CapitalSystèmeInvestissements

LUCIBEL

A European LED Champion

Target Price € 16.00

Pure-Play LED

Lucibel is one of very few pure-play LED providers that successfully generate above market level hyper-growth in a universe that is forecasted to grow around 30% annually until 2020. This sustainable transition is driven by the emergence of disruptive LED technologies, macro-economic factors, rising energy costs and environmental pressure. Other than many incumbents that have to manage the financial challenges of a costly switch to LED technologies, Lucibel is ahead of the curve, innovating and proactively building its position in the most lucrative market segments.

Innovative Solutions – Targeted Channels

Lucibel aims to provide solutions to specific client requirements rather than off-the-shelf products only defined by technical characteristics. By customising luminaires and adding complementary services to its offering, Lucibel delivers value to the client's business beyond the reduction of energy and maintenance costs. Lucibel achieves short cycle times through an inhouse R&D center in France combined with a reactive near-/offshoring production and supply chain model. The R&D department is also instrumental in developing LED applications beyond the general lighting market (smart lighting, Li-Fi, health and well-being), contributing further growth in high margin areas.

In its conquest of market share a niche player like Lucibel is in our view rightly positioned in numerous B2B verticals, while trying to maximise direct sales in order to optimise gross margins.

Execution Strength

Frédéric Granotier, serial-entrepreneur, founder and CEO of Lucibel, has built a flexible organisation and a strong management team that combines functional specialists, experienced in hypergrowth situations with technical experts, allowing the company to execute an ambitious development plan. To rapidly secure a dominant position Lucibel is following a dual approach of dynamic organic growth combined with a build-up and industry consolidation strategy. The company has executed several acquisitions since its inception. A dedicated team is managing a pipeline of potential acquisition targets as well as the integration of recent acquisitions.

Listing Impact

We expect that Lucibel's listing will not only help fund its internal and external growth, but also underline its ambition and credibility, facilitating an accelerated development of larger corporate accounts, the public sector and international markets.

Key Data

Name of shares	Lucibel
ISIN code	FR0011884378
Mnemonic	ALUCI
Compartment	Alternext
Free Float	64%

Financials

(€ m)	2014E	2015E	2016E
Revenue	31.0	51.3	85.4
Gross profit	14.2	23.5	39.2
EBITDA	-3.5	0.9	7.8
Operating profit	-5.3	-1.7	4.1
PBT	-6.0	-2.6	3.0
Net income	-6.0	-2.6	3.0

Company Description

Established in 2008, Lucibel is specialised in the design and distribution of innovative lighting solutions based on LED (light-emitting diode) technology. The Group is positioned on multiple professional market segments (shops, hospitality, offices, museums and the public sector), where its LED solutions provide maximum value for its clients.

Lucibel achieved a consolidated turnover of € 21.5m in 2013 against € 6.3m in 2012. The Group has a total workforce of 204 FTEs, divided between the parent company and its subsidiaries, including seven international affiliates.

MARKET

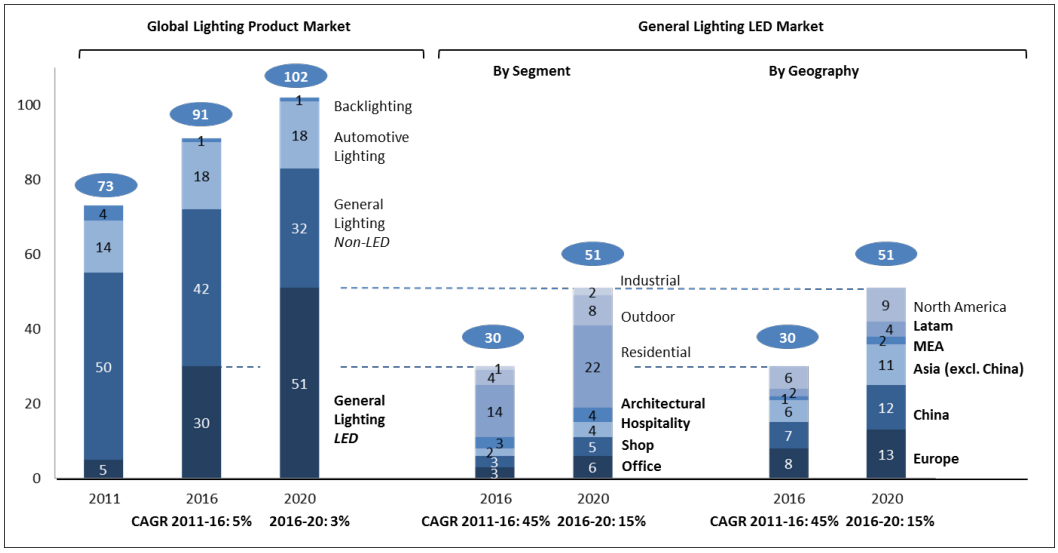
30% Annual Growth Of LED Lighting Market

The overall global lighting product market is forecasted to grow 3-5% annually, from € 75bn in 2011 to € 102bn in 2020, according to research by McKinsey & Company. General lighting represents the largest category, followed by automotive lighting and backlighting.

In the general lighting category that contains light sources (lamps/bulbs) as well as luminaires and controls, a rapid shift towards LED applications takes place. Within this dynamically growing market Lucibel is addressing the office, shop, hospitality and architectural segments (€ 11bn in 2016, € 19bn in 2020). Lucibel's premium offering consists mostly of specification-grade products which according to management estimates represent about 65% of the demand, with the remainder being non-configurable mass products.

From a geographical perspective, Europe represents the second largest part of the global LED lighting market (€ 8bn in 2016, € 13bn in 2020) after Asia (€ 13bn in 2016, € 23bn in 2020). Taking into account the relevant segments, the share of specification-grade material and Lucibel's geographic scope (Europe, China, Asia, MEA, Latam) we identify a total addressable target market for the company of about € 10-15bn in 2020. This implies annual market growth rates of up to 45% until 2016 and a CAGR of about 30% until 2020. After that we expect the focus to evolve from initial LED installations to replacements. Lucibel, present in the professional market segments will then benefit from continuous product innovation and a higher replacement frequency if compared to the residential segment.

LED Lighting Market Forecast



Source: McKinsey & Company. General Lighting LED excl. lighting control systems.

Solid Drivers Of Growth

Drivers of the sustained growth will be macro-economic factors (growth in established and emerging economies), rising energy costs and environmental pressure. The energy savings of efficient LED lighting (combining LED light sources, control and management of lighting) can be

up to 80% compared to conventional lighting and thus will provide a significant contribution to managing the energy transition.

Clients benefit from an attractive return on investment in LED lighting when combining energy savings with a largely extended mean time between replacements and lower maintenance costs. Payback periods for LED installations can be as quick as one to two years, as demonstrated by Lucibel's Atelier Renault renovation project.

