



ERIK PENSER BANK

Penser Access | Media | Sweden | 31 October 2022

Everysport Media Group

Media segment continues to deliver but padel is weighing down results

Media segment continues to deliver but padel is weighing down results

Sales were on par with Q3 2021 at SEK 43m. EBITDA fell y/y to SEK 3.2m (6.6) with the negative change due to lower ad revenues and problems with profitability in the padel business. Everysport Media, which generates 72% of revenues, grew by 6.5% and has more subscribers than ever. The ad market trend improved at the end of the quarter and price increases have been implemented. Eliteprospects continues to deliver and grew by an impressive 41%. Sales in Every Padel fell by 14% y/y. ESMG continues to strategically evaluate the portfolio of padel centres and the savings package is being executed as planned.

Estimate lowered, but the company is doing the right things

Following the report, we are raising our estimate for Elite Prospects, lowering the growth forecasts for Every Padel and slightly reducing other expenses and employee costs in line with the company's cost-cutting ambitions. Overall, this has lowered the estimate. In the current environment of serious over-saturation in the Swedish padel market, we believe ESMG is right to optimize its portfolio of padel centres to boost profitability. In our view, Every Padel has the potential to be a relative winner in the consolidation of the market. We also believe that the market is focusing on the negative sentiment in Swedish padel at the moment and overlooking the fact that 72% of revenues are generated by the media segment, which is performing well.

Fair value SEK 25-27

We arrive at a fair value of SEK 25-27, previously SEK 30-32. The lower value is attributable to somewhat lower forecasts, a lower EV/Sales multiple for padel in our SOTP valuation and the increase in our required rate of return from 12% to 14% in our DCF valuation. In so doing, we are factoring a persistently rocky market for padel into our valuation. Nevertheless, this gives a substantial upside from current levels.

Change in estimates (SEK)				Forecast (SEK m)				Value and risk														
	22e	Δ%	23e	Δ%	21	22e	23e	24e	Fair value	SEK 25 - 27												
Total revenue	206	-4,4	225	-9,3	Total revenue	191	206	225	251	Share price	SEK 7,40											
EBIT, adj.	-26	-27,7	-2	-142,1	Revenue growth	125%	8%	9%	12%	Risk level	Medium											
EPS, adj.	-5,1	-23,4	-1,0	-6174	EBITDA, adj.	33	21	38	50	<div style="background-color: #006633; color: white; padding: 5px; text-align: center;">Price Performance 12 months</div>												
Upcoming events				EBIT, adj.	2	-26	-2	10														
Q4 - report	17 February 2023			EPS, adj.	-0,8	-5,1	-1,0	0,6														
Company facts (SEK m)				EPS growth	N.m.	N.m.	80%	161%														
Number of shares	6			BV/share	11,8x	6,8x	5,8x	6,4x														
Market capitalization	46			Dividend per share	0,0	0,0	0,0	0,0														
Net debt	237			EBIT margin	1,2%	Neg.	Neg.	3,9%														
EV	282			ROE, adj.	Neg.	Neg.	Neg.	10,1%														
Free float	37%			ROCE, adj.	0,3%	-2,2%	-0,2%	1,0%														
Daily trading volume, average	4 (k)			EV/Sales	2,5x	1,4x	1,2x	1,0x														
Analyst				EV/EBITDA	14,6x	13,1x	7,1x	4,9x	<div style="background-color: #006633; color: white; padding: 5px; text-align: center;">Conflicts of interest</div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Liquidity provider</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Certified adviser</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Transactions 12m</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>			Yes	No	Liquidity provider	✓		Certified adviser		✓	Transactions 12m		✓
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Certified adviser		✓																				
Transactions 12m		✓																				
Henrik Holmer				EV/EBIT	215,2x	-10,8x	-112,1x	25,4x														
henrik.holmer@penser.se				P/E, adj.	-56,0x	-1,5x	-7,4x	12,3x														
				P/BV	3,7x	1,1x	1,3x	1,2x														
				FCF yield	5%	54%	27%	54%														
				Net debt / EBITDA	6,5x	11,0x	5,9x	4,0x														

