

Dear shareholder,

01/17/2021

DRACO GLOBAL's profitability during 4Q20 was + 1.63% and since the beginning of + 1.42%. During 4Q20, the profitability of the S&P 500 was + 11.6% concentrated in just ten sessions and known for the large rotation from growth to value. We will see if this rotation continues during 2021, but we think it will lose steam during the second half of this year.

The official management of DRACO GLOBAL began in September last year, with a 20% exposure to the stock market. We increased exposure to equities throughout the fourth quarter of 2020, but we are still at a low level of 50%. (during the significant rebound in November, the average exposure was 27%). The main reason for not completing the stock portfolio is why we do not like to go behind the market. We think that we will find better prices in the coming months. Although DRACO GLOBAL is an equity SICAV, we believe that the market currently only discounts the positive and none of the negative. Therefore, we will find opportunities to complete our portfolio of shares with patience. Given the current bullish momentum in the market, we have CALL options on the equities indexes to capture the bullish movement until we increase the exposure level to 85% -90%.

## **MACRO**

In the previous quarterly letter, I already commented on our medium and long-term macro positioning. Although we do not use the macro for our investment in stocks, we do have our own opinion.

We continue to think that with low or negative interest rates and substantial monetary expansion, equities will continue to rise as a financial asset that it is. The main risks are a rise in interest rates, an accentuation of deflation, or inflation entry. We will remain attentive to the medium-term scenario to detect when to activate our tail risk strategy to protect the equity portfolio.

For more information about our macro vision, you can consult our last quarterly letter.

[\(https://www.dracoglobal.es/documentos/\)](https://www.dracoglobal.es/documentos/).

## **PORTFOLIO SITUATION.**

The first ten positions represent 49.5% of the equity and the first twenty more than 85%. The geographical distribution by sales figures comprises 61% USA, 24.5% Europe, 14% Emerging and the rest Global. By size, 65% are small companies, and 35% are large companies. On average, eight analysts follow our companies. The split between Growth companies and Value companies is 60/40. The fund has a three-year upward potential of more than 50% or an IRR for the same term of 14%. The average ownership percentage of the portfolio is 60%, the average insider trading is over 20%, more than 35% of the portfolio companies are buying back their shares for an amount close to 10% of their market capitalization, and finally and most importantly,

The most relevant movements in the quotation in the fourth quarter were:

✓ + 45.21% Palo Alto Networks (PANW), + 42.2% Mastercraft Boat Holdings (MCFT), + 28.8% Universal Health services (UHS), + 25% Water Intelligence Inc. (WATR) and +21, 8% Armanino Foods of Distinction (AMNF).

✗ -20.83% Alibaba Group Holdings (BABA), -16.8% Repro Med Systems (KRMD), -4.5% Computer Modeling Group (CMG) and -4.28% MammaMancini's Holdings (MMMMB).

## **PORTFOLIO OF SHARES.**

On this occasion, we will make a brief review of all our portfolio positions ordered by weight. We will post a summary video of the stock portfolio on our YouTube channel throughout the month of January.

### **Altigen Communications (ATGN).**

ATGN is an American micro-cap (\$ 60M) that trades on the OTC market. Its business is communications in the cloud (UCaaS) for small and medium-sized companies. It is transforming from a model of sale of a license to one of SaSS (subscription). Its primary services are the MaxCS PBX solution, MaxACD for call centers, and its application for Microsoft Teams.

Before Covid-19, companies were already transforming to the cloud, but the pandemic has accelerated this process. Cloud communications enable greater efficiency and cost reduction than local transmissions.

Although it is a very fragmented industry, we like ATGN mainly for three reasons:

- 1) Agreement with Fiserv: This allows you to offer cloud communications solutions to more than 1,500 customers in the US out of a total potential of 12,000. It is a long-term relationship, and it is reasonable to estimate that ATGN will increase market share within Fiserv.
- 2) Agreement with Microsoft Teams: With more than 100M users, ATGN deals with Microsoft to implement its telephone systems in the cloud with the Teams application and the previous Skype.
- 3) Recurring revenues represent more than 70% of sales, and this percentage expects to continue increasing in the coming quarters.

