

Tecnotree

Company report

2/23/2024



Roni Peuranheimo
+358 505610455
roni.peuranheimo@inderes.fi



Atte Riikola
+358 44 593 4500
atte.riikola@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Valuutat löivät näpeille” published on 2/23/2024 at 8:02 am EET.

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Currencies cause pain

Tecnotree's Q4 results exceeded our forecast at the EBIT level, but exchange rate movements had a significant impact on the bottom lines of the income statement. Cash flow improved as expected towards the end of the year, but free cash flow remained negative. The company's internal focus is strongly on improving cash flow, but with cash still burning at current valuation (2024e EV/OFCF 14x), we continue to wait for evidence of an improved cash flow profile. We lower our target price to EUR 0.35 (was EUR 0.42) and reiterate our Reduce recommendation.

Strong operating performance ruined by FX; free cash flow still not generated

Tecnotree's Q4 revenue increased by 10% to 22.2 MEUR, in line with our forecast. Tecnotree achieved an EBIT of 7.9 MEUR in Q4, well above our forecast of 5.5 MEUR. The earnings beat was mainly explained by the higher-than-expected gross margin (96%) and the company's generally very successful savings measures. However, the bottom lines of the income statement were problematic, with a net result of only 2.4 MEUR after heavy exchange rate losses (-6.0 MEUR). Cash flow from operating activities was 4.7 MEUR, improving as expected from Q3 levels. However, cash flow after investments was still negative (-0.6 MEUR). Trade receivables decreased (-13%) compared to the same period last year, but the decrease was partly explained by FX losses. Overall, receivables grew by 8% year-on-year. Of the 21 MEUR raised through convertible bonds, the company has already spent 9 MEUR on product development. In addition, the company spent 2 MEUR on an acquisition-related advance payment as an indication of possible acquisition news in the near future.

Guidance indicates continued earnings growth, internal focus on cash flow

For the current year, Tecnotree expects its revenue to grow by 2-7% and its EBIT by 7-15%. The guidance was slightly weaker than expected for growth and stronger for EBIT. In light of these dynamics, we made small negative revisions to our growth forecasts for the coming years, which is also supported by Gartner's BSS market growth forecast of around 2% for 2022-2027. However, with good cost control and strong EBIT guidance, our earnings forecasts for the coming years have increased. We now expect Tecnotree's revenue to grow by 5% to MEUR 82.3 and EBIT by 9% to MEUR 25.9 this year (31.4% y/y), in line with the company's guidance. The company's internal focus at this stage is strongly on improving cash flow (internal motto: "Think cash, do cash"). However, the company has not yet provided cash flow guidance, which means that the visibility on cash flows for the current year is still quite weak at this stage.

We are still waiting for evidence of an improvement in cash flow

Tecnotree's P/E multiples for 2024-2025 are 7-6x and the corresponding EV/EBIT multiples are 4x. The levels are low, but one should consider the low quality of the result (the result does not reflect cash flow). The current year's cash flow multiple (EV/OFCF) is 14x, which is not yet particularly attractive in our view. In our forecasts, cash flow will normalize next year and the multiple falls to a low 7x level, but given the low visibility, we do not think this can be relied on yet. The valuation should also take into account the dilution caused by the company's convertible bonds in 2026-2028 (around 31% at current rates) and in 2026 the P/E ratio will rise to 9x on our forecasts. The company has plenty of scope to improve its cash flow profile through geographic expansion and business model change, but at the current valuation we are still waiting for evidence of this.

Recommendation

Reduce

(previous Reduce)

EUR 0.35

(previous EUR 0.42)

Share price:

0.32



Key figures

	2023	2024e	2025e	2026e
Revenue	78.4	82.3	87.1	91.1
growth-%	9%	5%	6%	5%
EBIT adj.	23.8	25.9	26.0	26.1
EBIT-% adj.	30.4 %	31.4 %	29.9 %	28.6 %
Net Income	11.1	13.8	16.7	16.8
EPS (adj.)	0.04	0.04	0.05	0.04
P/E (adj.)	9.7	7.3	6.1	8.7
P/B	1.2	1.0	0.9	0.8
P/FCF	neg.	13.0	6.7	8.7
EV/EBIT (adj.)	4.8	4.1	3.6	3.1
EV/EBITDA	4.1	3.2	2.6	2.2
EV/S	1.4	1.3	1.1	0.9

Source: Inderes

Guidance

(New guidance)

Tecnotree expects in 2024:

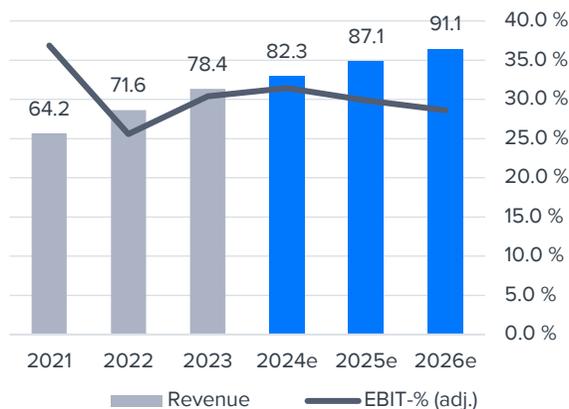
- Revenue to be higher by 2%-7% compared to 2023
- Operating profit (EBIT) to be higher by 7%-15% compared to 2023