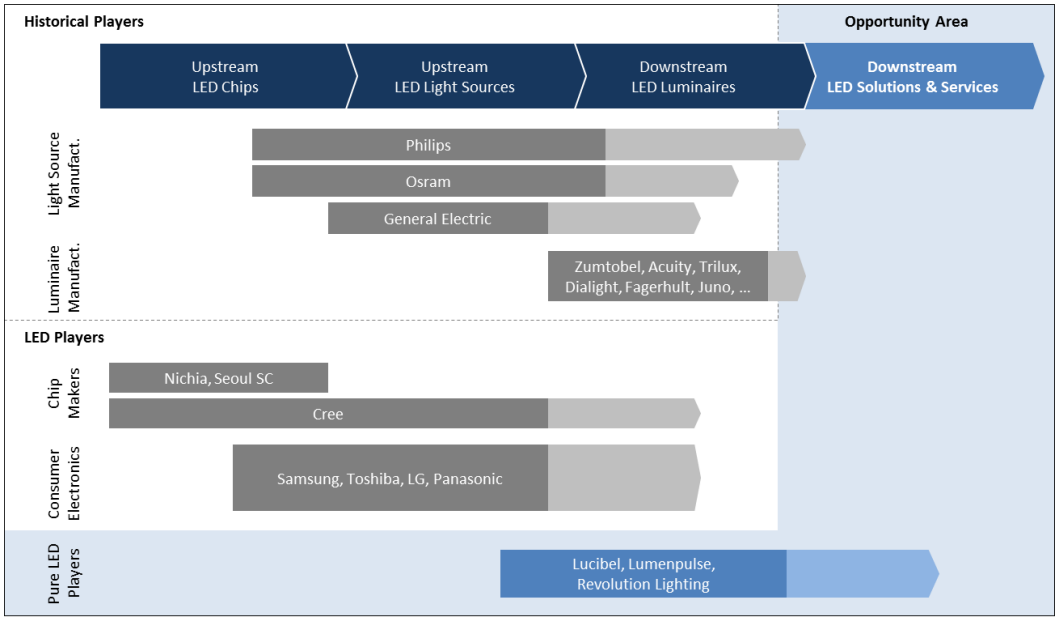
Structurally, the steadily improving economics also favour the adoption of LED lighting. Similar to Moore's law, Haitz's law is an observation about the continuous improvement of LEDs. Every decade, the cost per lumen (unit of useful light emitted) falls by a factor of 10, and the amount of light generated per LED package increases by a factor of 20.

Finally the LED lighting market benefits from government regulation affecting lighting products. Governments around the globe are accelerating initiatives by banning inefficient technologies and by setting energy efficiency requirements. Europe is further accelerating the switchover to more ecological lighting sources by extending its regulations to also ban low-voltage halogen lamps.

Challengers Can Benefit From Pressure On Incumbents

The historical lighting market is characterised by the coexistence of a small number of large incumbents with a larger number of small and medium-sized local/regional players focused mainly on luminaires. Philips, Osram and General Electric, the three main actors on the global general lighting market, are under increasing pressure. They not only have to invest heavily in new LED technologies and complementary acquisitions[1] but also need to disinvest from large parts of their non-LED lighting production capacity. While Philips is the most dynamic player, Osram faces on-going financial challenges and General Electric is following with a lag, determined by less regulatory pressure in its home market.

LED Lighting Competitive Universe



Source: McKinsey & Company, Company reports, CSI research

[1] Recent acquisitions by Philips include Color Kinetics (luminaires), Genlyte (U.S. luminaires) and Lumileds (modules). Recent acquisitions by Osram include Encelium (lighting control), Siteco (luminaires) and Traxon (luminaires).

Medium-sized fixtures manufacturers such as Zumtobel (shop), Dialight (industry) and Fagerhult (office, shop, architectural) in Europe or Acuity Brands in the U.S. have acquired strong positions in market niches or individual distribution channels. They have demonstrated that premium products can be marketed while generating attractive margin levels (Dialight: 2013 EBIT of 14%). However, they are challenged by the transition to LED technologies where light sources and luminaires evolve into one single unit (e.g. Zumtobel and Fagerhult).

The commoditisation of LED chips and modules drives a rapid erosion of component prices, increased standardisation and mass production, similar to other electronics industries. The result is an increased downstream focus of both incumbents and chip manufacturers.[2]

Large consumer electronics conglomerates including Samsung, Toshiba, Panasonic and LG are new entrants to the market. They benefit from semiconductor know-how, upstream manufacturing capacities and large sales organisations. However, their scale is not conducive to customer proximity as well as the ability to propose customised solutions and drives them towards the largest market segments (e.g. residential).

We believe that there is an opportunity window for fast-moving, downstream LED specialists like Lucibel and Lumenpulse to not only grow with a high-growth market, but dynamically build market share to the detriment of incumbents through consolidating market positions in attractive segments and gradual build-up. In addition the presence of local standards exacerbates the phenomenon of regional markets, creating a favourable environment for agile, medium-sized players.

Additional Markets Beyond General Lighting

With LED technologies as an enabler, new applications will open up additional markets for Lucibel, such as *smart lighting, Li-Fi* and *human-centric lighting*. Smart lighting controls are designed for energy efficiency. This includes high efficiency fixtures and automated controls that make adjustments based on conditions such as occupancy or daylight availability. The global smart lighting market is estimated to grow to about € 6.3bn in 2020 (lighting control sensors, controllers and systems, excluding software and services, across Lucibel's general lighting segments: office, shop, hospitality and architectural. Source: McKinsey & Company). Vendors active in this space include Philips, Osram, Legrand, Honeywell, Samsung as well as Zumtobel, Acuity Brand/Adura Technologies, Control4 Corp, Daintree Networks and Encelium Technologies.

Given its digital nature, LED technology can also be used for Li-Fi ("light fidelity"), a bidirectional, high-speed and fully networked visible light data communications. It allows for higher bandwidths (up to the multi-gigabit range) and more secure data transmission compared to Wi-Fi. The total global value of sales in the Li-Fi industry is set to increase from below € 100m in 2012 to about € 4bn in 2018 (indoor networking and location based services. Source: Markets and Markets Research).

Human-centric LED lighting is intended to promote a person's well-being, mood and health. It can have an emotional impact, improve concentration, safety and efficiency in the workplace or educational environments. But can also have a biological impact that supports healing processes and prevents chronic diseases. The human-centric LED market is forecasted to grow to € 1.4bn in Europe by 2020, even though parts of it might be a substitution for, or hard to delineate from the general lighting market (Source: AT Kearney).

All three areas above represent a higher gross margin potential, compared to the general lighting LED market.

[2] i.e. Acquisition of Ruud Lighting (luminaires) by Cree in 2011 and the acquisition of Siteco (luminaires) and Traxon (control systems) by Osram in 2011.

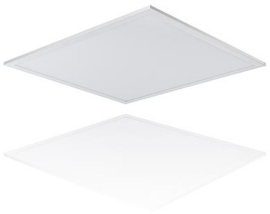
COMPANY OVERVIEW

Innovative Proprietary Products

LuciCup

LuciFlora

LuciBay



LuciPanel

Lucibel's range of about 400 product references consists mainly of LED luminaires (slabs, tubes, projectors) but also includes LED light sources (bulbs, spots), power supplies and accessories. The products are characterised by a high degree of innovation: LuciCup with its small form factor and ease of installation, LuciFlora with its capacity to dissipate heat based on the Venturi effect and LuciPanel with its homogenous light output, giving the effect of a skylight.

The innovation is driven by Lucibel's in-house R&D department, including a laboratory focused on product design (7 FTEs), a product development team (3 FTEs) and a product test team based in Shenzhen (5 FTEs) supervising the prototyping and manufacturing ramp-up. In addition to its own dedicated resources Lucibel has entered into research partnerships (e.g. with Schneider Electric) to obtain better leverage on its R&D budget.

