Tecnotree

Company report

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Inderes corporate customer

This report is a summary translation of the report "Kasvuraha ei tule ilmaiseksi" published on 4/19/2023 at 8:00 am

Growth money does not come for free

Tecnotree's Q1 figures exceeded our expectations in terms of revenue and earnings. The company was successful in repatriating cash flow but after abundant investments cash flow was in the red. The convertible bond announced by the company on the report date stole the focus. The bond will significantly dilute the share capital within five years. The sensibility of the financing arrangement for shareholders ultimately depends on capital allocation. We expect that the company will use capital for M&A transactions where the company currently sees many opportunities. With the recent share price rise, the valuation of the share seems neutral in the next few years on a cash-flow basis. Thus, we reiterate our EUR 0.54 target price and lower our recommendation to Reduce (previous Accumulate).

Revenue and earnings exceeded our expectations

Tecnotree's Q1 revenue grew by 17% to EUR 15.5 million, beating our EUR 14.9 million estimate. Strong growth was seen especially in maintenance and delivery revenue, while revenue from license sales fell year-on-year. Growth was particularly strong in North America, where the company announced it had won two new Tier 1 customers. Q1 EBIT improved to EUR 3.6 million (Q1'22: 2.0 MEUR) exceeding our EUR 1.8 million estimate. The earnings overshoot was generated by higher revenue load and better gross margin than expected. Operational cash flow was at a good level (3.0 MEUR) as the company succeeded in cash collection, but free cash flow after investments was in the red (-0.4 MEUR). The company reiterated its guidance and we made minor positive estimate changes to our revenue (2%) and earnings estimates (3-5%) for the next few years.

Financing arrangement gives growth leverage –considerable dilution the drawback

Attention from Q1 figures was stolen by the company's release that it will issue EUR 30 million of compulsory convertible debentures. The sum can be raised to EUR 60 million depending on the demand from shareholders. The interest payable on the bonds is virtually nonexistent (annual interest rate 0.01%). Within five years the bonds are converted into shares causing significant dilution of the share capital (we estimate at least 14% if warrants are not subscribed). So far, we have not included the arrangement in our estimates because it is uncertain how many bonds will be subscribed. The final dilution also depends on the conversion price at which bonds are converted to shares. The company aims to use the assets from the arrangement for R&D investments and acquisitions where the company sees significant opportunities as the valuation of technology companies has fallen from levels seen in recent years. The financing arrangement, and especially its size, was a surprise to us and we believe that it favors extent larger shareholders who subscribe to bonds.

Cash flow-based valuation does not seem particularly attractive

With our estimates Tecnotree's earnings multiples for 2023 are low (P/E 12x and EV/EBIT 7x). As earnings quality is poor, our valuation pays more attention to DCF-based multiples. The cash flow ratio for 2023 is very high (EV/FCF 58x). The 2024 ratio (EV/FCF 15x calculated with 2023 EV) falls to moderate but remains relatively neutral given the risks. The share has clear upside to the value indicated by our DCF model, but low visibility of long-term cash flows makes it challenging to rely on this. The financing arrangement changes the valuation picture somewhat, although this depends on the final dilution of the share capital. With EV-based ratios the effect is virtually neutral in the short term, as the arrangement increases the company's net cash. In the end, the sensibility of the financing arrangement for all shareholders is measured in where and how well the company allocates the capital it receives.

Recommendation

Reduce
(previous Accumulate)

EUR 0.54
(previous EUR 0.54)

Share price:
0.52

Key figures

	2022	2023e	2024e	2025e
Revenue	71.6	81.7	88.2	95.6
growth-%	12%	14%	8%	8%
EBIT adj.	18.3	22.0	26.1	27.7
EBIT-% adj.	25.6 %	26.9 %	29.5 %	29.0 %
Net Income	11.6	13.8	18.0	20.3
EPS (adj.)	0.04	0.04	0.06	0.07
P/E (adj.)	17.0	11.6	8.9	7.9
P/B	2.4	1.7	1.4	1.2
P/FCF	neg.	61.2	15.3	12.3
EV/EBIT (adj.)	10.3	7.0	5.5	4.8
EV/EBITDA	9.5	5.9	4.4	3.7
EV/S	2.6	1.9	1.6	1.4

