

TECNOTREE

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INDERES CORPORATE CUSTOMER COMPANY REPORT



Strong sales momentum continues

Tecnotree announced on Monday that it had entered into an agreement with a global mobile virtual network operator to deploy Tecnotree's BSS platform in the United Kingdom and other European markets. The five-year contract is valued at approximately 19.6 MUSD, which is a significant deal on Tecnotree's scale. We made clear upward revisions to our estimates, and we also foresee the possibility of increased guidance this year. The company currently has strong sales momentum, but we believe that the improving cash flow is already priced into the stock, given the rise in the share price. We raise our target price to EUR 4.3 (was EUR 3.8) and reiterate our Reduce recommendation.

Agreement covers deliveries to several countries

The agreement covers software licenses, implementation and maintenance services in the UK and other European countries. Of these, maintenance services will provide the company with longer-term recurring revenue. We understand that the agreement will initially cover projects in four countries, with revenue generated per country based on the projects carried out. Once the first four countries have completed the delivery phase and transitioned to continuous services, deliveries will proceed to other countries. Tecnotree expects to recognize the first revenue from the project in H2'25, and thus the deal will begin to moderately support the growth outlook already this year. However, we expect the clearer impact on revenue to be felt next year.

Support for growth outlook in coming years

The agreement is of significant size for Tecnotree, and given the other deals announced in the Netherlands and South Africa during Q2, the company has been able to fill its order book considerably recently. This latest deal is particularly positive for the company as it is located in the UK and the rest of Europe, which means that the currency risks are moderate (contract is in USD), and repatriating the cash flow is expected to be relatively straightforward provided

the company meets the agreed-upon milestones within the specified timeframe. In any case, Tecnotree's sales momentum is currently strong, and the company's growth outlook has received a clear boost. If the deals are profitable, they should naturally be reflected in cash flow, but as is typical of Tecnotree's business model, we expect the deals to tie up working capital initially. However, this is mitigated by the advance payments included in the contracts, we believe. In the release, Tecnotree said it will assess the impact of recent new contracts on its guidance as delivery plans are finalized. In our view, the company's revenue guidance in particular (low-to-medium growth rate) seems cautious at the moment, and we believe our increased forecast indicates an upward revision of the guidance. Cash flow guidance may also prove cautious if the company receives large advance payments.

Although a rise in the share price is justified, the stock already reflects a significant improvement in cash flow

Tecnotree's share price has rightly risen sharply following the recent agreements. We have increased the cash flow estimates in our DCF model and further lowered our required return to 14.5% (was 15.2%). Our model now indicates a value of EUR 4.3 per share, although it does not take into account the dilution caused by the company's convertible bonds and the employee stock option plan in the coming years (combined effect of around 40% at the current share price if the remaining convertible bonds are subscribed). Around the lower end of this year's cash flow guidance, the cash flow yield would be in the single digits, which we find unattractive given Tecnotree's risk level. In our view, continued improvement in cash flow in the coming years is the main driver of the stock and if the cash flow profile were to improve permanently, the stock would still have potential. However, we believe that the improving cash flow outlook, at the current valuation after the price rise, is already significantly priced into the stock, and thus we will continue to monitor the development of the cash flow profile from the sidelines.

Recommendation

Reduce
(was Reduce)

Target price:
EUR 4.30
(was EUR 3.80)

Share price:
EUR 4.30

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	71.6	76.2	83.0	87.5
growth-%	-9%	7%	9%	5%
EBIT adj.	26.7	27.5	30.0	30.8
EBIT-% adj.	37.3 %	36.1 %	36.1 %	35.2 %
Net Income	8.3	14.2	18.2	18.9
EPS (adj.)	0.97	0.87	0.67	0.68

P/E (adj.)	2.7	4.9	6.4	6.3
P/B	0.4	0.7	0.7	0.6
P/FCF	6.2	12.7	14.1	10.4
EV/EBIT (adj.)	1.9	2.9	2.7	2.5
EV/EBITDA	1.7	2.3	2.1	1.9
EV/S	0.7	1.1	1.0	0.9

