

Tecnotree

Company report

02/27/2023



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✓ Inderes corporate customer

This report is a summary translation of the report “Katseet entistä voimakkaammin kassavirtoihin” published on 02/27/2023 at 7:50 am.

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Keeping a close eye on cash flows

Tecnotree's Q4 report exceeded our estimates for both net sales and earnings. However, the outperformance was largely explained by higher-than-expected capitalization of product development costs. With investments and working capital tied up, cash flow was well below zero. The guidance for the current year was strong on earnings, which led us to raise our earnings estimates for the coming years. However, we also updated our cash flow projections for working capital and investments, which lowered our free cash flow projections for the next few years. The valuation of the stock is favorable on earnings multiples (2023e P/E 10x), but we are paying more and more attention to cash flow multiples in the valuation. These don't support the valuation this year and next year's multiplier (13x) is fairly neutral. We lower the target price for the share to EUR 0.58 (was EUR 0.70) and our recommendation to Reduce (was Accumulate).

Growth exceeded the company's own guidance

Tecnotree's Q4 net sales increased by 11% to EUR 20.1 million, exceeding our estimate of EUR 19.0 million. Full-year net sales grew by 11.5%, exceeding the company's guidance range of 5-10%. The order book (Q4'22: 68.9 MEUR) decreased slightly from the record level of Q3 (76.1 MEUR) but increased by about 29% year-on-year. Tecnotree's Q4 EBIT increased to EUR 6.1 million (Q4'21: 5.9 MEUR), well above our estimate EUR of 3.5 million. This corresponded to a strong EBIT margin of around 30% (Q4'21: 33%). However, profitability was supported by strongly increased capitalization of product development costs (Q4'22: 4.8 MEUR), while depreciation was still at a low level (0.6 MEUR). The higher-than-expected level of capitalization effectively explains the earnings beat and, in terms of cash flow, the result was softer than expected. Cash flow from operating activities was EUR -0.6 million in Q4, which was affected by, among other things, temporary delays in payments from some key customers and the company's strategic investments. After investments, the cash flow was heavily in the red at EUR -6.0 million.

Earnings estimates up, cash flow estimates down

For 2023, Tecnotree forecasts revenue growth of 7-15% and EBIT growth of 10-20%. With the Q4 results, the guidance and the company's announced cost saving program (targeting 5-7% savings on total costs from H2'23 onwards), our earnings estimates for the coming years increased significantly. The company stated in the report that it expects the collection of receivables to increase by 12-18% this year. However, we estimate that this means that the company's growth will continue to tie up working capital this year. This together with higher-than-expected capitalization of product development expenditure has also led to changes in our cash flow estimates, as we have lowered our free cash flow projections for the coming years. Cash flow is naturally more volatile than earnings, and there will certainly be strong quarters and years in this respect. However, working capital challenges will always be present when operating in emerging markets.

Earnings and cash flow multiples tell a different story

We forecast Tecnotree's earnings multiples for the current year to be low (P/E 10.4x and EV/EBIT 7.4x). As the earnings quality is poor, we pay more attention to cash flow-based multiples in our valuation. The cash flow multiple for the current year is very high (P/CF 32x). In 2024, the multiple (P/CF 13x) falls to a moderate level but remains relatively neutral given the risks. The stock has clear upside to the value in relation to our DCF model, but the low visibility of the company's long-term cash flows makes it challenging to rely on this. However, the cash flow model highlights the potential of the stock if the company's cash flow profile turns sustainably better.

Recommendation

Reduce
(previous Accumulate)

EUR 0.58
(previous EUR 0.70)

Share price:
0.54



Key figures

	2022	2023e	2024e	2025e
Revenue	71.6	80.2	86.7	94.1
growth-%	12%	12%	8%	9%
EBIT adj.	18.3	21.0	25.5	27.2
EBIT-% adj.	25.6 %	26.2 %	29.4 %	28.9 %
Net Income	11.6	16.0	19.7	21.1
EPS (adj.)	0.04	0.05	0.06	0.07

P/E (adj.)	17.0	10.4	8.5	7.9
P/B	2.4	1.7	1.4	1.2
P/FCF	neg.	32.0	13.4	11.6
EV/EBIT (adj.)	10.3	7.4	5.6	4.8
EV/EBITDA	9.5	6.0	4.6	3.8
EV/S	2.6	1.9	1.7	1.4

