of 10-15% to 15-20%, or even 20-25% initially.

We think 2023 will also benefit from: 1/ a positive price mix thanks to the full-year effect of contract re-indexations and new signings; and 2/ a positive mix effect with the increasingly marginal contribution of sales & marketing (reminder: -5pts of growth in 2022).

In a complex economic environment, Sidetrade has solid strengths to take 2023 in its stride. That said, we will keep a close eye on the trajectory of the order intake in 2023, since the comparison base is very demanding and several Cloud players have seen a sharp slowdown in new bookings (Bill.com, Coupa, Docusign, Datadog, Snowflake, etc.) and continue to talk of lengthening sales cycles. Management nonetheless remains confident today and we think the group could benefit from the revitalisation of the UK this year (a business driver that has stalled for several quarters following an internal restructuring and the arrival of new teams.

Note that the historical run-rate on contract signings is close to € 1m per quarter at Sidetrade, to which large deals are being added, as was the case in 2022. As such, growth in new signings is closely linked to the size of deals in the pipeline and the materialisation of a few significant deals over the course of the year. At present, we understand that management's ambition is to do as well as if not better than the volume of signings in 2022 in terms of incremental ARR (including connected services).

We also think that one possible driver of improvement is to maintain Sidetrade's growth in the 15-20% range and to optimise sales forces and indirect distribution channels. Indeed, Sidetrade remains a "young" operator as regards the management of its distribution channel (barely exploited) and is below sector standards in terms of scalability. This is a potential source of improvement identified by management to drive bookings and future organic growth.

In the very short term, Q1 2023 is still unlikely to reflect this trend and Sidetrade's true potential

Business results for Q1 2023, due to be released on 10 May after market close, are unlikely to represent a particular catalyst for the stock. Sidetrade is expected to make a slow start to 2023 with: i/ organic growth in line with that in 2022; and ii/ a probable drop in bookings because of highly demanding comparison with Q1 2022, when the group signed the DXC deal, the biggest in its history. That said, we think these points are already priced in by the market and the consensus. Results in H1 2023 are also expected to weaken under the logical effect of numerous in-built costs at end-2022 and, to a lesser extent, less supportive forex effects.

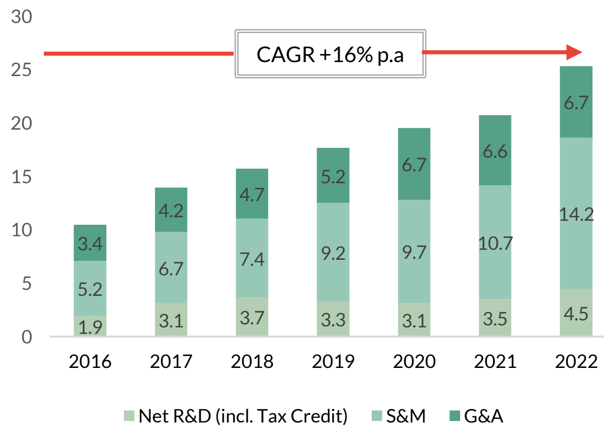
Profitability potential is strong but still needs unlocking (limited operating leverage in the short term)

Investment phase necessary to accelerate growth and attain medium-term targets

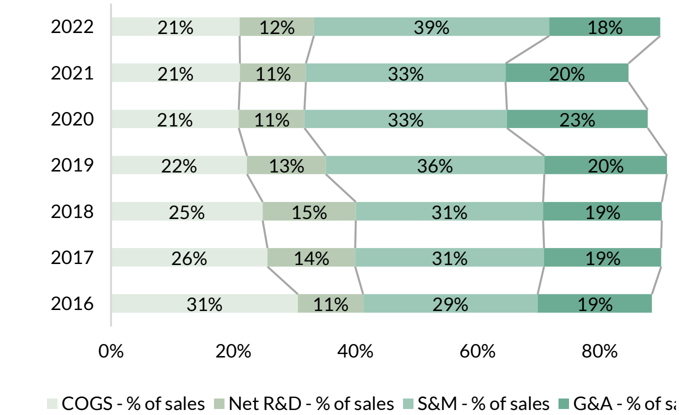
Despite the strong sales growth forecast, the aggressive market share gains strategy, which prioritises the top line, will probably continue denting margins in the short term. After a focus on investments in 2022, the growth model will likely remain opex-intensive to continue accelerating growth over future quarters and the swift penetration of target markets (Europe and US). Since the growth trajectory is directly correlated to spending (especially in sales & marketing), the group needs to maintain large pockets of investment in 2023. The priority in the short term is:

- The sales force, with an increase in S&M costs that represent 50% of opex and close to 40% of sales (including customer success). The group intends to hire an additional 50% of sales representatives in the US and pre-sales staff in Calgary to raise the local team to >60 people.
- Strengthening R&D teams in France and the UK to maintain some technological intensity (spending cuts also depend on the recoverable research tax credit). Note that because of its weight in results, Sidetrade remains dependent on the research tax credit (~40% of gross R&D expenditure). This adversely impacts tax working capital and cash generation (EBIT to cash conversion) because of its deferred payment (tax credit receivables are set to increase in the balance sheet).
- Control of G&A, which represents a significant lever of improvement (20% of sales), even if this level is partly justified by internal cost distribution keys (weak reallocation in departments).

Strong growth in Opex at all levels (€ m)



Share of spending per category - as % of revenues



Charts 224 – Sources: company, ODDO BHF Securities company, ODDO BHF Securities

While leverage is consequently limited in the short term, we welcome the financial discipline shown by the company, which is seeking to combine strong growth and decent profitability (a notable difference relative to US competitors, many of which are loss-making and finance their growth by raising capital), as well as its somewhat conservative accounting (clean P&L: e.g. low level of SBC, bonuses not staggered over the duration of contracts and low capitalised R&D).

Potential for margin expansion in the medium term

One of the key factors behind Sidetrade's valuation lies in its potential to improve profitability, and the group has already demonstrated in the past its capacity to generate an EBIT margin of >20%.
One of the virtues of the SaaS model, if attrition is well managed (as is the case at Sidetrade), is that beyond a certain length of time and activity level both acquisition and operating costs, being relatively fixed, are better amortised. Thanks to a very good retention rate, we estimate the Life Time Value (LTV) of a client at ~20 years at Sidetrade. We also calculate a payback on customer acquisition costs of ~2 years, which represents an attractive ROI for the group over time.

In addition, thanks to a Cloud platform managed and operated internally from hosting centres (vs a public Cloud such as AWS, Google Cloud or Azure), Sidetrade has a high gross margin of 92% in its SaaS activities, one of the best in the industry. While is diluted at present by the share of services (10% of sales, gross margin of 7% in 2022), it remains very high at 79%. This 10pt improvement in gross margin since 2016 reflects, in our view, a constant optimisation of the run rate (Cloud production), which benefits from a volume effect (pooling of costs) and an infrastructure effect (higher volumes on a single body to optimise the platform cost).

Comparison of the non-GAAP gross margin of Sidetrade vs its Cloud peers

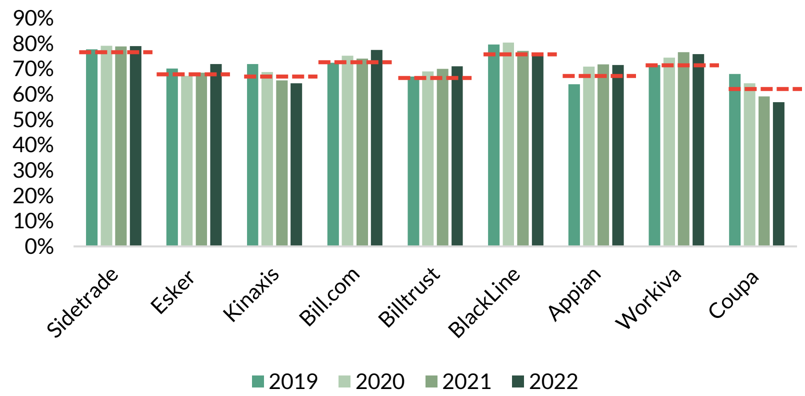


Chart 225 – Sources: Companies, FactSet, ODDO BHF Securities

In view of the high level of the Cloud gross margin and of the ROI on a client over time, we think Sidetrade is ultimately capable of generating a similar margin to major Cloud players at scale (Salesforce, Workday, etc.). Based on the assumptions of: i/ a normalised gross margin of 80%+ (mix effect); ii/ stable R&D costs at 20% of sales (12% net with the tax credit); iii/ a normalisation of S&M spending at a run-rate of 30-32%; and iv/ an optimisation of G&A, we calculate that Sidetrade could post an EBIT margin of 20%+ in time.