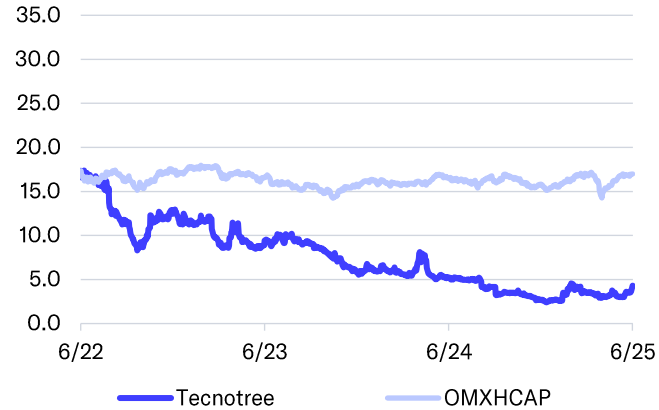
Source: Inderes

Guidance

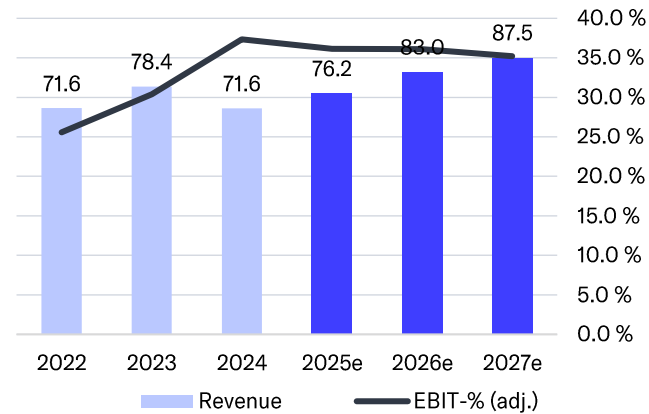
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Tecnotree expects revenue to grow by low to mid-single digit percentage in constant currency terms. The EBIT margin is expected to improve further by at least 2 percentage points. Tecnotree expects free cash flow to be over 4 MEUR. Tecnotree expects a capex/revenue ratio of 10-12%.

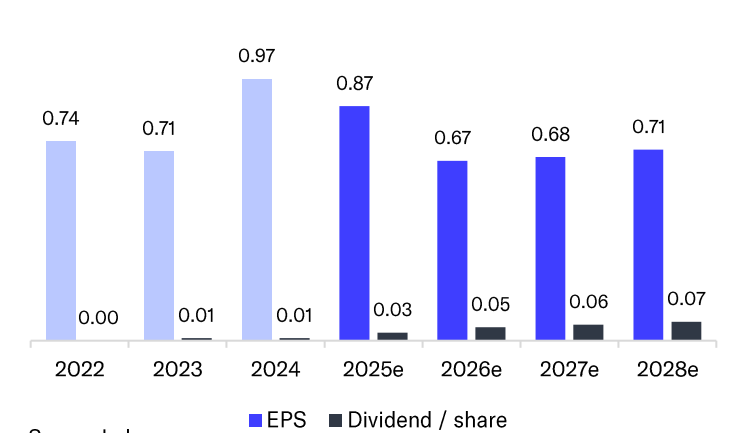
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Clear and sustainable improvement in cash flow
- Value-creating M&A
- Industry's organic drivers are strong and longer-term growth outlook is good
- Increase in recurring revenue
- Technologically competent product portfolio

Risk factors

- Shortcomings in investor communications and corporate governance
- Quality of trade receivables and intangible assets
- Risks related to cash collections
- Failure in M&A
- Customer portfolio structure concentrated at top level
- Failure in product development work and reading the industry
- Some cyclical in operators' investments
- Political and legislative threats in emerging countries

Valuation	2025e	2026e	2027e
Share price	4.30	4.30	4.30
Number of shares, millions	16.3	27.2	27.6
Market cap	70	117	119
EV	81	82	78
P/E (adj.)	4.9	6.4	6.3
P/E	4.9	6.4	6.3
P/B	0.7	0.7	0.6
P/S	0.9	1.4	1.4
EV/Sales	1.1	1.0	0.9
EV/EBITDA	2.3	2.1	1.9
EV/EBIT (adj.)	2.9	2.7	2.5
Payout ratio (%)	3.4 %	7.5 %	8.8 %
Dividend yield-%	0.7 %	1.2 %	1.4 %

