LeadDesk

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Asiakasviestinnän pilvi lipuu syvemmälle Eurooppaan” published on 10/05/2021 at 11:30 pm

Customer communication cloud floats deeper into Europe

LeadDesk is a European SaaS software company whose product enhances the sales and customer service of companies. In recent years, the company has grown decisively in the cloud revolution on the strongly growing European market. With a strategy that utilizes acquisitions and in the market tailwind, we see good drivers for growth in coming years. Acquisitions limit short-term organic growth, whose future slope will only become clear over time. Following estimate revisions, we feel, the current valuation (2022e EV/S 3.9x) still offers sufficient return expectation compared to the risks. We reiterate our Accumulate recommendation but lower our target price to EUR 26.0 (previously EUR 28.0).

LeadDesk enhances the sales and customer service of European companies with SaaS software

The key value of LeadDesk's product for its user is more efficient customer contact management by centralizing multiple communication channels to be managed through a single software and enable communication automation (e.g. chatbots). The company's solution covers a large volume of contacts in both customer communication directions: from customer to company (Inbound sales and customer service) and from company to customer (Outbound sales). LeadDesk's business is almost entirely recurring (91% of revenue) and high margin (sales margin 76% of revenue). With the scalable SaaS business model, LeadDesk has considerable long-term profitability potential if growth is successful.

Good preconditions for European conquest to move forward supported by the cloud revolution

Thanks to the cloud revolution, LeadDesk's target market grows strongly over the next few years (estimated ~21% p.a.). We believe the company has a clear and credible growth strategy to benefit from the tailwind of the market. We believe LeadDesk's product is highly competitive in Europe, and the company has actively strengthened this competitiveness with several acquisitions. On the customer front, LeadDesk has also accelerated its investments in the Enterprise segment through which the company expands its target market and enables continued growth on more mature markets. In addition, evidence of opening new markets has been good. We therefore believe that LeadDesk is likely to next expand to the French or Italian market. If the company is successful both in its growth projects and in managing organization growth, we see it having good preconditions to progress in its European conquest.

We expect growth to continue as fast in the next few years, but we added some more safety margin to our estimates

Acquisition integration seems to be progressing well, which we believe means that the short-term risks related to organic growth have reduced. We expect LeadDesk's organic growth to pick up as integration progresses (H1'21 +15%) in coming years, toward 20%. We expect, however, that the timing of the growth pick-up will not become clearer until the first half of 2022. To reduce estimate risks, we added a degree of caution to our growth estimates. We expect LeadDesk to maintain an average around 29% combination of organic revenue growth and profitability (adj. EBIT-%) in 2021-2025. We expect the tightening competitive situation to slow down growth after this, but we believe LeadDesk has preconditions for around 25% EBIT level in the long term.

After estimate revisions return expectation is still okay

LeadDesk's continued revenue growth and gradually increasing profitability are in our view the main drivers of the company's value creation and valuation. The valuation (2022e EV/S 3.9x) has tightened somewhat in the short term, as organic growth slowed down by acquisitions weighs on the combination of organic growth and profitability (2021e: 26%). Our forward-looking scenario still indicates, however, a viable 11% annual return expectation.

Recommendation

Accumulate

(previous Accumulate)

EUR 26.00

(previous EUR 28.00)

Share price:

22.50

Key figures

	2020	2021e	2022e	2023e
Revenue	13.8	25.9	31.9	38.5
growth-%	12%	88%	23%	21%
EBIT (adj.)	0.4	2.2	2.6	4.6
EBIT-% (adj.)	3.2 %	8.3 %	8.2 %	11.9 %
Net Income	0.2	-0.1	0.1	1.7
EPS (adj.)	0.07	0.28	0.35	0.63
P/E (adj.)	>100	79.9	63.7	35.6
P/B	17.9	6.6	6.3	5.8
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	>100	57.1	47.6	26.5
EV/EBITDA	94.0	32.6	25.9	18.9
EV/S	11.7	4.7	3.9	3.2

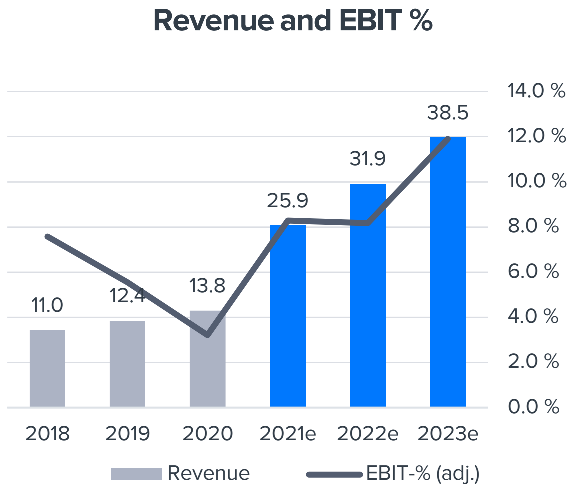
Source: Inderes

Guidance

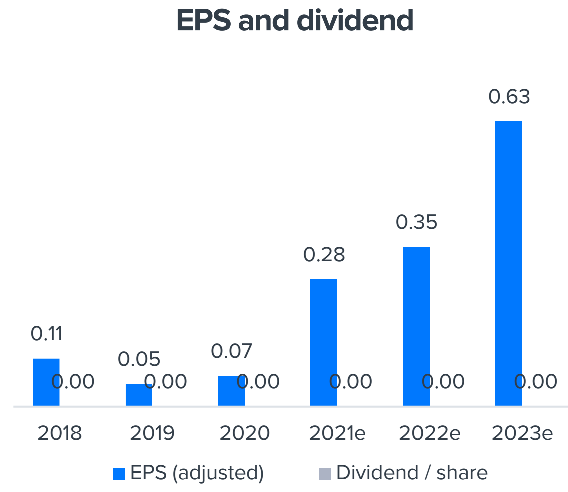
(Unchanged)

The company will maintain strong comparable revenue growth and continue operating profitably.

Source: Thomson Reuters



Source: Inderes



Source: Inderes

Value drivers

- Target market with high market potential growing strongly in the cloud revolution
- Competitive product in Europe
- Scalable business model and cost structure
- Moving to larger customers and opening new markets
- Acquisitions with attractive valuation levels

Risk factors

- Limited visibility to success of new sales
- Changes in the competitive landscape
- Technology and security risks
- Successful integration of acquisitions and opening of new markets
- Success in managed growth of recruitment and size class of the organization

Valuation	2021e	2022e	2023e
Share price	22.5	22.5	22.5
Number of shares, millions	5.34	5.54	5.62
Market cap	120	125	126
EV	123	124	121
P/E (adj.)	79.9	63.7	35.6
P/E	neg.	>100	72.4
P/FCF	neg.	35.8	27.0
P/B	6.6	6.3	5.8
P/S	4.6	3.9	3.3
EV/Sales	4.7	3.9	3.2
EV/EBITDA	32.6	25.9	18.9
EV/EBIT (adj.)	57.1	47.6	26.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

LeadDesk in brief

LeadDesk offers SaaS software solutions for customer service and sales organizations that handle large volumes of contacts. The company has offices in Finland, Sweden, Norway, Denmark, Germany, the Netherlands, and Spain.

2010
Operations start

19.1 MEUR
ARR, H1/2021

+36% **2012-2020**
Average annual net sales growth (incl. M&A transaction)

+19% **2015-2020**
Average annual net sales growth (incl. M&A transaction)

87%
ARR of revenue, 2020

173
Personnel at the end of H1/2021

69%
Share of international revenue in license revenue, H1/2021

2012-2014

- Swedish subsidiary (2013)
- German and Norwegian subsidiaries (2014)
- Capital investment of EUR 5.5 million in the company (2015)

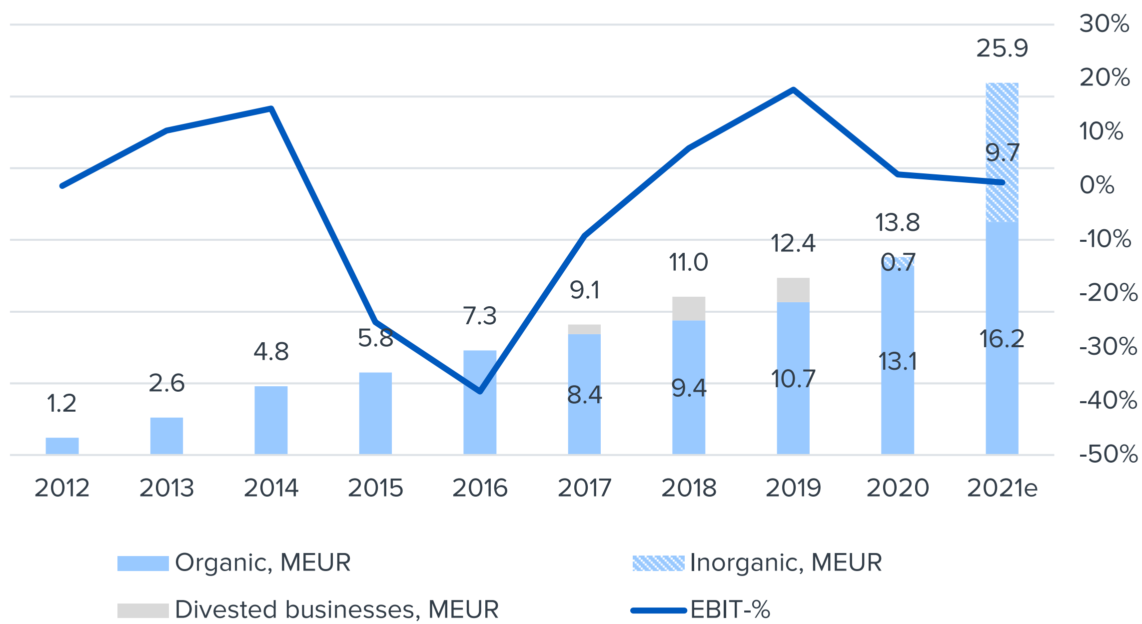
2015-2019

- Danish subsidiary (2014)
- Dutch subsidiary (2015)
- Operational efficiency improves and operating result turns positive (2017)
- Listed on the First North market 2/2019
- Majority of the Kontaktitieto business is sold (2019)
- Spanish subsidiary (2020)

2020->

- Growth is significantly accelerated with several acquisitions
- Long-term target EUR 100 million in revenue

Revenue and profitability development



Source: LeadDesk / Inderes

Company description and business model 1/4

LeadDesk is a European SaaS software company for customer work

LeadDesk offers a cloud-based contact center software with a SaaS model for customer service and sales with large contact volumes. Thus, sellers and customer service personnel in practice use the company's software to e.g. make sales calls and respond to customer messages or calls. The key value of the product for its user is increased efficiency of customers work, as it enables interaction with the customer through several channels with one tool.

The company was founded in 2009 and started operations in 2010. The timing of the establishment was good, as the technology in LeadDesk's industry began maturing at the turn of the 2010s to the extent that a software shift to the cloud era could start. Since its foundation, the company has operated on a cloud-based SaaS model and been well positioned in the cloud transformation of the market. LeadDesk has successfully internationalized its business in the 2010s and opened its first international subsidiaries in Sweden, Norway and Germany already in 2013-2014.

LeadDesk successfully completed its First North listing in February 2019. The listing was not an exit route for the company owners, but a tool for strategy implementation. With the listing, the company collected capital for the next stage of its growth strategy and the possibility to use its own share as payment in possible acquisitions, and to commit personnel, that hold a key role in the company's current strategy stage. Since the listing, LeadDesk has been active in M&A transactions and they have become an important tool for business growth.

The software was developed to manage companies' high volume customer contacts

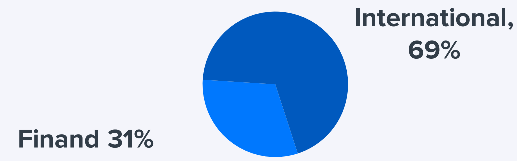
LeadDesk enhances the sales and customer service of European companies with SaaS software. The key value of the product for its user is more efficient customer contact management by centralizing multiple communication channels to be managed through a single software. The cloud-based design gives customers flexibility, scalability and cost savings. The software includes several basic features required for contact center operations, and the company also develops separate LeadApp added value apps to complement the offering.

LeadDesk's customers can use the company's software in their own customer service and sales teams, but also for managing outsourced teams. In this case, sub-contractor teams use the same software as the principal, but the principal can monitor and control the subcontractor's activities through the software like an internal team if necessary.