Summary P&L of the software sector vs Sidetrade on a normalised basis

	Industry metrics	Sidetrade (FY 2022)	Sidetrade (normalised)
Total Revenue	**100%**	**100%**	**100%**
Cloud Gross Margin	70-90%	92%	92%
On-premise Gross Margin	90-95%	-	-
Services Gross margin	0-30%	7%	7%
Gross Margin	**70-90%**	**79%**	**80%+**
R&D	c.20%	20%	20%
S&M	25-30%	39%	30-32%
G&A	5-10%	18%	12-13%
Net other expenses	-10%-10%	-10%	-8%
EBITDA Margin	**20-40%**	**12%**	**23-26%**
D&A	3-5%	2%	2%
EBIT margin	**15-35%**	**10%**	**20-25%**
SBC	0% to 8%	0%	0%

Table 226 – Source: ODDO BHF Securities

Attaining these metrics does not appear to be the priority in the short term and profitability is likely to remain modest over the coming years. That said, we think investors are today well informed about this type of profile and are (still) willing to digest this "cost" of short-term growth and take a "bet", as they have done with Esker or other loss-making US groups, such as Coupa or Billtrust before their respective buy-outs, which still had very high valuations.

Summary: our forecasts factor in a 5-year CAGR of 15% for sales and of 22% for EBIT

Forecasts: years of double-digit top-line growth

Thanks to the attributes of its model (resilience, visibility, retention rate, re-indexation of contracts on inflation), dynamic underlying demand (despite lengthening sales cycles) and the group's market share gains strategy, we think Sidetrade has the means to maintain high double-digit growth, or even to accelerate it over the coming years.

Based on the assumptions of: 1/ an arbitrary contribution of 70% from year y-1 bookings and of 30% from current year bookings (according to management's estimates); 2/ a CAGR of 10% in new signings until 2027 (~+€ 1m of ARR per year); 3/ average growth of 10% in professional services; and 4/ a gradual discontinuation of sales & marketing activities, our baseline scenario factors in a CAGR of 15% for group sales to reach <€ 65m of ARR and € 75m of sales in 2027.

Top-line growth forecasts

€ m		2022	2023e	2024e	2025e	2026e	2027e	CAGR 5y
New SaaS Bookings		6.4	6.8	7.8	8.8	9.7	10.1	+10%
Foreign exchange		*36%*	*5%*	*15%*	*13%*	*10%*	*5%*	
Contribution from y-1 bookings	70%		4.5	4.7	5.4	6.2	6.8	
Contribution from current year bookings	30%		2.0	2.3	2.6	2.9	3.0	
Total additional Subscriptions			**6.5**	**7.1**	**8.1**	**9.1**	**9.8**	
(+) averages			0.5	0.5	0.6	0.8	0.9	
% SaaS billings			*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	
(+) Price effect			0.9	0.7	0.4	0.5	0.6	
Foreign exchange			*3.0%*	*2%*	*1%*	*1%*	*1%*	
(-) Churn			-1.5	-1.8	-2.2	-2.5	-2.9	
% of y-1 SaaS billings			*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
Net Incremental Subscriptions			6.4	6.5	7.0	7.8	8.4	
Total Subscriptions		**30.1**	**36.5**	**43.0**	**50.0**	**57.8**	**66.2**	+17%
Chge. y/y		***22%***	***21%***	***18%***	***16%***	***16%***	***14%***	
BPO & other activities		2.2	2.2	2.4	2.5	2.6	2.7	
Chge. y/y		*0%*	*0%*	*5%*	*5%*	*5%*	*5%*	
Other Pro. Services		3.6	4.0	4.4	4.8	5.3	5.8	
Chge y/y		*6.0%*	*12%*	*10%*	*10%*	*10%*	*10%*	
Total Order-to-Cash revenue		**35.9**	**42.7**	**49.7**	**57.3**	**65.7**	**74.7**	
Chge y/y		*18%*	*19%*	*16%*	*15%*	*15%*	*14%*	
Chge org y/y (ODDO BHF est.)		*16%*	*19%*	*16%*	*15%*	*15%*	*14%*	
Sales & Marketing business		**0.9**	**0.5**	**0.2**	**0**	**0**	**0**	
Chge y/y		*-60%*	*-44%*	*-60%*	*-100%*	*-*	*-*	
Total Group Revenue		**36.8**	**43.2**	**49.9**	**57.3**	**65.7**	**74.7**	+15%
Chge y/y		**13%**	**17.4%**	**15.6%**	**14.7%**	**14.7%**	**13.7%**	

Table 227 – Source: ODDO BHF Securities

EBIT CAGR of 22% until 2027, even though leverage is only likely to materialise very gradually until then

In the short term, 2023 is set to be another investment year, particularly in the US (where built-in costs are estimated at around € 10m in 2023 vs € 7m in 2022). Note that North America is set to continue diluting the group margin but will remain profitable over the period. Moreover, the negative inflation balance is likely to dent 2023 results because of salary increases (+5%). Forex is also expected to be less supportive in 2023.

Subsequently, operating leverage should materialise gradually, with an EBIT CAGR of 22% in our baseline scenario.

Breakdown of our margin forecasts (baseline scenario)

€ m	2022	2025e	2027e	CAGR 2022-27e
Total revenue	**37**	**57.3**	**74.7**	**15%**
Cost of Software revenue	-2.4	-4.5	-6.6	23%
Cost of services	-5.4	-6.8	-8.0	8%
Gross margin	**29**	**46.0**	**60.2**	**16%**
Gross margin	*79%*	*80%*	*80%*	-
R&D (Net of Tax Credit)	-4.5	-6.9	-9.0	15%
Marketing & Sales	-14.2	-21.8	-27.7	14%
General & Administrative	-6.7	6.9	-13.6	15%
Operating Income	**3.7**	**6.9**	**9.9**	**22%**
Operating margin	*10.0%*	*12.1%*	*13%*	-

Table 228 – Sources: company, ODDO BHF Securities

We reclassified the research tax credit as other operating income in the presentation of our accounts, resulting in EBITDA below underlying EBIT.

Summary of P&L

€ m	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenue	**21.6**	**24.1**	**25.7**	**29.2**	**32.6**	**36.8**	**43.2**	**49.9**	**57.3**
Chge. yoy	19.5%	11.3%	6.8%	13.5%	11.7%	13.0%	17.4%	15.6%	14.7%
EBITDA	1.3	0.7	0.1	2.2	3.3	2.3	2.2	3.1	4.5
% of sales	6.1%	2.7%	0.4%	7.5%	10.0%	6.3%	5.1%	6.2%	7.8%
D&A	-2.2	-1.2	-1.7	-1.5	-1.7	-2.3	-2.6	-2.9	-3.3
Other Income*	3.0	3.0	3.9	2.9	3.4	3.7	4.3	5.0	5.7
Recurring EBIT	**2.1**	**2.4**	**2.3**	**3.6**	**5.0**	**3.7**	**3.9**	**5.2**	**6.9**
% of sales	9.6%	9.9%	8.9%	12.2%	15.3%	10.1%	9.1%	10.4%	12.1%
Operating profit	2.1	2.4	2.3	3.6	5.0	3.7	3.9	5.2	6.9
% of sales	9.6%	9.9%	8.9%	12.2%	15.3%	10.1%	9.1%	10.4%	12.1%
RNpg	**1.9**	**2.2**	**2.1**	**3.4**	**4.7**	**3.4**	**3.4**	**4.4**	**5.9**
% of sales	9.0%	9.2%	8.3%	11.7%	14.5%	9.2%	7.9%	8.8%	10.3%