Currently Lucibel's intellectual property portfolio includes 4 French patents and 18 patent applications, 10 of which have been published. The company is also working on an additional 20 patent projects. While these numbers appear modest compared to long established, large incumbents, they do reflect Lucibel's edge if compared to competitors of similar stature (e.g. Neolux, Switch Made and Xanlite in Europe).

The R&D department is also instrumental in developing LED applications beyond the general lighting market, contributing further growth in high margin areas. Lucibel today already offers a range of smart lighting solutions, combining luminaires and lighting controls (i.e. intensity, colour and heat), has introduced its Li-Fi technology in the museum market and has initiated a market test for a range of human-centric lighting products (i.e. a skin treatment application).

Packaged Solutions Rather Than Products Only

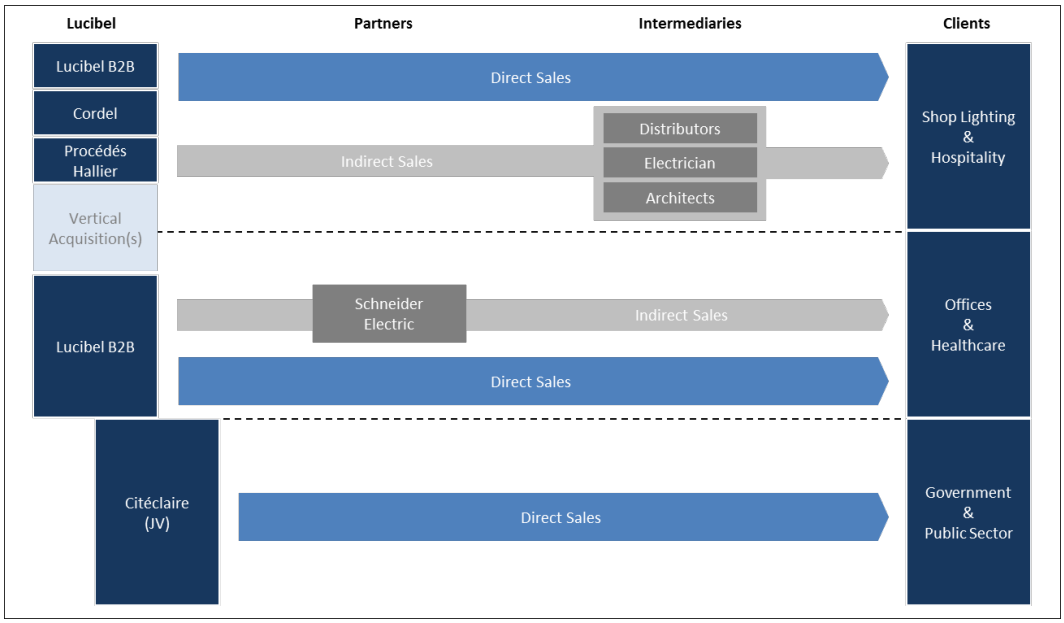
Lucibel aims to provide solutions to specific client requirements rather than off-the-shelf products only defined by technical characteristics. By customising luminaires and adding complementary services to its offering, Lucibel delivers value to the client's business beyond the reduction of light source, energy and maintenance costs. This has included in the past the custom design of shop lighting luminaires in less than one month to fit an existing store configuration, the development of directional lighting concepts to optimise profitability/m^2 in department stores as well as the analysis and fine-tuning of the quality of light to improve the well-being of patients in hospitals or employee productivity in office buildings.

Lucibel's marketing approach, centred on premium solutions and market segments for which such an offering provides maximum value is in our view an effective differentiator compared to larger incumbents, whose size implies a relative standardisation and limits their ability to implement customisation.

Increasingly Direct Distribution Channels

Lucibel is addressing several segments of the general lighting market, including shop lighting, hospitality, offices, healthcare, government and the public sector. The choice to target the professional market will allow Lucibel to benefit from less price sensitivity compared to the residential market, but channels are more numerous and more complex to manage. To date the distribution of lighting products in France is mainly carried out through indirect channels, i.e. specialised distributors (e.g. Rexel and Sonepar), electricians and architects. Lucibel's indirect sales via a network of distributors, electricians and architects represented € 6.0m in 2013, 36% of sales in France. Direct sales accounted for € 3.4m in 2013, representing 20% of sales in France. To accelerate its development, Lucibel deploys a multi-channel strategy with a focus on direct sales both in France and abroad.

Lucibel Channel Strategy



Source: Company reports, CSI research

For each of the above segments Lucibel has defined a distinct marketing & sales strategy. On the shop lighting and hospitality market, where specific lighting concepts and a direct impact of the lighting on the client's business are key differentiators, Lucibel works with a mix of direct and indirect sales with a combined € 9.7m in 2013, representing 57% of sales in France. In addition two acquisitions of vertical channels have been carried out in 2013: Cordel, a French leader in shop lighting with 30,000 customer sites and revenues of € 10.8m, and Procédés Hallier, a French leader in museum lighting with revenues of € 2.5m.

In the office and healthcare segment Lucibel is planning to adopt increasingly a direct sales approach for large accounts with multiple operating sites (e.g. Vinci, BNP Paribas, Société Générale). Revenues amounted to € 6.0m in 2013, representing 36% of sales in France (still mostly realised via distributors and electricians in 2013). To better leverage its still comparably modest sales organisation, Lucibel works also in partnership with large global players such as

Schneider Electric, to be able to participate in very large and complex projects, while maintaining a focus on solutions and customisation.

To address the public sector where maintenance, financing and the need for partial customisation are key issues, Lucibel has created Citéclaire, a joint venture in which it holds 51%. Rather than being a simple product supplier, Citéclaire provides lighting as a service within longer term agreements (8-12 years), including the design, installation, maintenance and financing of lighting solutions. This allows to account for the associated budgets as operating expense rather than capital expenditure which is an important selling point for public sector clients. While the market for large-scale public lighting contracts is still dominated by Philips, Osram and GE, medium-sized projects (< € 2-5m) are accessible to Lucibel.

The long term success of the company will depend on its ability to differentiate its offering (pricing power), rapidly gain market share and multiply its distribution channels across different verticals and geographies. In our view a niche player like Lucibel is therefore rightly positioned in numerous B2B verticals, opportunistically growing through consolidation and acquisitions of actors who have strong positions on priority segments and geographies while trying to maximise direct sales in order to optimise gross margins.

Significant International Reach

Lucibel benefits from a significant international presence and aims to further grow ambitiously across Europe, the Middle East and Asia. As of late 2013 Lucibel was present in 30 countries and realised revenues of € 4.6m in 2013, representing 21% of total sales. Individual geographies are developed in a three-step approach:

- Exploration: During an initial phase a business development manager based in France or in a neighbouring country affiliate secures export contracts opportunistically. Turnover does not exceed a few hundred thousand euros;
- Market test: In a second step Lucibel invests in a dedicated resource and opens a country sales office or contracts with a local agent in order to determine the longer term potential through a mix of channels (direct where possible);
- Full launch: If sustainable and growing revenues can be realised, a specific country affiliate is being created. Each subsidiary has full access to leverage the technological and commercial know-how of the group.