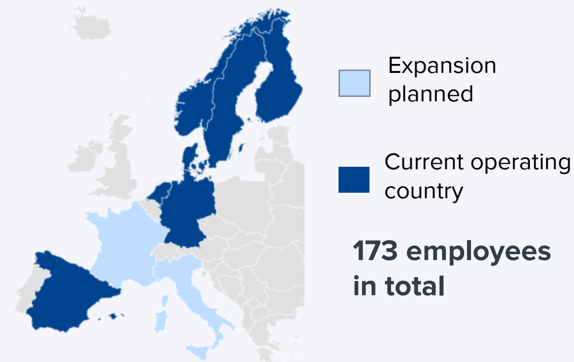
The company's software was originally designed specifically for outbound sales, but the software has been extended to also cover inbound sales and customer service needs. Currently, the product covers a wide range of customer communication channels (calls, SMS, WhatsApp, Messenger, Facebook, email...).

LeadDesk

Revenue* distribution by country, %, H1/2021



Operating countries, personnel H1/2021

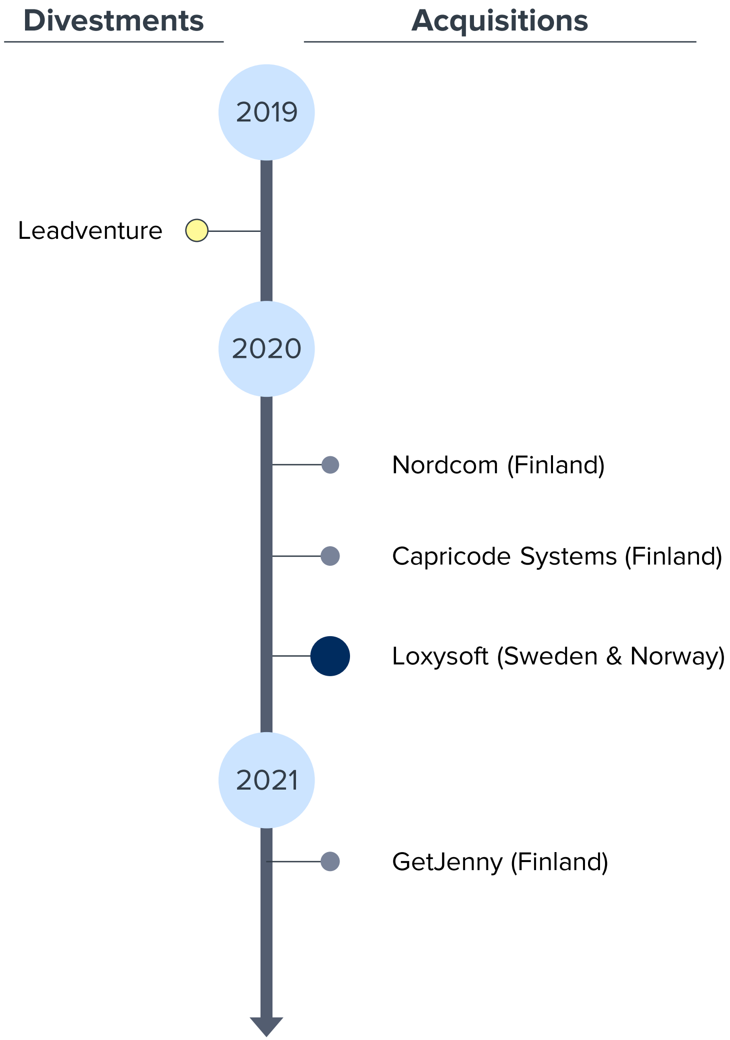


High-level applications of the solution

- **Customer service and Inbound sales**
- **Outbound sales**
- **Subcontractor and organization management**

*License revenue
Source: LeadDesk, Inderes

LeadDesk became active in M&A transactions after the 2019 listing



Revenue of the target

~0.5 MEUR

~20 MEUR

Main industrial logic of transaction

- Technology (product & knowhow)
- Commercial (e.g. expansion of customer base)
- Non-core companies

Acquisition target	Key benefits	Valuation (EV/S[1])
Nordcom (Finland)	+ Mobile app + Teams integration + Virtual SIM	0.6-0.8x
Capricode Systems (Finland)	+ Reliable & business critical technology and knowhow + Tailored systems + Implementation services	~1.8x
Loxysoft (Sweden, Norway)	+ Market share & industry expertise + Implementation services and knowhow	2.0-2.2x
GetJenny (Finland)	+ Chatbot functionality + AI expertise	~ 2.7x

1 Calculated with the actual figures of the acquisition target

Source: LeadDesk, Inderes

Company description and business model 2/4

As part of the solution, LeadDesk's customers also have access to the necessary telecom services with the software. In practice, LeadDesk acts as a virtual operator for its customers, and the company is an EU regulated and registered telecom operator. The service relies on the company-built server network in ten different locations across Europe.

The degree of productization is high in LeadDesk's software, so its implementation and development are scalable. The product also scales to new countries with light changes. However, the acquisitions have resulted in some overlapping functionalities within the product family. We believe that software that is not part of the core product will slowly deteriorate as development investments focus on the core product. In this case, customers will gradually feel a need to switch to the main product, although during the transition period maintaining the old solution will have a slight impact on product development resources.

Sales seeks high scalability

LeadDesk uses only its own sales channels. Unlike many other software solutions, LeadDesk does not need an integrator between the software supplier and the customer due to its light solution. The company reaches its customers through direct sales (Outbound) and online sales. The purchase decision is usually made by the manager of the user organization (contact center) and the customer's IT department is rarely involved in the purchase which speeds up the sales and implementation cycle considerably.

The target customer group for LeadDesk stretches from small to large companies. The core target group has for a longer time been, especially SME contact centers, and organizations' internal sales and customer service teams, typically with less than 50 people, dealing with large volumes of sales and customer service contacts. Since 2020, LeadDesk has, however, also invested in serving major customers.

The implementation of LeadDesk's software is basically fast and does not require tailoring or integration. This makes the company's sales and implementation cycle significantly lighter and faster than for many other business software and competitors. LeadDesk's product can also be integrated with most common CRM, ticketing, or ERP systems via built-in interfaces. Especially for small customers, software implementation is typically relatively fast and the customer can implement the product themselves.

Expert services are mainly in a supportive role and are offered to the largest customers. This includes tailoring, programming, and integration of solutions from different suppliers. So a large customer can choose some of the modules in the LeadDesk's solution and take part of the solution from a third party. With modular architecture and standardized interfaces the customer, however, uses the same product modules as other LeadDesk customers so the product remains consistent. The new functionalities requested by a major customer that are suitable for the product will be implemented as product development, so the benefits will be available to all company customers. One-off integration and implementation support are also offered for customers' own environments. This is done utilizing LeadDesk's interfaces and does not change the company's own product or import customer-specifically maintained components.

Main sales channels

Digital sales and marketing	Direct sales

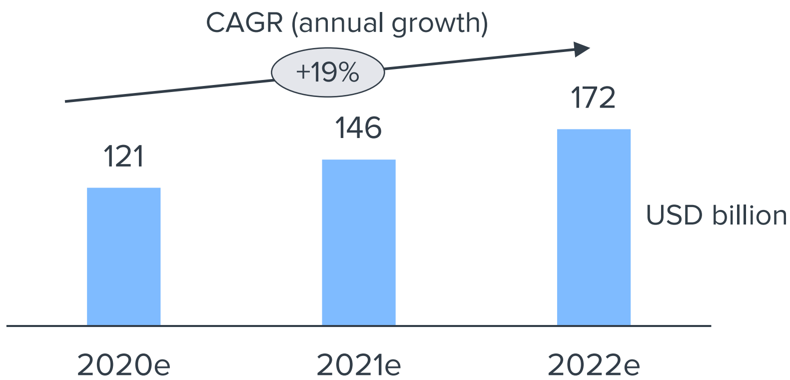
Key layers of the product

	Functionality
Communi-cation channels ("CPaaS")	• Customer communication functionality that enables using communication channels with the LeadDesk software. • Includes, e.g., calls, SMS, email, chats, communication services (e.g. WhatsApp), Facebook and Instagram. Utilizes the company's own technology.
User interface	• User interfaces selected based on customer needs: Mobile app, phone sales, multi-channel customer service, chatbot (Jenny) and call center.
Operations management	• **Management:** Performance monitoring, gamification, surveys, call recordings, quality management and customer flow management. • **Analytics:** Reporting, dashboards, interfaces for BI systems.
Integrations	• Data transmission to other systems: CRM, ERP, ticketing, service management. • Forward customer information, sales leads, orders, etc.

Source: LeadDesk, Inderes

LeadDesk has operated with a SaaS model all its life

The international SaaS software market is expected to grow strongly in coming years



Source: Gartner (08/2021)

Difference between cloud-based SaaS model and conventional (On-Premise[1]) software delivery model

	SaaS/Cloud	Conventional
Nature of income	Back-loaded[2], continuous, predictable	Front-loaded, non-recurring, fluctuating
Software delivery	Via web (as cloud service)	Locally[1] installed
Manageable software versions	All clients have same version	Several versions for various customers

SaaS model offers clear benefits for all parties

Investor

- High growth potential as software moves to cloud
- Cash flow continuous and predictable
- Scalability enables high profitability
- Profitability and cash flow weak at growth stage compared to profits due to front-loaded costs

➢ **Higher valuation levels**

Software supplier

- Recurring and predictable income and cash flow
- Low purchase threshold and faster sales cycles
- Deeper, longer, and more valuable customer relationships
- More cost-efficient operative model
- Scalable cost structure
- Cost efficient and fast product development and updating cycle

➢ **High value and scalability throughout customer lifespan**

Customer

- Fast and more cost-efficient implementation
- Cost generation is stable and predictable
- Solution can be scaled based on needs
- No separate system maintenance and update costs
- Always newest updated software

➢ **Low total costs for owning software (TCO)**

1 On-Premise refers to a conventional software business model where the software is installed in the customer's own IT environment
2 In the SaaS model, income flows are evenly distributed over time, but the cost of customer acquisition is realized right away so the return on sales and profits are realized in the future
Source: Inderes, Gartner

Company description and business model 3/4

Once the customer has implemented the software, the monthly invoiced usage fees based on the number of sites (licenses) and the scope of the solution will be applied. Contracts are typically valid for about one year at a time. Depending on the contract, the customer is supported by customer service and a customer success team, whose task is to help the customer succeed in its business operations.

The sales cycle for major customers can last up to 18 months including implementation, mainly due to slow decision-making processes in large companies. For smaller customers, the sales cycle is typically a few months and the software itself is ready for use on the same day. Time is mainly spent on adapting the customer's processes to the use of the software. However, with the availability of future orders, the company has rather good visibility into the development of its revenue in the short term. LeadDesk's customer relationship often starts with a faster implementation Outbound sales solution and later expands to customer service systems.

LeadDesk's customers represent a wide range of industries. Through acquisitions, the company has also built the ability to serve mission critical industries such as energy, healthcare, the public sector, transport and logistics, and the financial sector. LeadDesk's customers typically operate in one language area or country, which requires the company to be present close to the customers.

LeadDesk's income flow is high-margin and almost fully recurring by nature

The income flow from LeadDesk's business model is divided into three groups: SaaS license income (H1'21: 67% of revenue), telecom services (24%) and expert services (9%). Of the income flow, only services are of project nature, so we believe nearly all company business relies on recurring income flows. Revenue is also highly diversified, and the 10 largest customers account for about 18% of the company's revenue.

SaaS license income is a very high margin income flow that is typically charged in 1-to-12-month periods. License income is based on the number of users. The list price per user is EUR 89-129 per month, depending on the functionalities in use. However, for larger customers with more than 50 users, a customer-specific price can be negotiated. In addition, monthly billing can be increased by introducing extensions to the product from the LeadApp store, but we estimate that the role of the app store is still small.

LeadDesk also sells telecom services such as voice calls and SMSs to its customers, which it purchases from telecom operators as a wholesale service. Telecom services comprise purely recurring income items (e.g. telephone numbers) and usage-based items. LeadDesk's customers need telecom services for software use, and we don't see their usage fluctuating much. During the COVID pandemic, the share of telecom services in revenue even increased slightly. According to our estimates, telecom services are recurring sales with good margin levels (about 30-50%) for LeadDesk.