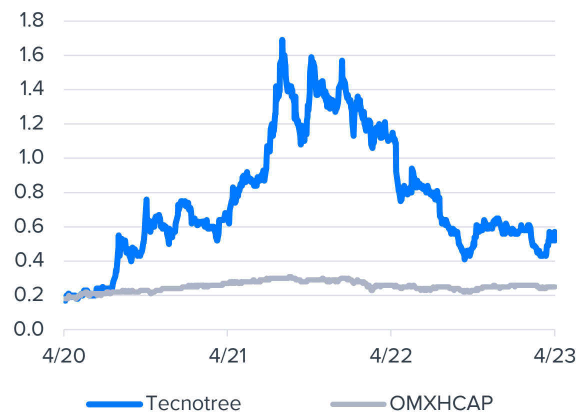
Source: Inderes

Guidance

(Unchanged)

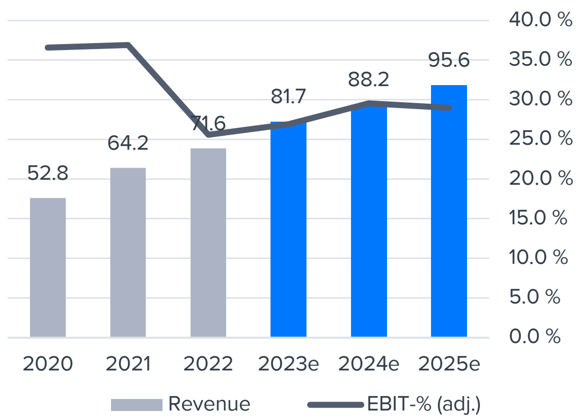
In 2023, Tecnotree expects revenue to be higher by 7-15% and operating profit (EBIT) by 10-20% compared to 2022.

Share price



Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

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

Risk factors

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

Valuation	2023e	2024e	2025e
Share price	0.52	0.52	0.52
Number of shares, millions	312.0	312.0	312.0
Market cap	161	161	161
EV	153	144	132
P/E (adj.)	11.6	8.9	7.9
P/E	11.6	8.9	7.9
P/FCF	61.2	15.3	12.3
P/B	1.7	1.4	1.2
P/S	2.0	1.8	1.7
EV/Sales	1.9	1.6	1.4
EV/EBITDA	5.9	4.4	3.7
EV/EBIT (adj.)	7.0	5.5	4.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Revenue and earnings exceeded expectations

Revenue grew faster than we expected

Tecnotree's Q1 revenue grew by 17% to EUR 15.5 million, beating our EUR 14.9 million estimate slightly. Growth was driven by maintenance and management services (+39%) and deliveries (+132%). Sales of own licenses decreased by 51%. Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures. However, we found the strong increase in deliveries positive, which indicates that the company's delivery capacity is at a commendable level.

The order backlog grew to EUR 67.8 million at the end of Q1 (Q1'22: 64.0 MEUR). However, the order backlog decreased slightly from the level at year end (Q4'22: 68.9 MEUR). Calculated based on the order backlog and revenue, new orders totaled EUR 14.4 million, which is clearly less than in the comparison period (Q1'22: 23.8 MEUR).

The company commented that it had received two new Tier 1 customers in North America, one of which is Telus from Canada. We consider this a promising sign of the capabilities of the company's product portfolio, and also find the growth in western countries very beneficial for the company's risk and cash flow profile. The revenue of the Europe & America segment increased strongly to EUR 3.8 million (Q1'22: 1.7 MEUR). The growth of the MEA & APAC segment was more moderate (Q1'23: 11.7 MEUR vs. Q1'22: 11.5 MEUR).