As of today, the international sales network is configured as follows:

- Lucibel subsidiaries: Directly accessible markets with an initial sales target of above € 1m (e.g. Spain, Belgium, Switzerland, Dubai, China, Hong Kong and Morocco);
- Partnerships with specialist distributors: More difficult to penetrate markets (e.g. Germany, Turkey, Scandinavia, UK, Saudi Arabia);
- Development through specific projects: Distant markets with large geographic areas and regulatory challenges (e.g. Russia, India, Australia, Canada and South East Asia) are mainly developed opportunistically, driven by individual projects and partnerships (e.g. with Schneider Electric in China).

Flexible Manufacturing and Supply Chain

To be able to respond quickly to evolving client demand, Lucibel set up a hybrid manufacturing and supply chain strategy, combining an outsourced offshore assembly by Flextronics in China with a workshop in the Paris region (Procédés Hallier) and the development of a proprietary French site in 2014.

Based on the support of the Haute Normandie Region, and the favourable conditions proposed by Schneider Electric, Lucibel will take over as a production site part of Schneider Electric's subsidiary located in Barentin. The setup of the agreement is particularly suitable for a gradual ramp-up of Lucibel's activity and should allow the site to become profitable within a short period of time.

Through next-shoring Lucibel will dispose of a high-performance production site, which allows to provide tailored solutions for its European customer base with shorter lead times (< six months compared to > one year for larger competitors like Philips) and enlarged capacity. From an operational perspective a European site will also improve logistics costs and working capital positions, which in the recent past were (at least partially) outweighing the production cost advantages of offshoring.

Proven Execution Strength

Frédéric Granotier, the founder and CEO of Lucibel, has assembled a strong management team that combines functional specialists, experienced in hypergrowth situations, with LED sector experts, allowing the company to execute an ambitious development plan:

- Frédéric Granotier, Founder and CEO: serial entrepreneur, co-founder and COO of POWEO, a French energy operator (2009 revenues ~ € 600m), CFO and subsequently COO of the online broker Selftrade;
- Francois-Xavier Oliveau, Strategy & Operations: 20 years of business development and M&A experience with Schneider Electric, Air Liquide, and Arjowiggins;
- Jean-Laurent Houot, Technology: 15 years experience in LED technologies;
- Thierry Bodiot, Sales & Marketing: 20 years of experience in international sales and market development in large international groups (Royal Dutch Shell);
- Gilles Aubagnac, Finance: 20 years of finance management in fast-growing companies (CFO at Netgem and VideoFutur) and as a senior auditor at Ernst & Young;
- Four business managers by zone (France, Europe/Middle East, Asia Pacific, Africa/Saudi Arabia).

Strong Acquisition Track Record

The lighting market is still highly fragmented across Europe with an estimated 600 SMEs (< € 50m in revenues. CSI estimate). Many of them lack the resources to renew their product range and switch to LED light sources, representing an opportunity for Lucibel to benefit from their established market access and actively participate in market consolidation. With a dedicated team (3FTEs) Lucibel is managing a pipeline of potential acquisition targets as well as the integration of recent acquisitions. Following its build-up strategy Lucibel has executed several acquisitions since its inception:

- ElektroLED: Market access, Switzerland, 2011;
- Diligent: Market access, HK/Asia, 2011;
- Homelight: Retail channel, France 2012;
- Cordel: Vertical distribution channel (shop lighting), France, 2013;
- Procédés Hallier: Vertical distribution channel (museum lighting), France, 2013.

The last two acquisitions illustrate the focus on entrepreneurial and profitable companies, present in attractive segments, geographies and/or technologies. Cordel, a French leader in shop lighting (2013 revenues of € 10.8m) is rapidly increasing the share of LED sales (x 3 in 2013, estimated to be 100% LED by 2016) and Procédés Hallier, a French leader in museum lighting (2013 revenues of €2.5m, supplier to the Louvre, Musée d'Orsay, Centre Pompidou) is branching out to develop lighting solutions for art galleries and luxury boutiques based on its track record of creating highly effective lighting experiences.

FINANCIAL REVIEW

Hypergrowth

The year 2013 is an illustration of Lucibel's dual growth strategy, combining a strong organic growth of 86% in its historical business with the acquisition of Cordel and Procédés Hallier, resulting in a step change in consolidated revenues from €6.4 in 2012 to €21.5m in 2013 (+239%). The acquisition of Cordel was agreed end 2012 at an enterprise value of € 8m, implying a valuation of 0.8 x EV/Revenues 2012 and 9.7 x EBIT 2012. The takeover of Procédés Hallier in late 2013 was executed at an enterprise value of € 4m, valuing the company at 1.6 x EV/Revenues 2013 and 4.0 x Operating Result 2013.

The initial differences between the three businesses become visible in the below comparison. Lucibel's historical business is bearing the operational costs of realising hypergrowth. The Cordel numbers underestimate its operating result potential, due to contractual payments to former shareholders and the implementation of a development plan, put in place to migrate entirely to a LED offering. At Procédés Hallier the premium positioning is yielding impressive results.

Financial Summary 2012/2013

Income Statement (€ m)	Lucibel Group			Lucibel	Cordel (3)	Hallier
	2012A	2013A	2013PF	2013PF	2013PF	2013PF
Revenue	6.4	21.5	25.1	11.8	10.8	2.5
y/y % chg.	*74%*	*239%*	*295%*	*86%*	*8%*	*-4%*
Gross profit	2.0	8.4	10.9	3.4	5.5	2.0
% of revenue	*32%*	*39%*	*43%*	*29%*	*51%*	*78%*
EBITDA	-5.4	-4.7	-3.9	-5.2	0.3	1.0
% of revenue	*-85%*	*-22%*	*-16%*	*-44%*	*3%*	*41%*
Operating profit (1)	-6.4	-6.3	-5.6	-6.6	0.1	1.0
% of revenue	*-101%*	*-29%*	*-22%*	*-56%*	*1%*	*39%*
Net interest (2)	0.3	1.0	1.2	1.0	0.2	0.0
PBT	-6.7	-7.3	-6.7	-7.6	-0.1	1.0
Taxation	0.0	-0.1	0.3	0.0	-0.1	0.3
Net income	-6.7	-7.2	-7.0	-7.6	0.0	0.7

(1) Operating income from ordinary activities after employee stock compensation expense
(2) Incl. other operating income/exp. of € 320k and share of loss of equity account of € 71k for Lucibel in 2013
(3) For Cordel, the 10 months retained for consolidation correspond to € 9.7m in revenues, € 4.9m in gross profit, € 0.5m in EBITDA, € 0.3m in operating profit and € 0.2m in net profit
Source: Company reports. Pro-forma 2013 data is taking into account both acquisitions on a full-year basis

In France, Lucibel's organic growth is the result of a growing sales force and close collaboration with strong distributors and electricians. A significant increase in direct sales on large project underlines the appeal of Lucibel's solutions for major corporate accounts. Outside of France, sales almost doubled from € 2.6m to € 4.6m. This increase is largely due to the Middle East and North Africa (Dubai and Morocco) where revenues increased fivefold (€ 300k to € 1.5m). Asia contributed sales of € 1.9m in 2013, mainly in wholesale.