We discovered this company when it was trading below 2x sales when comparables such as Crexendo (CXDO), 8X8 (EGHT), or Ring Central (RNG) were paying at 6x sales.

We calculate a target price of \$ 4.10 using a multiple of 5x over our 2023e sales estimate of \$ 20M. There is a tax credit (NOL) for a total value of 80% of its market capitalization, which we do not include in our valuation. At the current listing price, potential + 56% and + 148% from our median purchase price (\$ 1.65).

#### **Palo Alto Networks (PAWN).**

It is a leading American company in cybersecurity (\$ 35bn) with competitor Check Point Software (CHKP). PAWN has a higher percentage of recurring revenue thanks to its greater weight from the SaSS business (70% of sales). This difference is a clear competitive advantage because it will take time for CHKP to reach that same percentage.

PAWN benefits from a secular trend toward more significant investment in cybersecurity. The existing digital transformation, which COVID-19 has accelerated, works as the perfect tailwind. There is a clear competitive advantage in switching costs since once integrated into your customer's platform. The latter will not have any incentive to change due to execution and reputational risk. The company presents a spectacular profit momentum that we think will continue in 2021.

We started buying shares in late October (median price \$ 244) when PANW was trading below 4x forward sales when comparables were in a 7x to 10x range.

We estimate that, in 2022, PANW will profit with an expected EPS of \$ 0.15. We calculate a 2023 target value of \$ 450 from a 7x multiple of expected sales of \$ 5,600M.

#### **Water Intelligence (WATR).**

WATR is an English micro-cap (£ 87) that owns 100% of American Leak Detection inc. (AML), as well as international business. ALD focuses on the non-invasive detection of all types of water leaks, including hidden water leaks and sewer leaks, along with repair and other related services. Its business is made up of four segments, all of which are growing. The highest growth rate finds in the insurance and corporate segments. WATR operates in a very fragmented sector, where it is the clear leader by market share. There is a powerful structural growth trend due to the aging of water infrastructures in the US. You can consult our internal research on the company for more details: [Manual del inversor \(dracoglobal.es\)](https://dracoglobal.es)

### **Enlabs AB (publ) (NLAB).**

NLAB is a Swedish micro-cap (NLAB) that operates online games in the B2C segment under the Optibet brand. In the Baltic countries (Latvia represents 75% of sales). Online gambling was already growing before COVID-19, but the pandemic has accelerated the growth rate of online gambling to the detriment of land-based casinos. We think that this secular growth trend will continue in the coming years. NLAB offers us strong growth and in high growth countries, with stable regulation and increased market share, which acts as a barrier to entry to the competition. There are other exciting companies in this sector, such as Evolution Gaming (EVO), Kambi Group (KAMBI), or NetEase (NTES), and it was a mistake not to invest in them in the recent falls,

Last Thursday, January 7, Entai plc launched an offer for 100% of Enlabs. The purchase price ONLY offered a premium of + 1.5% compared to the previous day's closing price and valued the company at \$ 342m. We think it is a ridiculous purchase offer. However, it has the consent of the company's management (42% of the capital). Relevant shareholders have already started to emerge, stating that they will not sell their shares at this price, a statement with which we fully agree. We are going to wait for an improvement in the offer before considering a sale, as we think Enlabs is worth at least SEK 60 per share

### **LDC SA (LOUP).**

LOUP is a small French cap (EUR 1.7bn) leader in the manufacture and sale of poultry products in France and Poland. LOUP is well known in France thanks to its Le Gaulois, Loué, Maitre Coq, and

Marie brands and its high market share (45%) in the vast majority of products and brands. Its customers are mainly supermarkets and foodservice with high customer retention.