*Table 29 – Sources: Company, ODDO BHF Securities /*incl. Tax Research Credit*

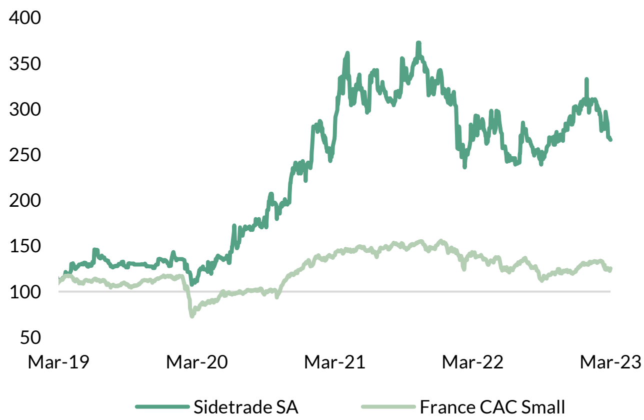
INITIATION OF COVERAGE WITH AN OUTPERFORM, TP € 188

Despite its fine performance to date, the stock still has upside in our view. Besides the intrinsic qualities of the business model, we admire the progress made by Sidetrade on two key subjects for a French software group: maturity in Saa2 and international expansion. Sidetrade has an attractive profile, and the business model (combining double-digit growth, visibility, recurrence and profitability) warrants a high valuation. The stock trades on 3.8x 12-month fwd sales, representing a discount to its Cloud competitors, especially in the US (which may be justified by their size, listing venue and liquidity). Looking beyond multiples, however, we think upside potential mainly lies in the growth profile thanks to the group's compounder status and one of the lowest PEG in the sector. We think the share price could double within 3-5 years. Our fundamental valuation is between € 180 and € 200 (fair value € 188). In a consolidating market with a growing number of buy-outs, Sidetrade is a choice target.

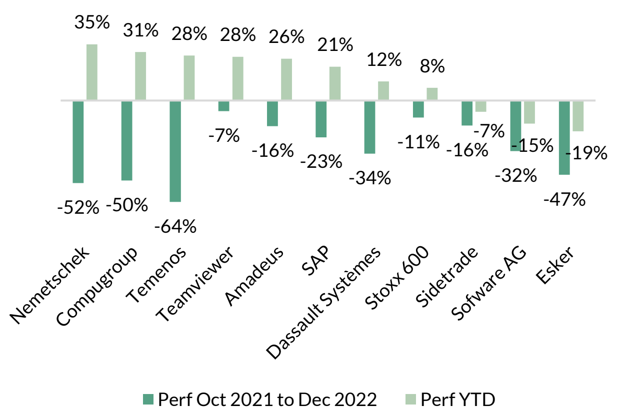
Share price performance: (logical) re-rating since 2020

After an excellent performance between 2020 and the end of 2021, and relatively good resilience in 2022, the stock has since underperformed (like Esker). We think this underperformance creates an attractive entry point into the stock, which has consistent upside potential, and into a sector that could be buoyed by hopes of an end to central bank monetary tightening.

Strong outperformance of the stock since COVID



Performance of leading European groups over 18 months



Charts 30 – Sources: FactSet, ODDO BHF Securities

Following its re-rating since 2020 (Covid), we acknowledge that Sidetrade is no longer a GARP stock. The stock undeniably trades today on high valuation multiples, above its historical averages, thanks to a significant improvement in momentum. Sidetrade currently trades on 3.8x 1-year fwd EV/Sales compared with a ten-year average of 3.1x. After the valuations bubble in the years 2019-21, the most expensive stocks significantly underperformed in 2022, somewhat narrowing valuation differentials within the sector (Sidetrade is trading almost at par today with Esker). While the valuation appears high viewed in isolation, it should be viewed in the light of: 1/ the discount to Cloud peers, and 2/ the acceleration in growth.

12m fwd EV/Sales Sidetrade vs international Cloud Computing* players

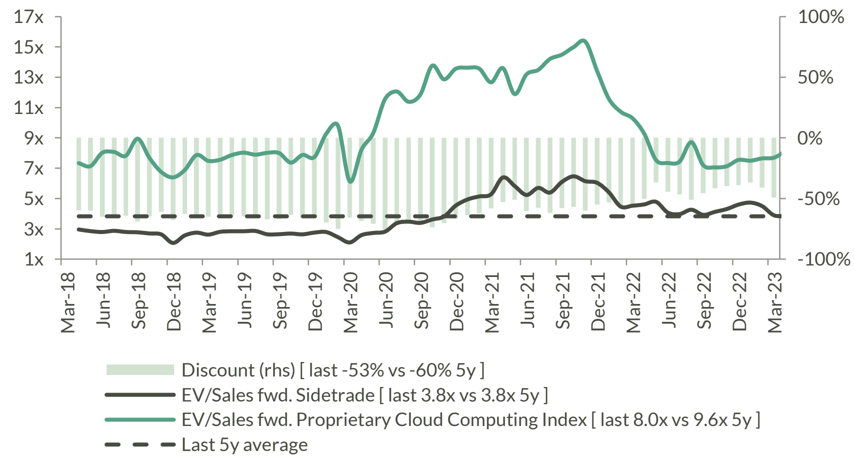


*Chart 31 – Sources: FactSet, ODDO BHF Securities /*15 pure Cloud players mature in SaaS mode*

Note that applying an average aggregate (2x growth + margin) / 3 for 2023 to overweight growth (preponderant factor for the valuation of Cloud groups) and including profitability (end of “growth at any price”), Sidetrade is relatively well placed. Sidetrade’s weighted average is 15%, the median level in the sample, while the company’s forward multiple is still around 60% below the median multiple.

EV/Sales 12m fwd. Sidetrade vs international Cloud Computing groups*

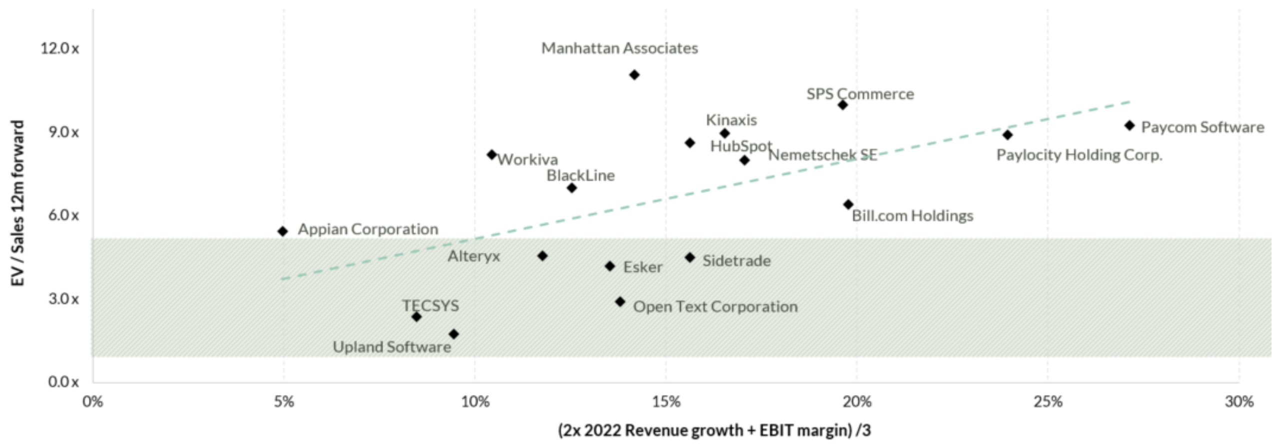


Chart 32 – Sources: FactSet, ODDO BHF Securities

12m fwd EV/Sales (x) Sidetrade vs international Cloud Computing* groups

Chart 33 – Sources: FactSet, ODDO BHF Securities

DCF valuation: a target price of € 180 per share that reflects medium-term upside

The main assumptions underpinning our DCF valuation are:

- A discount rate of 9.7% (100% equity, risk-free rate of 3.15% and risk premium of 5.97%; Beta of 1.1).
- Average growth of 13% over ten years (in line with the historical average) and an operating margin of 17% over this period.
- A perpetual growth rate of 3.0%.
- A normalised tax rate of 15% until 2033 (recalculated to factor in the research and tax credit, the corporate tax rate cut, and the IP Box in France.).