Higher than expected revenue favorably visible in result lines

Tecnotree's Q1 EBIT increased to EUR 3.6 million (Q4'22: 2.0 MEUR) exceeding our EUR 1.8 million estimate. This corresponded to an EBIT margin of around 23% (Q1'22: 15%). The estimate overshoot was based on the higher-than-expected revenue load and gross margin. Otherwise, the cost structure was largely in line with our expectations. Product development costs capitalized by the company amounted to EUR 3.4 million in Q1. As the depreciation level was still low (0.6 MEUR), capitalization of product development costs boosts profitability.

Free cash flow slightly in the red

In Q1, Tecnotree's operational cash flow was EUR 3.0 million. The company succeeded well in cash collection early in the year, which supported cash flow. Combined receivables (62.4 MEUR) decreased slightly from the levels at the end of 2022 (65.1 MEUR). After investments (-3.4 MEUR), cash flow turned into red and was EUR -0.4 million. Now the company's cash flow is also burdened by the repayment of the loan from the CognitiveScale transaction. At the end of Q1, the company's total cash assets had reduced to EUR 10.9 million (Q1'22: 17.6 MEUR).

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	13.3	15.5	14.9				4%	81.7
EBIT (adj.)	2.0	3.6	1.8				95%	22.0
EPS (reported)	0.00	0.01	0.00				143%	0.04
Revenue growth-%	18.6 %	17.0 %	12.2 %				4.8 pp	11.5 %
EBIT-% (adj.)	15.4 %	23.2 %	12.4 %				10.8 pp	26.9 %

Source: Inderes

Watch the Q1 interview (in English):

Financing arrangement stole the main focus (1/2)

Guidance unchanged, small revisions to estimates

As expected, Tecnotree reiterated its guidance expecting revenue to be higher by 7-15% and operating profit (EBIT) by 10-20% compared to 2022. Based on the report, we made small positive estimate changes and our earnings estimates for the next few years increased by 3-5% on EBIT level. We also made minor adjustments to financial expenses and taxes, which resulted in negative estimate changes in EPS.

Estimates for 2023-2024

We now expect Tecnotree's revenue to increase by some 14% this year to EUR 81.7 million, which is at the top end of the company's guidance range. This also includes an estimated annual revenue growth of EUR 5 million connected to the CognitiveScale transaction. However, the company will have to renegotiate the customer cintracts, as these were not automatically transferred to Tecnotree in the arrangement. We believe, however, that the company has successfully renewed contracts which has dispelled some uncertainty in this respect.

We expect Tecnotree's EBIT to grow to EUR 22.0 million, which would correspond to an EBIT margin of approximately 27%. The company's 10-20% growth guidance indicates an EBIT of around EUR 20.1-22.0 million, and our estimate is thus at the top end of the guidance range.

In 2024, we expect revenue to grow by 8% and EBIT to increase to EUR 26.2 million (29.7% y-o-y). At this point, we expect profitability to be supported by the scaling of the cost structure from revenue growth, a general easing of cost inflation and cost savings from the savings program.

Tecnotree issues a large batch of convertible bonds

Attention from the earnings report was stolen by the company's release that it will issue EUR 30 million of compulsory convertible debentures (300 notes valued at EUR 100,000 each). The bond issue can be raised to EUR 60 million depending on the demand from shareholders. Large shareholders (Board member Markku Wilenius, CEO Padma Ravichander and Oy Hammaren & Co Ab.) have already underwritten EUR 25 million of the intended issuance. We find it very likely that convertible bonds will be subscribed for in excess of EUR 30 million. According to the company, the funds are intended to be used for product and research development, expanding the product range and financing acquisitions, which play an increasingly important role in the company's strategy.