The fundamental key is that chicken meat has a higher growth profile than other meats and fish, thanks mainly to its perception of healthy. It is a product with little sensitivity to the economic cycle because people consume it both in an economic expansion and in a recession.

We like their organic growth strategy of +2% / + 3% plus inorganic growth utilizing their strong balance sheet and dominance position. After the Polish market's consolidation, a call with the highest per-capita consumption of chicken meat in Europe, we hope to consolidate a country in northern Europe.

As a risk, a rise in inflation discuss. Still, LOUP has amply demonstrated that it is capable of transferring price increases to the final consumer.

I know of few companies with such a high revaluation potential and with such low risk. LOUP is trading at 12x profit for the last twelve months, and we estimate an EPS for 2023 of 9.24 EUR, which implies a multiple of 9x profit. If we apply a multiple of 15x profit in line with its history, we reach a 2023e target value of € 147. We think it is only a matter of patience for the market to recognize its real fundamental value.

### **Amazon (AMZN).**

I will not talk about their qualities and competitive advantages since the entire investment community knows them well. Where there is no consensus is regarding the fundamental assessment and the possible regulatory or anti-competition risk.

We believe that regulatory risk, even if it exists, will simply cause a higher tax rate or higher investments that in no way invalidate your future business model. In valuation, it is necessary to capitalize on the balance sheet certain expenses that are investments. It is not always easy because it requires time and accounting knowledge. Still, if you do one, you realize that AMZN can be entirely worth \$ 4,000 per share in the medium term.

We capitalize 40% and 30% of research and development and marketing expenses, reaching an Ebit operating margin of 13% in 2023. This margin is going by an estimate of CAGR of sales + 15%. If we apply a multiple of 30x cash flow, we quickly reached a target value of \$ 4,000.

Over the years, I have realized that one of the biggest mistakes as a manager is selling early, and AMZN could be one of these.

---

If you want more detail regarding our investment thesis and why it is necessary to capitalize expenses on the balance sheet, here is our explanatory video ([IS AMAZON FACE? FUNDAMENTAL ANALYSIS ACTIONS - YouTube](#)).

 **Adairs Limited (ADH).**

ADH is a leading Australian small-cap (CAD560m) specialist in the sale of furniture and home décor products, very well managed and benefiting from the change in habit related to the home caused by COVID-19. The stock is close to its 2015 IPO price and is trading too cheap with the multiple channels of future growth. I will not expand here because our last research report talked about it in detail. ([Documents - DRACO GLOBAL SICAV](#)).

 **Facebook (FB).**

Like Amazon, FB has benefited from the COVID-19 crisis by increasing the percentage of advertising online and on social networks versus more traditional media such as TV and radio. While advertising in conventional media does not grow, the online channel grows at double digits. Specifically, within the online channel, social networks show the highest growth, with + 16% expected for 2021, according to Statista. In the US alone, digital advertising today generates \$ 130bn and represents 54% of all advertising investment. Mobile devices represent more than two-thirds of the market. Here, Facebook is a clear leader through all its applications. The ability to segment your customer on Instagram, Facebook, or YouTube; makes these companies clear winners over more traditional advertising companies.

There are two key variables to assess FB: the number of users and the ARPU (income per user). While ARPU did not grow during the second quarter of 2020, it did grow again in the third quarter (+ 9%) but at rates well below what it had been growing in recent years (+ 18%).

The positive surprise was the increase in monthly users thanks to the COVID-19 quarantines, with a growth of + 12% versus + 8% in 2019.

The main driver in our estimates is not the future growth of the number of users (in emerging countries, it continues to grow) but the convergence of ARPUs. Probably not at US levels (\$ 39) but the European average of \$ 12. We calculate a target price of \$ 350 in 2023 based on a multiple of 25x profits, and although there is an antitrust risk, we do not think that they will force it to separate. In the extreme case of this happening, we believe that FB would have more value separately at the

Current listing price. The recent upside potential of + 30% and + 60% from the average purchase price.