Source: Inderes

Estimate revisions

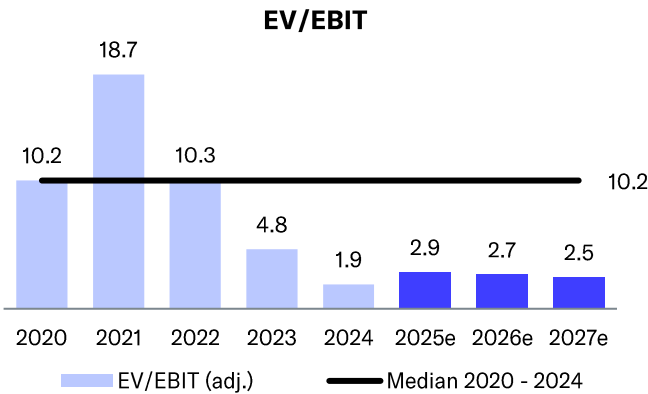
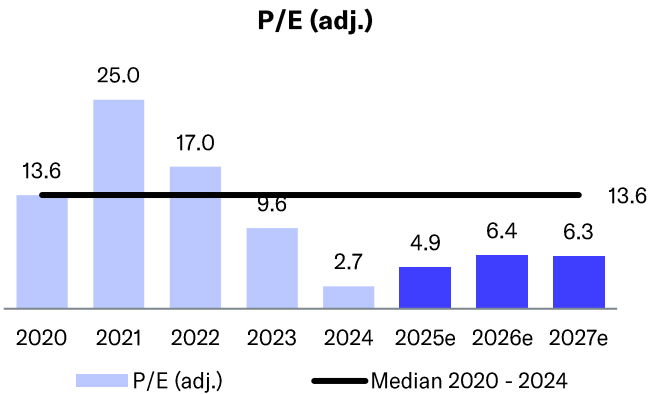
Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	75.4	76.2	1%	80.1	83.0	4%	83.6	87.5	5%
EBITDA	34.2	34.5	1%	37.9	39.3	4%	39.1	40.9	5%
EBIT (exc. NRIs)	27.2	27.5	1%	28.6	30.0	5%	29.0	30.8	6%
EBIT	27.2	27.5	1%	28.6	30.0	5%	29.0	30.8	6%
PTP	18.9	19.3	2%	22.6	24.0	6%	23.0	24.8	8%
EPS (excl. NRIs)	0.86	0.87	2%	0.59	0.67	14%	0.59	0.68	16%
DPS	0.03	0.03	0%	0.05	0.05	0%	0.06	0.06	0%

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	14.0	29.4	12.6	6.80	2.61	4.30	4.30	4.30	4.30
Number of shares, millions	13.7	15.7	15.5	15.8	16.0	16.3	27.2	27.6	27.6
Market cap	192	460	196	108	42	70	117	119	119
EV	198	443	189	114	52	81	82	78	72
P/E (adj.)	13.6	25.0	17.0	9.6	2.7	4.9	6.4	6.3	6.1
P/E	14.2	25.0	17.0	9.6	5.0	4.9	6.4	6.3	6.1
P/B	9.7	6.8	2.4	1.2	0.4	0.7	0.7	0.6	0.6
P/S	3.6	7.2	2.7	1.4	0.6	0.9	1.4	1.4	1.3
EV/Sales	3.7	6.9	2.6	1.4	0.7	1.1	1.0	0.9	0.8
EV/EBITDA	9.7	17.5	9.5	4.1	1.7	2.3	2.1	1.9	1.7
EV/EBIT (adj.)	10.2	18.7	10.3	4.8	1.9	2.9	2.7	2.5	2.3
Payout ratio (%)	0.0 %	0.0 %	0.0 %	1.4 %	1.9 %	3.4 %	7.5 %	8.8 %	9.8 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.1 %	0.4 %	0.7 %	1.2 %	1.4 %	1.6 %