The interest payable on the bonds is virtually nonexistent (annual interest 0.01%). The bonds are valid for 5 years and entitle the holder to convert the bonds to Tecnotree shares during the conversion period (starting one year after the issue). The conversion price is the lower of two options: 1) 5% under the 10 day moving average closing price of Tecnotree's share from the date of request for conversion or 2) the closing price of Tecnotree's share (EUR 0.57) on the trading day immediately preceding the date of announcing the transaction (April 17, 2023). Thus, this creates a call option like instrument for bond holders, because if the share price would rise significantly after the arrangement was announced, the holders of the bond can convert their bonds into shares at a significantly lower conversion price.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	80.2	81.7	2%	86.7	88.2	2%	94.1	95.6	2%
EBITDA	26.0	25.9	0%	31.4	32.6	4%	34.2	35.4	4%
EBIT (exc. NRIs)	21.0	22.0	5%	25.5	26.1	2%	27.2	27.7	2%
EBIT	21.0	22.0	5%	25.5	26.1	2%	27.2	27.7	2%
PTP	20.0	18.8	-6%	24.6	24.0	-3%	26.4	26.7	1%
EPS (excl. NRIs)	0.05	0.04	-14%	0.06	0.06	-9%	0.07	0.07	-4%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Financing arrangement stole the main focus (2/2)

The bonds will compulsorily be converted into Tecnotree shares on the fifth anniversary of the date of issue unless they are voluntarily converted earlier. Therefore, it is virtually certain that the bonds will be converted to shares and the arrangement will result in significant dilution of the share capital within five years. We have not yet included the arrangement in our estimates, because whether convertible bonds are subscribed for EUR 30 million or EUR 60 million has a significant effect on the company's cash position and dilution of the share capital. The final dilution is also dependent on the price applied in the conversion.

Each bond holder is also given 100,000 warrants entitling to subscribe for shares in Tecnotree. These entitle their holders to one share in Tecnotree. The subscription price of shares subscribed for based on warrants is EUR 0.90 per share and is valid for 5 years. Thus, the dilution caused by the warrants depends on the development of Tecnotree's share over a five-year period.

If convertible bonds were converted into shares for EUR 30 million at the closing price on the day before the arrangement (April 17, 2023), we calculate that this would dilute the share capital by some 14%. The final dilution naturally depends on the conversion price. If the warrants were used in full, we calculate that the total dilution would be about 21 %. If convertible bonds were converted into shares for EUR 60 million with the same assumptions, the dilution would be about 25% and with warrants close to 35%. We include illustrative calculations of the effects of the debenture on the dilution of the share capital below. We note that the calculations are indicative and the final dilution depends considerably on the number of subscribed debentures and the share price at the time of conversion.

The arrangement is favorable to debenture subscribers

This arrangement came as a surprise to us and we find it quite exceptional in its structure. The arrangement results in a rather large dilution for owners who are not be able to participate in the arrangement. In addition, the arrangement is built so that it rewards debenture holders to some extent, both as the share price falls and as it rises. If the share price falls significantly, debenture holders can convert their bonds at a lower conversion rate (causing more dilution to other owners). If the price increases, the debenture holders can convert their bonds at the share price preceding the arrangement and possibly exercise their warrants.

In any case, the dilution on the share capital will be rather significant. However, in the big picture, the sensibility of the arrangement for shareholders is measured in where the capital received from the debentures is allocated. Thus, the success of the arrangement is largely dependent on the management's ability to allocate capital. According to the company, the market currently has many opportunities for interesting strategic acquisitions with significant long-term value creation potential.

Number of outstanding shares at end of Q1'23:	**312.0**
Share price 04/17/2023	**0.57**