### **Armanino Foods (AMNF).**

AMNF is an American micro-cap (\$ 64m) leader in the manufacture and sale of pesto sauces. Fresh pasta with different flavors in the US AMNF's price penalizes its intense exposure to the foodservice (restaurants) segment. However, During the recent 3Q20 and the next 4Q20, we expect the results to normalize. When operating in a B2B business, the company does not directly sell its products but uses distributors on a national scale. It is an easily scalable business in the US. It already has a confident presence and in the international market (12% of sales). During the last year, the company has developed new sales channels to increase its weight in the retail segment through supermarkets and not depend excessively on the restaurant segment. As in all the micro caps in which we invest, its balance sheet is solid. It has no debt. In this case, AMNF has already repaid the American government's credit to face the pandemic. I think there are many possibilities that the company bought by a great player, who finds it more efficient to buy this company than to create a new product and sales line. During the third quarter, the drop in sales was reduced to -19% compared to 55% in the second quarter. It will continue to improve until entering the black numbers in 2021. It is more efficient to buy this company than to create a new product and sales line. During the third quarter, the drop in sales was reduced to -19% compared to 55% in the second quarter. It will continue to improve until entering the black numbers in 2021. It is more efficient to buy this company than to create a new product and sales line. During the third quarter, sales drops reduce to -19% compared to 55% in the second quarter. It will continue to improve until entering the black numbers in 2021.

We estimate a minimum target value of \$ 3.75 by 2023, applying a very conservative multiple of 15x earnings. AMNF is a clear example of a quality micro-cap trading at value prices. The upside potential is + 50% from current prices and + 75% from our average buy price (\$ 2.15).

### **Alibaba Group (BABA).**

Probably one of the most penalized values among large companies, with a fall of -19% in the last three months. The reasons are the stoppage of the Ant Group IPO and the antitrust investigation. The Chinese government announced a set of antitrust guidelines for internet platform companies



To prevent and stop monopolistic practices. The main focus is on requiring that merchants choose only an online platform, that they do not sell below cost, and that there is no price discrimination to consumers.

We believe that the antitrust proposal seeks to protect the entire internet industry, offer healthy growth, and not harm its future development. BABA's management recently announced an increase in the share buyback plan to \$ 10bn, taking advantage of the price drop. At the valuation level, greater regulation may have a minimal effect on growth or expenses. Still, we believe that the business model in the medium and long term remains intact. Regarding the latest quarterly results, BABA's underlying business grows at rates of + 30% in sales and + 28% in adjusted operating profit. This strong growth focus on three pillars: 1) Strong domestic consumption in China, 2) Business growth in the cloud, and artificial intelligence. Specifically,

With all these positive attributes, the market offers us a great company at value prices.

We calculate a notional value of \$ 360 with an exit multiple in 2023 of 15x profit or 10.5x Ebit. As in Facebook, any “mandatory” split of its businesses by the Chinese government yields a higher price than the current one. From the current price, their upside potential of + 55%.

### **Grifols (GRF.P)**

The COVID-19 pandemic highly penalized another company. Although the donation centers were open, citizens did not come due to quarantines and the American government's help.

The bioscience core business has continued to grow at high single digits due to the strong demand for immunoglobulins in the US and Europe.

We are very convinced about our investments in the plasma sector and not only in Grifols. Over the years, we have developed a good understanding of this market niche and estimate that GRF is worth EUR 25.5 by 2023. Apart from the poor performance of plasma collections, investors seem concerned about the current high indebtedness of GRF. We are not concerned because GRF management has amply demonstrated that it can unleverage its balance sheet with cash flow generation in two years (Talecris in 2011).

For more information on GRF, see our written investment thesis [Documents - DRACO GLOBAL SICAV](#) and our YouTube channel. You also have a fascinating article published in Funds Society [A manager's diary: how do we contrast the information obtained when we analyze an investment idea? \(fundssociety.com\)](#).