Source: Inderes

Guidance

(New guidance)

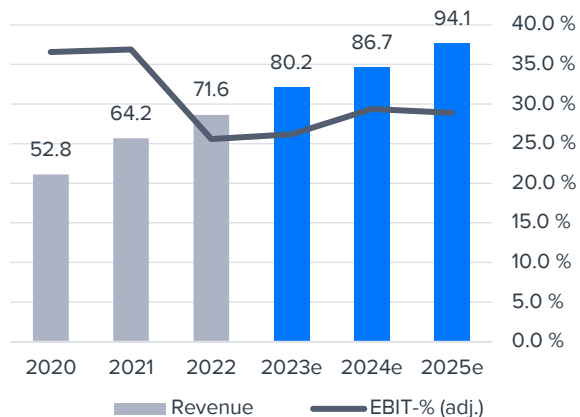
In 2023, Tecnotree expects revenue to be higher by 7-15% and operating profit (EBIT) by 10-20% compared to 2022.

Share price



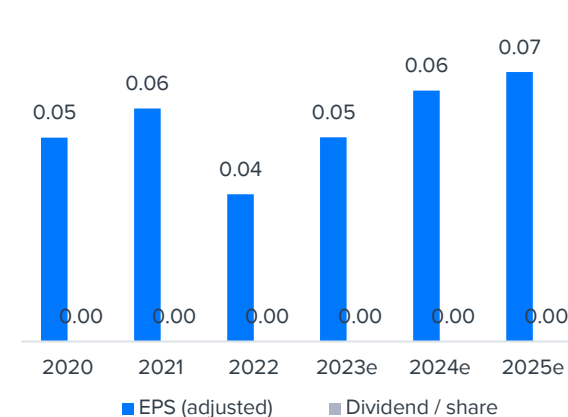
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Industry's organic drivers are strong and longer-term growth outlook is good
- Increasing recurring income flow
- Technologically competent product portfolio



Risk factors

- 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	2023e	2024e	2025e
Share price	0.54	0.54	0.54
Number of shares, millions	311.0	311.0	311.0
Market cap	167	167	167
EV	155	143	130
P/E (adj.)	10.4	8.5	7.9
P/E	10.4	8.5	7.9
P/FCF	32.0	13.4	11.6
P/B	1.7	1.4	1.2
P/S	2.1	1.9	1.8
EV/Sales	1.9	1.7	1.4
EV/EBITDA	6.0	4.6	3.8
EV/EBIT (adj.)	7.4	5.6	4.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Strong result not reflected in cash flow

Revenue growth exceeded our estimates and the company's guidance range

Tecnotree's Q4 revenue grew by 11.2% to EUR 20.1 million, beating our EUR 19.0 million estimate. Full-year revenue grew by 11.5%, exceeding the company's guidance range of 5-10%. Maintenance and management services decreased by about 4% in Q4 to EUR 5.4 million (Q4'21: 5.6 MEUR). Revenues from license sales and deliveries increased by around 18% to EUR 14.7 million (Q4'21: 11.8). Geographically, the company grew quite evenly in Q4 between the MEA & APAC and Europe & Americas regions.

The company didn't report orders received, but based on revenue and order book, new orders received during the quarter amounted to EUR 12.9 million, which was close to the level of the comparison period. The order book in Q4 (68.9 MEUR) decreased slightly from the record level of Q3 (76.1 MEUR). However, the order book increased by around 29% year-on-year. In general, demand for Tecnotree's products seems to have remained at a good level.

During 2022, Tecnotree managed to win several new customers, including Solomon Telekom, Emtel

Mauritius, Monty Mobile Gambia, Entel Bolivia, Cable & Wireless Communication Panama and Start Canada. New customers will play an important role in the company's long-term growth and in balancing the risks of a still concentrated customer portfolio (the two largest customers accounted for 75% of 2022 revenue).

A strong result on paper

Tecnotree's Q4 EBIT increased to EUR 6.1 million (Q4'21: 5.9 MEUR), well above our estimate EUR of 3.5 million. This corresponded to a strong EBIT margin of around 30% (Q4'21: 33%). However, it's worth noting that the company's profitability supported by the capitalization of product development expenses. These totaled as much as EUR 4.8 million in Q4. If product development capitalization had been at the level of previous quarters (as we had assumed), the result would have been quite close to our estimate. Depreciation remained at a relatively low level (0.6 MEUR). Thus, the capitalization of product development costs has a clear positive impact on profitability and the result may give an overly rosy picture of the company's operational performance. Profitability was again negatively impacted by additional costs related to large customer deliveries and sales efforts.