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Amdocs Ltd	9012	9333	11.6	11.0	9.8	9.4	2.1	2.4	14.3	13.2	2.0	1.9	3.0
CSG Systems International Inc	1636	1988	11.5	10.9	9.0	8.7	1.9	1.9	15.0	13.5	1.9	2.0	
Comarch SA													
Sterlite Technologies Ltd	379	520	12.7	29.6	6.6	10.1	0.9	1.0	10.8		3.3	0.9	1.4
Cerillion PLC	667	635	30.4	27.6	27.1	24.6	12.2	10.9	38.9	35.4	0.7	0.7	11.8
Tecnotree (Inderes)	70	81	2.9	2.7	2.3	2.1	1.1	1.0	4.9	6.4	0.7	1.2	0.7
Average			16.6	19.8	13.1	13.2	4.3	4.0	19.8	20.7	2.0	1.4	5.4
Median			12.1	19.3	9.4	9.7	2.0	2.1	14.7	13.5	1.9	1.4	3.0
Diff-% to median			-76%	-86%	-75%	-79%	-47%	-53%	-66%	-52%	-64%	-17%	-78%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	78.4	16.3	18.7	19.0	17.6	71.6	16.9	19.8	20.4	19.2	76.2	83.0	87.5	91.4
EBITDA	27.7	6.0	5.8	7.1	11.9	30.7	6.0	9.9	9.8	8.8	34.5	39.3	40.9	42.7
Depreciation	-3.9	-1.6	-2.2	-2.1	-1.0	-6.9	-1.5	-1.7	-1.8	-2.0	-7.0	-9.3	-10.1	-10.9
EBIT (excl. NRI)	23.8	4.4	6.5	5.0	10.9	26.7	4.5	8.2	8.0	6.8	27.5	30.0	30.8	31.8
EBIT	23.8	4.4	3.6	5.0	10.9	23.8	4.5	8.2	8.0	6.8	27.5	30.0	30.8	31.8
Net financial items	-9.9	-2.3	-0.8	-0.1	-7.8	-11.0	-2.3	-2.0	-2.0	-2.0	-8.3	-6.0	-6.0	-6.0
PTP	13.9	2.1	2.8	4.9	3.0	12.8	2.3	6.2	6.0	4.8	19.3	24.0	24.8	25.8
Taxes	-2.8	-0.4	-0.8	-0.8	-2.5	-4.5	-0.8	-1.5	-1.5	-1.2	-5.0	-5.8	-6.0	-6.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.2	1.6	2.0	4.1	0.5	8.3	1.5	4.6	4.5	3.6	14.2	18.2	18.9	19.6
EPS (adj.)	0.71	0.10	0.31	0.25	0.31	0.97	0.09	0.28	0.28	0.22	0.87	0.67	0.68	0.71
EPS (rep.)	0.71	0.10	0.13	0.25	0.03	0.52	0.09	0.28	0.28	0.22	0.87	0.67	0.68	0.71

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	9.5 %	4.7 %	-3.4 %	-10.9 %	-20.7 %	-8.7 %	3.7 %	5.9 %	7.2 %	9.0 %	6.5 %	9.0 %	5.4 %	4.4 %
Adjusted EBIT growth-%	30.2 %	21.5 %	5.2 %	-19.6 %	38.1 %	12.1 %	3.2 %	25.8 %	61.2 %	-37.2 %	3.0 %	8.8 %	2.8 %	3.2 %
EBITDA-%	35.4 %	37.1 %	30.9 %	37.1 %	67.4 %	42.9 %	35.8 %	50.0 %	48.0 %	46.0 %	45.3 %	47.3 %	46.7 %	46.7 %
Adjusted EBIT-%	30.4 %	27.0 %	34.9 %	26.1 %	61.7 %	37.3 %	26.9 %	41.4 %	39.2 %	35.6 %	36.1 %	36.1 %	35.2 %	34.8 %
Net earnings-%	14.3 %	10.0 %	10.9 %	21.3 %	3.1 %	11.5 %	8.9 %	23.5 %	22.0 %	18.9 %	18.7 %	21.9 %	21.5 %	21.5 %