### **Inditex (ITX).**

Another well-known company that was listed was highly penalized for the closure of stores during the past quarantine. The investment thesis in ITX was simple; we had no doubt that the closure was temporary and the situation would normalize over the next few quarters. Recently the price has been discounted, but it still has a way to go. We attach a video of our investment thesis in ITX, part I and part II.

[📺 FUNDAMENTAL ANALYSIS ACTIONS | REAL EXAMPLE | INDITEX \(ITX\) 📺 LEARN TO INVEST - YouTube.](#)

[INDITEX UPDATE - Fundamental Analysis - YouTube.](#)

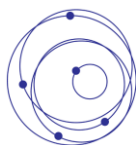
### **COMPUTER MODELLING (CMG).**

Canadian Microcap (CAD390m) software specialized in modeling oil and gas fields to determine the most efficient way to develop them. The software is highly complex and intensely technical, providing a strong barrier to entry against the competition. CMG has high switching costs because, despite the drop in oil prices in recent years, more than 90% of CMG's revenues are recurring. However, its clients operate in a highly cyclical business.

As you know, at DRACO GLOBAL, we are not very in favor of investing in cyclical sectors, but we are in companies with recurring income. Despite the substantial cumulative drop in oil prices, -70% from the highs of 2014 to 2020, CMG has been able to protect its turnover. CMG was very agile in accelerating its transformation from a licensed to a subscription (SaSS) model. The software business represents 90% of sales, which means a slight drop of -1.75% in CAGR at 5yr. Instead, the price has behaved like oil price, going from CAD 15 to CAD 5. Thank you. By controlling costs, CMG has been able to minimize its drop in operating margin (from 45% to 42%) and only an EPS CAGR of -5% at five years. CMG has not reduced the dividend, and the main driver is stabilizing the oil price. Its main competitor is Schlumberger (SLB), a large company whose primary business is oil companies' services and not reserve software (reservoir characterization).

Finally, CMG could receive an offer to buy from Schlumberger or another potential competitor at any time.

We calculate a target price of CAD7 to 2023, merely estimating a double-digit drop in sales for 2020 and + 1% / 2% organic growth. At the current price, the upside potential is greater than + 45%.



### **CHANNEL ADVISORS CORP. (ECOM)**

ECOM is a US small-cap (\$ 500m) in B2B business that serves companies that want to diversify their online sales channels, manage inventory, optimize day-to-day operations and perform data analysis to increase sales. ECOM has been selected for the last nine years as the best online sales channel and the third-best provider of marketing content, according to Digital Commerce 360's annual Top 1000 report. Despite all the comments, ECOM has not attracted Wall Street's interest compared to companies like Shopify (SHOP) and BigCommerce Holdings (BCOM), and we like that. The main reasons are the lower sales growth rate concerning the companies mentioned and even having the best software in the sector. Your after-sales service should improve. ECOM has not run this service well for years, but policy now is trying to fix this critical problem. We calculate a target value of \$ 28 by 2023, which implies exit multiples of 9x Ebitda and 3x sales, as well as a potential upside of + 63%.

### **Repro Med Systems, Inc. (KRMD)**

US Micro-cap (\$ 198m) leader in the low-cost medical devices for subcutaneous immunoglobulin. We recently published an extensive document on KRMD, in which we expressed how our opinion had worsened after comparing our information with Dr. Pere Soler Palacín, President of the PIDD Foundation ([A manager's diary: how do we contrast the information obtained when we analyze an investment idea? \(fundssociety.com\)](#)).

Finally, we have reduced our stake in KRMD because, although its strategy works in the US, we have many doubts regarding its international expansion.

### **MasterCraft Board Holding (MCFT)**

US small-cap (\$ 395m) leader in the manufacture of speedboats for water skiing and wakeboarding. It mainly operates under its brand (65% of sales) and has a 20% market share in PSB (Performance sports boats). The sectoral structure could not be a better consequence because the three largest companies control 70% of the market. There are price discipline, national distribution networks, and entry barriers for the rest of the recreational boat manufacturers. MFCT has a high percentage of variable costs, a low capital intensive company, negative working capital, a high return on invested capital, and a generator of free cash flow throughout the economic cycle.