2023-2033 FCF

€ m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	**43.2**	**49.9**	**57.3**	**65.4**	**74.3**	**83.9**	**94.3**	**105.4**	**117.2**	**129.6**	**142.5**
Change	*17.4%*	*15.6%*	*14.7%*	*14.1%*	*13.6%*	*13.0%*	*12.4%*	*11.8%*	*11.2%*	*10.6%*	*10.0%*
EBITDA	2.2	3.1	4.5	5.3	6.2	7.3	8.4	9.7	11.1	12.6	14.3
% of sales	*5.1%*	*6.2%*	*7.8%*	*8.1%*	*8.4%*	*8.6%*	*8.9%*	*9.2%*	*9.5%*	*9.7%*	*10.0%*
EBIT	**3.9**	**5.2**	**6.9**	**8.3**	**9.9**	**11.7**	**13.7**	**15.9**	**18.3**	**21.0**	**24.2**
% of sales	*9.1%*	*10.4%*	*12.1%*	*12.7%*	*13.3%*	*13.9%*	*14.5%*	*15.1%*	*15.7%*	*16.2%*	*17.0%*
NOPAT	**3.3**	**4.4**	**5.9**	**7.1**	**8.4**	**9.9**	**11.6**	**13.5**	**15.6**	**17.9**	**20.6**
(WC change)	1	1	1	1	1	1	2	2	2	2	2
Capex	-2	-2	-2	-2	-2	-3	-3	-3	-4	-4	-4
% of sales	*-3.6%*	*-3.3%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*	*-3.0%*
FCF	**5.3**	**6.7**	**8.5**	**9.8**	**11.2**	**12.8**	**14.5**	**16.3**	**18.3**	**20.4**	**22.5**
% of sales	*12.3%*	*13.3%*	*14.9%*	*15.0%*	*15.1%*	*15.3%*	*15.4%*	*15.5%*	*15.6%*	*15.7%*	*15.8%*
Discounted FCF	-	6.3	7.3	7.7	8.0	8.3	8.6	8.8	9.0	9.1	9.2

DCF

	Growth FCF	Value	%
Period of 1-10 years	**16%**	82	35.0%
Terminal growth rate	**3.0%**	155	65.0%
Enterprise value		**249**	100.0%
Financial assets		1.5	
Provisions		-0.7*	
Net cash (excl. leasing) 2023e		15.1	
= Equity value		**253**	
Number of shares (m)		1.4	
Value per share (€)		**180**	

*Table 34 – Source: ODDO BHF Securities /*incl. earnouts of Amalto*

Below is the sensitivity of our equity valuation to discount rate, perpetual growth and normalised EBITDA margin assumptions:

Sensitivity table

€		Perpetual growth				
		2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC	**8.7%**	191	201	214	230	248
	9.2%	176	185	195	208	223
	9.7%	164	171	**180**	190	202
	10.2%	153	159	166	174	184
	10.7%	143	148	154	161	169

€		LT EBITDA margin				
		5.0%	**7.5%**	**10.0%**	**12.5%**	**15.0%**
Perpetual growth	**2.0%**	130	147	164	180	197
	2.5%	136	153	171	189	206
	3.0%	142	161	**180**	199	217
	3.5%	149	170	190	210	230
	4.0%	158	180	202	223	245

Table 35 – Source: ODDO BHF Securities

Peer group method: valuation of € 185

The second method we have applied is a peer group comparison. Most of Sidetrade's peers are unlisted or listed in the US. We have consequently created two samples: 1/ Cloud pure players in SaaS mode, and 2/ the principal listed B2B Software competitors.

In view of the group's growth phase (costly for margins in the short term) and revenue profile (SaaS), we have chosen to focus on the forward EV/Sales ratio (sector benchmark). What's more, most competitors are still loss-making, making an EBIT-based comparison inappropriate.

Our peer group valuation is weighted 30%/70% between valuations obtained by 2023 and 2024 EV/Sales multiples respectively. For this calculation, we have applied a discount of 20% vs peers, which works out to 6.5x.

Comparison of Sidetrade with B2B Software groups +/- peers and other Cloud/SaaS peers

x	Market Cap (€m)	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
		EV/Sales		EV/EBIT und.		P/E		uFCF yield	
Esker	730	4.1	3.6	31.7	26.6	39.4	33.4	2.1	2.4
Bill.com	7,248	7.0	5.6	112.0	63.6	72.5	57.5	0.9	1.2
Alteryx	3,272	4.2	3.6	90.7	50.1	131.2	68.9	0.2	1.2
BlackLine	3,381	6.9	5.9	90.6	61.5	67.9	53.5	1.5	2.3
Open Text	9,607	3.0	2.2	12.8	7.8	12.7	8.8	5.6	8.3
Pagero	197	2.8	2.3	-	-	-	-	-	-
Related B2B Software		**4.2**	**3.6**	**90.6**	**50.1**	**67.9**	**53.5**	**1.5**	**2.3**
Manhattan Associates	8,823	11.7	10.4	45.0	38.7	58.0	50.0	2.2	2.4
Kinaxis	3,429	8.7	7.2	-	108.8	114.8	75.9	2.1	2.3
SPS Commerce	4,950	10.2	8.9	39.8	33.2	56.8	47.6	2.2	2.5
Paycom Software	16,203	10.0	8.2	29.1	23.6	39.7	32.4	1.7	2.2
TECSYS	259	2.4	2.2	87.4	38.5	157.9	60.5	-0.6	3.3
Upland Software	112	1.7	1.7	7.8	7.7	4.1	4.1	29.5	28.1
Paylocity	9,795	9.4	7.7	35.5	28.0	41.1	35.8	2.0	2.2
Appian	2,651	5.4	4.7	-	-	-	-	-2.6	-1.3
Workiva	4,689	8.2	6.9	-	-	-	189.1	0.7	1.8
Related Cloud Peers		**8.7**	**7.2**	**39.8**	**33.2**	**56.8**	**48.8**	**2.0**	**2.3**
Total		**6.9**	**5.6**	**42.4**	**35.9**	**57.4**	**50.0**	**1.8**	**2.3**
Sidetrade	200	4.3	3.6	46.8	34.6	60.1	47.1	2.1	3.5

Table 36 – Sources: ODDO BHF Securities, FactSet

Valuation of Sidetrade based on 12m fwd EV/Sales multiples

€ m	2023e	2024e
Revenue	**43.2**	**49.9**
EV/Sales peers (x)	6.5	6.5
Premium (discount)	*-20%*	*-20%*
VE/Sales applied (x)	5.0	5.0
= Enterprise Value	**216**	**250**
Financial assets	1.5	1.5
Provisions*	-0.7	-0.7
Net cash end- of period before dividend	15.1	21.8
= Implied shareholders' equity	**241**	**283**
Number of shares (m)	1.4	1.4
Value per share (€)	**166**	**195**
Weighting	*30%*	*70%*
Fair value (€)	**185**	

*Table 37 – Sources: ODDO BHF Securities, FactSet /*incl. earnouts*

Normalised method: a valuation of € 200

The key factor in Sidetrade's valuation is its organic growth and profitability improvement potential, as well as the visibility provided by the group's economic model (recurrent via the SaaS model on contracts of ~3 years with a churn rate <5%). This visibility on the growth trajectory allows us to estimate a theoretical medium-term valuation.

For this third method, we have consequently chosen to apply to our estimates for Sidetrade in 2027, the year from which the growth rate should start to normalise, normalised ratios corresponding to the average 5-year EV/Sales multiple and the EV/EBIT multiple in the Cloud software sector (with a 30% discount). We have then discounted this figure to April 2024 using our WACC of 9.7%.

This method has the merit of: i/ using existing benchmarks, ii/ being based on a more normalised financial profile, and iii/ taking into account the visibility provided by the model. We view this method as financially relevant in view of Sidetrade's visibility and growth profile.