Source: Inderes

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	36.3	45.5	48.7	52.6	56.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	33.5	43.1	46.1	49.9	53.9
Tangible assets	0.4	0.1	0.3	0.4	0.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.9	2.2	2.2	2.2	2.2
Deferred tax assets	0.5	0.0	0.0	0.0	0.0
Current assets	91.9	93.4	117	131	145
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	71.1	76.5	82.3	93.0	102
Cash and equivalents	20.8	16.8	35.2	38.4	43.9
Balance sheet total	128	139	166	184	202

Source: Inderes

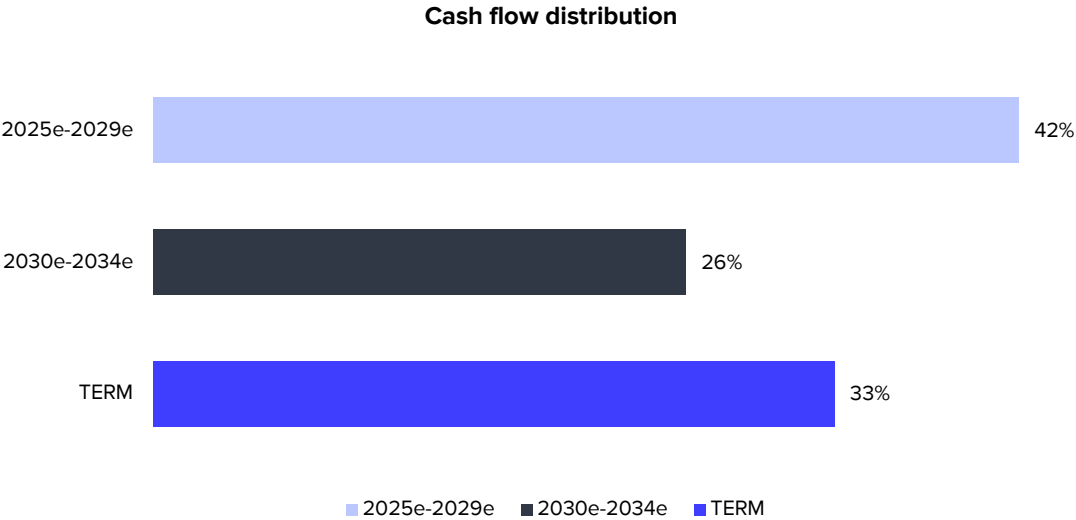
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	86.5	92.6	107	168	185
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	55.9	62.0	76.1	93.8	111
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.3	29.3	29.3	72.4	72.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	25.8	27.3	45.8	2.7	2.7
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	1.0	0.0	0.0	0.0	0.0
Convertibles	21.1	23.1	43.1	0.0	0.0
Other long term liabilities	3.7	4.2	2.7	2.7	2.7
Current liabilities	15.9	19.0	13.7	13.8	14.4
Interest bearing debt	4.5	3.9	3.0	3.0	3.0
Payables	11.3	15.1	10.7	10.8	11.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	128	139	166	184	202