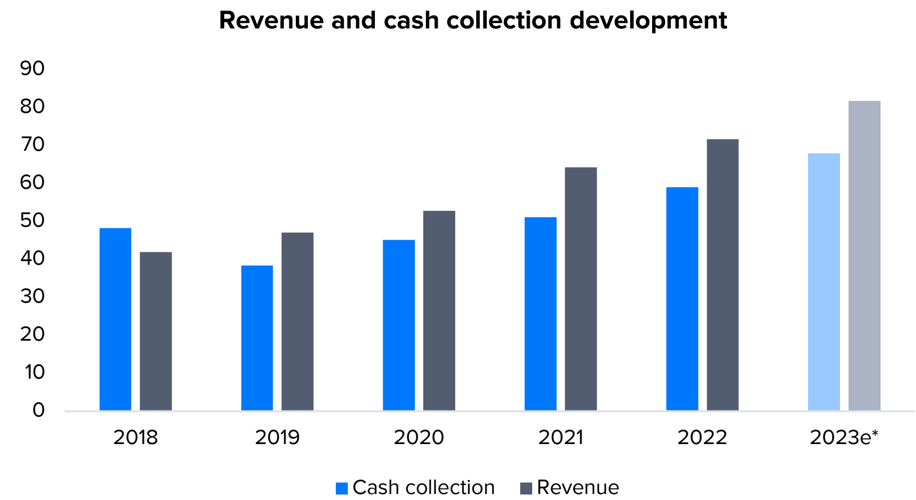
300 debentures (30 MEUR) converted to shares (no warrants):		
Debenture subscription:	30	MEUR
Increase in share capital:	52.7	million
Shares after conversion:	364.7	million
Dilution of share capital:	14%	

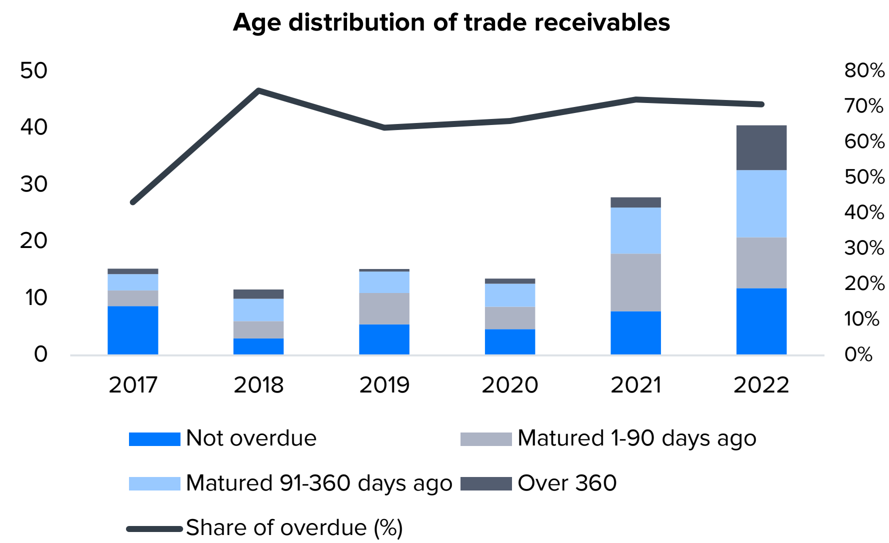
600 debentures (60 MEUR) converted to shares (no warrants):		
Debenture subscription:	60	MEUR
Increase in share capital:	105.4	million
Shares after conversion:	417.5	million
Dilution of share capital:	25%	

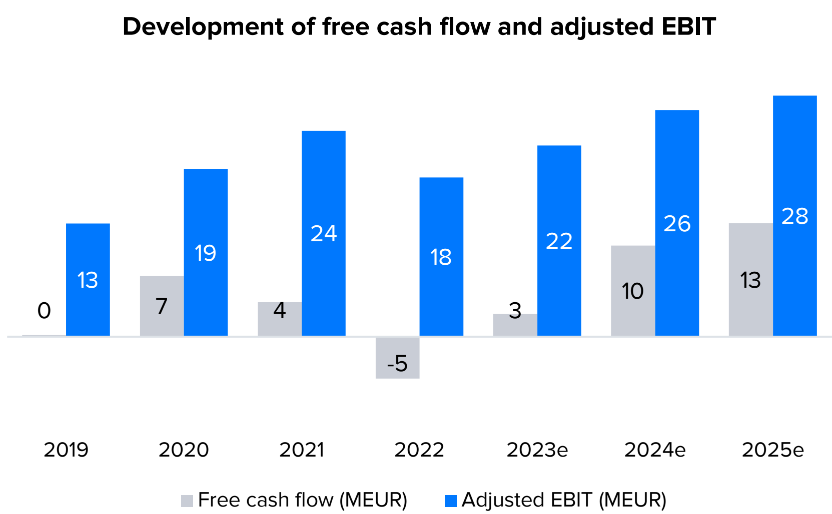
300 debentures (30 MEUR) converted to shares (incl. warrants):		
Warrants:	30	million
Shares after conversion:	394.7	million
Dilution of share capital:	21%	