Valuation of Sidetrade based on 2027 EV/Sales multiples, discounted to 2024

€ m	
2027 Revenue – ODDO BHF est.	**74**
Normalized EV/Sales (Cloud peers) (x)	7.0
Discount applied	*-30%*
Adj. EV/Sales (x)	**5.0**
= Enterprise Value	**371**
WACC (β = 1.1)	*9.7%*
Discounted EV (3.5y)	**264**
2023e Financial assets	1.5
Provisions for pensions	-0.7
2023e Net cash	15.1
= Implied shareholders' equity	**279**
Diluted Nosh (m)	1.4
Value per share (€)	**200**

En €		Revenue multiple				
		3.0x	4.0x	5.0x	6.0x	7.0x
WACC	8.7%	129	168	207	246	285
	9.2%	127	165	203	242	280
	9.7%	125	162	**200**	238	276
	10.2%	123	160	197	234	271
	10.7%	121	157	194	230	267

En €		Revenue multiple				
		3.0x	4.0x	5.0x	6.0x	7.0x
CAGR sales 2022-27	10.0%	103	133	164	194	225
	12.5%	113	147	180	214	248
	15.0%	125	162	**200**	238	276
	17.5%	137	179	221	263	305
	20.0%	149	194	240	286	332

Table 38 – Source: ODDO BHF Securities

We also see the share price doubling by 2025 - 2027 depending on the scenarios applied and our growth sequence (5-year CAGR = 15%). All else being equal, looking at current valuation levels (after the de-rating, Sidetrade could reach a valuation of close to € 400m between 2025 (7x sales, i.e. no discount to Cloud peers) and 2027 (5x sales, i.e. -30% discount to Cloud peers). This approach allows us to value the Fusion 100 plan.

Recent deals in the sector provide a pointer, even if comparisons are not always relevant

A growing number of buy-outs by funds on still high Valuations

Several recent deals (wave of buy-outs after numerous IPOs and fundraisings over the past five years) have driven the sector in 2022 and early 2023. The information we have gathered shows that they took place at still very high valuations Comparisons are not always relevant, but this is nonetheless a powerful signal for listed groups that were severely de-rated in 2022 and provides interesting valuation pointers.

Panorama of recent deals in the software sector (Fwd EV/Sales, x)

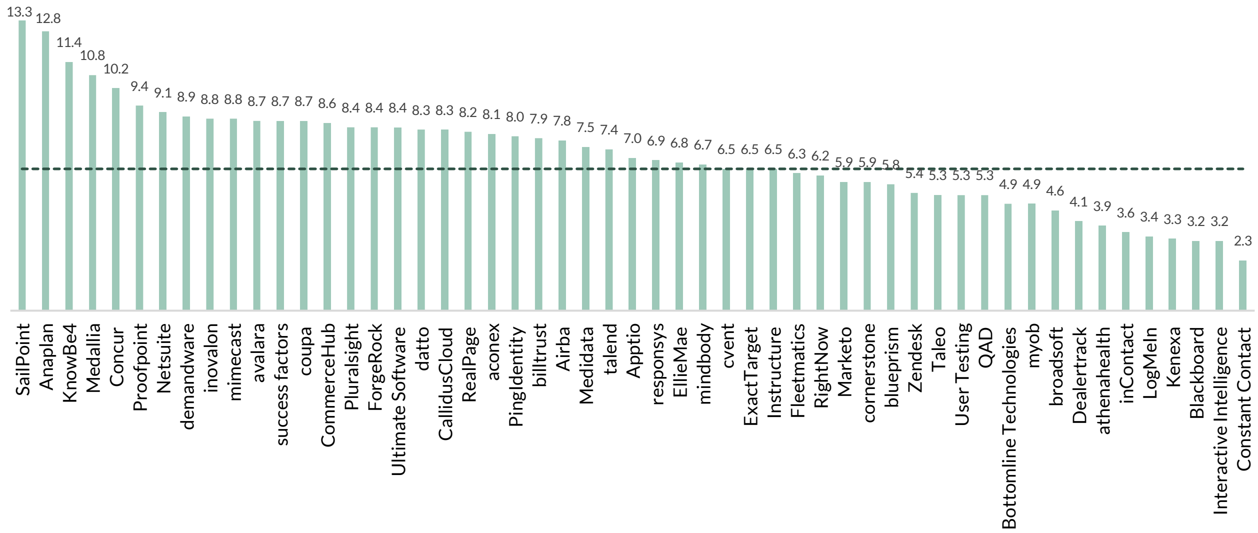


Chart 39 – Sources: FactSet, Coupa, ODDO BHF Securities

Speculative appeal: Sidetrade is in our list of candidates for a potential buy-out by 2025

We identify Sidetrade as a potential target in view of its still modest size and its positioning. As a profitable group with a balanced trade-off between growth and profitability, Sidetrade is also an attractive target for a PE fund, some of which are highly active in sector consolidation (e.g. Thoma Bravo).

What's more, Sidetrade's "affordable" valuation in the US is raising interest from funds (the CEO admitted he has received many offers). At present, we think an exit is premature for management in view of the company's size. But once the company reaches € 100m of ARR within 3-5 years, valuing Sidetrade at >€ 500m, this situation could change.

Sidetrade's ownership structure

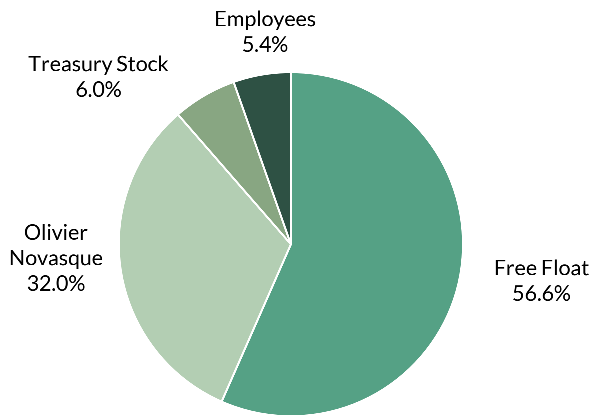


Chart 40 – Source: company

ESG REVIEW OF SIDETRADE

Sidetrade is in the final stage of formalising its CSR strategy. After calculating a complete carbon footprint, the group is preparing its first CSR report, due to be published at the end of H1 2023. The reporting of quantitative KPIs and the setting of targets based on these KPIs will allow the group to accelerate its progress on the CSR part. Today, we think the formalisation of governance choices with reference to a governance code (Middlenext) is a significant lever of progress for Sidetrade.

The CSR strategy is currently being drawn up

A young CSR roadmap with clear milestones…

Sidetrade is a supplier to large cap companies that commit to their downstream scope 3. This positioning prompted the group to publish a first "CSR guide" in 2019.

It has requested a Gaïa Index rating since 2020 and an Ecovadis rating since 2021. As a reminder, Gaïa specialises in ESG ratings of small and medium-sized companies and also covers French big caps. Ecovadis aims to facilitate the management of partnerships upstream and downstream of value chains. It is also worth noting that Sidetrade has been a signatory to the United Nations Global Compact (UNGC) since January 2023.

Change in external ESG ratings

	2023e targets	2021	2020
Ecovadis	Silver (top 25%) 60/100	Bronze (top 50%) 53/100	N/A
Gaïa Index	Gold 70/100	Silver 65/100	64/100

Table 41 – Sources: ODDO BHF Securities, company

Sidetrade has set a short-term timetable for the formalisation of its CSR strategy. The group is currently preparing its first CSR report, which is due to be published at the end of H1 2023. The report will contain targets based on quantitative KPIs.

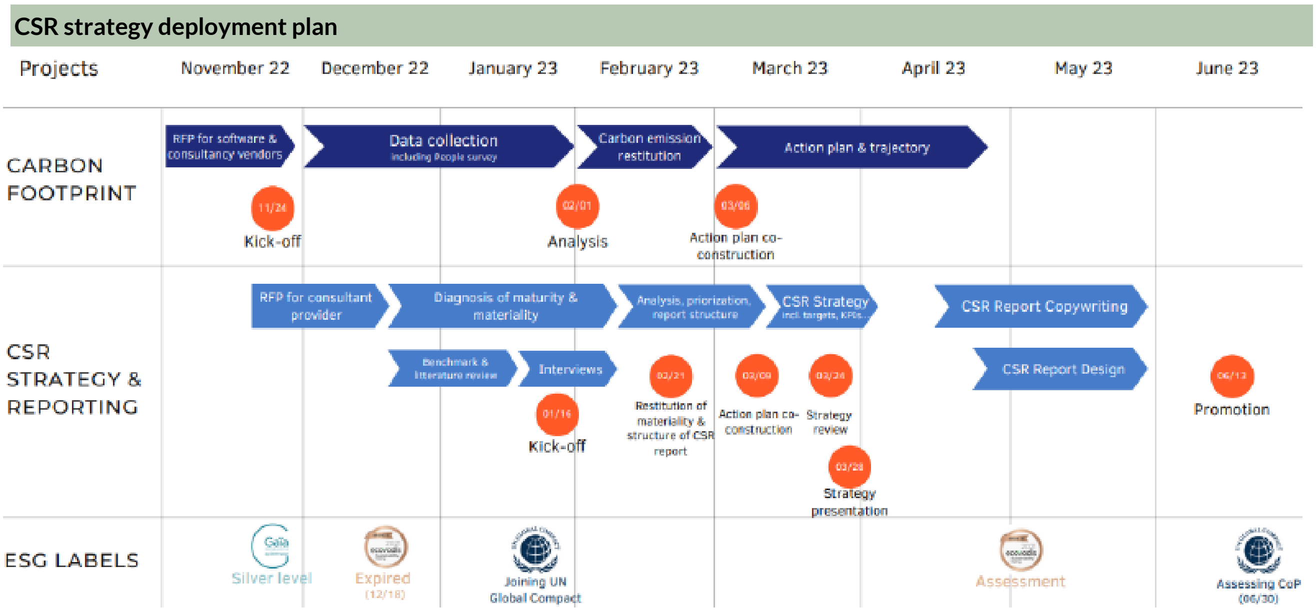


Chart 42 – Source: Company

Our understanding is that Sidetrade has two objectives:

- Obtain precise data to respond to investor questionnaires and prospects and to improve its Ecovadis and Gaïa scores.
- Prepare for the CSRD rule in 2025 (KPI and reporting).

... and well-defined governance

Sidetrade has a CSR committee at the operating level. This comprises:

- the CFO.
- the Chief Legal Officer
- the Chief Communications Officer.
- The head of Human Resources
- The Chief Technology Officer

Three more material ESG risks: climate, talent and governance

Through its activity, we think Sidetrade is exposed to two principal ESG risks: a climate risk, and a risk related to the attraction, retention and diversity of talent. Corporate governance is also a material risk for all companies, in our view.

Material ESG risks for Sidetrade	
Climate & Energy	▪ Digital represents **3 to 4% of greenhouse gas emissions** in the world and 2% of the national footprint (production and usage phases included)[2]. **Datacentres account for 14% of digital greenhouse gas emissions** in France. ▪ In some scenarios (absence of regulation), digital's greenhouse gas footprint could **increase sharply** (+60% by 2040, or 6.7% of the total greenhouse gas footprint in France).[3] ▪ Datacentres consume energy to power computer equipment and cooling systems: between 2013 and 2017, digital's energy consumption rose by 50% and represents 6-10% of global electricity production[4].
Talents & Diversity	▪ **Female representation:** the digital sector in the broadest sense suffers from a lack of attractiveness for women starting in higher education in France: in 2019, women represented less than 20% of digital graduates in higher education and 25% of graduates in engineering, production and construction[5]. Between 2013 and 2017, the number of French female digital graduates fell by 2%, whereas it increased by 23% in Europe. ▪ **Attraction and retention of talent:** the tension indicator[6] published by the DARES for computer engineers is 2.33 vs 0.49 for all businesses in the French economy[7]. The sector turnover rate is 18%; INSEE considers a rate of over 15% to be high.
Governance	▪ **Governance structures:** operating, reputational and legal risks linked to the composition of the supervisory board and the executive committee, management remuneration policy, respect of minorities, etc.

Table 43 – Sources: ODDO BHF Securities, company

Climate & Energy: solid foundations

Sidetrade launched the first calculation of its carbon footprint in September 2022. We particularly appreciate the inclusion of upstream and downstream scope 3 emissions in the calculation, as well as in the general calculation scope.

Carbon footprint by scope

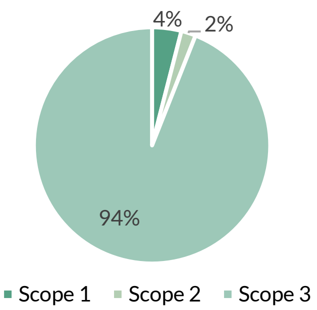


Chart 44 – Sources: ODDO BHF Securities, company

In France, Sidetrade's principal operating country, the **production of terminals phase accounts for 70% of the digital carbon footprint[8].**

The main source of Sidetrade's carbon footprint is therefore concentrated in its upstream scope 3 emissions (purchases of products or services) with computer hardware suppliers.

[2] *http://www.senat.fr/rap/r19-555/r19-5551.pdf*
[3] *https://www.arcep.fr/la-regulation/grands-dossiers-thematiques-transverses/lempreinte-environnementale-du-numerique.html#:~:text=Selon%20le%20pr%C3%A9%2Drapport%20de,des%20%C3%A9missions%20de%20GES%20nationales*
[4] *https://lejournal.cnrs.fr/articles/numerique-le-grand-gachis-energetique*
[5] *http://www.global-contact.net/wordpress/wp-content/uploads/2019/11/CP-GenderScan-19-VF.pdf*
[6] *This indicator takes into account, for each business and each region, the level of recruitment difficulties expected by employers, job offers relative to job seekers, and the ease with which job seekers leave employment centre lists. An increase in the indicator corresponds to a rise in tensions.*
[7] *https://numeum.fr/sites/default/files/Documents/NUMEUM_-_Chiffres_et_datas_2021_def.pdf*
[8] *https://www.arcep.fr/la-regulation/grands-dossiers-thematiques-transverses/lempreinte-environnementale-du-numerique.html*

Carbon footprint by category (tCO_2)

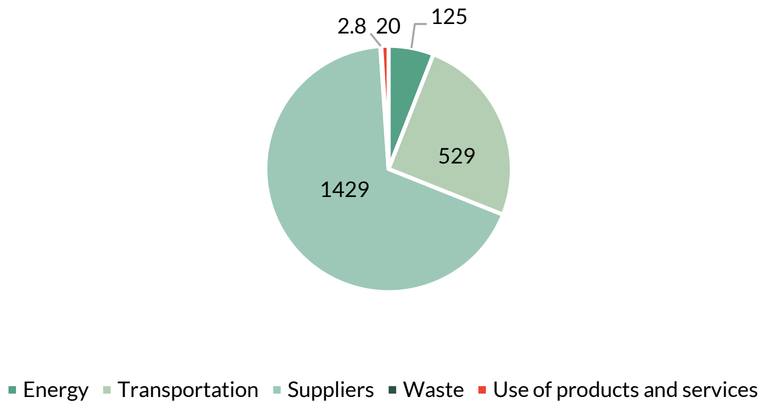


Chart 45 – Sources: ODDO BHF Securities, company

However, we understand that the carbon footprint of purchases was partially calculated with a monetary approach (vs a physical approach). However, hosting emissions data were recovered via physical data, and a large portion of fixed asset emissions were calculated via physical data. For the 2023 carbon footprint, the first line of the purchases segment could be reduced significantly.

Attraction and retention of employees: some initiatives, but little formalised

As we explained in our TMT report last December, the Talents & Diversity risk is material for all TMT sub-sectors.

Sidetrade identifies in its management report a risk linked to its "dependence on key employees". We will focus here on the issues of: i/ attraction, ii/ retention, and iii/ female representation of the workforce.

Sidetrade has c. 300 employees, of which c. 33% in France. The group has launched several initiatives to attract and retain employees:

- A free training programme open to external candidates (on application) providing access to jobs in AI at Sidetrade.
- An onboarding programme for new arrivals.
- Bi-monthly bootcamps bringing together recently integrated talents and managers to discuss corporate culture.
- In-house training programmes: e-learning accessible to all employees and programme dedicated to managers.

We would also underline the presence of significant employee ownership (5.4% stake excluding the CEO). The plan involves c. 50 employees.

On female representation, women account for 29% of Sidetrade's French workforce, in line with the national average for software specialists. Sidetrade's gender equality index in France for 2022 is 89/100.

On attracting talent, it is difficult to evaluate Sidetrade's position before the publication of the first CSR report. The initiatives taken by the group are promising, and the female representation rate is encouraging. A follow-up of major KPIs (employee turnover, training rate and employee satisfaction) together with the setting of consistent objectives on these metrics would be positive in our view.

Governance is the principal lever of progress

Corporate governance is a material risk for all companies, in our view. In this case, we think control of this lever is the biggest lever of improvement for Sidetrade.

Sidetrade does not make reference to any governance code. While adhesion to a corporate governance code is optional in France (article L225-37 of the Business Code), we think this approach could allow Sidetrade to approach best practices. When companies make reference to a code, they have an obligation to explain why they do not apply certain recommendations. This is a French law adaptation of the US/UK "comply or explain" rule.