Structure of income flows

Revenue components	% of revenue (H1'21)	Key revenue drivers
SaaS license income	67%	• Number of users • Utilization rate of functionalities
Telecom services	24%	• Number of users • Volume of calls and messages
Expert services	9%	• Number of implementations (especially major customers)

Revenue distribution, H1'21

% of revenue

Examples of LeadDesk's customers

SpareBank 1 SR-BANK, telenor, intrum, TAKSIHELSINKI 0100 0700, HÄNDLERBUND

Source: LeadDesk, Inderes

Company description and business model 4/4

To support implementation, LeadDesk also provides expert services. The services mainly include product user training and integration with existing tools. In larger customer relationships, services can also cover product tailoring and programming.

In LeadDesk's business model customer retention and continuity improve with the size class of the customer. It would be more challenging to change software for large companies that use several call centers. On the other hand, these companies receive efficiency gains as several teams can be managed with one software (also outsourced). LeadDesk's solution is also used for business-critical operations (sales and customer service), which increases the threshold for switching software or stopping using it.

LeadDesk's costs and scalability potential mainly comes from personnel

LeadDesk's business model based on a SaaS/Cloud model is fundamentally highly scalable, as is typical of software business. Thus, as the company's revenue and number of customers grows to a certain level the unit costs of most cost items in practice start decreasing relative to revenue. Growth of high-margin revenue (2020 sales margin %: 77%) is reflected strongly in the result row if the company generates growth.

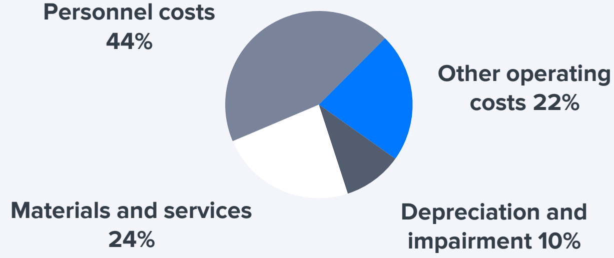
A considerable share of LeadDesk's costs consists of personnel costs (2020: (44% of costs), other operating costs that are partly dependent on personnel (22%), and depreciation and impairment that focus on acquisitions and capitalized product development costs (10%). Materials and services together with personnel constitute a significant cost item (24%). This is mainly due to wholesale telecom capacity purchases and the infrastructure costs required by the software. Scaling of personnel related costs is, however, key to the company's profitability.

LeadDesk's personnel is divided into sales and marketing (~45% of personnel), product development (~30%), service and customer staff (~15%), and management and administration (~10%). LeadDesk has not published exact information on personnel distribution, so the figures are based on our estimate from publicly available information.

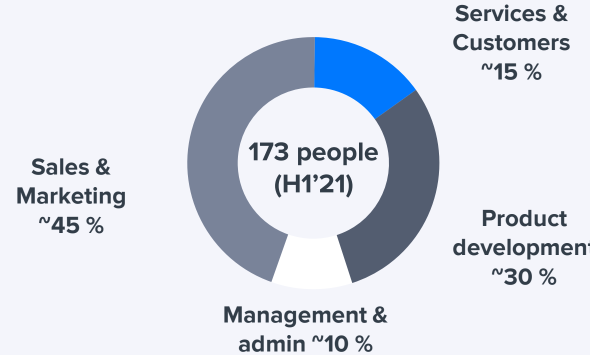
We believe that a strong emphasis on sales and marketing is logical. It enables utilization of the company's competitive position, which we find strong at the time being, and reaching a sufficient scale in Europe that supports competitiveness in the long term. Clear investment in product development is also important to maintain the competitiveness of the product.

In the short term, scaling of personnel-related costs is slower as LeadDesk builds a presence in different European countries and still invests in the development of its product. In recent years, the company has sought to transfer the margin generated by its growth to new growth investments. We believe that LeadDesk's product is quite mature, but the company still sees room for expanding its product. In the long term, we estimate that the biggest scaling potential for LeadDesk's personnel lies in sales and marketing, product development and administration.

2020 cost distribution,
% of all costs (excl. financing costs)



Estimate of personnel distribution*,
% of personnel



Source: LeadDesk , *LinkedIn (09/2021), Inderes

Investment profile

1. **Strong organic growth potential through market growth and expansion**

2. **Scalable SaaS business model based on recurring revenue**

3. **Internationalization is advanced, product is in a mature development stage and competitive**

4. **Acquisitions financed with own shares accelerate growth**

5. **Valuation is sensitive to changes in growth expectations and acquisitions can also go wrong**

Potential

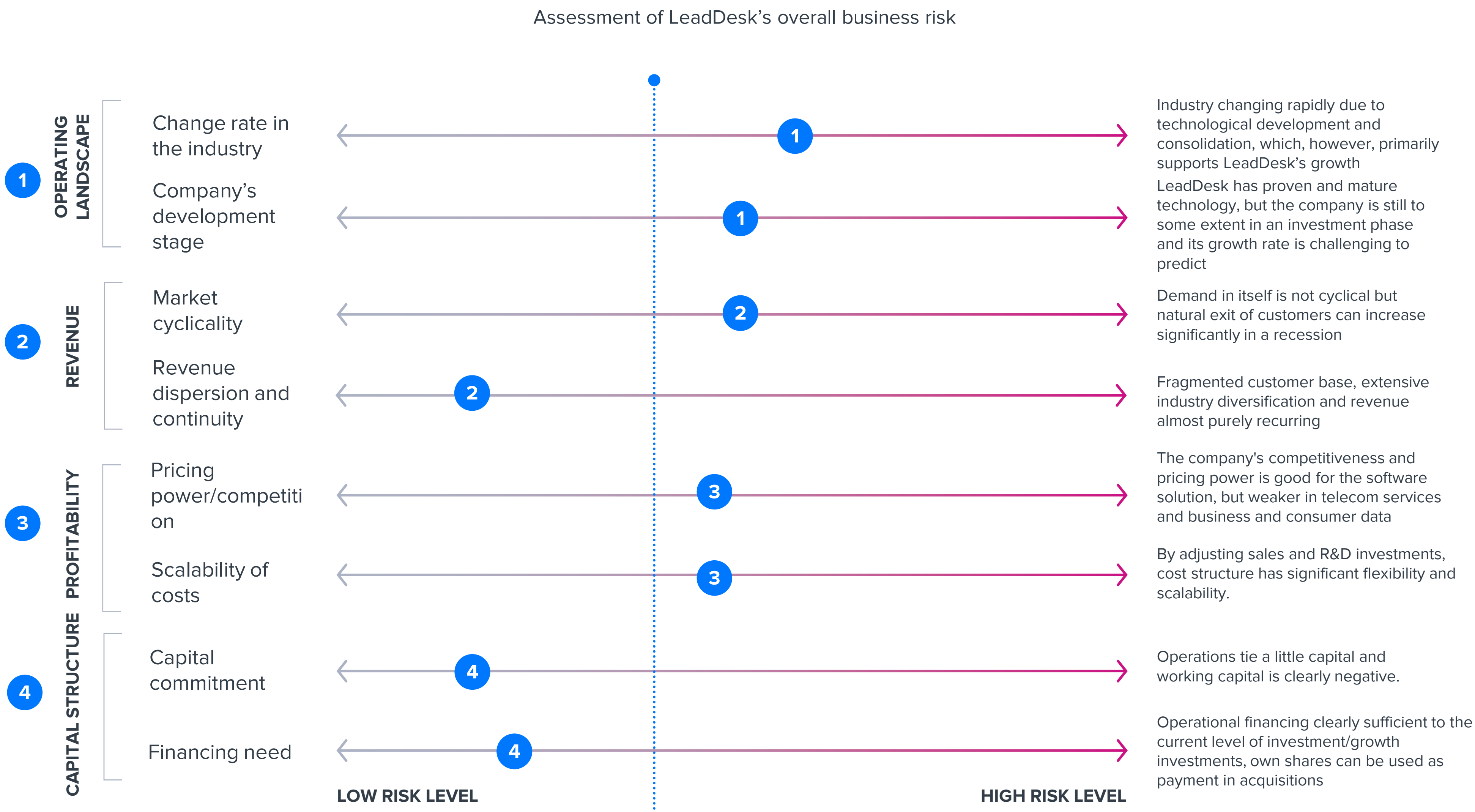
- A strongly growing target market and significant market potential
- Strong competitiveness compared to the smallest and local players in the target market
- Scalable business model and cost structure
- Expanding customer relationships to new solutions and value-added services
- Enterprise customers, acquisitions and new market areas

Risks

- Poor visibility to sales being successful
- Changes in the competitive landscape
- Technology, security and regulatory risks
- The impact of acquisitions on organic growth
- Opening new markets

Source: Inderes

Risk profile of the business model



Source: Inderes

Markets and competitive landscape 1/4

LeadDesk operates on large, strongly growing and rather stable markets

Globally, the market for contact center software is estimated to be around USD 24.1 billion and to grow by 21% annually in 2020-2026 (Markets and markets)). LeadDesk has expanded toward larger customers, meaning that it is relevant to an ever-larger part of the target market ("CCaaS", call center as a service).

The software market has been undergoing a long transition from traditional software towards cloud-based software. The share of cloud software in the market is still growing clearly based on market analysts (e.g. Markets and markets, Kempen & Co) and statistics (Eurostat). With its cloud-based product, LeadDesk has thus placed itself in a market segment that is growing more strongly than the overall market.

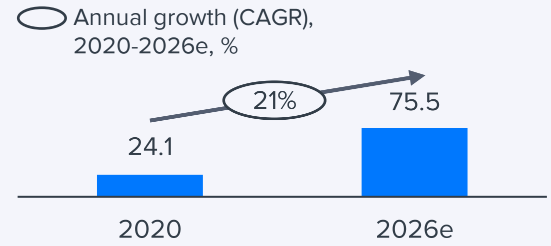
Within Europe, LeadDesk's market is typically very local and country-specific, making it difficult to define the company's target market accurately. In any case, we believe that the European market is so large that it will not limit LeadDesk's growth at least in the next years. On the other hand, the company's current and new planned operating countries mainly have good growth drivers as the use of cloud services becomes more widespread. The utilization rate of advanced cloud services in the EU, especially in Central and Southern Europe, is very low (15-40% of companies) compared to the Nordic countries (>50%).

Customers are also increasingly using diverse communication ways with businesses (phone calls, chat, WhatsApp, Messenger, email...). In our view, the growing complexity will increase the need for multi-channel customer service software such as that of LeadDesk. On the other hand, as digital transactions grow, customer service centers must adapt to manage larger volumes of contacts. This will increase the value of the efficiency gains of software (e.g. work management, self-service portals, chatbots).

The telemarketing industry, on the other hand, has a relatively poor reputation due to, among other things, poor customer experience. Contact center software is designed to improve sales targeting and customer experience, so the software helps address this issue. On the other hand, a long-term risk for the telemarketing industry is tighter legislation. However, we believe that the impact would be limited and stricter regulation in Sweden, for example, has not had a significant impact on the market according to LeadDesk.

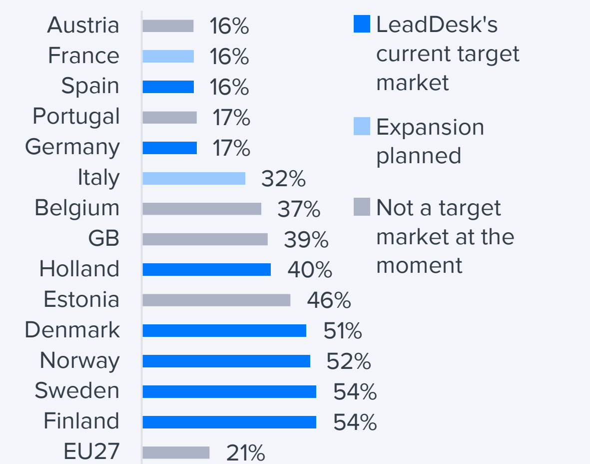
In terms of customer service and Inbound sales, we see market cyclicality as limited. The need to serve customers remains regardless of the cycle, and the software used for this therefore has a business-critical role. However, in our view, a weaker market situation could temporarily slow down sales activity if companies were to take a cautious stance in their software purchases. In Outbound sales (telemarketing), a weak financial environment could hit small outsourcing players in the industry increasing the number of bankruptcies, which would increase the exit of LeadDesk's customers in the segment. However, we believe that the impact of this would be limited for LeadDesk, and COVID, for example, actually accelerated company growth.