Operating Expense 2012/2013

Operating Expense (%)	Lucibel Group			Lucibel	Cordel	Hallier
	2012A	2013A	2013PF	2013PF	2013PF	2013PF
Sales & Marketing	5,328	9,774	11,253	5,989	4,429	835
% of revenue	*84%*	*45%*	*45%*	*50.6%*	*41.2%*	*33.1%*
R&D Expense	412	470	470	470	0	0
% of revenue	*6%*	*2%*	*2%*	*4.0%*	*0.0%*	*0.0%*
G&A	2,679	4,409	4,726	3,619	959	148
% of revenue	*42%*	*20%*	*19%*	*30.6%*	*8.9%*	*5.9%*

Source: Company reports

The breakdown of operating expenses shows the cost impact of Lucibel's hypergrowth, including overproportionate sales costs, administration costs of a professional organisation built for growth and Lucibel's commitment to innovation and R&D. As a result the free cash flow in 2013 before acquisitions was negative (€ 10.3m), with a negative operating cash flow of € 5.8m, a net change in working capital of € 3.7m (representing about 80 days of sales) and capital expenditure/investments of € 0.8 million.

Financial Structure

The consolidated net financial debt end 2013 amounted to € 8.6m, with gross financial debt of € 17.9m balanced by cash of € 9.3m. We estimate net debt at the end of Q1 2014 to be € 10.9m and cash to be € 6.9m. Borrowings and financial liabilities from OSEO, CM-CIC, Crédit Maritime and BCME have essentially fixed rates with an average interest rate of around 4.6%.

Based on a more mature profile of the company and to limit shareholders' dilution, Lucibel issued in December 2013 1.2m convertible bonds with a nominal value of € 7.50 for a total value of € 9m, to be converted into shares at the price of the upcoming private placement. The bonds were subscribed by Bpifrance Participations, FCPR Aster II and CM-CIC Capital Innovation. Bondholders have committed to convert all of their bonds on the day of first listing.

Net Debt 2012/2013

Net Debt (€ k)	2012A	2013A	2014Q1E
Convertible bonds	-	9,125	9,401
Borrowings, financial liabilities	1,344	6,171	8,407
Financial liabilities related to factoring	536	2,574	
Cash and cash equivalents	1,349	9,306	6,886
Net debt	**531**	**8,564**	**10,922**

Source: Company reports, CSI estimates

Prior Equity Funding And Shareholding

Lucibel has raised a total of € 21.5m (before applying costs to issue premiums) through a series of capital increases since its creation in 2008. The below shareholding simulation is based on the assumption of gross proceeds from the private placement of € 20m and a mid-range issuance price of € 14.25. It does take into account the exercise of 1.2m convertible bonds as well as all other dilutive instruments, including BSPCE warrants, options and BSAs. The company has informed the bondholders of its intention to convert the 1.2m convertible bonds into shares upon the first listing.

Shareholding Simulation as of June 10, 2014

Shareholding	Non-Diluted		Fully Diluted			
	Shares	%	Exercise Oth. Instr.	Exercise Conv. Bonds	Shares	%
Etoile Finance/Frédéric Granotier	1,649,252	26.1%	90,000	-	1,739,252	20.8%
Aster Capital	430,769	6.8%	230,769	37,928	699,466	8.4%
Executives	330,050	5.2%	492,000	-	822,050	9.8%
Emplyees	183,186	2.9%	544,250	-	727,436	8.7%
CM-CIC Capital Innovation and Sudinnova	200,000	3.2%	-	113,782	313,782	3.8%
BPI France	-	0.0%	-	530,984	530,984	6.3%
Other shareholders	3,532,573	55.8%	-	-	3,532,573	42.2%
Total	**6,325,830**	**100.0%**	**1,357,019**	**682,694**	**8,365,543**	**100.0%**

Assumption: Gross proceeds of € 20m and a mid-range issuance price of € 14.25
Exercise of "Other Instruments" includes BSPCE warrants, options and BSAs
Source: Company reports

FORECAST

Our below forecast is based on Lucibel's organic growth in the LED general lighting market (see also appendix for a detailed revenue forecast).

France

We expect revenues in France of € 25.3m in 2014 (€ 16.9m in 2013) with growth moving from 31% in 2014 (24% if considering the full-year impact of acquisitions) to 39% in 2017 and, with an increase in market share, levelling off in the following years to 15% in 2020. This corresponds to a conservative interpretation of market forecasts (CAGR of around 45% until 2016 and 15% thereafter according to Mc Kinsey & Company) with a gain of market share in some segments:

- Lucibel's historical B2B business grows 51% in 2014 (after a growth of 74% in 2012 and 86% in 2013) also driven by a range of new products, providing additional dynamics for 2014 H2 sales. Further growth will come from both a more effective sales force and an increase of the sales team over time (target of € 1m average sales/representative for Lucibel LED, compared to € 700k in the traditional lighting market);
- The Cordel shop lighting business should grow slightly below market rates to € 12.2m in 2014 (€ 10.8m in 2013 – full year) while executing the switch to LED technologies. Cordel just signed a € 600k pilot contract with Carrefour, demonstrating its capacity to attract large accounts. Once the transition to LED has been achieved with foresee market share gains;
- For Procédés Hallier we see growth to revenues of € 3.3m in 2014 (€ 2.5m in 2013 – full year) also by enlarging its offering beyond museums to new sub segments (e.g. luxury boutiques, art galleries). From 2015 onwards we expect growth at least in line with the market, before levelling off to 15% from 2018 onwards, given the comparably smaller size of its target market. Procédés Hallier is also planning to market its solutions internationally (not taken into account in this forecast);
- For Citéclaire we expect the public sector business to pick up from its embryonic state;
- Due to unsatisfactory gross margin levels, Lucibel is planning to discontinue the wholesale business.

International

We expect revenues outside France of € 5.7m in 2014 (€ 4.6m in 2013, mainly in the Benelux, Switzerland, Spain, Dubai, Morocco and Asia) with growth of 24% in 2014. During 2015, 2016 and 2017 we expect Lucibel to multiply the launch of additional countries, also accelerated by the funding of this private placement, which will lead to a strong increase in revenues out of a combination of growth in already existing countries and the launch of additional countries. During the first few years we expect each country to grow significantly above market growth rates, similar to what Lucibel achieved in France. From 2018 onwards, once a regional footprint has been established, we estimate growth to gradually level off to 30/25%. We believe that there is an organisational limit to the multiplication of country presences and have therefore moved the launch of a number of countries (e.g. Greece, Turkey, Poland, Hungary, Czech Republic, Russia, Japan, Thailand, India and Vietnam) beyond the forecast period, if compared to the management's planning.

In Europe we expect the already existing markets (Benelux, Switzerland, Spain and Italy) to strengthen in 2014 based on a redeployment of the more experienced French sales force, generating a combined € 1.7m of revenues (€ 1.3m in 2013). In 2015 Lucibel will attach a higher priority to developing the German and the UK market while primarily working with distributors.

In the Middle East and North Africa the existing presence in Dubai and Morocco will serve as a basis to develop additional markets. We expect the subsidiary in Dubai that has been founded

late 2012 to generate revenues of € 1.5m in 2014 (€ 0.7M in 2013). The new affiliate in Morocco, incorporated in April 2014, should contribute € 1m in 2014 (€ 0.7m in 2013). Additional project-related opportunities can be expected in Saudi Arabia.