We think the Middlenext governance code is particularly appropriate for Sidetrade. This code considers that a "good explanation will have an identical impact to the literal compliance suggested by the Code, as this simply makes proposals that do not necessarily suit every company. A detailed and relevant explanation is a form of compliance". Referring to this code could give Sidetrade a framework to justify its governance choices (CEO, non-independent supervisory board, etc.) with investors.

Regarding the independence of the board, we understand that the appointment of independent directors is made difficult by Sidetrade's decision to pay no attendance fees to directors.

The final governance subject is the remuneration of the CEO. Communication of the structure of this remuneration would be positive from a transparency perspective.

APPENDICES

Management structure

Sidetrade's management

	• **Olivier Novasque: CEO - Chairman of the supervisory board - Sidetrade's founder** Graduate of TBS (Toulouse Business School), O. Novasque began his career at the Bouygues Group in 1992. He founded Sidetrade in 2000 and is Chairman of the supervisory board, CEO and majority shareholder.
	• **Christelle Dhrif: Chief communications offer** After a career in trading and orchestrating Sidetrade's IPO, she is in charge today of all the group's communication.
	• **Philippe Gangneux: Chief financial officer** A graduate of the ISG business school, ESLSCA Business School Paris and Harvard Business School, he has been group CFO since 2014. He has more than 20 years of experience in finance and accounting.
	• **Frédéric Dupont-Aldiolan: Chief services officer** A graduate of GEM (Grenoble management school), with experience at SAP CONCUR for large account clients (AREVA, ORANGE, TOTAL, CARREFOUR and ALSTOM).
	• **Rob Harvey: Chief product officer (PS+BPO)** Before joining Sidetrade, R. Harvey held management positions at Accenture, Verizon and Orange Business Services.
	• **Mark Sheldon: CTO** A graduate of NTU (Nottingham Trent University), he holds a First Class Degree in Computer Science. He co-founded BrightTarget, a company acquired by Sidetrade in 2016.
	• **Natalie Silverman: Chief marketing officer** The holder of an MBA from Villanova University, she has 20 years of experience in go-to-market and the generation of leads in the digital transformation of financial services, SAS and media.
	• **Emmanuel Thiriez (ex Amalto): Chief Customer Officer** After many years as Amalto's Managing Director, E. Thiriez joined the Sidetrade team when Amalto was acquired in 2021 and now holds the position of Chief Customer Officer.
	• **Jennifer BOS: Chief People Officer** J. BOS is a graduate of Esam and IGS and has over 18 years of experience in HR in the Tech industry.

Table 46 – Sources: ODDO BHF Securities, company

Marketing structure

Global go-to-market

Chart 47 – Source: company

Overview of Sidetrade's Order-to-Cash platform

Simplified overview of Sidetrade's Order-to-Cash platform

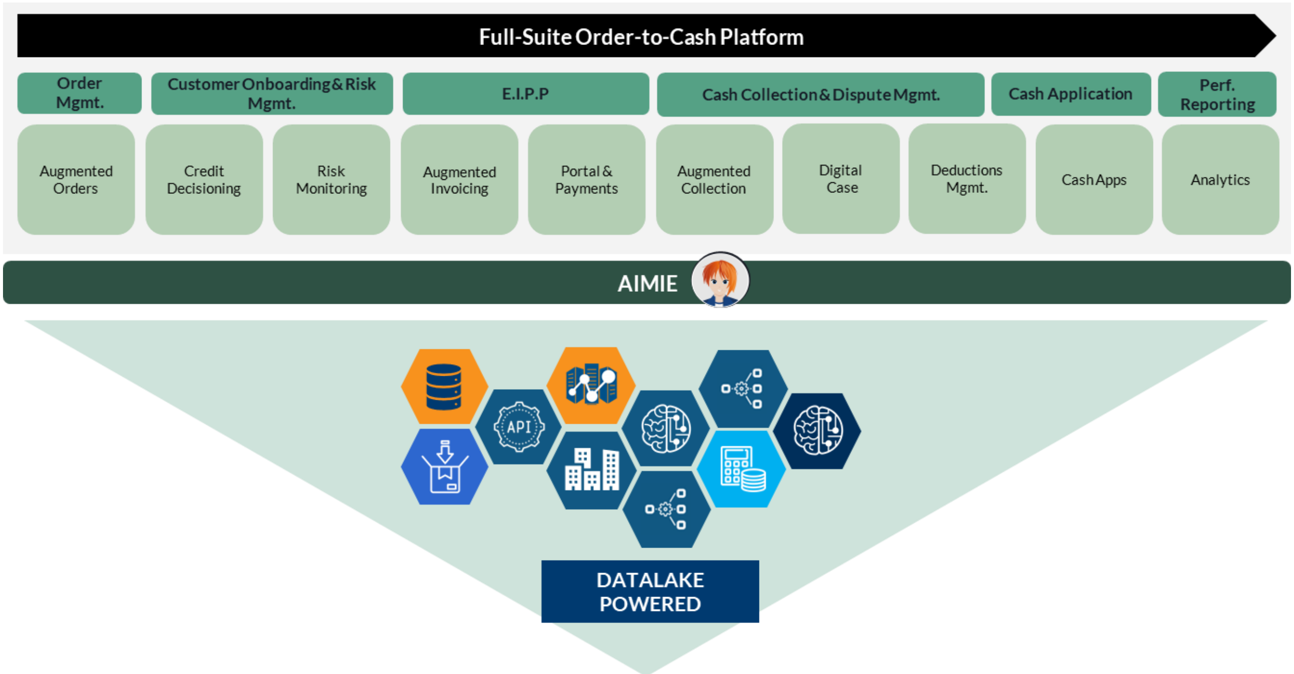


Chart 48 – Source: company

Presentation of Sidetrade's AI architecture

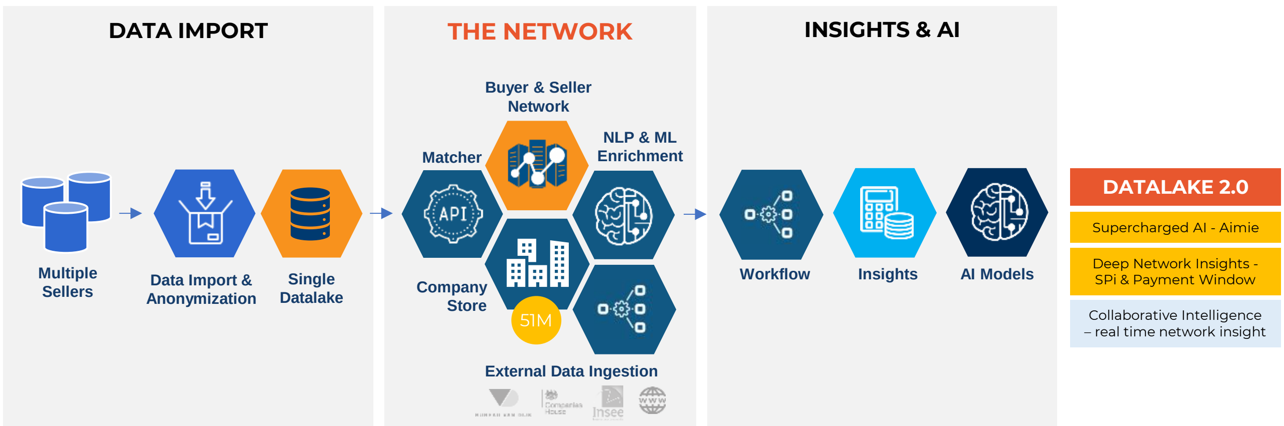


Chart 49 – Source: company

ALBFR.PA | ALBFR FP — **Outperform** — Price 136.00 €
Software | France — Upside 38.24% — TP 188 €