On November 11, MCFT reported results for the first quarter of 2021, with the best operating profitability in its history. However, sales continue to decline in the single digits. COVID-19 has increased interest in pleasure boats, the order book is excellent, and the inventory is low. This year's guide is sales growth of + 35%, Ebitda margin of 15%, and growth of earnings per share of + 80%. Using multiple 15x earnings, we reached a 2023 target value of \$ 50 with a potential upside of + 95%.

### **ATEME SA (ATEME)**

French Micro Cap (187m EUR) world leader in video compression for satellites, fiber optics, cable, IPTV, and OTT. The explosion in internet traffic expects to continue for the next decade, and video accounts for an essential part of this growth. According to Cisco, video represents 73% of all internet traffic. It estimates that its volume will triple over the next five years and grow at a CAGR compound rate of + 25%.

To support this growth, it is necessary to invest in new networks and optimize existing ones through video compression. Compression consists of reducing the amount of data while minimizing the loss of video quality. There are different video compression standards (MPEG and HVEC), but ATEME participates in all of them.

ATEME is another company migrating from a license sales model to a subscription one (SaaS). Today the software part represents 50% of sales vs. 25% on its IPO. This business model change will allow it to obtain higher sales growth and higher gross and operating margin in the medium and long term. When we calculate its target value, we must capitalize on the balance of the research and development spending (20% of sales vs. 25% in recent years). ATEME has indicated a solid order book in the latest Quarterly results and an improvement in 4Q20 compared to previous quarters.

The purchase operation on Anevia will allow it to increase its market share without overlapping in any segment and achieve commercial and financial synergies. We calculate a proforma income statement for 2020 and 2021, EUR 70m and EUR 93m in sales. We are convinced that this is an operation that transforms the impact of ATEME on its market.

We calculate a 2023 target value of EUR 21, with an upside potential of + 25%. However, we are reviewing the target price to incorporate the synergies of the Anevia acquisition.

### **MamaMancini's Holdings, Inc. (MMMB)**

US Micro-cap (\$ 67m) specialized in the manufacture and sale of Italian products, mainly meatballs of different types and flavors. Its main sales channel is supermarkets, and 50% of sales are private label. Many of you will think that MMMB is not the typical company we look for in DRACO GLOBAL, but it is not like that. It operates an exciting market niche. Although selling meatballs is not a priori very glamorous, its product is the healthiest and of the highest quality.

MMMB has multiple growth opportunities with stores close to supermarkets, which are growing at annual rates of + 8% - + 10% above supermarkets and increasing the penetration of its products at Walmart, Kroger, Costco, or Target. Last year it reached an agreement with Beyond Meat, which will help MMMB accelerate its strategic plan. Finally, MMMB wants to grow in the foodservice segment, and the management expects to reach \$ 10m in 2022. The company presents the right moment of results, with sales growth in the last twelve months of + 30%. Although the top growth will normalize somewhat -line, we estimate that it will continue to grow at a CAGR of + 20% to 2022. We estimate an intrinsic value of \$ 3.15 using a profit multiple of 15x, which yields a potential upside of + 62%.

### **Neurons (NRO)**

NRO is an old acquaintance of the portfolio, and I have already commented on other occasions. The investment thesis in NRO is straightforward, sales growth of + 5% with stable margins around 9% - 10% depending on subcontracting. NRO stands out as one of the few French IT small Caps with a fully decentralized model and the lowest turnover in the industry (12%). We have been shareholders of NRO for many years. Although we have spoken with Luc (CEO) on multiple occasions, we are rethinking our investment because we find many ideas in the US and that they receive an essential Re-rating from the market.