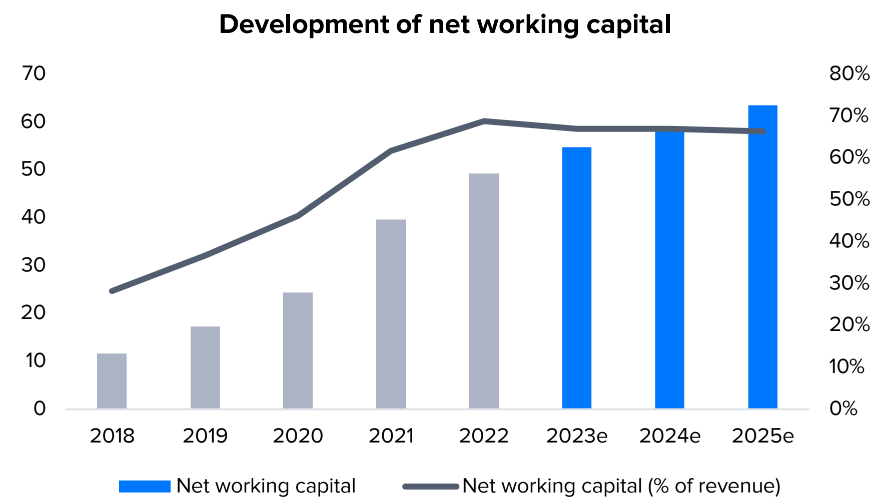
600 debentures (60 MEUR) converted to shares (incl. warrants):		
Warrants:	60	miljoonaa
Shares after conversion:	477.5	miljoonaa
Dilution of share capital:	35%	

Development of key figures









* In 2023, cash collections are at the core of the company's 12-18% growth guidance.

Valuation

Valuation is neutral with cash flow multiples

With our estimates, Tecnotree's P/E ratios for 2023 and 2024 are 12x and 9x while the corresponding EV/EBIT ratios are 7x and 5.5x. 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. According to our estimates, the 2023 cash flow ratio (EV/FCF) is at a very high level (58x). Next year the ratio is much more moderate and falls to 15x (calculated with 2023 EV). However, relative to the risks, it is 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 ratios for 2025-2026 are 12x and 9x (calculated with 2023 EV). The multiples are then at a moderate level, but not exceptionally low given the risks associated with the cash flow projections.

The financing arrangement changes the valuation somewhat

In the valuation, one should also note the changes caused by the convertible bond in market cap -based multiples. If EUR 30 million worth of debentures were subscribed, and these were converted to shares (but warrants were not used), the 2023 P/E would be 14x (vs. current 12x). The dilution could also be significantly higher. The effect on EV-based multiples is practically neutral as while the share capital grows the company's net cash increases. Therefore, critical in terms of shareholder value is how the capital is used. We note that the valuation depends on how many debentures are subscribed and whether warrants are eventually used.

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

Our DCF model give the stock a value of EUR 0.64, which would indicate clear upside potential for the stock. In the case of Tecnotree, the DCF model should consider that there is considerable uncertainty in the cash flow projections, in particular regarding the projections of working capital commitment and investment levels. 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. Currently, we consider Tecnotree's risk profile elevated due to cash flow uncertainties. In addition, the new financing arrangement will, in the present context, create significant dilution where uncertainty arises from where the capital raised in the arrangement will be used. Considering these factors and the recent share price increase, the risk/return ratio of Tecnotree's share seems neutral.