Investment case

EverySport Media Group (ESMG) is a Swedish media group with a focus on sports. The company differs from traditional Swedish media groups as it is entirely digital and has built up a number of strong brands and assets in niche media focused on sports. In addition to being a digital media group, ESGM owns a world-leading ice hockey database, called Eliteprospects, that functions as a social network for players. It is also a leading operator of padel courts. In our assessment, the market is blind to the lower volatility in the media segment from subscription services and is underestimating the potential in being a padel company with the right portfolio of centres. We also believe that the market is focusing on the negative sentiment in Swedish padel at the moment and overlooking the fact that 72% of revenues are generated by the media segment, which is performing well.

Company profile

ESMG owns and operates a number of niche sports websites. These focus on specific sports or fans of specific teams. The websites follow a macro trend in the media landscape of new digital media groups occupying a space that traditional media like newspapers and TV have exited for cost reasons. One example of this is that ESGM owns Sweden's largest floorball site, a sport that finds little space in traditional media. By controlling a flexible platform, ESGM can find new niches to establish itself in. The company also owns a world-leading database (Eliteprospects) for ice hockey players that functions as a social network in the sport.

Another interesting aspect of ESGM is that it has come a long way on its journey from being free and using advertising revenue as its main income stream, to relying on paying users. We believe an increasing share of advertising spend will go to platform companies like Google and Facebook, making it difficult for smaller players to make a living from advertising. In that it is digital and young, ESGM does not have the same legacy of advertising-heavy revenue as established media groups.

By owning Eliteprospects and having a high proportion of subscribers on its websites, the company has succeeded in building up a relatively high recurring revenue base that we do not believe is reflected in the valuation of the company.

The acquisition of Klöver Padel provides exposure to padel - the fastest-growing sport in the world. A consolidation of the Swedish market and geographical expansion entail potential to strengthen cash flows. We also see synergies with the company's digital assets in areas such as cross-marketing.

Valuation

We have chosen two methods for valuing ESGM: a discounted cash flow analysis and a sum of the parts valuation. Both indicate a significant upside compared to today's share price levels. We estimate that the share could reach our fair value of SEK 25-27 given the four conditions below:

- **Prove the scalability of the media platform** by launching more niche sites and growing with existing editorial resources.
- **Reduce the share of volatile advertising revenue in B2B.** If ESGM is able to show that it can reduce its dependence on the volatile advertising market, we see reason for significant appreciation.
- **Continued high growth in Eliteprospects.** We see Eliteprospects as an important value driver in the coming years, given the strong expansion and the high gross margin for the service.
- **Persistent efforts to optimize the portfolio of padel centres.** We believe that Every Padel will be a relative winner in the ongoing consolidation in Sweden and has the potential to expand in new geographies.

Fair value

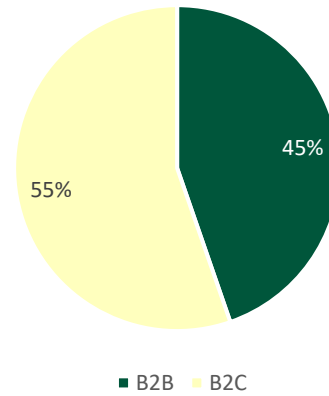
We see a fair value of SEK 25-27 according to the rationale above, which gives a substantial upside from current levels. We assess the risk as medium-high based on the high rate of recurring revenue, while the market situation has become somewhat more uncertain.