Share price



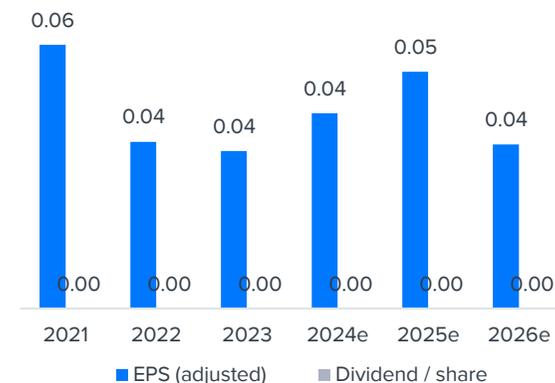
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Value-generating M&A transactions
- Industry's organic drivers are strong and longer-term growth outlook is good
- The company's business model is scalable and cost efficient
- Increasing recurring income flow
- Technologically competent product portfolio



Risk factors

- Failure in M&A transactions
- Risks related to receivables and cash flow repatriation
- Customer portfolio structure concentrated at top level
- Failure in product development work and reading the industry
- Weakening of a cost-efficient operating model
- Some cyclicity in operators' investments
- Political and legislative threats in emerging countries

Valuation	2024e	2025e	2026e
Share price	0.32	0.32	0.32
Number of shares, millions	316.8	316.8	458.8
Market cap	101	101	147
EV	105	93	81
P/E (adj.)	7.3	6.1	8.7
P/E	7.3	6.1	8.7
P/B	1.0	0.9	0.8
P/S	1.2	1.2	1.6
EV/Sales	1.3	1.1	0.9
EV/EBITDA	3.2	2.6	2.2
EV/EBIT (adj.)	4.1	3.6	3.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Operationally strong result, but exchange rates caused significant damage

Growth in the ballpark we expected

Tecnotree's Q4 revenue increased by 10% to 22.2 MEUR, in line with our forecast (22.5 MEUR). Growth was driven in particular by deliveries, where revenue increased by 106% year-on-year. By contrast, other revenue items (licenses, maintenance and management services and third-party licenses) showed a decrease from the comparison period. Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures.

According to the company, the revenue from AI solutions was 6.2 MEUR in 2023, which exceeded the company's original estimate of 5 MEUR. This indicates that the CognitiveScale deal was successful given the current state of knowledge, and also bodes well for the future of AI solutions. In comparable currencies, the company's revenue in 2023 amounted to 107.2 MEUR, which is a very large difference to the reported figure (78.4 MEUR). In our view, this difference is explained in particular by the weakening of the Nigerian naira.

At the end of Q4, Tecnotree's order book grew to an all-time high of 80.2 MEUR (Q4'22: 68.9 MEUR). According to our calculations, new orders during the

quarter amounted to a strong 24.4 MEUR.

The company reported, among other things, that it won 12 new customers during the year, three of which were Tier 1 operators in the Nordic countries and North America. The company's revenue mix is improving, with 51% of revenue in 2023 coming from customers acquired in the last 5 years. In 2023, the two largest customers' share of revenue fell sharply to 49% (2022: 75%). We estimate that this is partly due to the strong weakening of the Nigerian naira.

EBIT very strong, but exchange rates ate into the bottom lines of the income statement

Q4 operating profit increased to 7.9 MEUR (Q4'22: 6.1 MEUR), well above our estimate of 5.5 MEUR. The earnings beat was mainly explained by the higher-than-expected gross margin (96%) and the company's generally very successful savings measures. For the full year, EBIT increased by 30.2% to 23.8 MEUR, well above the company's guidance of 15-20% EBIT growth. Foreign exchange losses in Q4 were very high (6.0 MEUR) due to the devaluation of the Nigerian naira and hyperinflation in the Argentinean market. As a result, the net result for Q4 remained low at 2.4 MEUR (Q4'22: 3.2 MEUR).

Cash flow improved, but no free cash flow was generated

Tecnotree's operating cash flow improved as expected from the weak Q3 levels and amounted to 4.7 MEUR in Q4. Full-year cash flow was EUR 62.2 million (2022: 58.8 MEUR), up 6% and below the company's guidance of 12-14%. However, in comparable currencies, the cash flow amounted to 84.1 MEUR. Trade receivables decreased by 13% year-on-year to 32.9 MEUR, but we believe this was partly due to a decrease in receivables as a result of FX losses. However, total receivables increased by 8% to 71.1 MEUR.