In Asia, the existing presence in HK, China and Singapore is expected to realise revenues of € 0.7m (€ 1.9m in 2013 due to a discontinued low margin wholesale account). Whereas in Hong Kong Lucibel is working through distributors and electricians, in the large and complex market of China a more opportunistic project approach is adopted in partnership with the local representations of Rexel and Schneider Electric. From 2015 onwards Lucibel aims to branch out to Malaysia and Indonesia.

Latin America is part of the international development priorities from 2015 onwards, initially most likely based on indirect distribution channels and/or partners.

Longer term we expect Lucibel to achieve group-wide revenues of € 131m in 2017 and € 248m in 2020 (organic growth only). Put into perspective with the LED general lighting market forecast for the relevant segments and geographies of € 10-15bn in 2020 the estimated revenues correspond to an average market share of about 2%.

Gross Margin

We retain a gross margin of 36% for the historical B2B business in the French office and healthcare segments in 2014 (32% in 2012, 29% in 2013), determined by a mix of different sales channels[3] and gradually ramping up to 45% by 2017, a level in line with competitors (estimates for Lumenpulse of between 46.4% in 2016 and 49.5% in 2018). Lucibel's gross margin position will be positively affected through near-shoring and the related positive effects on supply chain costs. It will also benefit from an increasing share of direct sales and a more defendable market positioning due to its customer-centric solutions (pricing power). Component costs, a large part of which are LED chips, are forecasted to drop by about 10-15% in price per year through 2020, according to the U.S. Department of Energy. However, some of these gains might be offset by a likely erosion of selling prices of LED lighting over time.

For the shoplighting and museum lighting businesses we retain estimates of their respective historical gross margins of 50% and 70% over the planning period. The level of gross margins is higher than Lucibel's historical B2B business due to the services included in Cordel's offering and due to the strong branding and innovative products of Procédés Hallier. This is not taking into account any potential improvement due to the joint sourcing of components and productivity gains in near-shoring that should yield an improvement in gross margins across Lucibel.

For the public sector and international businesses we estimate gross margins of 40-45%, mainly due to a more favourable channel mix (more direct sales and through partners compared to the French B2B market).

Gross Margin Forecast

Gross Margin (%)	2014E	2015E	2016E	2017E	2018E	2019E	2020E
France B2B	36%	39%	42%	45%	45%	45%	45%
Shoplighting (Cordel)	50%	50%	50%	50%	50%	50%	50%
Procédés Hallier	70%	70%	70%	70%	70%	70%	70%
Public (Citeclaire)	45%	45%	45%	45%	45%	45%	45%
Trade (Lucibel Retail)	33%	33%	33%	33%	33%	33%	33%
International	40%	41%	42%	43%	44%	44%	44%

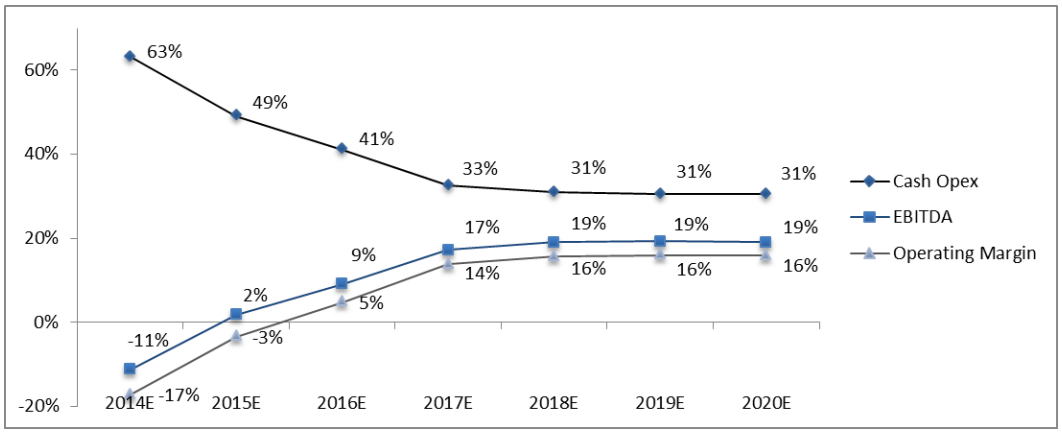
Source: Company reports, CSI estimates

[3] Estimated gross margin levels through different channels: direct 55-60%, key accounts 40-45%, electricians 40-45%, distributors 35%.

Operating Margin And EBITDA

With more efficient sales teams and a ramp-up of revenues we estimate cash opex to go down from 63.1% in 2014 to 32.5% in 2017. As a result Lucibel's EBITDA can be expected at 17.3% in 2017, gradually improving to 19% thereafter. Both the cash opex and EBITDA targets we estimate are in line with best in class competitors (Lumenpulse: cash opex of 30.6% and EBITDA of 18.9% in 2018E; Dialight: EBITDA of 17.8% in 2014E and 18.8% in 2015E). Other European competitors are at structurally lover levels, including Zumtobel, expecting an operating margin of 8-10% in 2016 burdened by overcapacity, and Fagerhult who has realised 9% in 2013, also due to a lower share of its LED business.

Operating Margin and EBITDA Forecast



Source: Company reports, CSI estimates

Given the sustained growth until the end of the forecast period, we expect that Lucibel is reaching the normative level of operating margin in 2019. By then sales & marketing represent 23% and G&A 6% of sales. Lucibel is allocating a total R&D budget of 5% of sales (1.5% cash expense and 3.5% capital expenditure amortised over 3 years). This is consistent with its innovative solutions offering and on the higher end if compared to the competition (2% for Acuity, 2.6% for Dialight and 5.6% for Zumtobel).

Operating Expense Forecast

Operating Expense (%)	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales & Marketing	46.3%	35.0%	30.0%	24.5%	23.5%	23.0%	23.0%
R&D Expense	2.3%	2.1%	1.8%	1.5%	1.5%	1.5%	1.5%
G&A	14.5%	12.0%	9.3%	6.5%	6.0%	6.0%	6.0%
	63.1%	49.1%	41.1%	32.5%	31.0%	30.5%	30.5%

Source: Company reports, CSI estimates

Cash Flow

Lucibel's capital expenditure includes 3.5% of sales on R&D and an additional 1% on tangible assets. We estimate working capital requirements at 60 days of sales and borrowing and financial debt at an average interest rate of 4.6% in line with the past. In our forecast we apply factoring to 80% of French revenues at an overall cost of 2%.

By the end of 2013 Lucibel has accumulated and is carrying forward losses of € 17.6m in France and € 2.6m internationally. In 2014, Lucibel has created a tax consolidation group in France together with its Cordel and Procédés Hallier entities.

The free cash flow in 2014 will be negative, estimated at € 6.2m. Given the available cash at the end of 2013 of € 9.3m (we estimate available cash of € 6.9m at the end of Q1 2014) the funding of current operations and working capital requirements is ensured for 2014.