Shareholders

Largest Shareholders	Shares
Menmo2 AB	20,7%
Nordic Growth Capital AB	15,7%
Klövern AB	10,5%
Hannes Andersson	6,4%
Rest	46,7%
Chairman of the Board	Michael Hansen
CEO	Hannes Andersson
CFO	Lisa Villman
IR	Hannes Andersson

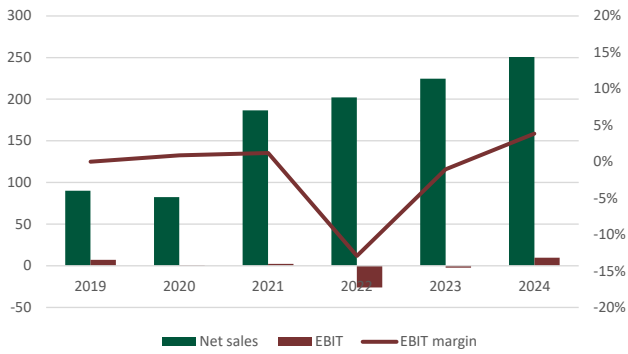
Source: Holdings

Chart 1: Segments



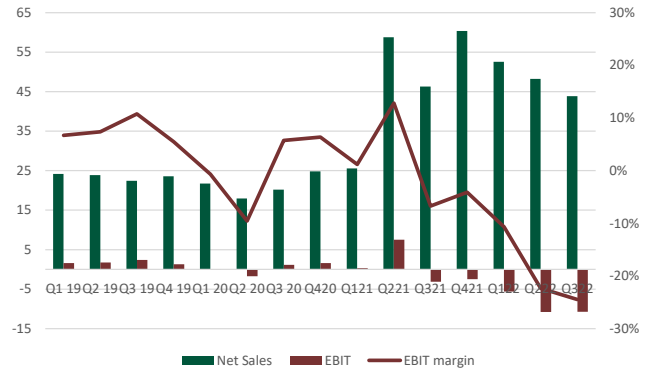
Source: Company

Chart 2: Sales and EBIT (y/y)



Source: EPB

Chart 3: Sales and EBIT (q/q)



Source: EPB

Chart 4: Target price and stock price



Source: EPB, Factset

The quarter in detail

Net sales were on par with Q3 2021 at SEK 43 million. EBITDA fell y/y to SEK 3.2m (6.6) with the negative change due to lower ad revenues and problems with profitability in the padel business. Q3 is also a seasonally weak quarter, with lower activity during the summer months. EBIT decreased y/y to SEK -10.7 million (-3.1), which was affected by amortization and impairments of SEK 13.9 million, mainly attributable to Every Padel. The total involves amortization of rental agreements and leases as well as impairments of divested padel courts.

EverySport Media, which generates 72% of revenues, grew by 6.5% and has more subscribers than ever, 27.638. B2C grew by 15%. This is positive, as ESMG is moving towards becoming less dependent on ad revenues in B2B. The advertising market was weak early in the quarter but stabilized at the end of the period. Price increases have been implemented and will contribute to EBIT going forward. On a positive note, Eliteprospects continues to deliver and grew by 41% y/y and now has 15,889 paying subscribers. We believe Eliteprospects, a world-leading hockey database, is a very valuable asset with high potential, particularly in the American market for ice hockey players. Growth is strong and there is potential for increased revenue generation as the platform provides substantial added value to its members.

Sales in Every Padel fell by 14% y/y. ESMG continues to strategically evaluate the portfolio of padel centres and the savings package is being executed as planned. The company announced during the quarter that the acquisition of the padel centre in Jönköping that has been a drag on profitability has been cancelled. The centre has been closed since the first of July and the company is now relieved of costs for rent, etc. ESMG notes that the company has begun to see a stabilization of supply and demand and we see that many centres are closing down. The far-too-high supply of padel centres in Sweden is now leading to a purge, after which only the profitable will remain standing. Since Every Padel got rid of a number of unprofitable courts, we believe the company has a relatively good portfolio, but that there is more work to be done in terms of optimization. Still, it is going to take time to cut the supply but demand remains strong. The number of padel players is still rising, but people tend not to play as often. B2B in Every Padel is growing, albeit from low levels. This is due to the company having improved its sales skills, as well as greater interest from companies in using padel for customer events, for example.