Cash flow again at a weak level

Tecnotree's cash flow from operating activities in Q4 was EUR -0.6 million, again clearly burdened by the working capital commitment (-4.6 MEUR). The company commented that this was negatively impacted in Q4 by, e.g., temporary delays in payments from some key customers. According to the company, Q4 is typically a weak period for cash flow repatriation as large operators defer their payments beyond the turn of the year. Despite this, the cash flow from operating activities was disappointing for us and therefore the risks associated with cash flow repatriation are still very much present. At the end of 2022, Tecnotree's receivables totaled EUR 65.1 million (2021: 48.6 MEUR).

Cash flow was also burdened by the company's investments and after investments the cash flow was as much as EUR -6.0 million. Of the investments, EUR 0.6 million was related to the cash consideration of the CognitiveScale acquisition and the rest to the capitalization of the company's product development expenses. As expected, Tecnotree will not pay a dividend for the financial year 2022.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus	Difference (%)	2022	
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	18.1	20.1	19.0				6%	71.6
EBIT (adj.)	5.9	6.1	3.5				74%	18.3
EPS (reported)	0.02	0.01	0.01				18%	0.04
DPS	0.00	0.00	0.00					0.00
Revenue growth-%	27.5 %	11.2 %	4.9 %				6.2 pp	11.5 %
EBIT-% (adj.)	32.7 %	30.3 %	18.5 %				11.9 pp	25.6 %

Source: Inderes

Watch Q4 interview here:



Earnings and cash flow forecasts moved in different directions (1/2)

Small increases in earnings estimates

For 2023, Tecnotree foresees a revenue growth of 7-15% and an EBIT growth of 10-20%. Our estimates before the Q4 report expected a 15% growth in revenue and EBIT landing at EUR 16.9 million (2022: 18.3 MEUR). The guidance was therefore slightly weaker than expected for revenue, but stronger for earnings. We made small negative revisions to our revenue estimates for the coming years. In contrast, our earnings estimates for the coming years increased, supported by a strong Q4 performance, guidance and the savings program the company has initiated. Through the program, the company is looking for savings of around 5-7% of total company costs, which are expected to start showing a positive impact on profitability from H2'23 onwards.

Estimates for 2023-2024

We now expect Tecnotree's revenue for the current year to grow by around 12% to EUR 80.2 million, slightly above the mid-point of the guidance range (11%). The revenue guidance includes an estimated annual revenue growth of EUR 5 million in connection with the CognitiveScale transaction. However, the company will have to renegotiate the customer contracts, as these weren't automatically transferred to Tecnotree through the transaction. Therefore, there is still some uncertainty about the impact of the acquisition on revenue. If the company managed to increase its revenue by the previously estimated EUR 5 million, the company's guidance range would indicate an "organic" growth of 0-8%. We expect Tecnotree's EBIT to grow to EUR 21.0 million, which would correspond to an EBIT margin of approximately 26%. The company's guidance for EBIT growth of 10-20% indicates an EBIT of around EUR 20.1-22.0 million, and our estimate is thus at the mid-point of the guidance range.

In 2024, we expect revenue to grow by around 8% and EBIT to increase to EUR 25.5 million (29.4% y/y). At this point, we expect profitability to be supported by the scaling effect of revenue growth, a general easing of cost inflation and cost savings from the company's savings program.

Increased focus on cash flow

Following on the report, we have also made changes to our cash flow projections for the coming years. Tecnotree commented in the report that it expects its absolute cash position to grow by 12-18% year-on-year. Last year, we believe that the company collected around EUR 60 million and thus the range given by the company would indicate a collection of around EUR 67-71 million this year. In line with our estimates, this would indicate that receivables will continue to grow in the current year and that changes in working capital will therefore continue to weigh on cash flow.