The company had recorded its convertible bond assets as a positive item in cash flow from investing activities, but after adjusting for this, the cash flow after investing activities was -0.6 MEUR. At the end of the year, the company had raised a total of 21.1 MEUR with its convertible bonds (after the reporting period 2 MEUR more). The cash on hand stood at 20.8 MEUR, so without the convertible bonds the cash would be empty. Investments also included an advance of -2 MEUR for acquisitions, which may foreshadow news from the company on the acquisition front in the near future.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	20.1	22.2	22.5				-1%	78.4
EBIT (adj.)	6.1	7.9	5.5				43%	23.8
PTP	4.7	2.8	4.8				-42%	13.9
EPS (reported)	0.01	0.01	0.01				-14%	0.04
DPS	0.00	0.00	0.00					0.00
Revenue growth-%	11.0 %	10.4 %	12.1 %				-1.6 pp	9.5 %
EBIT-% (adj.)	30.4 %	35.6 %	24.6 %				11 pp	30.4 %

Source: Inderes

Watch our CEO interview:



Earnings growth continues, internal focus on cash flow

Growth slows, but profitability is effectively protected

Tecnotree guided for a 2-7% increase in revenue and a 7-15% increase in EBIT for the current year on the back of continued savings measures. Our forecast before the Q4 report expected revenue to grow by 7% to 84.3 MEUR and EBIT to be 22.4 MEUR (23.8 MEUR realized in 2023). As such, guidance was slightly weaker than expected for growth and stronger for EBIT. However, the company's shift to an ARR model, which generates revenue more slowly than license sales, also has an impact on revenue generation.

Despite slowing growth, the demand outlook for Tecnotree appears to remain at a reasonable level. Gartner forecasts the BSS market to grow at an annual rate of 2.1% between 2022 and 2027. Thus, according to this year's guidance, the company expects to grow slightly faster than the average growth rate of the market.

Internal focus on improving cash flow

The company did not provide cash flow guidance for the current year. This was a bit of a disappointment, but we believe the company will comment on its outlook later this year. We believe that the FX challenges will continue this year and will also contribute to lower visibility in terms of cash flow repatriation. In general, however, the company has a strong internal will to improve its own cash flow and its internal motto at the moment is "Think cash, do cash". Verbally, the company commented in the earnings release that it is able to improve its cash flow in the current year.

Positive changes in earnings forecasts for the coming years

With growth guidance slightly weaker than expected, we have cut our growth forecasts for the coming years. In contrast, we have also lowered our cost forecasts, which has led to higher earnings forecasts for the coming years.

We now expect Tecnotree's revenue to grow by 5% this year to 87.5 MEUR, in line with the company's guidance. The growth is supported by the company's record order book, where the new customers that the company has won in recent years and AI solutions play a significant role. In 2023, the company expects more than 15% of new orders to come from AI, Moments and DiWa solutions. We expect EBIT to grow by around 9% to 25.9 MEUR, which would imply an EBIT margin of 31.4% (2022: 30.4%). The profit improvement is driven by moderate revenue growth and the savings measures implemented by the company. We expect free operating cash flow to be around 8 MEUR, which will continue to be constrained by large product development investments. We also expect the company's growth to continue to tie up some working capital this year.

Next year, we expect Tecnotree to grow by 6% to 87 MEUR, largely driven by the same growth drivers and geographical expansion. We expect operating profit to remain broadly stable at 26.0 MEUR (29.9% margin).

Estimate revisions	2023	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	78.7	78.4	0%	84.3	82.3	-2%	91.2	87.1	-4%
EBITDA	25.2	27.7	10%	29.0	32.4	12%	33.8	36.1	7%
EBIT (exc. NRIs)	21.5	23.8	11%	22.4	25.9	16%	24.6	26.0	6%
EBIT	21.5	23.8	11%	22.4	25.9	16%	24.6	26.0	6%
PTP	16.0	13.9	-13%	18.4	18.4	0%	20.6	22.0	7%
EPS (excl. NRIs)	0.04	0.04	-11%	0.04	0.04	-1%	0.05	0.05	5%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation

The quality of the result makes it difficult to assess the valuation

We forecast Tecnotree's P/E multiple for 2024-2025 at 7-6x, while the corresponding EV/EBIT multiple is 4x (net capitalization adjusted EV/EBIT multiple 6x-4x). However, the problem with earnings multiples is the quality of earnings, as the P&L does not well reflect the company's ability to generate cash flow due to the highly working capital-intensive business model, aggressive capitalization of product development expenses, and FX challenges.

Tecnotree's valuation should also take into account its 43 MEUR convertible bond facility. For the period 2023-2025, we have treated convertible bonds as a liability. The conversion of the bonds into shares will take place between 2026 and 2028, but we have assumed full conversion in 2026. We have not included warrants in our estimates at the current price level. If the share price were to rise above the level required by the subscription price of the warrants (EUR 0.90), the dilution caused by them should be taken into account in the valuation. Investors should note that as the share price falls, the dilution caused by the conversion of convertible bonds for existing investors increases. At the current share price, the dilution from the bonds would be approximately 31%.

As free cash flow is chronically below the earnings level, we believe that the use of cash flow-based multiples is highly justified. However, cash flow is more volatile than earnings, which creates its own challenges for the use of multiples. The current year cash flow multiple (EV/OCF) is 14x in our forecast, which is not particularly attractive given the current year cash flow visibility is still weak at this stage. Next year, the multiple will fall to 7x. This is already a low

level, but it implies an assumption of a clear normalization of cash flow. Visibility up to here is still very poor at this stage.