Global contact center software market, USD billion



Growth drivers on LeadDesk's target market

Utilization rate of advanced* cloud services in EU countries in 2020, % of companies



Source: Markets and markets (4/2021), Eurostat, LeadDesk, Inderes
*CRM, accounting or computing power (e.g. AWS, Azure)

Markets and competitive landscape 2/4

LeadDesk competes with a modern product and local presence

Contact center software (CCaaS: call center software as a service) is globally provided by at least several dozen, if not hundreds of companies. The company profiles are very varied, but the main differences are reflected in the regional focus of the players (local, regional, global), acquisition strategy (integration depth varies) and technology generation.

Contact center companies often operate with thin margins and under tough competition, making the software's process efficiency, service reliability, and flexibility critical features. We believe that the role of integration (e.g. CRM, ERP, customer support software) is highlighted as an efficiency driver. On the other hand, the expansion of communication channels and automation development will complicate software requirements. As a result, we believe that to be successful in the competition the provider needs to be big enough to maintain product competitiveness and ensure sufficient resources.

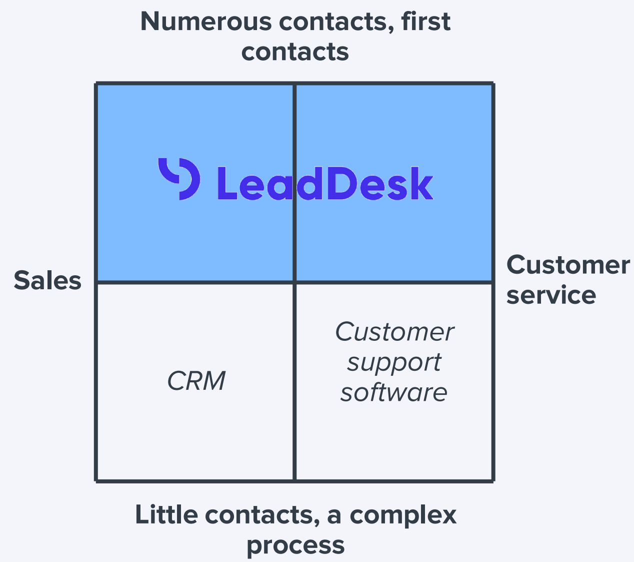
We believe, small players (like 4Com, NextCom) are using delaying tactics by lowering prices. Due to weakening competitiveness of the product because of lower investment ability we do not see these players as relevant long-term competitors. We believe that the biggest competition on the market will in the longer term be between larger players.

Among the potential larger-scale competitors of LeadDesk (e.g. Genesys, Five9 /Zoom and Talkdesk), only some have significant local activities in Europe. We believe, the underlying reason is the distribution of the European market into several countries, each requiring presence and customer support in the local language. For example, the expansion of the US-based Five9 to Europe seems to be progressing with difficulty and, considering public information, the company seems to have taken a foothold mainly in Great Britain. In our view, these players often focus on global customers larger than LeadDesk's target group at a higher price level.

On the other hand, some of the competitors established in Europe (e.g. Talkdesk, Dixa) are seeking growth from outside the continent in larger markets (especially in the US). Thus, we believe that players who have built business persistently in Europe, like LeadDesk, currently have an advantage on the market.

In Europe, we see half a dozen players who have more clearly built regional presence (LeadDesk, Puzzel, Enghouse and Enreach). This group is expanding actively in Europe through acquisitions. The attention of competitors seems to be focused on bringing acquisition targets under the same commercial brand without any clear effort to combine product offerings. In contrast, LeadDesk combines the product portfolios available for sale at the integration stage. This way, product development investments can be directed at development of the product portfolio available for sale and outgoing products can be moved to a lighter maintenance mode, which we believe is a more persistent strategy. We believe that with its strategy, LeadDesk can develop its product portfolio more than its competitors relative to its size, where product development requires overlapping development of products sold in different countries.

LeadDesk's positioning in the customer communication software field

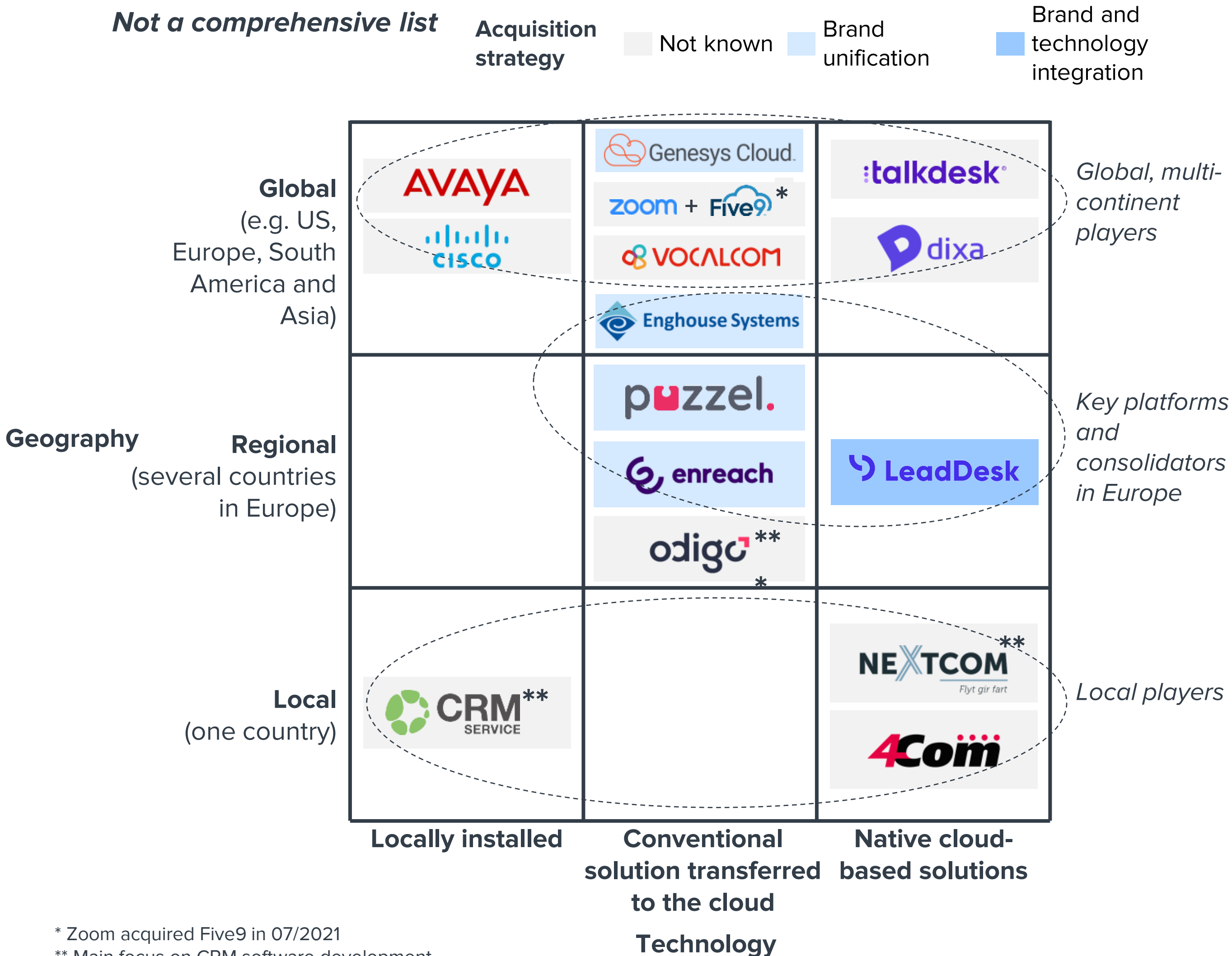


Source: LeadDesk

Markets and competitive landscape 3/4

The competitive field for contact center software (CCaaS) is distinguished by regional focus, acquisition strategy and technology generation

Not a comprehensive list



* Zoom acquired Five9 in 07/2021
** Main focus on CRM software development
*** Partner-oriented sales strategy, no relevant acquisition activity
Source: LeadDesk, Kempen & Co, companies' websites, Inderes estimate

LeadDesk's competitive factors

+ A clean, fast-to-deploy, and scalable modular SaaS solution for different customer requirements
+ The solution covers the needs of both large-volume multi-channel customer service and outbound sales
+ A more comprehensive, easy-to-use and reliable solution than among local software vendors
+ Local presence and support, server infrastructure in Europe and a lower price point distinguish the company from international competitors
+ Long-term acquisition strategy enables efficient product portfolio development
– Clearly smaller R&D and sales resources than for global competitors
– Relatively low level of recognition in the biggest market areas of CCaaS (e.g. Germany)
– May not be able to provide the service entities or integration required for the most complex and largest customers

Markets and competitive landscape 4/4

Competitive landscape can change substantially as industry matures and consolidation progresses

Competitiveness of supply, long-term acquisition strategy and the pace of the cloud revolution will, in our view, provide LeadDesk with excellent growth preconditions in coming years. On the other hand, in the medium term (3-5+ years), substantial changes may occur in the competitive landscape.

Within the current market we believe competition has been relatively calm, excluding price competition and delaying tactics by smaller local players. We believe the background is strong growth on the market, especially in cloud-based solutions, where regional players are less likely to confront each other in a bidding war. However, the slowdown in market growth may increase competitive pressure and reduce sales efficiency. On the other hand, global competitors can invest more decisively in the European market in the future if growth prospects in their current markets deteriorate.

In addition, market consolidation can substantially modify the competitive landscape. There is a lot of internal consolidation in the industry when players (such as LeadDesk) buy technology that supports their solution (e.g. chatbot, mobile app) or competing players. We believe that this development is relatively predictable, as these acquisitions mainly make existing players technically stronger, bigger and geographically broader.

We feel, the more difficult development to predict is linked to cross-border acquisitions and expansion of software categories. LeadDesk operates on the CCaaS market, where software improves the efficiency of large-volume customer communications (customer service and sales). One adjacent market is internal company communications software (UCaaS, Unified communications as a Service), which is represented by, e.g., Zoom and Microsoft Teams. Another adjacent category is software that connects communication channels (CPaaS, Communication Platform as a Service) that is represented by, e.g., Twilio or Sinch.

Several acquisitions have taken place between these three markets (Kempen & Co/LeadDesk CMD). For example, in July 2021, Zoom (UCaaS) announced that it will acquire LeadDesk's major global competitor Five9 (CCaaS) and Enreach (UCaaS) acquired HeroBase (CCaaS) in September 2020. Cisco (UCaaS) in turn acquired imiMobile (CPaaS) in December 2020. In addition, e.g., Twilio (CPaaS) has grown organically to the CCaaS market with its Twilio Flex solution.

This development may lead to well-resourced competitors in the industry, with the capacity to address customers' digital era communication needs more extensively than existing players. However, for the time being, we are still skeptical about customers' desire to purchase all these software from one supplier.

Another possible change in the industry would be the expansion of CRM software (e.g. Hubspot) or customer support software (e.g. Zendesk) to the CCaaS market. So far, however, the strategy of these companies has been to offer integration to third parties, such as LeadDesk. We expect that these companies want to maintain current cooperation with a number of CCaaS players rather than becoming a competitor.

Acquisitions in the cloud communications software market

Strengthening technology

Acquiring a competitor

Expansion to new software categories

Source: Inderes, Kempen & Co.

Strategy 1/2

LeadDesk's growth strategy is implemented on several stably progressing fronts

LeadDesk has progressed in its strategy to a phase of profitable and stable growth. The company's product and technology have reached a rather mature development stage and it has managed to scale the sales investments made into several countries on international markets to profitable. With the favorable growth drivers on the market we feel the company should invest heavily in growth. In coming years, LeadDesk's attention will focus on promoting several growth aspects simultaneously. Simultaneously, the need to develop the company's operating models to support the growing size class also appears.

The first cornerstone of LeadDesk's growth strategy is expansion to new operating countries. The company's customers are usually smaller local operators who value proximity to the software supplier, which is why the company builds a country organization in the new operating countries. The company aims to open a new market starting with the smallest and least complex customers (typically outbound sales contact centers), because here sales cycles are shorter due to profit-oriented decision-makers. After recognition has strengthened, the company aims for more challenging larger customers and the inbound side, where complexity is greater.