Estimate revisions	2022	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	70.5	71.6	2%	81.0	80.2	-1%	89.6	86.7	-3%
EBITDA	17.6	19.8	12%	21.8	26.0	19%	28.2	31.4	11%
EBIT (exc. NRIs)	15.7	18.3	17%	16.9	21.0	25%	22.9	25.5	11%
EBIT	15.7	18.3	17%	16.9	21.0	25%	22.9	25.5	11%
PTP	15.8	17.2	9%	15.9	20.0	26%	22.0	24.6	12%
EPS (excl. NRIs)	0.04	0.04	5%	0.04	0.05	26%	0.06	0.06	12%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

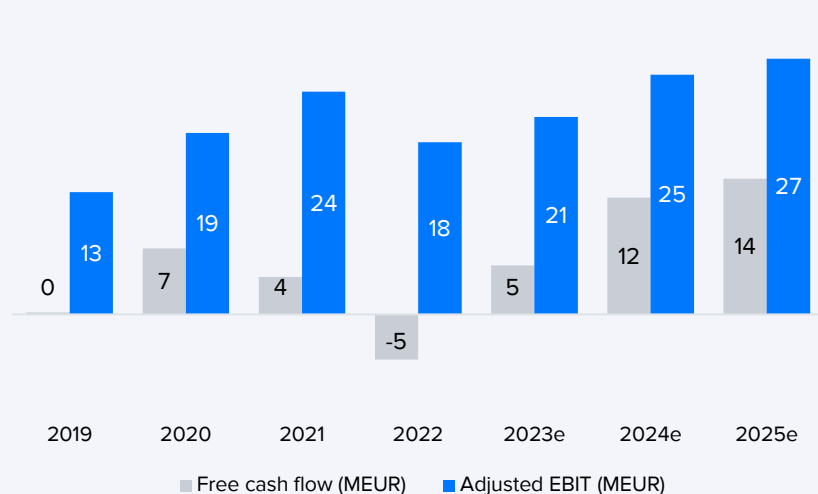
Earnings and cash flow forecasts moved in different directions (2/2)

We have also significantly increased our investment estimates, as Tecnotree appears to have started to capitalize its product development spending well ahead of our previous expectations. In the short term, these make Tecnotree's profitability figures look too rosy in our view, especially as the related depreciation has not yet reached the same level. As a result of Tecnotree's business model that ties up a lot of working capital and the increased level of product development capitalization, we are paying more attention to the company's free cash flow in our estimates. The free cash flow estimate for 2023 is EUR 5.2 million, and it's worth noting the difference to our EBIT estimate (21.0 MEUR). Cash flow is naturally more volatile and less predictable than earnings in the short term, which contributes to uncertainty in the estimates. In terms of cash flow, we can also see strong quarters and years if the company does well in

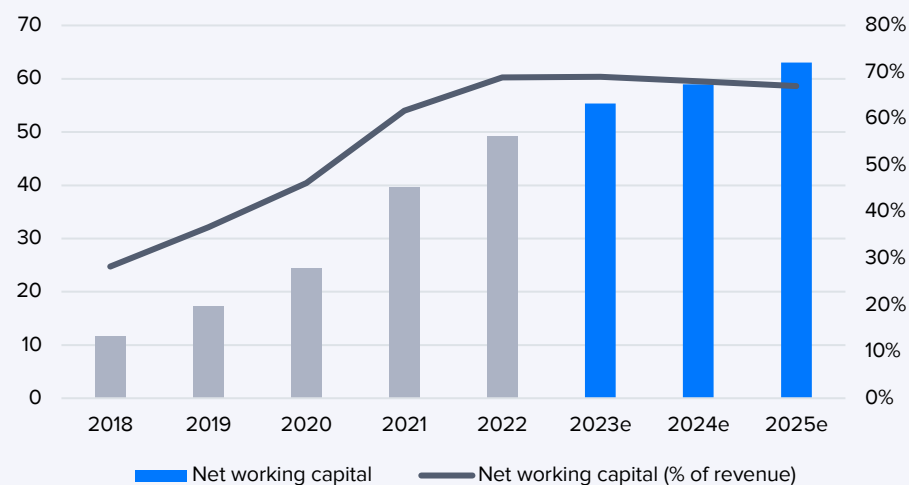
repatriating receivables on time.

Next year, we expect free cash flow to improve significantly (estimate: 12.4 MEUR) but to fall well short of our EBIT estimate (25.5 MEUR). Also in the longer term, our estimate expects free cash flow to be chronically well below earnings, but the cash flow ratio to still improve markedly from current levels.