Financial Forecast Summary

Income Statement (€ m)	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	**31.0**	**51.3**	**85.4**	**130.5**	**167.1**	**205.6**	**247.5**
y/y % chg.	*29%*	*65%*	*66%*	*53%*	*28%*	*23%*	*20%*
Gross profit	**14.2**	**23.5**	**39.2**	**60.4**	**77.9**	**95.7**	**114.8**
% of revenue	*45.9%*	*45.7%*	*45.9%*	*46.3%*	*46.6%*	*46.5%*	*46.4%*
EBITDA	**-3.5**	**0.9**	**7.8**	**22.6**	**31.8**	**39.7**	**47.2**
% of revenue	*-11.1%*	*1.8%*	*9.1%*	*17.3%*	*19.0%*	*19.3%*	*19.1%*
Operating profit (1)	**-5.3**	**-1.7**	**4.1**	**18.0**	**26.1**	**33.0**	**39.3**
% of revenue	*-17.2%*	*-3.4%*	*4.8%*	*13.8%*	*15.6%*	*16.0%*	*15.9%*
Net interest	0.7	0.9	1.1	1.4	1.7	2.1	2.4
PBT	**-6.0**	**-2.6**	**3.0**	**16.5**	**24.4**	**30.9**	**37.0**
Taxation	0.0	0.0	0.0	0.0	0.0	4.7	5.9
Net income	**-6.0**	**-2.6**	**3.0**	**15.2**	**21.0**	**21.8**	**25.6**
% of revenue	*-19.4%*	*-5.0%*	*3.5%*	*11.6%*	*12.6%*	*10.6%*	*10.3%*

Cash Flow (€ m)	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Operating profit	-5.3	-1.7	4.1	18.0	26.1	33.0	39.3
Depr. & amort., stock comp.	1.9	2.7	3.7	4.6	5.7	6.8	7.9
Change in working capital	1.2	3.4	5.7	7.5	6.1	6.4	7.0
Operating cash flow	**-4.6**	**-2.4**	**2.1**	**15.0**	**25.7**	**33.3**	**40.2**
Net interest	0.7	0.9	1.1	1.4	1.7	2.1	2.4
Taxation	0.0	0.0	0.0	0.0	0.0	4.7	5.9
Cash flow from operations	**-5.3**	**-3.3**	**1.0**	**13.6**	**24.0**	**26.6**	**31.9**
Capex	1.4	2.3	3.8	5.9	7.5	9.3	11.1
Financing activities	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Free cash flow	**-6.2**	**-4.6**	**-1.9**	**7.4**	**14.1**	**14.0**	**16.4**

(1) Operating income from ordinary activities after employee stock compensation expense
Source: Company reports, CSI estimates

Private Placement

Lucibel is planning to allocate the proceeds of the private placement to fund its organic growth (sales force recruiting in France and internationally as well as working capital ramp-up), conduct further acquisitions (profitable companies providing access to distribution channels, geographies and technologies) and reinforce its in-house R&D department (recruiting of high-calibre engineers, laboratory equipment).

In case of a listing the convertible bonds contracted in December 2013 are automatically being converted at the price of the transaction with an IRR capped at 15%. The current number of outstanding shares is 6,325,830. Assuming gross proceeds of € 20m and a mid-range issuance price of € 14.25, 1,403,509 new shares will be issued, corresponding to 18.2% of the capital post-money (16.7% after conversion of convertible bonds, 14.4% on a fully diluted basis if taking into account warrants and options with various exercise periods).

VALUATION

Taking into account our above organic growth forecast, a terminal growth rate of 3-4% and a WACC of 11-12%, our DCF valuation suggests a pre-money EV for Lucibel of above € 110m, corresponding to a share price in excess of € 16.00.

Sensitivity Analysis

Share Price (€)					
	WACC	10%	11%	12%	13%
Terminal Growth	2%	17.58	14.64	12.32	10.45
	3%	20.07	16.46	13.70	11.51
	4%	23.38	18.81	15.41	12.81
	5%	28.02	21.93	17.62	14.43

Source: CSI estimates

On a multiples basis, the target price of € 16.00/share equates to 2.7 x EV/Revenues H2 2014 annualised and 2.2 x EV/Revenues 2015. The below comparison table highlights a number of comparable LED lighting players. We excluded companies with a large amount of non-LED business in their product mix (i.e. Legrand, Hubbell, Havells).

LED Peer Group Valuation

		Share	Off 52	Market		EV / Rev.			EBITDA		
	Curr.	**Price**	**Wk High**	**Cap**	**EV**	**2013**	**2014E**	**2015E**	**2013**	**2014E**	**2015E**
Cree Inc.	US $	48.77	36%	5,947	4,724	3.1x	2.6x	2.2x	15.6x	12.1x	10.0x
Acuity Brands Inc.	US $	135.39	7%	5,850	5,796	2.7x	2.4x	2.1x	18.7x	15.9x	13.1x
Zumtobel AG	€	15.50	21%	681	845	0.7x	0.7x	0.7x	9.6x	7.7x	6.3x
Fagerhult AB	SEK	120.00	2%	4,616	5,501	1.8x	1.5x	NA	NA	NA	NA
Dialight PLC	GBp	928.50	35%	300	292	2.3x	1.9x	1.7x	17.1x	13.5x	10.5x
Lumenpulse Inc.	CAN	21.05	3%	496	409	9.7x	6.6x	4.6x	NA	NA	NA
Revolution Lighting Inc.	US $	2.36	57%	195	198	NA	1.8x	NA	NA	13.2x	NA
Mean						**3.4x**	**2.5x**	**2.2x**	**15.3x**	**12.5x**	**10.0x**
Median						**2.5x**	**1.9x**	**2.1x**	**16.4x**	**13.2x**	**10.2x**

Source: Bloomberg, Capital IQ, CSI estimates. As of 24.06.2014. Values in local currency.

We believe Lucibel attracts a higher multiple than its peers given its premium positioning, above-market revenue growth and rapidly improving EBITDA. There are not many best in class LED lighting solutions vendors comparable to Lucibel, other than perhaps Lumenpulse which currently trades at 6.6 x EV/Revenues 2014 and 4.6 x EV/Revenues 2015 (Lumenpulse is expected to be EBITDA positive in 2014 and therefore merits a premium). Overall the valuation is reasonable and supported by the DCF analysis. Lucibel is operating in a multi-billion, fast growing market with a strong pipeline of LED lighting solutions and a loyal customer base.

RISKS

Hypergrowth And Transition To Profitability

Lucibel is growing very rapidly and will need to further expand its organisation to ensure appropriate sales coverage, marketing, supply chain, production and finance management. The company may grow operating costs prior to revenue growth, that by itself may not materialise, resulting in earnings below our forecast. Lucibel's hypergrowth can face:

- Slower than expected development of international sales (i.e. Switzerland, Spain). While overall revenues can be balanced with well-performing countries (e.g. Dubai, Morocco) it might create additional delays to obtain the targeted revenues;
- Adverse supply chain events (e.g. delay in delivery times, incapacity of Flextronics to deliver) that can have an impact on the ramp-up and level of revenues;
- Recruiting issues (e.g. incapacity to find qualified resources at the required time) that can lead to delays in the development of the company, especially with respect to sales and engineering staff;
- Lack of attractive external growth opportunities and implementation issues that can delay the ramp-up of revenues and potentially representing financial losses. In any case external growth is not part of our forecast and therefore not part of the valuation.

Competition

While the LED lighting market is still quiet fragmented, there are a number of incumbent players that compete with Lucibel and have more financial resources and more established downstream relationships (i.e. Philips, Osram, General Electric). High growth and LED market opportunities might attract additional challengers or low-cost competitors (e.g. importers) that undercut prices and deliver mediocre quality, representing a risk to the overall market and the perception of LED products.