DCF model highlights the potential of the stock if the cash flow profile recovers

Our DCF model give the stock a value of EUR 0.48, which would indicate clear upside potential for the stock. In the case of Tecnotree, the DCF model should consider that there is considerable uncertainty in the cash flow projections, in particular regarding the projections of working capital commitment and investment levels. The DCF also excludes foreign exchange losses. Thus, we believe that relying entirely on the DCF model for valuation isn't justified at this stage. However, the model also reflects the potential of Tecnotree's stock if the company's cash flow profile improves in the future.

We do not believe that the risk/reward ratio is sufficient

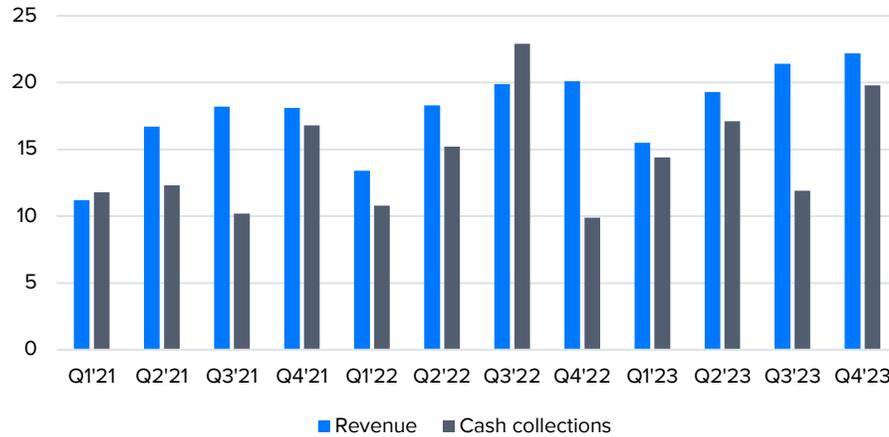
The key to Tecnotree's investment story is how the company manages to invest in growth and improve its cash flow profile in the coming years. We are positive about the company's ambition to grow outside emerging markets and the business model change, which may have a risk-mitigating effect through a better cash flow profile. In general, the company is also strongly focused on improving cash flow, which we welcome. We estimate that the transformation of the business profile may take a long time, as the challenges related to the company's geographical locations will not be resolved overnight. We look forward to further evidence of this in the form of improved cash flow.

Valuation	2024e	2025e	2026e
Share price	0.32	0.32	0.32
Number of shares, millions	316.8	316.8	458.8
Market cap	101	101	147
EV	105	93	81
P/E (adj.)	7.3	6.1	8.7
P/E	7.3	6.1	8.7
P/B	1.0	0.9	0.8
P/S	1.2	1.2	1.6
EV/Sales	1.3	1.1	0.9
EV/EBITDA	3.2	2.6	2.2
EV/EBIT (adj.)	4.1	3.6	3.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

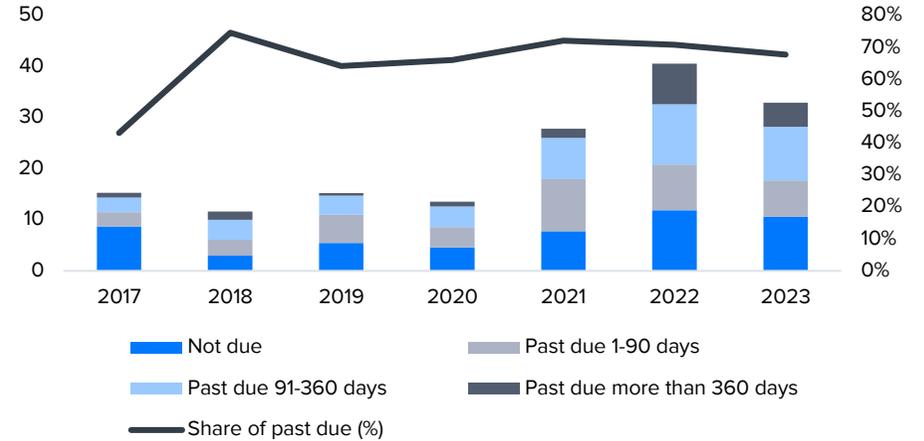
Source: Inderes

Development of key figures

Revenue and cash collections



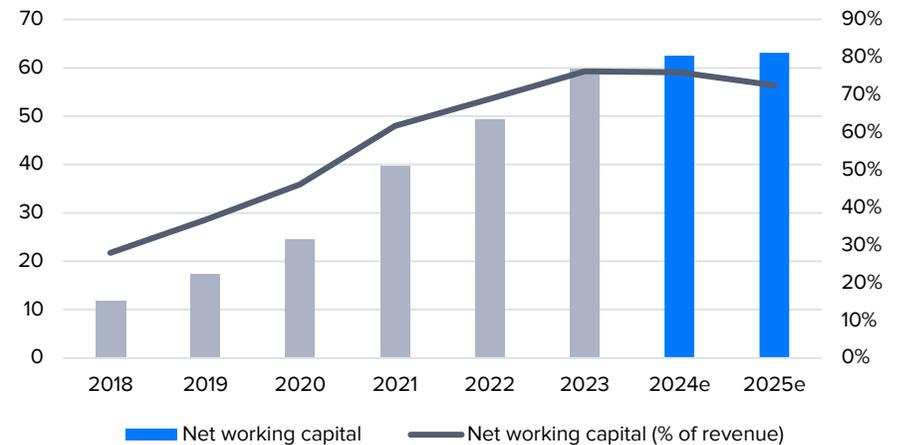
Breakdown of trade receivables



Order book development (MEUR)