Development of FCF and adjusted EBIT



Development of net working capital



Valuation

Valuation is low by earnings-based multiples but neutral by cash flow multiples

Based on our estimates, Tecnotree's P/E ratios for 2023 and 2024 are 10.4x and 8.5x while the corresponding EV/EBIT ratios are 7.4x and 5.6x. In our view, earnings-based multiples are low for a growth company like Tecnotree. However, the quality of the earnings is a problem, as the company's reported results give too rosy a picture of its operational performance through a highly working capital intensive business model and increased capitalization of product development costs.

As free cash flow is chronically below the company's 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. For the current year, we forecast a very high cash flow multiple (32x). Next year, the multiple will be much more moderate, falling to 13x. However, relative to the risks, it's not yet at a particularly attractive level. In our longer-term projections for 2025 and 2026, cash flow is starting to normalize, and the company is already generating quite good cash flow. The cash flow multiples for 2025-2026 are 12x and 10x. The multiples are then at a moderate level, but not exceptionally low given the risks associated with the cash flow projections.

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

Our DCF model give the stock a value of EUR 0.66, which would indicate clear upside potential for the stock. We have increased the cost of equity in our DCF model to 10.9% (was 10.2%) due to what we believe is an even higher risk profile. In the case of Tecnotree, the DCF model should take into account

that there is considerable uncertainty in the cash flow projections, especially regarding the projections of working capital commitment and investment levels. 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.

Long-term growth outlook remains good

In the longer term, we believe the growth outlook for Tecnotree remains good, underpinned by telecom operators' operational model shifts and the cloud transformation of BSS solutions. Expanding into new industry verticals with new transaction-based platform solutions also offers good growth opportunities while lowering the risk profile of the business through diversification of revenue streams. However, realizing these opportunities will require the company to be successful in its investments and also in managing short-term risks. Currently, we consider Tecnotree's risk profile to be elevated due to cash flow uncertainties. Thus, at the current valuation of the stock, the risk/return ratio is no longer sufficiently attractive, and a more cautious view is required.