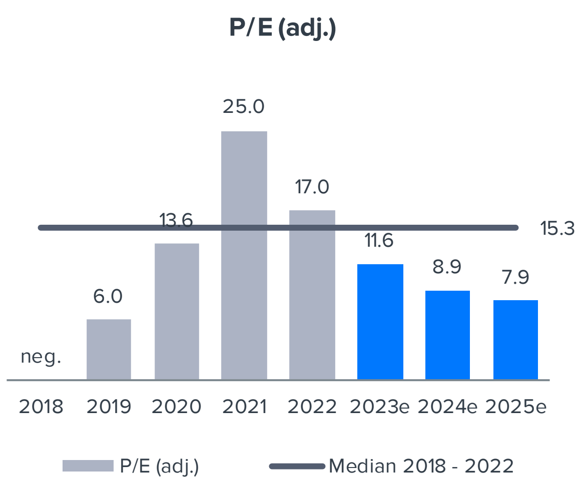
Valuation	2023e	2024e	2025e
Share price	0.52	0.52	0.52
Number of shares, millions	312.0	312.0	312.0
Market cap	161	161	161
EV	153	144	132
P/E (adj.)	11.6	8.9	7.9
P/E	11.6	8.9	7.9
P/FCF	61.2	15.3	12.3
P/B	1.7	1.4	1.2
P/S	2.0	1.8	1.7
EV/Sales	1.9	1.6	1.4
EV/EBITDA	5.9	4.4	3.7
EV/EBIT (adj.)	7.0	5.5	4.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