Estimate changes

In response to the report, we are adjusting our growth assumptions upward for Eliteprospects, which delivers strong performance time after time.

In Every Padel, we have reduced the number of courts from 92 to 78 to account for divested courts. This is an aspect of the company's portfolio optimization and should lead to somewhat higher income per court for those which remain. Overall, though, this does lead to lower sales forecasts for Every Padel, which we believe is reasonable in the difficult conditions prevailing in the Swedish padel industry. We are looking forward to following the company's further efforts towards profitability in Every Padel.

We are making certain adjustments on the cost side and accounting for factors including somewhat lower employee costs due to the lower number of courts.

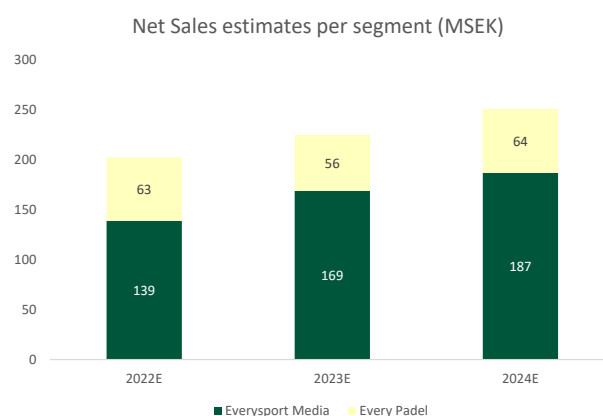
The net effect of our forecast changes is shown on the table below.

Estimate changes

	Estimate changes %		
	2022	2023	2024
Sales	-5%	-9%	-9%
EBITDA	-9%	-18%	-3%
EBIT	nm	-140%	-12%
EPS	nm	nm	-13%
Estimate changes mSEK			
Sales	-10	-23	-25
EBITDA	-2	-8	-1
EBIT	-6	-8	-1

Source: EPB

Chart 5: Net Sales estimates per segment



Source: EPB

Valuation rationale

We have chosen to apply a sum-of-the-parts model (SOTP) to value ESMG. We consider this to be the best method as the company's different business areas have different volatility and potential profitability. The SOTP is based on our 2024 estimates and is then discounted back to the present at a discount rate of 18%.

Eliteprospects: Given the strong growth in subscriber numbers, we believe that Eliteprospects should be valued at 2.5x sales, which gives a present value of approximately SEK 8 per share.

B2C excluding Eliteprospects: We estimate that these revenues and subscribers have a higher churn rate than Eliteprospects. We thus opt to value these revenues at 1x sales, which gives a discounted value of about SEK 9 per share.

B2B: These revenues have historically shown the highest volatility within Everysport Media. Accordingly, we value them at the lowest multiple, 0.7x sales, which corresponds to approximately SEK 8 per share.

Padel: Considering that this is the newest business area, has a brief history and is operating in a pressurized industry, we are dropping this multiple to a low 0.3x sales from the previous 0.7x sales. This gives about SEK 2 per share.

In summary, we see a fair value of SEK 25-27 in this SOTP valuation. This value is supported by a DCF analysis in which we increase the required rate of return from 12% to 14%. This is in line with the research department's new framework for required rate of return, which is intended to better reflect the risk of investing in small cap companies. The DCF valuation results in a value of SEK 20. However, we prefer the SOTP methodology, as forecasts for depreciation linked to leasing and capitalization of leases disrupt the cash flow forecast beyond our forecast period. Given the high required rate of return in our SOTP analysis, we believe that we have adjusted for the commercial risk in the various business areas.