PER SHARE DATA (€)	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e	12/25e
Adjusted EPS	1.56	1.49	2.33	3.30	2.43	2.45	3.15	4.22
Reported EPS	**1.58**	**1.52**	**2.40**	**3.40**	**2.51**	**2.53**	**3.25**	**4.36**
Growth in adjusted EPS	12.7%	-4.7%	56.4%	41.4%	-26.3%	0.9%	28.2%	34.3%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	-0.09	2.16	4.68	4.29	3.56	3.99	4.92	6.30
Book value per share	10.74	10.58	15.00	16.41	19.36	21.87	25.11	29.47
Number of shares market cap (m)	1.40	1.42	1.43	1.44	1.44	1.44	1.44	1.44
Number of diluted shares (m)	1.41	1.43	1.46	1.47	1.48	1.48	1.48	1.48
VALUATION (€m)	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
12m highest price (€)	71.80	73.40	121	187	172	167		
12m lowest price (€)	48.60	50.20	54.00	111	119	132		
(*) Reference price (€)	62.70	62.57	79.87	156	137	136	136	136
Capitalization	88.0	88.6	114	224	197	195	195	195
Restated Net debt	-5.1	-4.4	-14.0	-4.9	-9.7	-15.1	-21.8	-30.3
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.8	1.5	1.5	1.5	1.5	1.5	0.0	0.0
Provisions	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Enterprise Value	**82.1**	**82.7**	**98.4**	**218**	**186**	**179**	**174**	**165**
P/E (x)	40.1	41.9	34.2	47.4	56.3	55.4	43.2	32.2
P/CF (x)	34.2	22.8	28.4	41.6	32.5	30.5	25.2	20.1
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	ns	3.4%	5.9%	2.7%	2.6%	2.9%	3.6%	4.6%
P/B incl. GW (x)	5.84	5.91	5.33	9.52	7.08	6.22	5.42	4.61
P/B excl. GW (x)	5.84	5.91	5.33	9.52	7.08	6.22	5.42	4.61
EV/Sales (x)	3.41	3.22	3.37	6.70	5.04	4.14	3.48	2.88
EV/EBITDA (x)	125	746	45.2	66.7	79.9	81.4	56.0	36.8
EV/Current EBIT (x)	**34.5**	**36.2**	**27.7**	**43.6**	**50.1**	**45.7**	**33.5**	**23.8**
(*) historical average price								
PROFIT AND LOSS (€m)	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
Sales	24.1	25.7	29.2	32.6	36.8	43.2	49.9	57
EBITDA	0.7	0.1	2.2	3.3	2.3	2.2	3.1	4.5
Depreciations	1.7	2.2	1.4	1.7	1.4	1.7	2.1	2.5
Current EBIT	**2.4**	**2.3**	**3.6**	**5.0**	**3.7**	**3.9**	**5.2**	**6.9**
Published EBIT	2.2	2.2	3.6	5.0	3.7	3.9	5.2	6.9
Net financial income	0.0	0.0	-0.2	0.0	0.1	0.1	0.0	0.0
Corporate Tax	0.0	0.0	0.0	-0.3	-0.4	-0.6	-0.8	-1.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	2.2	2.1	3.4	4.7	3.4	3.4	4.4	5.9
Adjusted attributable net profit	**2.2**	**2.1**	**3.4**	**4.7**	**3.4**	**3.4**	**4.4**	**5.9**
BALANCE SHEET (€m)	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	9.3	7.8	9.1	20.7	20.1	19.5	18.8	18.2
Tangible fixed assets	0.7	0.6	1.1	1.2	2.7	4.1	5.7	7.2
WCR	1.1	-2.9	-3.0	-4.8	-5.5	-6.4	-7.4	-8.5
Financial assets	0.7	6.7	0.8	1.5	1.5	1.5	1.5	1.5
Ordinary shareholders equity	15.0	14.9	21.3	22.8	26.2	29.6	34.0	39.9
Minority interests	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	16.0	15.9	21.3	22.8	26.2	29.6	34.0	39.9
Non-current provisions	0.9	0.6	0.8	0.7	2.3	4.2	6.4	8.9
Net debt	**-5.1**	**-4.4**	**-14.0**	**-4.9**	**-9.7**	**-15.1**	**-21.8**	**-30.3**
CASH FLOW STATEMENT (€m)	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
EBITDA	**0.7**	**0.1**	**2.2**	**3.3**	**2.3**	**2.2**	**3.1**	**4.5**
Change in WCR	-1.7	0.0	3.7	2.2	0.6	1.0	1.0	1.1
Interests & taxes	0.0	0.0	-0.2	-0.3	-0.3	-0.5	-0.8	-1.0
Others	2.0	3.8	2.0	2.2	3.7	4.3	5.0	5.7
Operating Cash flow	0.9	3.9	7.7	7.4	6.3	7.0	8.3	10.3
CAPEX	-1.0	-0.8	-1.0	-1.4	-1.5	-1.6	-1.7	-1.7
Free cash-flow	**-0.1**	**3.0**	**6.6**	**6.0**	**4.8**	**5.4**	**6.7**	**8.5**
Acquisitions / disposals	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	0.8	0.0	2.6	0.1	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	-3.4	0.0	0.0	0.0	0.0
Change in net cash	-0.5	-0.7	9.7	-9.2	4.8	5.4	6.7	8.5
GROWTH MARGINS PRODUCTIVITY	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
Sales growth	11.3%	6.8%	13.5%	11.7%	13.0%	17.4%	15.6%	14.7%
Lfl sales growth	**11.3%**	**6.8%**	**13.5%**	**11.7%**	**13.0%**	**17.4%**	**15.6%**	**14.7%**
Current EBIT growth	14.6%	-3.9%	55.2%	40.8%	-25.9%	5.7%	32.3%	34.2%
Growth in adjusted EPS	12.7%	-4.7%	56.4%	41.4%	-26.3%	0.9%	28.2%	34.3%
Net margin	9.2%	8.3%	11.7%	14.5%	9.2%	7.9%	8.8%	10.3%
EBITDA margin	**2.7%**	**0.4%**	**7.5%**	**10.0%**	**6.3%**	**5.1%**	**6.2%**	**7.8%**
Current EBIT margin	**9.9%**	**8.9%**	**12.2%**	**15.3%**	**10.1%**	**9.1%**	**10.4%**	**12.1%**
CAPEX / Sales	-4.1%	-3.2%	-4.0%	-4.4%	-4.1%	-3.7%	-3.3%	-3.0%
WCR / Sales	4.6%	-11.3%	-10.2%	-14.9%	-14.9%	-14.9%	-14.9%	-14.9%
Tax Rate	-1.7%	1.3%	1.3%	6.3%	10.0%	15.0%	15.0%	15.0%
Normative tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Asset Turnover	2.6	3.1	4.6	2.7	2.1	2.5	2.9	3.4
ROCE post-tax (normative tax rate)	**21.7%**	**23.3%**	**47.1%**	**34.8%**	**18.3%**	**19.3%**	**25.7%**	**34.7%**
ROCE post-tax hors GW (normative tax rate)	21.7%	23.3%	47.1%	34.8%	18.3%	19.3%	25.7%	34.7%
ROE	16.3%	14.3%	18.8%	21.4%	13.9%	12.3%	13.8%	16.0%
DEBT RATIOS	**12/18**	**12/19**	**12/20**	**12/21**	**12/22e**	**12/23e**	**12/24e**	**12/25e**
Gearing	-32%	-27%	-66%	-21%	-37%	-51%	-64%	-76%
Net Debt / Market Cap	-0.06	-0.05	-0.12	-0.02	-0.05	-0.08	-0.11	-0.16
Net debt / EBITDA	**-7.73**	**-39.27**	**-6.45**	**-1.49**	**-4.17**	**-6.88**	**-7.01**	**-6.75**
EBITDA / net financial charges	14.2	3.4	14.1	-66.3	-31.5	-17.5	ns	ns

Sources: ODDO BHF Securities, SIX

- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.
Outperform: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Underperform: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**
- **All publications by ODDO BHAll publications by ODDO BHF concerning the companies covered and mentioned in this document are available on th**

Recommendation and target price changes history over the last 12 months for the company analysed in this report				
Date	**Reco**	**Price Target (EUR)**	**Price (EUR)**	**Analyst**

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the followi by clicking on .

Recommendation split				
		Outperform	**Neutral**	**Underperform**
Our whole coverage	(679)	53%	36%	11%
Liquidity providers coverage	(83)	49%	43%	7%
Research service coverage	(59)	61%	29%	10%
Investment banking services	(34)	59%	38%	3%

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Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?	Yes
Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution?	No
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Is ODDO BHF SCA or its affiliates aware of any additional material conflict of interest?	No
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Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive?	No

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