LeadDesk has good experience of opening several new international markets, which has provided the company with experience for the future and its competitive position. In our view, the risks of successful internationalization are therefore very limited. Opening of new countries has also become more efficient, and for example, the Spanish market opened in early 2020 was nearly cash flow neutral in the first year of operation (net investment EUR 12,000). The company has also announced it is looking into opening the French or Italian market in early 2021.

Another cornerstone of LeadDesk's growth strategy is strengthening of Enterprise sales in more mature markets. The Nordic countries have become the company's home market thanks to a long operating history and the Loxysoft acquisition, where the company already has a strong reputation. The company's credibility has also increased thanks to the increased size class and strengthened portability as internationalization has progressed. As a result, we believe that evidence of the company's quality and continuity of operations has risen to the level required by large customers and the public sector.

Since 2020, in particular, LeadDesk has increased its investments in Enterprise sales on more mature markets. In support of this, the company has with the support of the acquisitions built an implementation organization (Capricode & Loxysoft) and strengthened the business-critical functionalities of its products. Due to long sales cycles (up to >18m), we believe that signs of the first completed projects can be expected in H2/2021 figures. Opening of the Enterprise segment will enable clearly more room for the company to grow in its market, which supports the company's long-term growth potential.

The third cornerstone of the growth strategy is acquisitions. In 2020, LeadDesk became active in business acquisitions (see p. 7), and it has already carried out some 5 acquisitions. The integration of the first acquisitions made in neighboring regions (Finland & Nordic countries) seem to have been successful in terms of figures (organic growth has not suffered too much) and valuation levels have typically been attractive. Thus, the company appears to be able to create shareholder value through its acquisitions. The main logic of the acquisitions has primarily been to strengthen either the company's market position or its know-how and technology.

LeadDesk's strategy is to implement the Group's integrated product portfolio in the sales of the acquisition targets. This way, the company avoids developing overlapping products, although the maintenance of solutions outside the core products will utilize some of product development resources. However, we believe that the company's scalability will not be significantly affected by acquisitions.

LeadDesk's growth story seems to be attractive to the acquisition targets, as the company has been able to use its shares as payment in acquisitions. This, in turn, gives the company leeway in implementing acquisitions compared to only using cash funds.

With business growth, the size class of LeadDesk will inevitably grow. We believe that the fourth cornerstone of the company's growth strategy is to ensure organizational scalability during growth. As a solution to previous growing pains the company has already strengthened its middle management, and in the short term, we expect the company will be able to adapt its operations with growth. In a few years, we believe the company should prepare for updating its organization model.

Strategy 2/2

Target market and LeadDesk's position

Global contact center software market , 2020 — **USD 24.1 billion**

Market growth, 2020-2026e — **21% CAGR**

Trends behind market development

- Transition to cloud-based solutions
- Diversification of customer communication channels
- Growth of digital transactions
- Market consolidation

Modern software for large volume customer communication LeadDesk

Strategic focus areas

1. Enlargement to new countries of activity in Europe
2. Strengthening Enterprise sales in more mature markets
3. Strengthening market position and product through acquisitions
4. Ensuring organization scalability during growth

Financing strategy with cash flow and using own shares in acquisitions

>100 MEUR

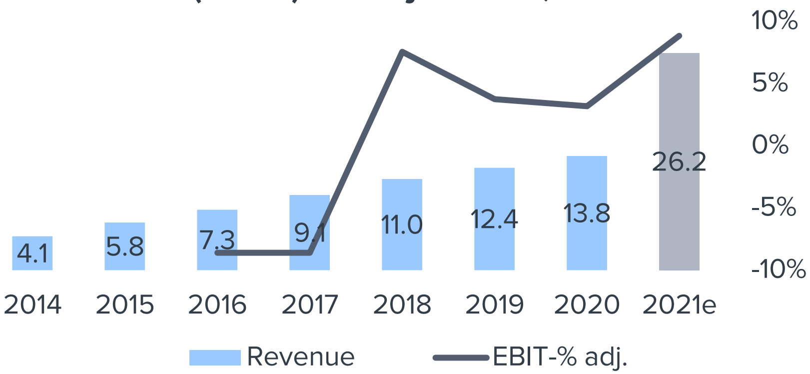
Revenue in the long term

Source: Inderes, LeadDesk

Financial position 1/2

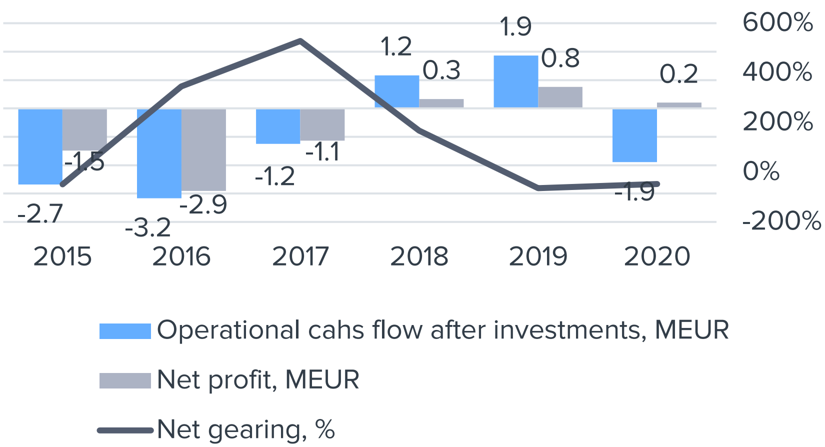
LeadDesk's profitability has scaled to positive with growth, but cash flow is spent on investments

Revenue (MEUR) and adj. EBIT-%, 2014-2021e



- The organic growth rate of LeadDesk's revenue has been about 18% and profitability (adj. EBIT-%) around 2% in 2017-2020
- In 2020, the company's organic growth was boosted by COVID driving customers to prefer cloud software suitable for telecommuting more strongly than before.
- In 2017-2020, the sum of LeadDesk's organic growth and profitability (adj. (EBIT-%) has varied between some 10% and 25%, the average being 20%

Operational cash flow after investments, net result,



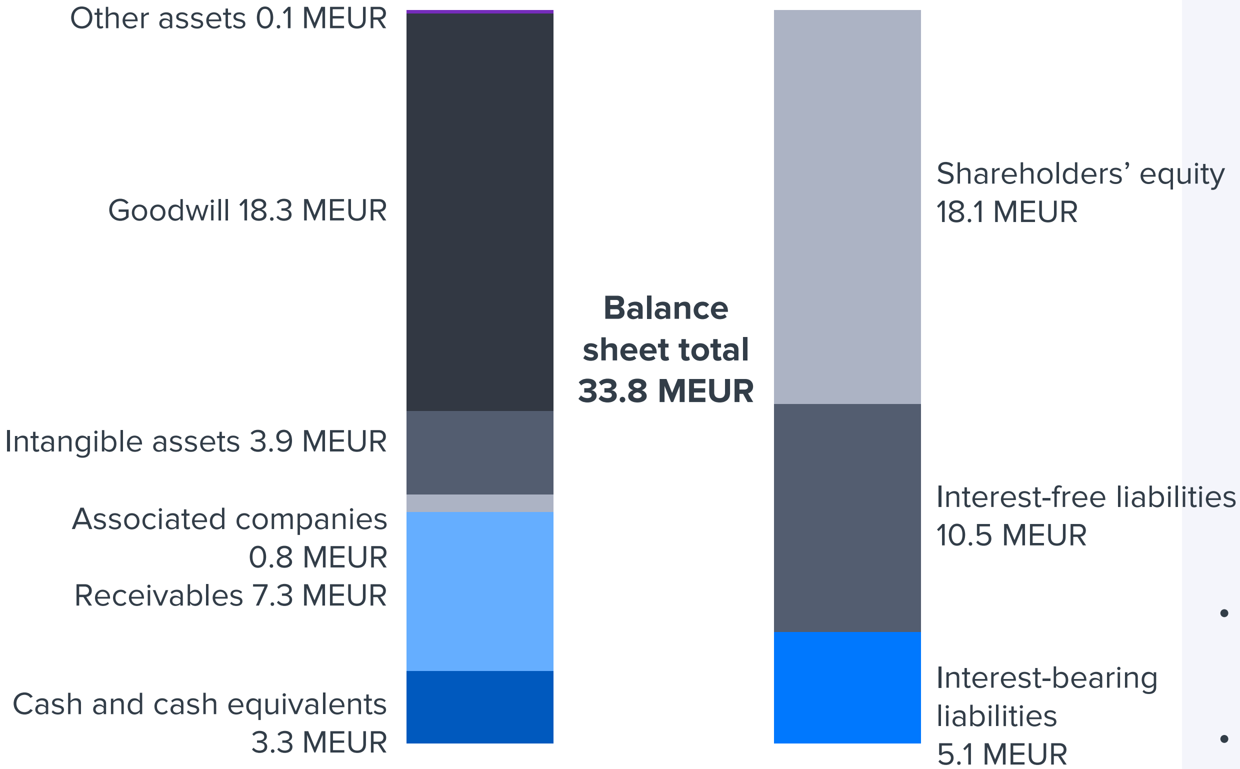
- LeadDesk's business has been profitable for several years, which is reflected in a positive result
- In 2020, the company became active in acquisitions, which resulted in increased investments and negative cash flow
- In addition to cash, LeadDesk has utilized its own shares for paying for acquisitions, so increased investments do not weigh heavily on the company's cash

Source: LeadDesk, Inderes

Financial position 2/2

LeadDesk's balance sheet is in pretty good condition, but it is inflated by goodwill from acquisitions

Balance sheet structure, June 30,2020



- Acquisition activity is visible in the balance sheet
  - Cash assets enable smaller acquisitions (3.3 MEUR)
  - Net debt (1.8 MEUR) and gearing (10%) are low
  - Goodwill has increased significantly (18.3 MEUR) with acquisitions (especially Loxysoft) and this will be depreciated according to FAS accounting over a period of 10 years.
  - Intangible assets (3.9 MEUR) practically consist of capitalized product development costs
    - In 2020, capitalization of product development costs (1.4 MEUR) was slightly higher than depreciation (1.2 MEUR)
- Positive operational cash flow and especially the use of own shares as payment, will enable future acquisitions
- Cash flow is mainly spent on acquisitions and therefore we do not expect a dividend

Source: LeadDesk, Inderes

Estimates 1/2

Our estimates are based on the SaaS business model

LeadDesk's strategy focuses on increasing SaaS business and the continuous revenue it generates. In our estimate model, we assume that LeadDesk's revenue development is mainly driven by the development of SaaS income, as we expect the growth of other revenue items (Telecom services and expert services) to be largely linked to the development of SaaS income. We primarily expect growth in SaaS revenue through new sales and customer exit. We also believe revenue growth estimates are supported by realistic growth rates on the more mature market in Finland and more strongly growing international markets.

LeadDesk's recurring revenue consists of SaaS license income and telecom services. SaaS revenue is invoiced from the customer on a continuous basis and we believe it is fully recurring. Telecom services, on the other hand, are partly recurring and partly related to customer use. When using the software, the company's customers use telecom services virtually all the time and thus we believe the use does not fluctuate much. The importance of service revenue (H1'21: 9% of revenue), in turn, is relatively small in terms of total revenue.

LeadDesk publishes ARR (annual recurring revenue) that includes SaaS orders and the share of continuous contracts in telecom services. Due to the duration of implementation, the contract portfolio appears in invoicing with a few months' delay. However, we do not believe that the contract portfolio is currently a reliable tool for predicting the company's business. This is the result of the company's active acquisitions, whose effect on the order backlog is only known after the first reporting period. We are therefore mainly using the order backlog to support our short-term estimates of recurring revenue.

In our model, LeadDesk's profitability and earnings growth is determined by the development of fixed costs in relation to the growth in high-level revenue (2020: sales margin 77%). We expect the company to be able to improve its sales margin as its size class grows to over 80%. The company's largest fixed cost items are personnel costs (2020: 44% of costs) and highly personnel-related other operating expenses (2020: 22%). We estimate both items through the number of personnel and unit cost. In our estimates, we also consider personnel efficiency figures relative to revenue and revenue growth, which typically strengthen for SaaS companies in the scalable growth stage. We adjust GWA in our estimates because they do not affect the company's cash flow, so the adjusted operating profit reflects the company's operational profitability.

Visibility into LeadDesk's revenue is relatively good in the short term as the revenue mainly consists of easily predictable recurring income. By contrast, predicting the growth rate of revenue is more challenging to model because it is highly dependent on the growth investments carried out by the company, development of sales efficiency, and how the organic growth of acquisition targets develops. LeadDesk is very active in acquisitions, but we do not think that it is possible to predict them in advance and thus we do not anticipate future acquisitions.