Lucibel will mainly be confronted with the market position of traditional premium brands (incl. Zumtobel with a European market share of 9%, Trilux and Fagerhult), which are challenged by the integration of LED light sources into their luminaires (about 30% of Zumtobel sales are LED). French competitors like Xanlite, Switch Made and Neolux are of comparable size and active in the same segments.

Longer-term large consumer electronics conglomerates (incl. Samsung, Toshiba, Panasonic and LG) can become dominant global players. However, their scale is not conducive to customer proximity as well as the ability to propose customised solutions and drives them towards the largest market segments (e.g. residential).

Lucibel is aiming to protect and enhance its competitive positioning through customised premium solutions creating customer loyalty, defendable vertical sales channels and alliances with large partners. Schneider Electric has chosen Lucibel as a preferred partner for its LED lighting offers.

Technological Development

Lucibel's published intellectual property and trade secrets can become under threat. However, the value created lies rather in Lucibel's industrial development of LED applications (significant barrier to entry), than in the underlying research. Furthermore the continuous efficiency increase of LED lighting drives rapid innovation and shortening product life cycles (about two years), which in itself limits the risk of corporate cloning.

The emergence of other technologies, competing with LED technology (e.g. plasma lighting) can be a threat. But given Lucibel's capacity to integrate different light sources in its luminaires (make or buy decision) an emerging technology should not undermine the group's growth.

Macroeconomic Impact

Lighting, being linked to the construction sector, must be considered as a cyclical market and thus spending will be influenced by the overall economy. Sales cycles will be prolonged in a challenging economy and pricing power will migrate to the customer. While LED growth targets might therefore be delayed or not achieved in full, the underlying sustained growth trend (as indicated by market research from McKinsey & Company, European Commission, U.S. Department of Energy) cannot be ignored, also assisted by a supportive regulatory environment and the on-going replacement of incandescent lighting.

Exchange Rate Fluctuation

Longer term Lucibel will generate over 40% of total revenues outside the Euro zone, large parts of which will be U.S. Dollar denominated, while increasing parts of its cost base might be in Euros (nearshoring vs. offshoring). A strengthening Euro could lower revenue growth and profits when foreign sales are converted to Euros. To that effect Lucibel has established a currency hedging position in 2012.

Regulatory Change

Today government decisions in many markets to ban traditional light sources are a driver of growth on the LED market. On the other hand, protectionism in some countries may limit the commercial development of Lucibel and its competitors (e.g. 70% of the Chinese LED market needs to be sourced in China). In addition Lucibel is subject to laws and regulations regarding the design, manufacturing, usage and disposal of its products (e.g. EU Energy Efficiency and WEEE directives). Regulatory changes can therefore represent a threat to the company's growth prospects. To anticipate and mitigate the associated risks Lucibel operates in close coordination with regulatory bodies and the French government and participates in the creation of future standards.

UPSIDE

External Growth

While the above forecast includes the effects of market growth and market share gains for Lucibel it is not taking into account the potential uplift through acquisitions, which represent an important element of Lucibel's growth strategy. With already five acquisitions completed, we expect a part of the private placement proceeds to be employed in external growth transactions. Lucibel aims to play a role in consolidating the market by acquiring complementary technological expertise, specific distribution channels or geographical coverage. While typically targeting profitable companies valued at around 1-1.5 x revenues, significant value can be unlocked by integrating them into the group. Lucibel has set itself a revenue target of € 200m in 2017, of which € 150m through organic growth.

Impact of Large Projects

Revenues in the shop lighting, office, hospitality, government and public sector segments can get a significant uplift compared to current estimates with the arrival of large contracts. Lucibel has recently signed a € 600k pilot contract with Carrefour that will potentially be rolled out across France/internationally.

Gross Margin Uplift

Lucibel's smart lighting, Li-Fi and human-centric LED solutions can generate a significantly higher gross margin of up to 70% (similar to the one realised by Procédés Hallier) if compared to the LED general lighting market. A gross margin improvement can also be expected from the joint sourcing of components across all parts of the group (incl. Cordel, Procédés Hallier and potential future acquisitions) and from productivity gains in the nearshoring activity.

Listing Impact

Lucibel's listing will not only help fund its internal and external growth, but also underline its ambition and credibility, facilitating an accelerated development of larger corporate accounts, the public sector and international markets. Following the listing we also expect improved payment terms with certain suppliers.

APPENDIX

Revenue Forecast (Organic Growth)

Revenues (€ m)	2014E	2015E	2016E	2017E
France B2B	9.0	11.5	14.8	20.0
y/y % chg.	*51%*	*27%*	*29%*	*35%*
Shoplighting (Cordel)	12.2	16.7	22.1	30.0
y/y % chg.	*26%*	*37%*	*32%*	*36%*
Museum (Procédés Hallier)	3.3	3.8	5.0	6.0
y/y % chg.	*30%*	*17%*	*32%*	*20%*
Public (Citéclaire)	0.3	1.5	4.0	8.0
y/y % chg.		*362%*	*167%*	*100%*
Wholesale	0.5	0.0	0.0	0.0
France	**25.3**	**33.5**	**45.9**	**64.0**
y/y % chg.	*31%*	*32%*	*37%*	*39%*
Benelux	0.6	1.5	2.5	4.0
Switzerland	0.6	1.5	2.5	4.0
Spain	0.3	0.8	1.5	2.5
Italy	0.2	0.5	1.5	2.5
Germany/Austria	0.2	1.5	2.5	4.0
UK		0.5	2.5	4.0
Scandinavia		0.5	1.5	2.5
Europe	**1.9**	**6.8**	**14.5**	**23.5**
y/y % chg.	*46%*	*266%*	*113%*	*62%*
Dubaï	1.5	2.5	4.0	6.0
Maroc	1.0	2.5	4.0	6.0
Algeria/Tunisia	0.2	1.0	2.5	4.0
Saudi Arabia	0.4	0.5	1.5	2.5
Afrique de l'Ouest		0.5	1.5	2.5
South Africa			0.5	1.5
Lybia/Egypt/Israel			0.5	1.5
MEA	**3.1**	**7.0**	**14.5**	**24.0**
y/y % chg.	*111%*	*126%*	*107%*	*66%*
HK / China	0.5	1.5	2.5	4.0
Singapore	0.2	1.0	2.5	4.0
Malaysia		0.5	1.5	2.5
Indonesia		0.5	1.5	2.5
Australia			0.5	1.5
APAC	**0.7**	**3.5**	**8.5**	**14.5**
y/y % chg.	*-62%*	*393%*	*143%*	*71%*
Argentina/Chile		0.5	1.5	2.5
Bresil			0.5	1.5
Mexico				0.5
LATAM	**0.0**	**0.5**	**2.0**	**4.5**
y/y % chg.	*na*	*na*	*300%*	*125%*
Group Revenues	**31.0**	**51.3**	**85.4**	**130.5**
y/y % chg.	*29%*	*65%*	*66%*	*53%*
o/w France	**25.3**	**33.5**	**45.9**	**64.0**
% of total	*82%*	*65%*	*54%*	*49%*
o/w International	**5.7**	**17.8**	**39.5**	**66.5**
% of total	*18%*	*35%*	*46%*	*51%*
y/y % chg.	*23%*	*214%*	*122%*	*68%*

Source: Company reports, CSI estimates

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