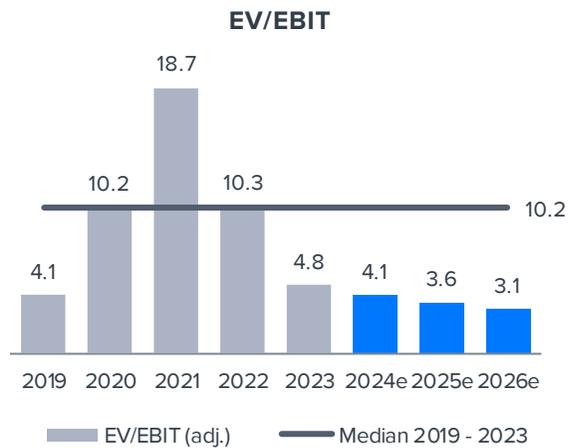
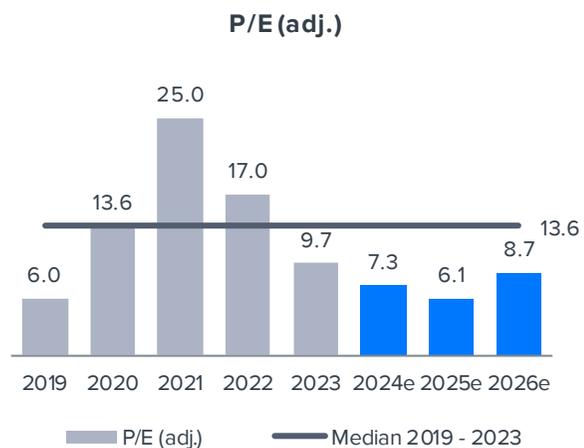
Development of net working capital



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	0.17	0.70	1.47	0.63	0.34	0.32	0.32	0.32	0.32
Number of shares, millions	235.3	274.6	313.2	311.0	316.8	316.8	316.8	458.8	458.8
Market cap	40	192	460	196	108	101	101	147	147
EV	53	198	443	189	114	105	93	81	66
P/E (adj.)	6.0	13.6	25.0	17.0	9.7	7.3	6.1	8.7	8.5
P/E	5.2	14.2	25.0	17.0	9.7	7.3	6.1	8.7	8.5
P/B	11.7	9.7	6.8	2.4	1.2	1.0	0.9	0.8	0.8
P/S	0.9	3.6	7.2	2.7	1.4	1.2	1.2	1.6	1.5
EV/Sales	1.1	3.7	6.9	2.6	1.4	1.3	1.1	0.9	0.7
EV/EBITDA	3.4	9.7	17.5	9.5	4.1	3.2	2.6	2.2	1.7
EV/EBIT (adj.)	4.1	10.2	18.7	10.3	4.8	4.1	3.6	3.1	2.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Amdocs Ltd	9696	9778	11.4	10.8	9.7	9.2	2.1	2.0	13.8	12.6	2.0	2.1	2.8
CSG Systems International Inc	1446	1775	10.0	9.2	7.8	7.5	1.6	1.6	13.3	12.1	2.3	2.4	
Comarch SA	569	510	17.5	15.5	9.8	9.1	1.1	1.1	19.8	18.5	2.0	2.2	1.5
Sterlite Technologies Ltd	645	987	22.2	13.7	11.6	8.4	1.5	1.2	20.7	17.8	1.7	1.8	2.7
Cerillion PLC	540	515	25.8	22.6	23.1	20.5	10.0	8.9	33.0	29.4	0.8	0.9	9.7
Tecnotree (Inderes)	101	105	4.1	3.6	3.2	2.6	1.3	1.1	7.3	6.1	0.0	0.0	1.0
Average			17.4	14.4	12.4	10.9	3.3	2.9	20.1	18.1	1.8	1.9	4.2
Median			17.5	13.7	9.8	9.1	1.6	1.6	19.8	17.8	2.0	2.1	2.8
Diff-% to median			-77%	-74%	-67%	-72%	-22%	-32%	-63%	-66%	-100%	-100%	-63%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	71.6	15.5	19.3	21.4	22.2	78.4	16.1	20.6	22.7	22.9	82.3	87.1	91.1	94.6
EBITDA	19.8	4.2	6.9	7.4	9.3	27.7	4.8	8.9	9.1	9.6	32.4	36.1	37.3	38.5
Depreciation	-1.5	-0.6	-0.7	-1.2	-1.4	-3.9	-1.5	-1.6	-1.6	-1.7	-6.6	-10.1	-11.2	-12.1
EBIT (excl. NRI)	18.3	3.6	6.2	6.2	7.9	23.8	3.3	7.2	7.5	7.8	25.9	26.0	26.1	26.4
EBIT	18.3	3.6	6.2	6.2	7.9	23.8	3.3	7.2	7.5	7.8	25.9	26.0	26.1	26.4
Net financial items	-1.1	-1.0	-1.9	-1.9	-5.1	-9.9	-3.0	-2.0	-1.5	-1.0	-7.5	-4.0	-4.0	-4.0
PTP	17.2	2.7	4.3	4.2	2.8	13.9	0.3	5.2	6.0	6.8	18.4	22.0	22.1	22.4
Taxes	-5.7	-0.9	-0.5	-1.0	-0.4	-2.8	-0.1	-1.3	-1.5	-1.7	-4.6	-5.3	-5.3	-5.1
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	11.6	1.8	3.8	3.2	2.4	11.1	0.2	3.9	4.5	5.1	13.8	16.7	16.8	17.2
EPS (adj.)	0.04	0.01	0.01	0.01	0.01	0.04	0.00	0.01	0.01	0.02	0.04	0.05	0.04	0.04
EPS (rep.)	0.04	0.01	0.01	0.01	0.01	0.04	0.00	0.01	0.01	0.02	0.04	0.05	0.04	0.04