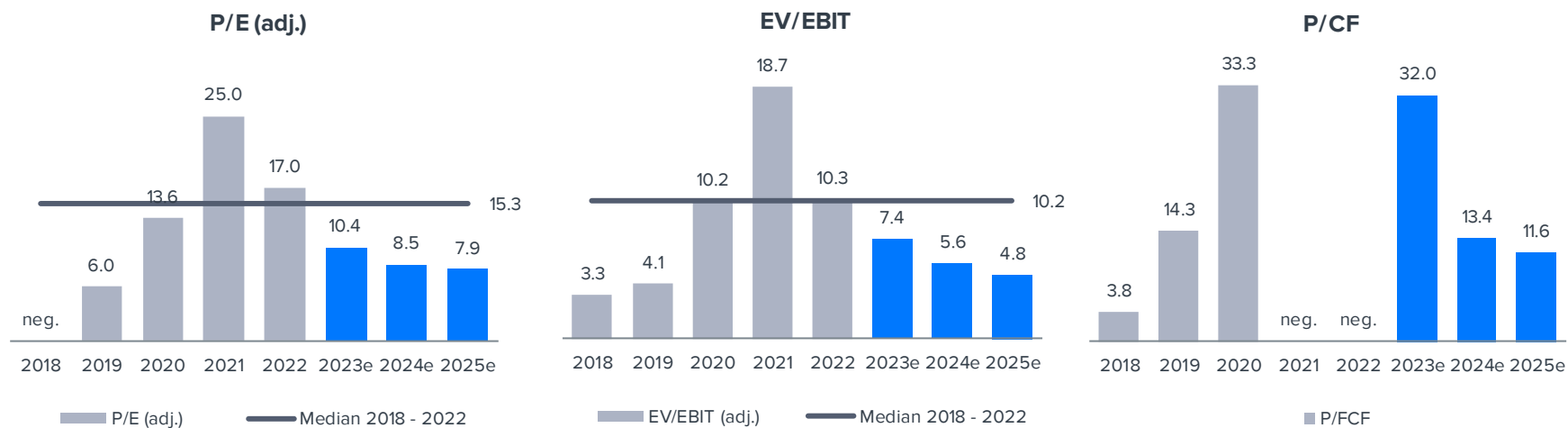
Valuation	2023e	2024e	2025e
Share price	0.54	0.54	0.54
Number of shares, millions	311.0	311.0	311.0
Market cap	167	167	167
EV	155	143	130
P/E (adj.)	10.4	8.5	7.9
P/E	10.4	8.5	7.9
P/FCF	32.0	13.4	11.6
P/B	1.7	1.4	1.2
P/S	2.1	1.9	1.8
EV/Sales	1.9	1.7	1.4
EV/EBITDA	6.0	4.6	3.8
EV/EBIT (adj.)	7.4	5.6	4.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.05	0.17	0.70	1.47	0.63	0.54	0.54	0.54	0.54
Number of shares, millions	136.6	235.3	274.6	313.2	311.0	311.0	311.0	311.0	311.0
Market cap	6.8	40	192	460	196	167	167	167	167
EV	19	53	198	443	189	155	143	130	113
P/E (adj.)	neg.	6.0	13.6	25.0	17.0	10.4	8.5	7.9	7.8
P/E	neg.	5.2	14.2	25.0	17.0	10.4	8.5	7.9	7.8
P/FCF	3.8	14.3	33.3	neg.	neg.	32.0	13.4	11.6	9.6
P/B	neg.	11.7	9.7	6.8	2.4	1.7	1.4	1.2	1.1
P/S	0.2	0.9	3.6	7.2	2.7	2.1	1.9	1.8	1.7
EV/Sales	0.5	1.1	3.7	6.9	2.6	1.9	1.7	1.4	1.1
EV/EBITDA	3.3	3.4	9.7	17.5	9.5	6.0	4.6	3.8	3.2
EV/EBIT (adj.)	3.3	4.1	10.2	18.7	10.3	7.4	5.6	4.8	4.1
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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Amdocs Ltd	10706	10665	13.0	12.1	10.5	9.9	2.3	2.2	15.9	14.3	1.8	1.9	3.1
CSG Systems International Inc	1690	1939	11.4	10.5	8.6	8.1	1.9	1.8	16.1	14.5	2.0	2.1	
Comarch SA	323	279	8.7	7.4	5.3	5.1	0.7	0.6	12.3	11.9	2.9	3.6	1.0
Sterlite Technologies Ltd	749	1132	17.5	10.6	11.1	7.8	1.4	1.2	40.3	13.4	0.6	2.5	3.2
Cerillion PLC	367	349	23.2	19.6	19.8	17.1	8.1	7.1	29.2	25.5	0.9	1.1	9.3
Tecnotree (Inderes)	167	155	7.4	5.6	6.0	4.6	1.9	1.7	10.4	8.5	0.0	0.0	1.7
Average			14.8	12.1	11.0	9.6	2.9	2.6	22.7	15.9	1.6	2.2	4.1
Median			13.0	10.6	10.5	8.1	1.9	1.8	16.1	14.3	1.8	2.1	3.1
Diff-% to median			-43%	-47%	-43%	-43%	1%	-8%	-35%	-41%	-100%	-100%	-44%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	64.2	13.3	18.3	19.9	20.1	71.6	14.9	20.3	21.7	23.3	80.2	86.7	94.1	98.8
EBITDA	25.3	3.0	6.0	4.2	6.6	19.8	3.1	6.5	8.0	8.4	26.0	31.4	34.2	35.4
Depreciation	-1.6	-1.0	-0.9	0.9	-0.5	-1.5	-1.2	-1.2	-1.2	-1.2	-5.0	-5.9	-7.0	-7.8
EBIT (excl. NRI)	23.7	2.0	5.1	5.0	6.1	18.3	1.8	5.2	6.7	7.2	21.0	25.5	27.2	27.7
EBIT	23.7	2.0	5.1	5.0	6.1	18.3	1.8	5.2	6.7	7.2	21.0	25.5	27.2	27.7
Group	23.7	2.0	5.1	5.0	6.1	18.3	1.8	5.2	6.7	7.2	21.0	25.5	27.2	27.7
Net financial items	-2.2	-0.4	0.7	0.0	-1.4	-1.1	-0.3	-0.3	-0.3	-0.3	-1.0	-0.9	-0.8	-0.8
PTP	21.5	1.6	5.9	5.1	4.7	17.2	1.6	5.0	6.5	7.0	20.0	24.6	26.4	26.9
Taxes	-3.1	-0.6	-1.9	-1.7	-1.5	-5.7	-0.3	-1.0	-1.3	-1.4	-4.0	-4.9	-5.3	-5.4
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	18.4	1.0	4.0	3.4	3.2	11.6	1.3	4.0	5.2	5.6	16.0	19.7	21.1	21.5
EPS (adj.)	0.06	0.00	0.01	0.01	0.01	0.04	0.00	0.01	0.02	0.02	0.05	0.06	0.07	0.07
EPS (rep.)	0.06	0.00	0.01	0.01	0.01	0.04	0.00	0.01	0.02	0.02	0.05	0.06	0.07	0.07
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	21.6 %	18.8 %	9.6 %	9.3 %	11.0 %	11.5 %	12.1 %	11.1 %	9.1 %	15.7 %	12.0 %	8.1 %	8.5 %	5.0 %
Adjusted EBIT growth-%	22.7 %	-34.2 %	-32.4 %	-28.9 %	3.2 %	-22.7 %	-9.4 %	2.4 %	33.5 %	17.7 %	14.8 %	21.2 %	6.8 %	1.7 %
EBITDA-%	39.4 %	22.5 %	32.9 %	20.9 %	33.0 %	27.7 %	20.8 %	31.9 %	36.8 %	36.3 %	32.4 %	36.2 %	36.3 %	35.9 %
Adjusted EBIT-%	36.9 %	15.3 %	27.9 %	25.4 %	30.4 %	25.6 %	12.4 %	25.7 %	31.1 %	31.0 %	26.2 %	29.4 %	28.9 %	28.0 %
Net earnings-%	28.7 %	7.8 %	21.9 %	16.8 %	15.7 %	16.1 %	8.6 %	19.6 %	23.9 %	23.9 %	20.0 %	22.7 %	22.4 %	21.8 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	13.1	26.4	31.6	35.9	39.2
Goodwill	0.0	5.7	5.7	5.7	5.7
Intangible assets	9.9	17.9	22.9	27.2	30.4
Tangible assets	0.4	0.4	0.6	0.7	0.7
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	2.2	1.8	1.8	1.8	1.8
Deferred tax assets	0.6	0.6	0.6	0.6	0.6
Current assets	66.2	77.4	86.6	98.2	115
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	48.6	65.1	72.2	74.6	78.1
Cash and equivalents	17.6	12.3	14.4	23.6	37.4
Balance sheet total	79.3	104	118	134	155