LeadDesk has active option programs covering some 590,000 shares where the subscription period occurs over the next some six years. The dilution effect of these options will be about 11% of the share portfolio when realized, and we have considered their impact in our estimates of the company's number of shares.

Strong growth in 2021 through acquisitions

According to LeadDesk's outlook, the company will maintain strong revenue growth and continue profitable business in 2021. We do not believe that the very broad guidance provides much support for growth estimates.

In 2021, LeadDesk's revenue will increase through several acquisitions: Nordcom, Capricode, Loxysoft and GetJenny. Revenue growth in H1/2021 was very strong at 94%. Acquisition-wise GetJenny (5 months of revenue) will increase H2 figures in inorganic terms compared to H1, and in H2'20 only Nordcom (6 months) and Capricode (3 months of revenue) were included in the figures. We expect H2'21 revenue to grow through acquisitions and continued organic growth by 84% from the comparison period (organically 19%) and 16% from H1 (organically 10%). We expect the revenue from acquisition targets to grow by an average of some 5% in the first year as part of LeadDesk, which we consider in inorganic growth.

Profitability for H2 is again largely dependent on the amount of growth investments decided by the company. We expect growth investments to accelerate as the integration of acquisitions progresses and adjusted operating profit to decline in H2 (H2'21e: adj. EBIT-% 7.1%) slightly from H1 (H1'21: 9.6%).

Estimates 2/2

We expect brisk and scalable growth in the next couple of years in the market tailwind

In addition to expected strong growth on LeadDesk's target market (21% p.a. over the next few years), the cloud revolution will further boost the growth of the company's target market segment. We expect competition to remain calm in the next few years due to strong growth, so we believe the company's growth is highly dependent on the company's own performance. However, we feel that the company's growth performance so far speaks for confidence in the company's continued growth. As acquisition integration has progressed far and Enterprise sales investments become visible in revenue, we expect organic growth to pick up slightly and reach 19-21% 2022-2023. After this, we expect annual revenue growth to fall towards 15% by 2025. The levels are slightly above the company's historical growth figures, but we feel they are justified considering the tailwind on the market and the company's recent growth performance.

With the scalable business model, we expect the company's growth to also be visible as stronger profitability. We expect operating profit adjusted for the depreciation of acquisitions to increase from around 8% in 2022 towards 16% in 2025. With these factors, we expect LeadDesk's sum of growth and profitability (adj. EBIT-%) ("Rule of 40") to gradually increase to 31-32% with revenue growth in 2023-2025.

In the long term, we expect competition to intensify

Strong market growth is expected to slow down as cloud software utilization rates increase. We believe that there are several growth hungry players on the market, so when the growth space on the market diminishes in a few years we expect LeadDesk to bump into key competitors more often on the market.

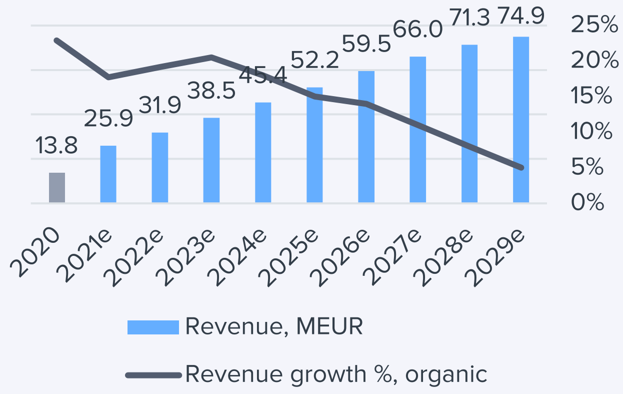
We estimate that LeadDesk's revenue will grow by 5-14% and on a slowing trend in 2026-2029. In terms of market growth potential we feel the company could grow even stronger and into a larger size class. However, considering the company's historical growth rate we do not see any grounds in the current to expect much stronger long-term growth than this. As a whole, the industry growth outlook is, however, strong in the long term, which leads us to use 3% as the terminal revenue growth.

We expect LeadDesk's EBIT margin adjusted for goodwill to rise gradually from 17% to around 26% in 2026-2029 with scalable growth. We expect the profitability development to slow down and to suffer from tighter competition and the EBIT margin (EBIT%) to settle at around 24% in the terminal year 2030. We expect the sum of the company's growth and profitability (adj. EBIT-%) to be around 31% in 2026-2029.

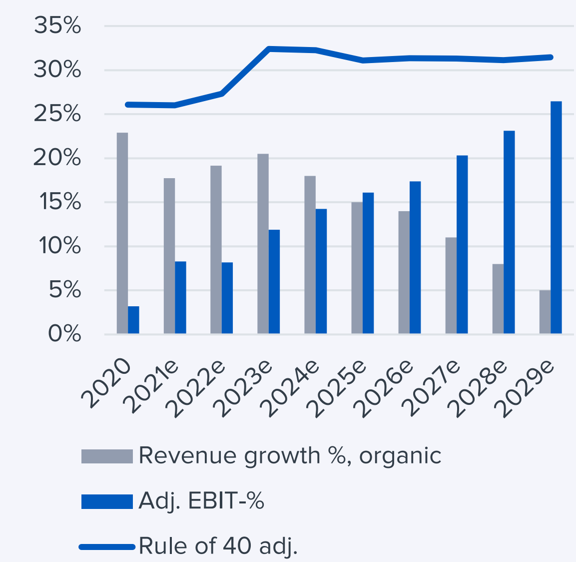
We added a small safety margin to our estimates

In connection with this report we reviewed our estimates and lowered our organic growth expectations slightly. This lowered our revenue estimates by around 2 percentage points for the next few years. The estimate changes are based on a reassessment of our assumptions based on which we felt our growth estimates were still a tad too optimistic considering the time it takes to strengthen the organic growth of acquisition targets.

Revenue and organic revenue growth, %



Combination of growth and profitability ("Rule of 40")



Source: Inderes

Income statement and estimate revisions

Income statement	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue	**6.1**	**6.2**	**12.4**	**6.2**	**7.6**	**13.8**	**12.0**	**13.9**	**25.9**	**31.9**	**38.5**	**45.4**
EBITDA	**0.7**	**2.6**	**3.4**	**0.6**	**1.1**	**1.7**	**1.9**	**1.9**	**3.8**	**4.8**	**6.4**	**8.2**
Depreciation	-0.6	-0.5	-1.1	-0.7	-0.8	-1.4	-1.7	-1.9	-3.6	-4.4	-4.0	-3.9
EBIT (excl. NRI)	**0.3**	**0.4**	**0.7**	**0.0**	**0.4**	**0.4**	**1.2**	**1.0**	**2.2**	**2.6**	**4.6**	**6.5**
EBIT	**0.1**	**2.1**	**2.2**	**0.0**	**0.3**	**0.3**	**0.2**	**0.0**	**0.2**	**0.4**	**2.4**	**4.3**
Net financial items	-1.2	-0.2	-1.4	-0.1	0.0	-0.1	-0.2	-0.1	-0.3	-0.3	-0.3	-0.2
PTP	**-1.1**	**1.9**	**0.9**	**-0.1**	**0.3**	**0.3**	**0.0**	**-0.1**	**-0.1**	**0.1**	**2.1**	**4.1**
Taxes	0.0	-0.1	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.4	-0.7
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
Net earnings	**-1.1**	**1.9**	**0.8**	**-0.1**	**0.3**	**0.2**	**-0.1**	**-0.1**	**-0.1**	**0.1**	**1.7**	**3.4**
EPS (adj.)	**0.02**	**0.03**	**0.05**	**-0.02**	**0.09**	**0.07**	**0.14**	**0.15**	**0.28**	**0.35**	**0.63**	**0.91**
EPS (rep.)	**-0.26**	**0.42**	**0.17**	**-0.02**	**0.07**	**0.04**	**-0.01**	**-0.01**	**-0.02**	**0.02**	**0.31**	**0.59**

Key figures	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue growth-%	18.7 %	6.1 %	12.0 %	1.5 %	21.7 %	11.7 %	93.6 %	83.5 %	88.0 %	23.0 %	20.5 %	18.0 %
Adjusted EBIT growth-%	-539.7 %	-59.8 %	-17.9 %	-93.8 %	16.0 %	-35.4 %	5680.0 %	135.1 %	385.4 %	21.3 %	75.6 %	41.3 %
EBITDA-%	11.7 %	42.3 %	27.1 %	10.4 %	14.0 %	12.4 %	15.5 %	13.6 %	14.5 %	15.0 %	16.7 %	18.0 %
Adjusted EBIT-%	5.2 %	5.9 %	5.5 %	0.3 %	5.6 %	3.2 %	9.6 %	7.1 %	8.3 %	8.2 %	11.9 %	14.3 %
Net earnings-%	-18.2 %	30.0 %	6.1 %	-1.7 %	4.0 %	1.5 %	-0.4 %	-0.5 %	-0.5 %	0.3 %	4.5 %	7.4 %

Source: Inderes

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	26.2	25.9	-1%	32.7	31.9	-2%	39.4	38.5	-2%
EBITDA	3.9	3.8	-4%	5.1	4.8	-5%	6.7	6.4	-4%
EBIT (exc. NRIs)	2.3	2.2	-7%	3.0	2.6	-12%	5.0	4.6	-9%
EBIT	0.4	0.2	-48%	0.8	0.4	-46%	2.8	2.4	-16%
PTP	0.1	-0.1	-173%	0.5	0.1	-76%	2.5	2.1	-15%
EPS (excl. NRIs)	0.31	0.28	-9%	0.40	0.35	-11%	0.70	0.63	-9%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation 1/2

Valuation is driven by growth and profitability development

LeadDesk's continued revenue growth and gradually increasing profitability are in our view the main drivers of the company's value creation and valuation. The valuation is challenging due to the company's development stage and the revenue model of the SaaS business model. A significant part of the company's value is based on growth expectations and rising profitability, and the cash flows that create value are typically several years away.

In determining LeadDesk's valuation we lean on a combination of profitability and growth ("Rule of 40") relative to revenue ratios. In the method widely used in the software industry you sum up the net sales growth percentage and relative profitability (EBITDA, operating profit, result or free cash flow depending on the user). A sum exceeding 40% is considered an indicator of "good quality" business operations.

The "Rule of 40" indicator works well for a SaaS company as it takes into consideration the company's balancing between growth investments and profitability. In determining LeadDesk's valuation level, we use the "Rule of 40" figure calculated with the adjusted EBIT margin that considers the company's depreciation of capitalized product development costs but excludes acquisition depreciation not affecting cash flow.

We view LeadDesk's revenue as a whole in the valuation. Only a fraction (9% of H1'21 revenue) of LeadDesk's revenue is service revenue. The SaaS companies in LeadDesk's peer group also have service business at varying weights, which is also reflected in the profitability and growth of these companies. Thus, we feel it is justified to review the company's income flow as a whole for the sake of comparability.

Valuation multiples are high considering slower organic growth in the short term

LeadDesk's EV/Sales multiples are 4.7x and 3.9x for 2021-2022. These multiples are at an absolute elevated level but justifiable with the long-term growth outlook of the industry and the company, the scalable business model, and the visibility from continuous income.

We have picked primarily Nordic software companies to the peer group that reflect value through the company's total revenue, as these reflect the growth expectations of European software companies well. These companies are also clearly closer to LeadDesk in terms of scale and risk profile that international SaaS peers.

Measured by EV/Sales multiples LeadDesk is in 2021-2022 valued some 30-40% below the peer group median 7.5x-5.4x. LeadDesk's estimated combination of organic growth and profitability (2022e: 27%) is compared to the peers (2022e: 38%) about 30% lower, which is in line with the discount in the valuation multiples. We also believe that the justified discount increases due to LeadDesk's smaller size class compared to its peers, considering which, the company's valuation is tight in the short term.

LeadDesk's growth rate is slowed down in the short term by the integration of acquisitions, which we believe will disperse over time when the resources of the new companies are efficiently harnessed to selling LeadDesk's uniform product family. We are therefore prepared to overlook the tightness in the short-term valuation.

We also point out that our estimates or valuation do not take into consideration the option offered to investors by acquisitions carried out with reasonable multiples.