Chart 63: SOTP analysis



Source: EPB

DCF

DCF - GROWING FCF PERPETUITY FORMULA

Valuation output	
Sum of PV of FCF (explicit period)	28
PV of terminal value (perpetuity formula)	96
Enterprise value	124
Latest net debt	0
Minority interests & other	0
Equity value	124
No. of shares outstanding (millions)	6
Equity value per share (SEK)	20

Implicit multipl.	2021	2022	2023
EV/Sales	0,7	0,6	0,6
EV/EBITDA	3,8	5,8	3,3
EV/EBIT	-24,4	-3,7	-16,0
EV/NOPLAT	-31,3	-4,7	-20,5
P/E			
ROIC/WACC			
Current Share price	7,50		

WACC assumptions	
Risk free nominal rate	2,5%
Risk premium	5,5%
Small cap premium	4%
Extra risk premium	-2,0%
WACC	14,0%

Terminal value assumptions	
Long term growth rate	2,0%
Long term EBIT margin	12,0%
Depreciation (% of sales)	5,0%
Capex (% of sales)	4,0%
Working cap. (% of sales)	-2,6%
Tax rate	22%

Sensitivity analysis

		Long-term growth rate				
		1,0%	1,5%	2,0%	2,5%	3,0%
WACC	13,0%	22	23	24	26	28
	13,5%	20	21	22	24	25
	14,0%	18	19	20	22	23
	14,5%	17	18	19	20	21
	15,0%	15	16	17	18	19

		Long-term EBIT margin				
		7,0%	9,5%	12,0%	14,5%	17,0%
WACC	13,0%	13	19	24	30	36
	13,5%	12	17	22	27	33
	14,0%	11	15	20	25	30
	14,5%	10	14	19	23	28
	15,0%	9	13	17	21	25

PV of FCF and EBIT

	2022-11-01	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Terminal
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
DCF (SEKm)																	
Sales	90	82	186	202	225	251	278	305	333	361	387	411	433	450	464	473	
EBITDA	11	5	33	21	38	50	16	23	30	39	46	53	60	67	74	80	
- Depreciation	-4	-4	-31	-48	-40	-40	-7	-9	-10	-12	-14	-16	-18	-20	-22	-24	
= EBIT*	7	1	-5	-33	-8	5	9	14	20	27	32	37	42	47	52	57	
- Tax on EBIT	-2	0	1	7	2	-1	-2	-3	-4	-6	-7	-8	-9	-10	-11	-12	
= NOPLAT	6	1	-4	-26	-6	4	7	11	16	21	25	29	33	37	41	44	
+ Depreciation**	4	4	6	6	6	6	7	9	10	12	14	16	18	20	22	24	
= Gross cash flow	10	5	2	-20	0	10	14	20	26	33	39	45	51	57	63	68	
- Capex***	-3	-1	-6	-12	-12	-12	-13	-14	-15	-16	-16	-17	-18	-18	-19	-19	
- Increase (+decrease) in WC	-4	6	-8	18	0	0	1	1	1	1	1	1	1	0	0	0	
= Free cash flow from operations	2	9	-13	-14	-12	-3	2	7	12	18	23	28	33	39	44	49	
PV of cash flow				-14	-14	-11	-2	1	4	6	8	9	10	10	10	10	96
% of Enterprise value				-12%	-12%	-9%	-2%	1%	3%	5%	7%	8%	8%	8%	8%	8%	78%
Accumulated % of Enterprise value				-12%	-23%	-32%	-33%	-32%	-29%	-24%	-17%	-10%	-2%	6%	14%	22%	100%