DCF-calculation

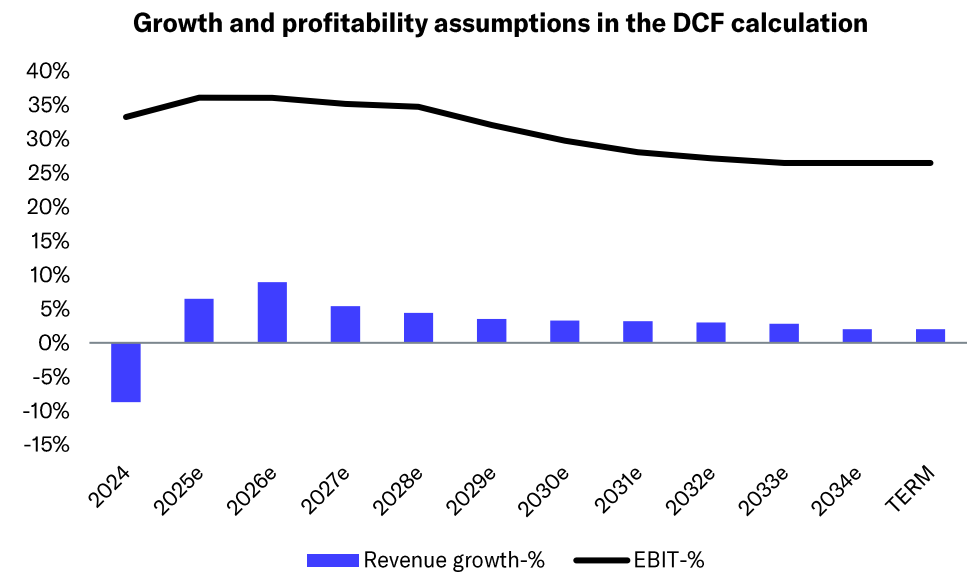
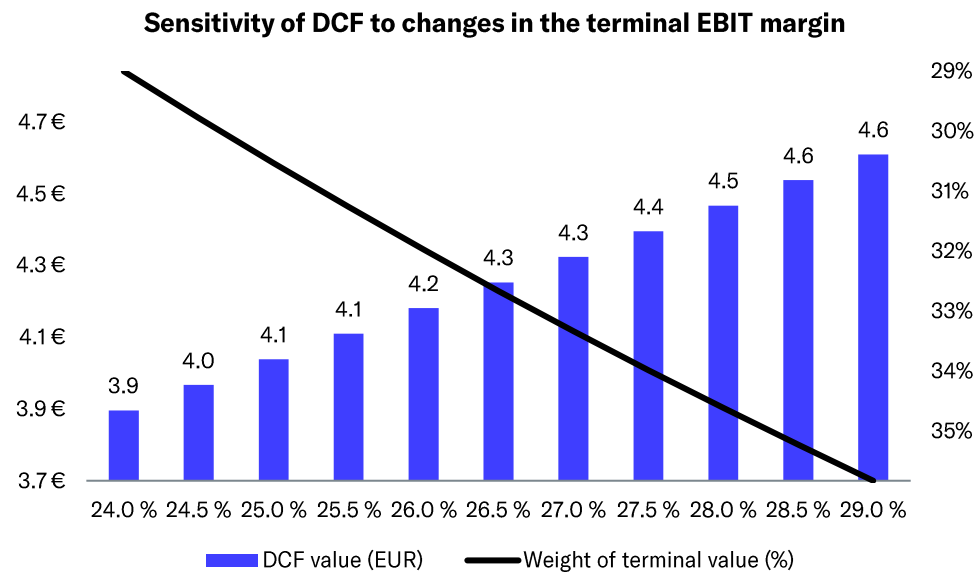
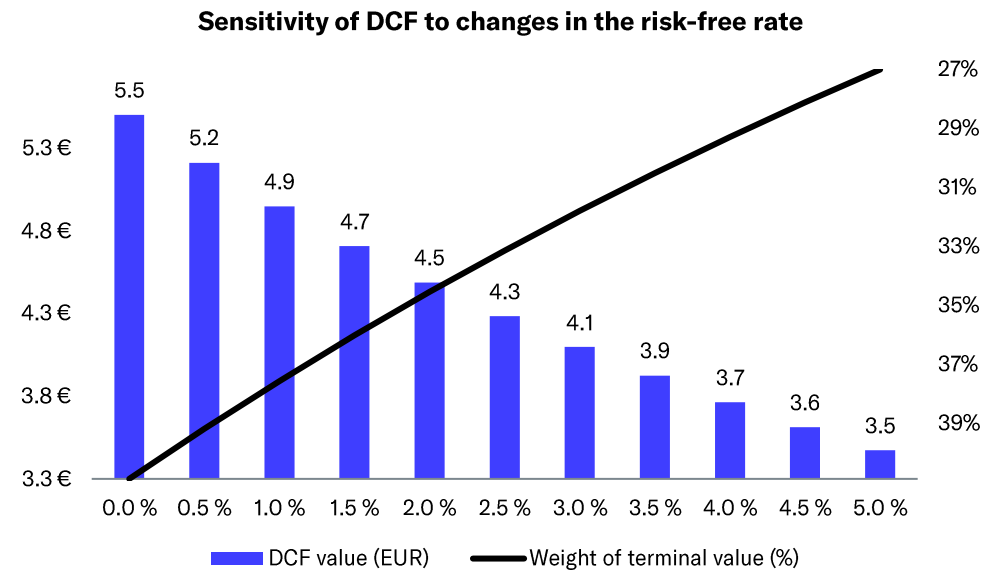
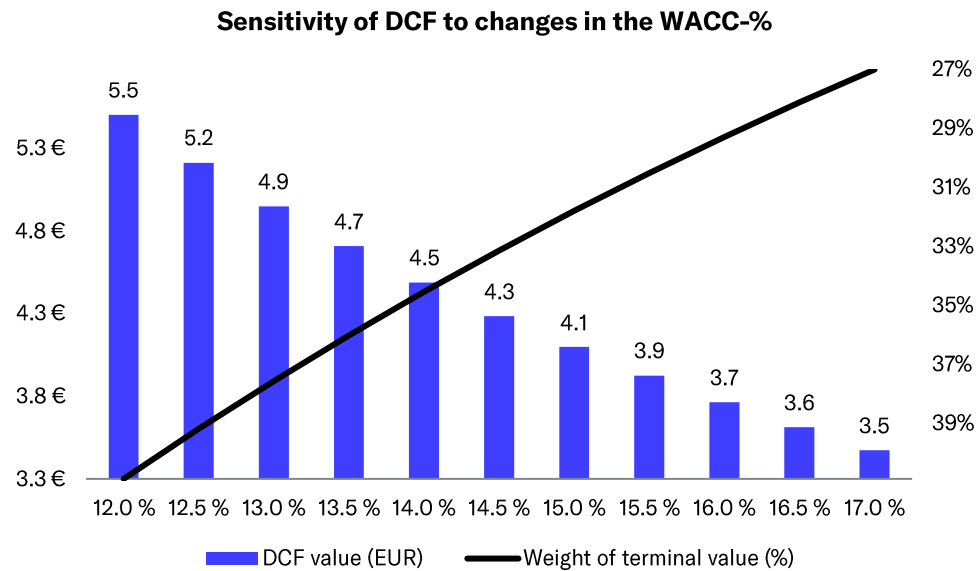
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-8.7 %	6.5 %	9.0 %	5.4 %	4.4 %	3.5 %	3.3 %	3.2 %	3.0 %	2.8 %	2.0 %	2.0 %
EBIT-%	33.3 %	36.1 %	36.1 %	35.2 %	34.8 %	32.1 %	29.8 %	28.1 %	27.2 %	26.5 %	26.5 %	26.5 %
EBIT (operating profit)	23.8	27.5	30.0	30.8	31.8	30.4	29.1	28.3	28.2	28.3	28.9	
+ Depreciation	6.9	7.0	9.3	10.1	10.9	11.7	12.4	12.9	13.4	13.8	14.1	
- Paid taxes	-4.0	-5.0	-5.8	-6.0	-6.2	-5.8	-5.5	-5.4	-5.3	-5.4	-6.4	
- Tax, financial expenses	-2.2	-2.2	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-0.5	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.7	-10.2	-10.6	-7.9	-8.5	-8.2	-7.4	-8.7	-8.9	-9.0	-9.4	
Operating cash flow	22.8	17.2	21.5	25.6	26.5	26.6	27.1	25.8	26.0	26.2	26.6	
+ Change in other long-term liabilities	0.5	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-16.6	-10.2	-13.2	-14.2	-14.7	-15.2	-15.2	-15.2	-15.2	-15.2	-14.9	
Free operating cash flow	6.7	5.5	8.3	11.4	11.8	11.4	11.9	10.6	10.8	11.0	11.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.7	5.5	8.3	11.4	11.8	11.4	11.9	10.6	10.8	11.0	11.7	95.7
Discounted FCFF		5.1	6.7	8.0	7.3	6.1	5.6	4.4	3.9	3.5	3.2	26.2
Sum of FCFF present value		80.0	74.9	68.2	60.2	52.9	46.7	41.1	36.8	32.9	29.4	26.2
Enterprise value DCF		80.0										
- Interest bearing debt		-27.0										
+ Cash and cash equivalents		16.8										
-Minorities		0.0										
-Dividend/capital return		-0.2										
Equity value DCF		69.7										
Equity value DCF per share		4.3										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	2.00
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	14.5 %
Weighted average cost of capital (WACC)	14.5 %