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	11.5 %	17.0 %	5.4 %	7.4 %	10.4 %	9.5 %	3.6 %	6.5 %	6.4 %	3.3 %	5.0 %	5.8 %	4.7 %	3.8 %
Adjusted EBIT growth-%	-22.7 %	77.5 %	21.1 %	22.2 %	28.3 %	30.1 %	-8.5 %	17.1 %	21.5 %	-0.1 %	8.7 %	0.5 %	0.3 %	1.0 %
EBITDA-%	27.7 %	27.2 %	35.6 %	34.5 %	41.7 %	35.4 %	30.1 %	43.2 %	40.2 %	41.8 %	39.4 %	41.4 %	40.9 %	40.7 %
Adjusted EBIT-%	25.6 %	23.3 %	32.0 %	28.9 %	35.4 %	30.4 %	20.6 %	35.2 %	33.0 %	34.2 %	31.4 %	29.9 %	28.6 %	27.9 %
Net earnings-%	16.1 %	11.3 %	19.4 %	15.0 %	10.9 %	14.2 %	1.5 %	19.1 %	19.8 %	22.4 %	16.8 %	19.2 %	18.4 %	18.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	26.4	36.3	44.2	48.3	51.4
Goodwill	5.7	5.7	5.7	5.7	5.7
Intangible assets	17.9	27.8	35.6	39.6	42.7
Tangible assets	0.4	0.4	0.5	0.5	0.6
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	1.8	1.9	1.9	1.9	1.9
Deferred tax assets	0.6	0.5	0.5	0.5	0.5
Current assets	77.4	91.9	116	128	143
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	65.1	71.1	74.9	76.6	77.5
Cash and equivalents	12.3	20.8	41.4	51.4	65.3
Balance sheet total	104	128	160	176	194

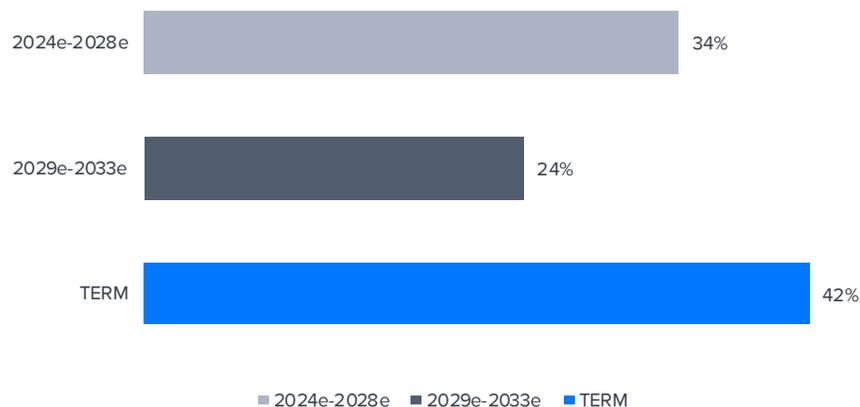
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	80.1	86.5	100	117	177
Share capital	1.3	1.3	1.3	1.3	44.4
Retained earnings	49.5	55.9	69.6	86.4	103
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	29.3	29.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	5.5	25.8	45.8	45.8	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	2.4	1.0	0.0	0.0	0.0
Convertibles	0.0	21.1	43.1	43.1	0.0
Other long term liabilities	3.1	3.7	2.7	2.7	2.7
Current liabilities	18.2	15.9	14.3	13.5	14.6
Interest bearing debt	2.5	4.5	2.0	0.0	0.0
Payables	15.8	11.3	12.3	13.5	14.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	104	128	160	176	194