Key figures	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales growth	-8,7%	126,5%	8,4%	11,1%	11,6%	10,8%	10,0%	9,1%	8,3%	7,3%	6,2%	5,2%	4,1%	3,1%	2,0%	
EBITDA margin	6%	18%	11%	17%	19,8%	5,9%	7,5%	9,1%	10,7%	11,8%	12,8%	13,9%	14,9%	16,0%	17,0%	
EBITDA growth	-58%	602%	-34%	75%	32,0%	-67,1%	40,2%	32,7%	27,5%	17,7%	15,6%	13,7%	12,0%	10,3%	8,7%	
EBIT margin	1%	-3%	-17%	-3%	1,9%	3,3%	4,7%	6,1%	7,5%	8,2%	9,0%	9,7%	10,5%	11,2%	12,0%	
Depreciation (% of sales)	4,8%	3,2%	3,0%	2,7%	2,4%	2,6%	2,8%	3,0%	3,2%	3,5%	3,8%	4,1%	4,4%	4,7%	5,0%	
Capex (% of sales)	1,6%	3,4%	5,9%	5,3%	4,8%	4,7%	4,5%	4,4%	4,3%	4,2%	4,2%	4,1%	4,1%	4,0%	4,0%	
Capex (% of depreciation)	34%	105%	200%	200%	200%	179%	161%	146%	133%	120%	110%	101%	93%	86%	80%	
Working capital (% of sales)	0%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	
Tax rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	

*Ink. Finansieringskostnader
 **Ex. Avskrivningar av nyttjanderättsstillgångar
 *** Ex. Kapitalisering av leasing

Source: EPB

Income statement

	2019	2020	2021	2022e	2023e	2024e
Net sales	90	82	186	202	225	251
Other operating income	4	2	4	4	0	0
Total revenue	94	85	191	206	225	251
Cost of goods sold	-9	-9	-31	-29	-34	-38
Gross Profit	85	76	160	177	190	212
Other operating costs	-34	-32	-56	-67	-70	-75
EBITDA, adjusted	11	5	33	21	38	50
EBIT, adjusted	7	1	2	-26	-2	10
EBIT	7	1	2	-26	-2	10
Financial items	-1	-1	-5	-7	-5	-5
Profit before tax	6	0	-2	-33	-8	5
Taxes	0	1	-2	2	2	-1
Net income, adjusted	6	1	-5	-31	-6	4
Net income	6	1	-5	-31	-6	4

Source: Everysport Media Group, EPB

Cash flow statement

	2019	2020	2021	2022e	2023e	2024e
EBIT	7	1	2	-26	-2	10
Changes in working capital	-4	6	-8	18	0	0
Cash flow from operating activities	6	10	20	32	32	45
Investments	-3	-1	-6	-7	-20	-20
Free cash flow	3	8	13	25	12	25
New share issue / repurchase	0	4	9	0	0	0
Other items	-4	-4	-18	13	20	20
Cash flow	-1	8	4	38	32	45
Net debt	2	1	212	237	223	199

Source: Everysport Media Group, EPB

Balance sheet

	2019	2020	2021	2022e	2023e	2024e
ASSETS						
Goodwill	28	28	82	82	82	82
Other intangible assets	0	0	2	2	2	2
Tangible fixed assets	0	0	9	5	5	5
Financial assets	5	5	5	5	5	5
Other fixed assets	0	0	3	2	2	2
Total fixed assets	39	43	306	315	295	275
Inventories	0	0	1	1	1	2
Accounts receivable	7	8	17	12	14	15
Cash and cash equivalents	3	10	10	4	-4	8
Total current assets	16	24	47	39	32	46
TOTAL ASSETS	54	67	353	354	328	321
EQUITY AND LIABILITIES						
Equity	22	23	72	41	35	39
Total equity	22	23	72	41	35	39
Long-term interest-bearing liabilities	1	5	5	6	6	6
Other long-term liabilities	5	5	4	3	3	3
Total long-term liabilities	7	14	178	190	168	156
Short-term interest-bearing liabilities	1	1	4	7	7	7
Accounts payable	3	4	15	12	14	15
Other current liabilities	0	1	3	0	0	0
Total current liabilities	24	31	104	123	125	126
TOTAL EQUITY AND LIABILITIES	54	67	353	354	328	321