Source: Inderes



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	71.6	78.4	71.6	76.2	83.0	EPS (reported)	0.74	0.71	0.52	0.87	0.67
EBITDA	19.8	27.7	30.7	34.5	39.3	EPS (adj.)	0.74	0.71	0.97	0.87	0.67
EBIT	18.3	23.8	23.8	27.5	30.0	OCF / share	0.28	0.80	1.43	1.05	0.79
PTP	17.2	13.9	12.8	19.3	24.0	OFCF / share	-0.32	-0.04	0.42	0.34	0.31
Net Income	11.6	11.2	8.3	14.2	18.2	Book value / share	5.15	5.46	5.80	6.54	6.15
Extraordinary items	0.0	0.0	-2.9	0.0	0.0	Dividend / share	0.00	0.01	0.01	0.03	0.05
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	103.8	128.2	138.9	166.2	184.0	Revenue growth-%	12%	9%	-9%	7%	9%
Equity capital	80.1	86.5	92.6	106.7	167.5	EBITDA growth-%	-22%	40%	11%	12%	14%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-23%	30%	12%	3%	9%
Net debt	-7.5	5.9	10.2	10.9	-35.4	EPS (adj.) growth-%	-37%	-5%	38%	-10%	-23%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	27.7 %	35.4 %	42.9 %	45.3 %	47.3 %
EBITDA	19.8	27.7	30.7	34.5	39.3	EBIT (adj.)-%	25.6 %	30.4 %	37.3 %	36.1 %	36.1 %
Change in working capital	-9.6	-10.4	-1.7	-10.2	-10.6	EBIT-%	25.6 %	30.4 %	33.3 %	36.1 %	36.1 %
Operating cash flow	4.4	12.7	22.8	17.2	21.5	ROE-%	15.6 %	13.4 %	9.2 %	14.3 %	13.3 %
CAPEX	-14.8	-13.9	-16.6	-10.2	-13.2	ROI-%	24.0 %	24.1 %	20.5 %	20.2 %	18.5 %
Free cash flow	-4.9	-0.6	6.7	5.5	8.3	Equity ratio	77.1 %	67.5 %	66.7 %	64.2 %	91.0 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	-9.3 %	6.8 %	11.0 %	10.3 %	-21.1 %
EV/S	2.6	1.4	0.7	1.1	1.0						
EV/EBITDA	9.5	4.1	1.7	2.3	2.1						
EV/EBIT (adj.)	10.3	4.8	1.9	2.9	2.7						
P/E (adj.)	17.0	9.6	2.7	4.9	6.4						
P/B	2.4	1.2	0.4	0.7	0.7						
Dividend-%	0.0 %	0.1 %	0.4 %	0.7 %	1.2 %						

Source: Inderes

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/5/2022	Accumulate	0.80 €	0.69 €
9/15/2022	Accumulate	0.65 €	0.54 €
10/24/2022	Accumulate	0.65 €	0.54 €
12/15/2022	Accumulate	0.70 €	0.63 €
2/27/2023	Reduce	0.58 €	0.54 €
3/28/2023	Accumulate	0.54 €	0.44 €
4/19/2023	Reduce	0.54 €	0.52 €
8/7/2023	Accumulate	0.54 €	0.48 €
10/30/2023	Reduce	0.42 €	0.38 €
2/23/2024	Reduce	0.35 €	0.32 €
Reverse split at 20:1 ratio			
4/29/2024	Reduce	7.00 €	6.30 €
5/10/2024	Reduce	6.00 €	5.41 €
8/12/2024	Reduce	5.50 €	5.14 €
9/9/2024	Sell	3.00 €	3.87 €
10/28/2024	Sell	3.00 €	3.65 €
1/28/2025	Reduce	3.00 €	3.29 €
2/27/2025	Reduce	3.50 €	3.77 €
4/30/2025	Reduce	3.50 €	3.76 €
5/28/2025	Reduce	3.80 €	3.60 €
6/10/2025	Reduce	4.30 €	4.30 €



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