Only with the company's strategic plan for 2020, sales of € 510m, and operating margin of 9.5%, NRO should be worth € 32. Still, what the market thinks and the ratio it is willing to pay is something else. It is not clear to me if after these letters we will continue to be shareholders of NRO ... 😊

### **IEH Corporation (IEHC).**

IEHC is the smallest company in market capitalization (\$ 37m) of DRACO GLOBAL. Still, we think it is unique in its business. Although it represents little weight in our portfolio due to its low liquidity,

We are convinced that we will reach its target value of \$ 35. I recommend reading our research (<https://www.dracoglobal.es/documentos>), as well as the video we recorded for the MOI GLOBAL Spain event (<https://youtu.be/lZ-CWHxDSSU>).

### **Universal Health Services (UHS).**

UHS is one of the largest and most respected providers of healthcare and hospital services in the country. It has more than 350 general care hospitals, mental health centers, and outpatient centers in the USA, Canada, and the United Kingdom. Population aging acts as long-term structural growth for UHS. Today in the USA, there are more than 60M people over 65 years of age (15%), and it is expected that this rate may reach 23% in 2050. UHS is present in the states with the highest growth and dynamism of the United States, Texas, California, and Florida.

UHS is trading at a steep discount due to COVID-19, which has delayed eligible surgeries and treatments to the detriment of COVID-19 patients. We do not expect the situation to normalize until 2H21. However, UHS has a more resilient income statement thanks to its exposure to the mental health segment (50% of sales).

We calculated an intrinsic value of \$ 190 from the median revenue per number of admissions in both segments and a profit multiple of 17x.

### **Novo Nordisk A / S (NOVO B)**

Although changes in drug pricing policy are expected with the Biden team's arrival, we do not think that these will be drastic and would affect the bottom line of companies like Novo by less than 5%. NOVO B controls 30% of the diabetes segment globally and 50% of insulin. Population aging, overweight, and an attractive sector structure; They are the main drivers of NOVO B's business's future growth. Although there is a risk of generics, more than 80% of the insulin administered today comes from the new generation of insulins that offer greater control of blood sugar.

We calculate an intrinsic value of 515DKK based on a multiple of 21x, CAGR of + 5% to 2025, and operating margin stability.

### **EKINOPS SA (EKI)**

French micro-cap (EUR 185m) operates in network transport and benefits from the strong secular growth trend towards artificial intelligence, 5G, or the internet of things (IoT). This strong growth

Requires a large investment in networks and equipment by telecommunications companies to increase efficiency and speed in data transmission. Investment in research and development and a robust, innovative component act as barriers to entry to the competition. In the coming years, we expect that EKI will reduce the current concentration by clients and increase the software segment to the detriment of hardware, a business with lower profitability and growth. EKI operates in a very competitive sector,

We calculate an intrinsic value of 12.5 EUR from a multiple of 25x. Double-digit sales growth, margin expansion due to the greater weight of the software segment should lead EKI to reach earnings per share of 0.38EUR in 2023.

### **Micro Systemation (MSAB B).**

Swedish micro-cap (EUR 75m) world leader in forensics for mobile devices. Since 1984, MSAB has built a worldwide network of clients who use its applications, mainly police, intelligence agencies, corrections, prisons, or military agencies.

MSAB B remains under much pressure due to COVI-19, mainly due to lower license sales in the face of current uncertainty. Still, the increase in digital crime through mobile devices is a strong secular long-term growth trend. It is a business with apparent growth, an attractive sector structure, not very capital intensive, and great potential for long-term appreciation. MSAB is our smallest position within the DRACO GLOBAL equity portfolio.

**Legal warning**

*DRACO GLOBAL SICAV is registered in the Registry of Variable Capital Investment Companies with number 1321 and with CIF A-95105227. The management entity of which is GESIURIS ASSET MANAGEMENT SGIIC, SA registered in the registry of entities of the National Securities Market Commission under number 37. The depositary company, BNP PARIBAS SECURITIES. Registered in the Official Register of Banks and Bankers with number 206.*