Source: EverySport Media Group, EPB

Growth and margins

	2019	2020	2021	2022e	2023e	2024e
Revenue growth	-	N.m.	125%	8%	9%	12%
EBITDA growth, adjusted	-	N.m.	602%	N.m.	75%	32%
EBIT growth, adjusted	-	N.m.	200%	N.m.	91%	503%
EPS growth, adjusted	-	N.m.	N.m.	N.m.	80%	161%
Gross margin	90,7%	89,8%	83,9%	86,1%	84,8%	84,8%
EBITDA margin	11,8%	5,5%	17,2%	10,4%	16,7%	19,8%
EBITDA margin, adjusted	11,8%	5,5%	17,2%	10,4%	16,7%	19,8%
EBIT margin	7,6%	0,9%	1,2%	Neg.	Neg.	3,9%
EBIT margin, adjusted	7,6%	0,9%	1,2%	Neg.	Neg.	3,9%
Profit margin, adjusted	6,6%	Neg.	Neg.	Neg.	Neg.	1,5%

Source: EverySport Media Group, EPB

Return

	2019	2020	2021	2022e	2023e	2024e
ROE, adjusted	-	3%	Neg.	Neg.	Neg.	10%
ROCE, adjusted	-	1%	0%	Neg.	Neg.	1%
ROIC, adjusted	-	3%	1%	Neg.	Neg.	4%

Source: EverySport Media Group, EPB

Capital efficiency

	2019	2020	2021	2022e	2023e	2024e
Inventory / total revenue	-	-	0%	1%	1%	1%
Accounts receivable / total revenue	7%	9%	9%	6%	6%	6%
Accounts payable / COGS	39%	51%	48%	43%	40%	39%
Total short-term liabilities / total cost	33%	43%	81%	79%	82%	77%
Working capital / total revenue	-11%	-19%	-33%	-40%	-36%	-33%
Capital turnover rate	3,4x	2,5x	0,7x	0,7x	0,9x	1,0x

Source: Everysport Media Group, EPB

Financial position

	2019	2020	2021	2022e	2023e	2024e
Net debt	2	1	212	237	223	199
Equity ratio	42%	33%	20%	12%	11%	12%
Net debt / equity	0,1x	0,0x	2,9x	5,7x	6,3x	5,1x
Net debt / EBITDA	0,2x	0,2x	6,5x	11,0x	5,9x	4,0x

Source: Everysport Media Group, EPB

Per share data

	2019	2020	2021	2022e	2023e	2024e
EPS	1,37	0,13	-0,78	-5,10	-1,01	0,61
EPS, adjusted	1,37	0,13	-0,78	-5,10	-1,01	0,61
FCF per share	0,70	1,86	2,22	4,07	1,99	4,03
Book value per share	4,95	4,96	11,8	6,78	5,77	6,38
Number of shares, m	4,54	4,54	6,09	6,09	6,09	6,09
Number of shares after dilution, average	4,54	4,54	6,09	6,09	6,09	6,09

Source: Everysport Media Group, EPB

Valuation

	2019	2020	2021	2022e	2023e	2024e
P/E, adjusted	10,0x	136,8x	-56,0x	-1,5x	-7,4x	12,3x
P/BV	2,8x	3,6x	3,7x	1,1x	1,3x	1,2x
P/FCF	19,4x	9,5x	19,7x	1,8x	3,8x	1,9x
FCF-yield	5%	11%	5%	54%	27%	54%
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	0,7x	1,0x	2,5x	1,4x	1,2x	1,0x
EV/EBITDA, adjusted	5,8x	17,4x	14,6x	13,1x	7,1x	4,9x
EV/EBIT, adjusted	8,9x	110,0x	215,2x	-10,8x	-112,1x	25,4x
EV	64	81	477	282	269	245
Share price, year end	13,7	17,7	43,6	7,5	7,5	7,5

Source: Everysport Media Group, EPB

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