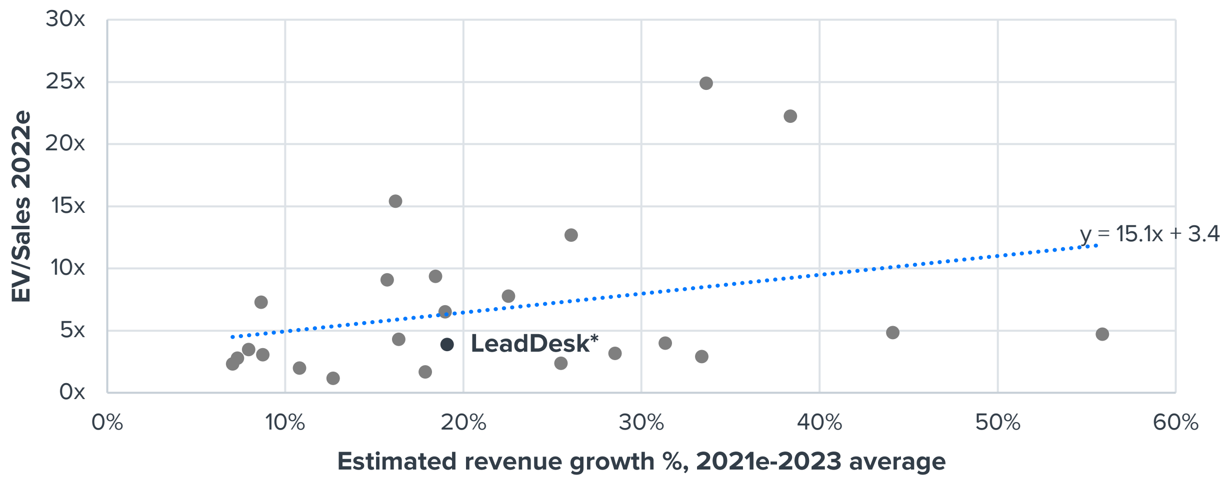
Our DCF model indicates a higher valuation

The role of the DCF model in LeadDesk's valuation is to act as a check point for valuation. The company has carried out several acquisitions and has grown into a new size class. The organic growth rate of the new entity (H1'21 +15%) is still lower than LeadDesk's 2020 level (around 23%), so the estimate risks are still elevated related to the pick-up of organic growth. The DCF model does, however, provide an indication for the cash flow of the estimated basic scenario.

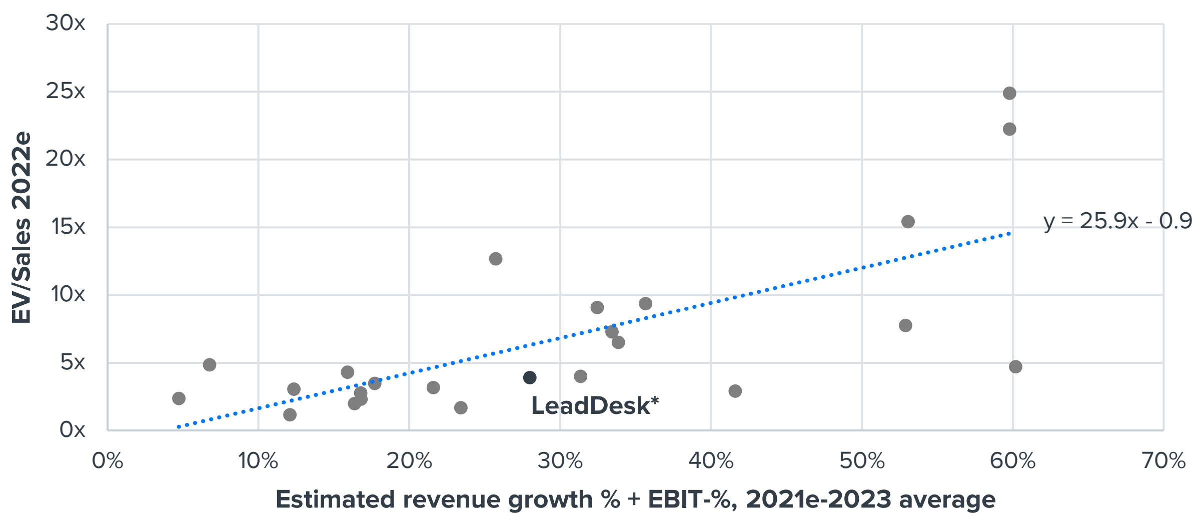
Our updated DCF model indicates a share value of EUR 27.8. Our terminal assumption is that EBIT is 24.0% and revenue growth 3.0%. In the model, the weight of the terminal period in the value of cash flows is 74%, which is a high level in absolute terms, but quite typical for a growing SaaS company in the current interest environment. We use 9.7% as the average cost of capital (WACC).

Peer group's net sales ratios relative to growth and profitability

European SaaS peers' EV/Sales valuation in 2022 relative to growth



European SaaS peers' EV/Sales valuation in 2022 relative to growth and profitability



* LeadDesk's growth adjusted to organic
Source: Inderes, Thomson Reuters

- The European SaaS peer group is, in our view, in terms of domestic and target markets closer to LeadDesk, which operates on several European markets.
- Although the peer companies operate in various software categories, we see clear similarities in the software markets' growth outlooks due to the structural growth trend of the cloud-based software market.
- LeadDesk is valued with a discount to its peers in terms of multiples relative to growth and to the sum of growth and profitability.
- We feel that the discount compared to European peers is mainly justified due to the smaller size class of the company and the short-term uncertainty related to the organic growth rate.
- However, as organic growth continues and the size class grows (also supported by acquisitions), we see room for the discount narrowing.

Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%		Rule of 40
Company		**MEUR**	**MEUR**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2022e**
24SevenOffice Scandinavia AB	17.0	113	68	neg.	neg.	neg.	neg.	3.0	2.4	30%	27%	-22%	-18%	10%
Addnode Group AB (publ)	345.5	1085	1043	36.9	32.3	20.5	18.5	2.6	2.5	4%	6%	7%	8%	14%
Admicom Oyj	94.6	469	455	43.3	37.9	37.9	32.5	18.2	15.4	14%	18%	42%	41%	59%
Artificial Solutions International AB	7.3	48	58	neg.	neg.	neg.	neg.	8.8	5.4		63%	-86%	-23%	40%
Bambuser AB	21.5	389	330	neg.	neg.	neg.	neg.	21.4	10.3	420%	107%	-116%	-52%	55%
Basware Oyj	33.0	478	524	77.9	37.0	24.3	17.3	3.4	3.0	2%	11%	4%	8%	19%
Bimobject AB	7.7	106	71	neg.	neg.	neg.	neg.	5.7	4.6		24%	-54%	-24%	
Briox AB	5.8	24	24	neg.	neg.	neg.	neg.	40.8	24.5	20%	67%	-333%	-200%	
Carasent ASA	43.5	337	293	100.5	66.2	59.5	46.2	19.7	14.5	108%	36%	20%	22%	58%
Efecte Oyj	14.7	93	86		86.2	86.2	43.1	5.1	4.3	15%	16%	2%	7%	23%
Enghouse Systems Ltd	55.3	2065	1957			16.9	16.0	6.0	5.5		9%			
FormPipe Software AB	30.2	159	161	29.7	30.2	12.9	14.3	3.5	3.5	13%	2%	12%	11%	13%
Fortnox AB	519.5	3095	3089	100.6	67.5	78.4	55.3	33.1	24.9	37%	33%	33%	37%	70%
F-Secure Oyj	4.56	718	707	28.6	24.1	20.0	16.6	3.0	2.8	8%	7%	10%	12%	19%
Heeros Oyj	5.36	24	23	23.3	23.3	11.7	7.8	2.6	2.3	6%	9%	7%	14%	23%
IAR Systems Group AB	98.60	134	133	12.4	9.1	8.4	6.4	3.3	2.7	10%	20%	26%	30%	50%
Lime Technologies AB (publ)	330.20	429	451	52.5	42.3	32.7	26.9	11.2	9.4	20%	19%	21%	22%	41%
Litium AB	19.70	27	25	neg.	63.5		18.2	4.1	3.2	24%	29%	-18%	5%	34%
Mercell Holding AS	7.26	368	516	neg.	54.3	26.1	16.7	6.9	5.2		33%	-9%	10%	42%
Pexip Holding ASA	69.95	716	627	neg.	neg.	neg.	neg.	7.6	5.4	28%	41%	-35%	-30%	10%
Qt Group Oyj	149.00	3586	3588	119.7	72.7	108.3	72.5	29.8	22.3	51%	34%	25%	31%	65%
Safeture AB	9.94	29	27					7.5	4.9	29%	56%	-56%	-14%	41%
Simcorp A/S	734.20	3975	3967	29.7	26.2	26.9	24.2	8.0	7.3	8%	10%	27%	28%	37%
Sinch AB (publ)	169.25	11998	10946	133.7	47.6	88.1	35.8	7.0	4.7	107%	48%	5%	10%	58%
Smart Eye AB (publ)	188.60	362	325					31.6	10.5	58%	202%	-111%	-22%	180%
Talenom Oyj	13.56	589	628	41.7	32.4	23.1	19.2	7.6	6.5	26%	17%	18%	20%	37%
Vitec Software Group AB (publ)	499.50	1526	1609	52.9	45.6	26.7	23.4	10.2	9.1	25%	12%	19%	20%	32%
LeadDesk (Inderes)*	**22.50**	**120**	**123**	**47.6**	**26.5**	**25.9**	**18.9**	**4.7**	**3.9**	**18%**	**19%**	**8%**	**8%**	**27%**
Average		**1181**	**1138**	**58.9**	**44.4**	**39.4**	**26.9**	**11.5**	**8.0**	**46%**	**35%**	**-22%**	**-2%**	**43%**
Median		**379**	**391**	**43.3**	**40.1**	**26.4**	**19.2**	**7.5**	**5.4**	**24%**	**24%**	**6%**	**10%**	**38%**
Diff-% to median		***-68%***	***-69%***	***10%***	***-34%***	***-2%***	***-2%***	***-37%***	***-28%***	***-26%***	***-19%***	***35%***	***-16%***	***-29%***

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company. *Growth and EBIT adjusted for acquisitions

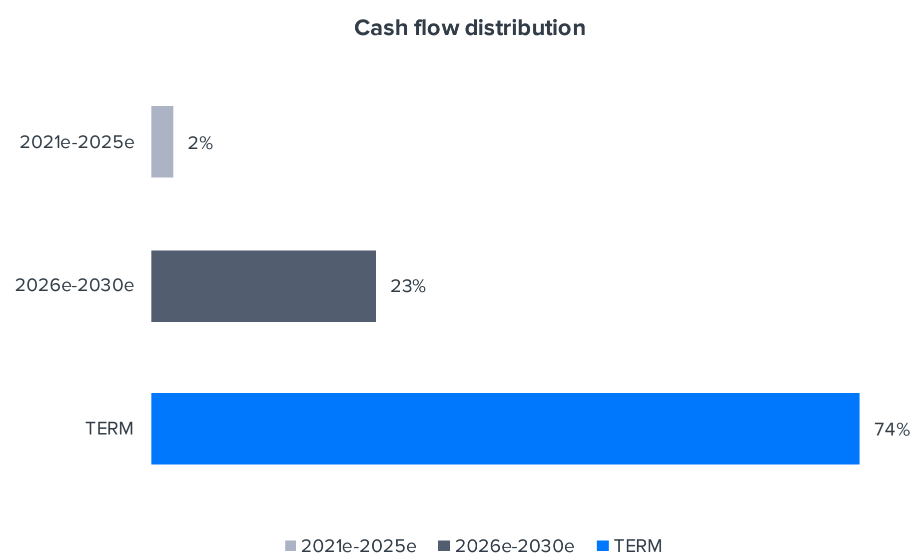
DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**0.3**	**0.2**	**0.4**	**2.4**	**4.3**	**6.2**	**8.1**	**11.2**	**14.3**	**18.0**	**18.5**	
+ Depreciation	1.4	3.6	4.4	4.0	3.9	4.0	4.1	4.2	4.2	4.0	3.7	
- Paid taxes	0.0	0.0	0.0	-0.4	-0.7	-1.1	-1.5	-2.2	-2.9	-3.6	-3.7	
- Tax, financial expenses	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	1.0	0.1	0.5	0.5	0.6	0.5	0.6	0.5	0.4	0.3	0.2	
Operating cash flow	**2.6**	**3.8**	**5.2**	**6.5**	**8.0**	**9.6**	**11.2**	**13.7**	**16.1**	**18.7**	**18.7**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-4.6	-20.3	-3.2	-1.8	-1.9	-2.0	-2.1	-2.2	-2.3	-2.5	-2.4	
Free operating cash flow	**-2.0**	**-16.6**	**2.0**	**4.7**	**6.0**	**7.6**	**9.1**	**11.4**	**13.8**	**16.2**	**16.3**	
+/- Other	0.3	3.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.7	-13.5	3.5	4.7	6.0	7.6	9.1	11.4	13.8	16.2	16.3	250
Discounted FCFF		**-13.2**	**3.1**	**3.8**	**4.5**	**5.1**	**5.6**	**6.4**	**7.0**	**7.6**	**6.9**	**106**
Sum of FCFF present value		143	156	153	150	145	140	134	128	121	113	106

Enterprise value DCF	**143**
- Interesting bearing debt	-0.5
+ Cash and cash equivalents	4.8
-Minorities	0.0
-Dividend/capital return	0.0
Equity value DCF	**148**
Equity value DCF per share	**27.8**

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	6.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.0 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**9.7 %**

Source: Inderes



Valuation 2/2

The valuation is attractive considering the scenarios, but visibility to the growth rate is still limited

We use scenarios to support the valuation with which we assess LeadDesk's valuation in 2025 We adjust the operating profit in the scenarios for goodwill depreciation. Here we reflect the annual return expectation that investors expect in the now to the risks they bear. The visibility to LeadDesk's organic growth rate is still slightly blurred, as acquisitions change the company considerably. Thus, 2025 is a quite remote reference point for the valuation of the company. The scenarios illustrate the company's potential well if the strategy implementation is successful.