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.5 %	5.0 %	5.8 %	4.7 %	3.8 %	3.3 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	30.4 %	31.4 %	29.9 %	28.6 %	27.9 %	26.8 %	26.2 %	25.8 %	25.5 %	25.5 %	25.5 %	25.5 %
EBIT (operating profit)	23.8	25.9	26.0	26.1	26.4	26.2	26.4	26.8	27.1	27.8	28.3	
+ Depreciation	3.9	6.6	10.1	11.2	12.1	12.8	13.2	13.6	14.0	14.7	14.8	
- Paid taxes	-2.7	-4.6	-5.3	-5.3	-5.1	-4.9	-4.9	-5.0	-5.1	-5.2	-5.8	
- Tax, financial expenses	-2.0	-1.9	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.4	
+ 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	-10.4	-2.8	-0.6	0.3	0.0	0.4	-1.9	-1.9	-1.7	-1.7	-1.4	
Operating cash flow	12.6	23.2	29.2	31.3	32.4	33.6	31.9	32.6	33.5	34.7	35.5	
+ Change in other long-term liabilities	0.6	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-13.9	-14.4	-14.2	-14.4	-14.4	-14.5	-14.7	-14.8	-14.9	-14.9	-14.9	
Free operating cash flow	-0.7	7.8	15.0	16.9	18.0	19.1	17.2	17.8	18.6	19.8	20.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.7	7.8	15.0	16.9	18.0	19.1	17.2	17.8	18.6	19.8	20.6	207
Discounted FCFF		7.1	12.2	12.2	11.6	10.9	8.8	8.1	7.6	7.2	6.7	67.2
Sum of FCFF present value		159	152	140	128	116	106	96.7	88.6	81.0	73.8	67.2
Enterprise value DCF		159										
- Interest bearing debt		-26.7										
+ Cash and cash equivalents		20.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		154										
Equity value DCF per share		0.48										

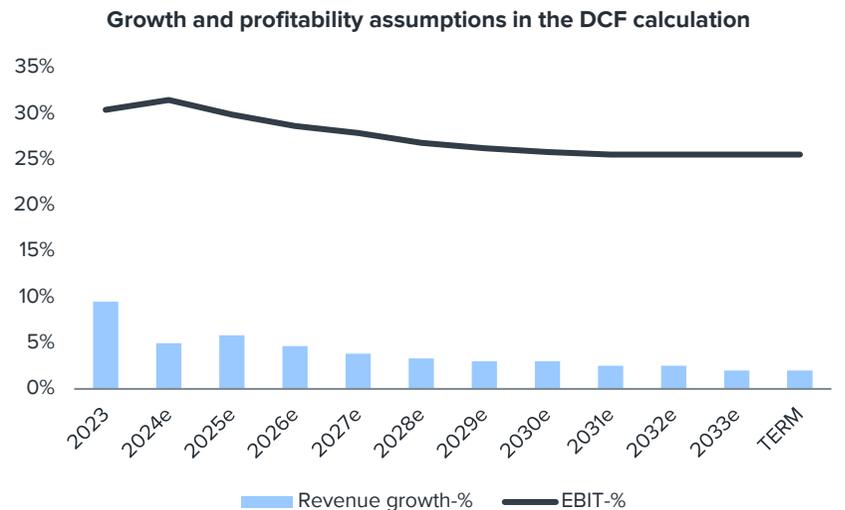
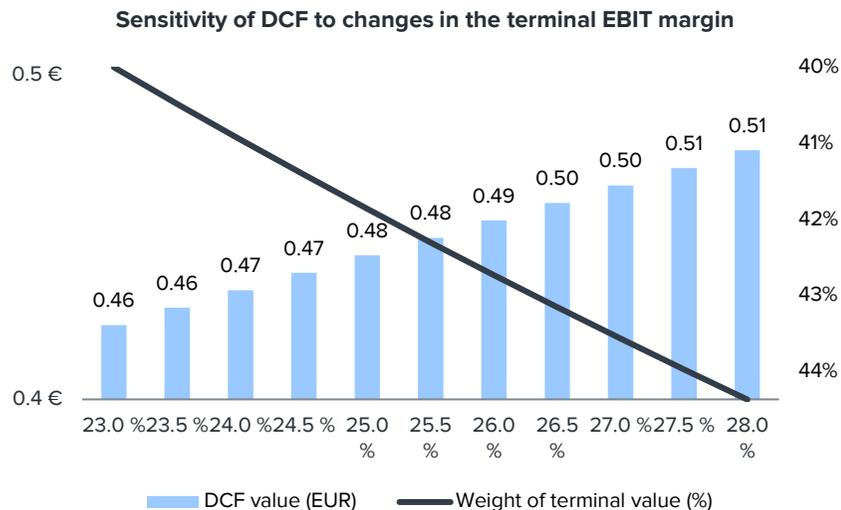
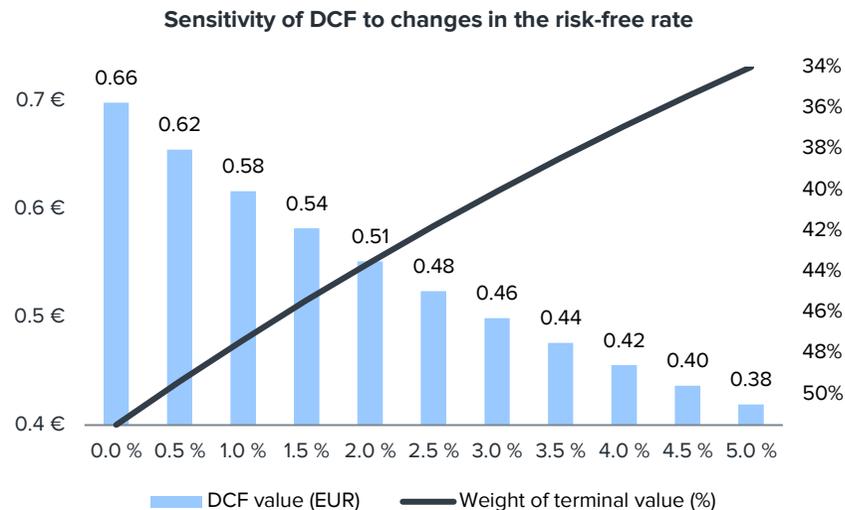
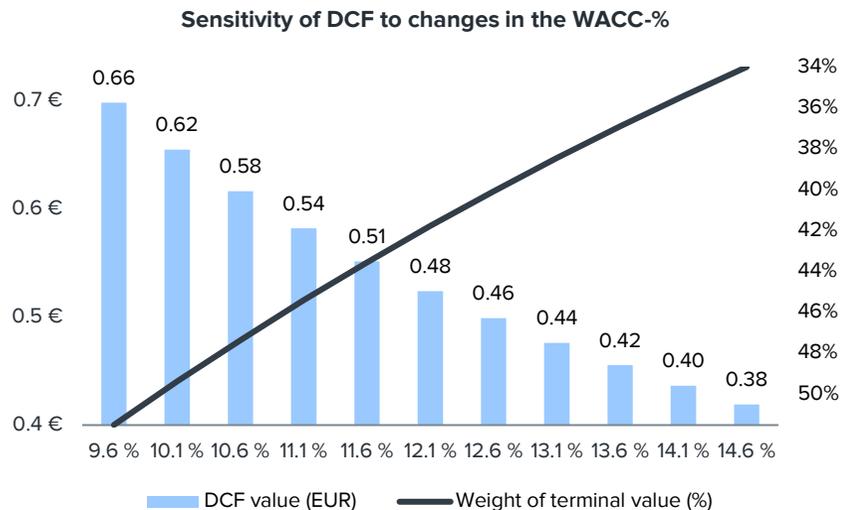
Cash flow distribution



WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	12.1 %
Weighted average cost of capital (WACC)	12.1 %

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	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	64.2	71.6	78.4	82.3	87.1	EPS (reported)	0.06	0.04	0.04	0.04	0.05
EBITDA	25.3	19.8	27.7	32.4	36.1	EPS (adj.)	0.06	0.04	0.04	0.04	0.05
EBIT	23.7	18.3	23.8	25.9	26.0	OCF / share	0.02	0.01	0.04	0.07	0.09
PTP	21.5	17.2	13.9	18.4	22.0	FCF / share	-0.01	-0.02	0.00	0.02	0.05
Net Income	18.4	11.6	11.1	13.8	16.7	Book value / share	0.22	0.26	0.27	0.32	0.37
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	79.3	103.8	128.2	160.4	176.3	Revenue growth-%	22%	12%	9%	5%	6%
Equity capital	67.7	80.1	86.5	100.3	117.0	EBITDA growth-%	24%	-22%	40%	17%	11%
Goodwill	0.0	5.7	5.7	5.7	5.7	EBIT (adj.) growth-%	23%	-23%	30%	9%	0%
Net debt	-17.6	-7.5	5.9	3.7	-8.3	EPS (adj.) growth-%	14%	-37%	-5%	24%	21%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	39.4 %	27.7 %	35.4 %	39.4 %	41.4 %
EBITDA	25.3	19.8	27.7	32.4	36.1	EBIT (adj.)-%	36.9 %	25.6 %	30.4 %	31.4 %	29.9 %
Change in working capital	-15.5	-9.6	-10.4	-2.8	-0.6	EBIT-%	36.9 %	25.6 %	30.4 %	31.4 %	29.9 %
Operating cash flow	6.3	4.4	12.6	23.2	29.2	ROE-%	42.0 %	15.6 %	13.3 %	14.8 %	15.4 %
CAPEX	-7.3	-14.8	-13.9	-14.4	-14.2	ROI-%	46.8 %	24.0 %	24.0 %	20.0 %	17.0 %
Free cash flow	-4.7	-4.9	-0.7	7.8	15.0	Equity ratio	85.4 %	77.1%	67.5 %	62.5 %	66.4 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	-25.9 %	-9.3 %	6.8 %	3.7 %	-7.1 %
EV/S	6.9	2.6	1.4	1.3	1.1						
EV/EBITDA (adj.)	17.5	9.5	4.1	3.2	2.6						
EV/EBIT (adj.)	18.7	10.3	4.8	4.1	3.6						
P/E (adj.)	25.0	17.0	9.7	7.3	6.1						
P/B	6.8	2.4	1.2	1.0	0.9						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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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 €



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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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