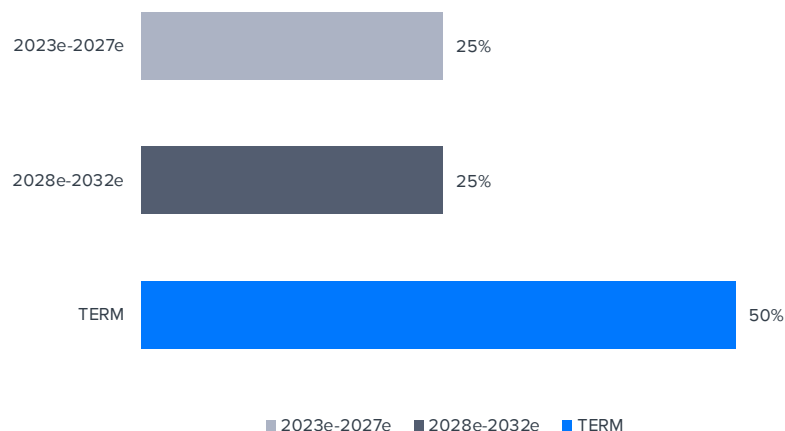
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	67.7	80.1	96.1	116	137
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	37.1	49.5	65.5	85.1	106
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	2.7	5.5	2.7	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
Long term debt	0.0	2.4	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.7	3.1	2.7	2.7	2.7
Current liabilities	8.9	18.2	19.4	15.6	15.1
Short term debt	0.1	2.5	2.6	0.0	0.0
Payables	8.9	15.8	16.8	15.6	15.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	79.3	104	118	134	155