In the basic scenario (current estimates), LeadDesk's revenue grows by some 19% p.a. in 2021-2025. The annual return expectation for the scenario is good at 11%, although it contains some uncertainty related to the organic growth rate.

In the pessimistic scenario, LeadDesk's revenue grows on average by only around 7% p.a. Considering market trends this would be an extremely low level and would mean that the company had considerable problems managing growth and integrating acquisitions. The annual return expectation for the scenario is -9%, which highlights the risks related to the valuation of a growth company.

In the optimistic scenario, LeadDesk's revenue grows on average by 23% p.a. In this scenario, organic growth of acquisition targets quickly rises towards the over 20% level seen during COVID, supported by stronger than expected Enterprise sales and highly successful opening in new countries. The annual earnings expectation of the scenario is a very attractive 21%.

In the return expectations indicated by the scenarios we have considered the risks related to the current valuation indicators. SaaS software companies are priced at historically high multiples globally. We believe, that in the longer term, it is justified to expect lower multiples to have a weakening effect on return expectations. Our scenarios do not consider new acquisitions.

Scenario analysis of valuation

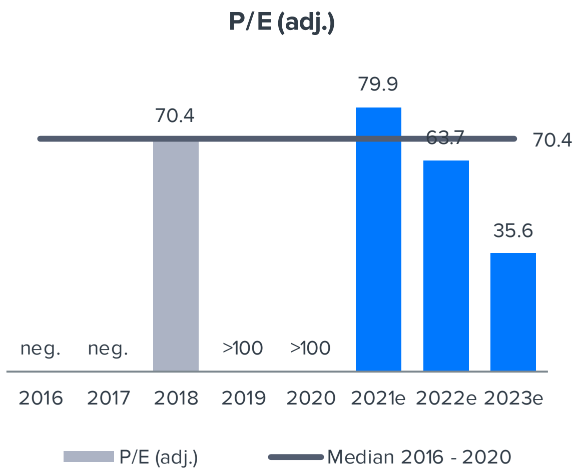
In 2025	Pessimistic	Current estimates	Optimistic
Variable revenue growth %	5 %	15 %	19 %
Variable EBIT-% (adj.)	8 %	16 %	18 %
Variable revenue MEUR	37	52	60
x multiple revenue	2.5	3.5	4.5
x multiple EBIT (adj.)	18	22	25
("Rule of 40")	13 %	31 %	37 %
= EV (EV/Sales)	91	183	270
= EV (EV/EBIT (adj.))	53	185	271
Average (EV)	72	184	271
+Net cash+dividends	14	18	21
=Market cap	86	201	292
Share price 2025 (incl. dividends)	14.9	34.9	50.6
Return	-34 %	55 %	125 %
Annual return (5y)	-9 %	11 %	21 %

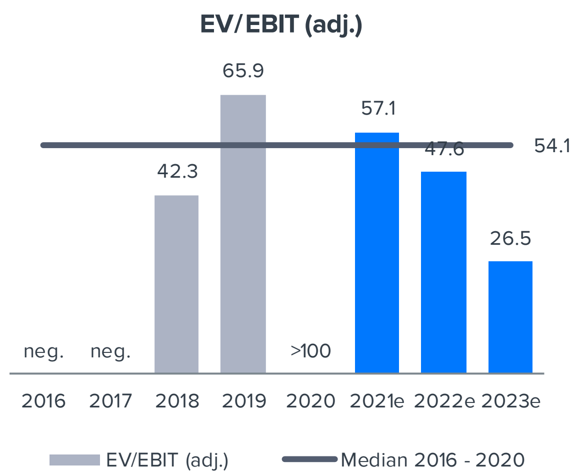
Source: Inderes

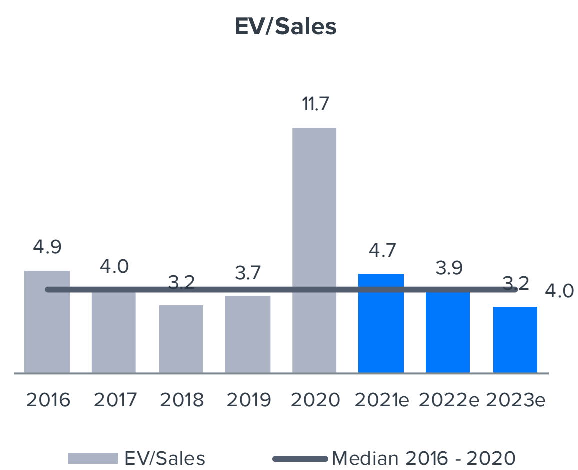
Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	7.50	7.50	7.50	11.0	35.0	**22.5**	**22.5**	**22.5**	**22.5**
Number of shares, millions	4.54	4.54	4.54	4.43	4.67	**5.34**	**5.54**	**5.62**	**5.69**
Market cap	34	34	34	51	166	**120**	**125**	**126**	**128**
EV	36	36	35	45	161	**123**	**124**	**121**	**117**
P/E (adj.)	neg.	neg.	70.4	>100	>100	**79.9**	**63.7**	**35.6**	**24.7**
P/E	neg.	neg.	>100	64.3	>100	**neg.**	**>100**	**72.4**	**37.9**
P/FCF	neg.	neg.	18.7	6.4	neg.	**neg.**	**35.8**	**27.0**	**21.2**
P/B	77.2	90.5	47.0	6.7	17.9	**6.6**	**6.3**	**5.8**	**5.1**
P/S	4.7	3.7	3.1	4.1	12.0	**4.6**	**3.9**	**3.3**	**2.8**
EV/Sales	4.9	4.0	3.2	3.7	11.7	**4.7**	**3.9**	**3.2**	**2.6**
EV/EBITDA	neg.	>100	19.3	25.6	94.0	**32.6**	**25.9**	**18.9**	**14.3**
EV/EBIT (adj.)	neg.	neg.	42.3	65.9	>100	**57.1**	**47.6**	**26.5**	**18.1**
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







Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**3.7**	**4.1**	**9.0**	**23.2**	**22.5**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.8	3.2	8.0	22.3	21.6
Tangible assets	0.0	0.1	0.1	0.1	0.1
Associated companies	0.8	0.8	0.8	0.8	0.8
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**6.7**	**6.2**	**5.4**	**7.1**	**10.7**
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	1.2	1.3	2.6	3.2	3.8
Cash and equivalents	5.5	4.8	2.7	3.9	6.9
Balance sheet total	**10.5**	**13.1**	**29.0**	**29.6**	**31.0**

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**7.6**	**9.3**	**18.2**	**19.9**	**21.6**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-4.1	-3.9	-4.0	-3.9	-2.2
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	11.6	13.1	22.2	23.7	23.7
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**0.4**	**0.2**	**5.1**	**3.0**	**2.0**
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	0.4	0.1	5.1	3.0	2.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**2.5**	**3.7**	**5.7**	**6.7**	**7.4**
Short term debt	0.3	0.4	1.0	1.0	0.5
Payables	2.2	3.3	4.7	5.7	6.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**10.5**	**13.1**	**29.0**	**29.6**	**31.0**

Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	11.0	12.4	13.8	**25.9**	**31.9**
EBITDA	1.8	3.4	1.7	**3.8**	**4.8**
EBIT	0.8	2.2	0.3	**0.2**	**0.4**
PTP	0.4	0.9	0.3	**-0.1**	**0.1**
Net Income	1.0	0.8	0.2	**-0.1**	**0.1**
Extraordinary items	-0.1	1.5	-0.1	**-2.0**	**-2.2**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	5.2	10.5	13.1	**29.0**	**29.6**
Equity capital	0.7	7.6	9.3	**18.2**	**19.9**
Goodwill	0.1	0.0	0.0	**0.0**	**0.0**
Net debt	1.2	-4.8	-4.3	**3.4**	**0.1**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	1.8	3.4	1.7	**3.8**	**4.8**
Change in working capital	0.4	-0.1	1.0	**0.1**	**0.5**
Operating cash flow	2.2	3.0	2.6	**3.8**	**5.2**
CAPEX	-1.0	-1.0	-4.6	**-20.3**	**-3.2**
Free cash flow	1.8	8.0	-1.7	**-13.5**	**3.5**

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	3.2	3.7	11.7	**4.7**	**3.9**
EV/EBITDA (adj.)	19.3	25.6	94.0	**32.6**	**25.9**
EV/EBIT (adj.)	42.3	65.9	>100	**57.1**	**47.6**
P/E (adj.)	70.4	>100	>100	**79.9**	**63.7**
P/E	47.0	6.7	17.9	**6.6**	**6.3**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	0.07	0.17	0.04	**-0.02**	**0.02**
EPS (adj.)	0.11	0.05	0.07	**0.28**	**0.35**
OCF / share	0.48	0.67	0.56	**0.71**	**0.94**
FCF / share	0.40	1.79	-0.37	**-2.53**	**0.63**
Book value / share	0.16	1.70	1.99	**3.42**	**3.58**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	21%	12%	12%	**88%**	**23%**
EBITDA growth-%	12152%	-4%	-3%	**120%**	**27%**
EBIT (adj.) growth-%	-207%	-18%	-35%	**385%**	**21%**
EPS (adj.) growth-%	-145%	-53%	36%	**315%**	**26%**
EBITDA-%	16.6 %	14.3 %	12.4 %	**14.5 %**	**15.0 %**
EBIT (adj.)-%	7.6 %	5.5 %	3.2 %	**8.3 %**	**8.2 %**
EBIT-%	7.0 %	17.9 %	2.2 %	**0.7 %**	**1.3 %**
ROE-%	60.8 %	18.3 %	2.4 %	**-0.9 %**	**0.5 %**
ROI-%	24.6 %	40.2 %	3.3 %	**1.1 %**	**1.7 %**
Equity ratio	13.9 %	72.2 %	70.8 %	**62.9 %**	**67.1 %**
Gearing	168.2 %	-63.9 %	-46.4 %	**18.4 %**	**0.6 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
05-11-19	Accumulate	10.80 €	10.10 €
22-01-20	Reduce	13.10 €	13.80 €
17-02-20	Reduce	14.00 €	14.30 €
19-03-20	Accumulate	9.00 €	8.40 €
09-06-20	Accumulate	11.50 €	10.70 €
Analyst changes			
31-08-20	Accumulate	16.50 €	15.60 €
29-09-20	Accumulate	20.00 €	18.70 €
30-11-20	Accumulate	25.50 €	23.40 €
07-01-21	Sell	26.00 €	34.20 €
19-02-21	Reduce	27.00 €	31.00 €
19-03-21	Accumulate	27.00 €	25.40 €
07-07-21	Buy	27.00 €	21.80 €
30-08-21	Accumulate	28.00 €	25.70 €
06-10-21	Accumulate	26.00 €	22.50 €

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