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	11.5 %	12.0 %	8.1%	8.5 %	5.0 %	4.5 %	4.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	25.6 %	26.2 %	29.4 %	28.9 %	28.0 %	28.5 %	28.0 %	27.5 %	27.0 %	27.0 %	27.0 %	27.0 %
EBIT (operating profit)	18.3	21.0	25.5	27.2	27.7	29.4	30.1	30.4	30.8	31.7	32.3	
+ Depreciation	1.5	5.0	5.9	7.0	7.8	8.4	9.0	9.4	9.7	10.0	10.2	
- Paid taxes	-5.7	-4.0	-4.9	-5.3	-5.4	-5.7	-5.9	-5.9	-6.0	-6.2	-6.5	
- Tax, financial expenses	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	
+ 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	-9.6	-6.0	-3.6	-4.1	-2.2	-0.9	-1.6	-0.9	-1.5	-1.5	-1.4	
Operating cash flow	4.4	15.8	22.6	24.6	27.7	31.1	31.5	32.8	32.8	33.8	34.6	
+ Change in other long-term liabilities	0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-14.8	-10.2	-10.2	-10.2	-10.4	-10.6	-10.7	-10.7	-10.7	-10.7	-10.7	
Free operating cash flow	-10.0	5.2	12.4	14.4	17.3	20.5	20.8	22.1	22.1	23.1	23.9	
+/- Other	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.9	5.2	12.4	14.4	17.3	20.5	20.8	22.1	22.1	23.1	23.9	272
Discounted FCFF		4.8	10.3	10.8	11.6	12.4	11.3	10.9	9.8	9.2	8.6	98.1
Sum of FCFF present value		198	193	183	172	160	148	137	126	116	107	98.1
Enterprise value DCF		198										
- Interesting bearing debt		-4.9										
+ Cash and cash equivalents		12.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		205										
Equity value DCF per share		0.66										

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	10.9 %
Weighted average cost of capital (WACC)	10.9 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	52.8	64.2	71.6	80.2	86.7	EPS (reported)	0.05	0.06	0.04	0.05	0.06
EBITDA	20.3	25.3	19.8	26.0	31.4	EPS (adj.)	0.05	0.06	0.04	0.05	0.06
EBIT	18.6	23.7	18.3	21.0	25.5	OCF / share	0.05	0.02	0.01	0.05	0.07
PTP	15.9	21.5	17.2	20.0	24.6	FCF / share	0.02	-0.01	-0.02	0.02	0.04
Net Income	13.6	18.4	11.6	16.0	19.7	Book value / share	0.07	0.22	0.26	0.31	0.37
Extraordinary items	-0.7	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	50.6	79.3	103.8	118.2	134.1	Revenue growth-%	12%	22%	12%	12%	8%
Equity capital	19.9	67.7	80.1	96.1	115.8	EBITDA growth-%	32%	24%	-22%	31%	21%
Goodwill	0.0	0.0	5.7	5.7	5.7	EBIT (adj.) growth-%	48%	23%	-23%	15%	21%
Net debt	5.4	-17.6	-7.5	-11.9	-23.6	EPS (adj.) growth-%	82%	14%	-37%	39%	23%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	38.5 %	39.4 %	27.7 %	32.4 %	36.2 %
EBITDA	20.3	25.3	19.8	26.0	31.4	EBIT (adj.)-%	36.6 %	36.9 %	25.6 %	26.2 %	29.4 %
Change in working capital	-8.1	-15.5	-9.6	-6.0	-3.6	EBIT-%	35.2 %	36.9 %	25.6 %	26.2 %	29.4 %
Operating cash flow	12.9	6.3	4.4	15.8	22.6	ROE-%	116.2 %	42.0 %	15.6 %	18.2 %	18.6 %
CAPEX	-3.6	-7.3	-14.8	-10.2	-10.2	ROI-%	73.1 %	46.8 %	24.0 %	22.9 %	23.8 %
Free cash flow	5.8	-4.7	-4.9	5.2	12.4	Equity ratio	39.3 %	85.4 %	77.1 %	81.3 %	86.3 %
						Gearing	27.1 %	-25.9 %	-9.3 %	-12.4 %	-20.4 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	3.7	6.9	2.6	1.9	1.7						
EV/EBITDA (adj.)	9.7	17.5	9.5	6.0	4.6						
EV/EBIT (adj.)	10.2	18.7	10.3	7.4	5.6						
P/E (adj.)	13.6	25.0	17.0	10.4	8.5						
P/B	9.7	6.8	2.4	1.7	1.4						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
3/30/2021	Buy	0.68 €	0.56 €
4/30/2021	Buy	0.92 €	0.77 €
5/31/2021	Buy	1.00 €	0.86 €
8/13/2021	Accumulate	1.54 €	1.39 €
10/12/2021	Buy	1.54 €	1.14 €
11/1/2021	Accumulate	1.70 €	1.52 €
12/3/2021	Buy	1.70 €	1.29 €
2/28/2022	Buy	1.50 €	1.21 €
5/2/2022	Buy	1.10 €	0.92 €
<i>Analyst changed</i>			
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 €



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