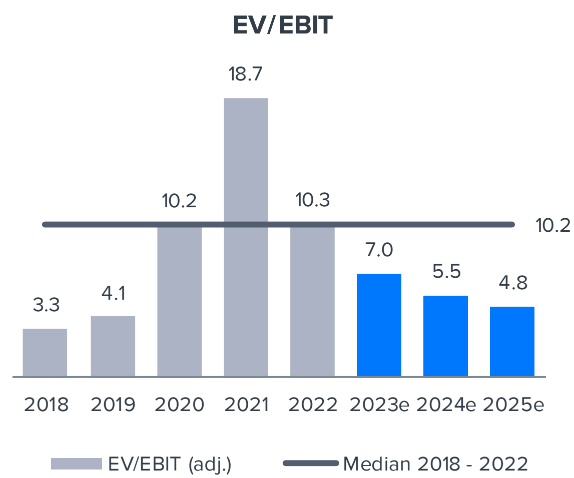
Source: Inderes

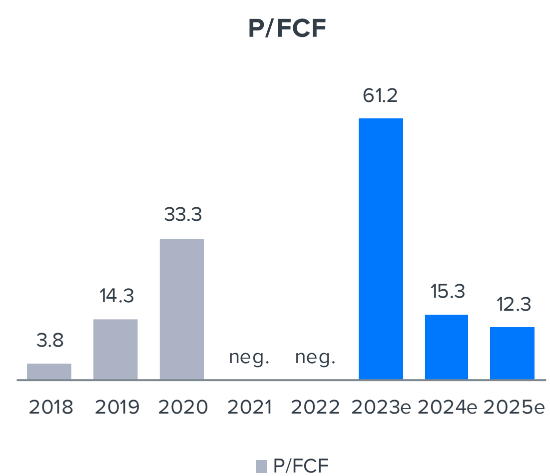
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.05	0.17	0.70	1.47	0.63	**0.52**	**0.52**	**0.52**	**0.52**
Number of shares, millions	136.6	235.3	274.6	313.2	311.0	**312.0**	**312.0**	**312.0**	**312.0**
Market cap	6.8	40	192	460	196	**161**	**161**	**161**	**161**
EV	19	53	198	443	189	**153**	**144**	**132**	**116**
P/E (adj.)	neg.	6.0	13.6	25.0	17.0	**11.6**	**8.9**	**7.9**	**7.6**
P/E	neg.	5.2	14.2	25.0	17.0	**11.6**	**8.9**	**7.9**	**7.6**
P/FCF	3.8	14.3	33.3	neg.	neg.	**61.2**	**15.3**	**12.3**	**9.8**
P/B	neg.	11.7	9.7	6.8	2.4	**1.7**	**1.4**	**1.2**	**1.0**
P/S	0.2	0.9	3.6	7.2	2.7	**2.0**	**1.8**	**1.7**	**1.6**
EV/Sales	0.5	1.1	3.7	6.9	2.6	**1.9**	**1.6**	**1.4**	**1.2**
EV/EBITDA	3.3	3.4	9.7	17.5	9.5	**5.9**	**4.4**	**3.7**	**3.1**
EV/EBIT (adj.)	3.3	4.1	10.2	18.7	10.3	**7.0**	**5.5**	**4.8**	**4.0**
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	10639	10601	13.4	12.5	10.8	10.2	2.4	2.2	16.3	14.7	1.7	1.8	3.2
CSG Systems International Inc	1555	1795	11.0	10.2	8.3	7.7	1.8	1.7	15.4	13.9	2.1	2.2	
Comarch SA	314	263	8.1	6.9	4.9	4.7	0.6	0.6	11.7	11.3	3.1	3.7	0.9
Sterlite Technologies Ltd	716	1080	17.1	10.4	10.9	7.7	1.4	1.2	40.9	13.0	0.7	2.5	3.1
Cerillion PLC	402	384	25.6	21.6	21.7	18.8	8.9	7.8	32.0	28.0	0.9	1.0	10.2
Tecnotree (Inderes)	**161**	**153**	**7.0**	**5.5**	**5.9**	**4.4**	**1.9**	**1.6**	**11.6**	**8.9**	**0.0**	**0.0**	**1.7**
Average			**15.0**	**12.3**	**11.3**	**9.8**	**3.0**	**2.7**	**23.2**	**16.2**	**1.7**	**2.3**	**4.3**
Median			**13.4**	**10.4**	**10.8**	**7.7**	**1.8**	**1.7**	**16.3**	**13.9**	**1.7**	**2.2**	**3.1**
Diff-% to median			***-48%***	***-47%***	***-45%***	***-43%***	***2%***	***-5%***	***-29%***	***-36%***	***-100%***	***-100%***	***-45%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**64.2**	**13.3**	**18.3**	**19.9**	**20.1**	**71.6**	**15.5**	**20.5**	**22.4**	**23.3**	**81.7**	**88.2**	**95.6**	**100**
EBITDA	**25.3**	**3.0**	**6.0**	**4.2**	**6.6**	**19.8**	**4.2**	**5.8**	**7.8**	**8.0**	**25.9**	**32.6**	**35.4**	**37.5**
Depreciation	-1.6	-1.0	-0.9	0.9	-0.5	-1.5	-0.6	-1.0	-1.1	-1.2	-3.9	-6.5	-7.7	-8.6
EBIT (excl. NRI)	**23.7**	**2.0**	**5.1**	**5.0**	**6.1**	**18.3**	**3.6**	**4.8**	**6.7**	**6.8**	**22.0**	**26.1**	**27.7**	**28.9**
EBIT	**23.7**	**2.0**	**5.1**	**5.0**	**6.1**	**18.3**	**3.6**	**4.8**	**6.7**	**6.8**	**22.0**	**26.1**	**27.7**	**28.9**
Group	23.7	2.0	5.1	5.0	6.1	18.3	3.6	4.8	6.7	6.8	22.0	26.1	27.7	28.9
Net financial items	-2.2	-0.4	0.7	0.0	-1.4	-1.1	-1.0	-0.8	-0.8	-0.7	-3.2	-2.1	-1.0	-1.0
PTP	**21.5**	**1.6**	**5.9**	**5.1**	**4.7**	**17.2**	**2.7**	**4.0**	**6.0**	**6.1**	**18.8**	**24.0**	**26.7**	**27.9**
Taxes	-3.1	-0.6	-1.9	-1.7	-1.5	-5.7	-0.9	-1.0	-1.5	-1.5	-4.9	-6.0	-6.4	-6.7
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	0.0	0.0
Net earnings	**18.4**	**1.0**	**4.0**	**3.4**	**3.2**	**11.6**	**1.8**	**3.0**	**4.5**	**4.6**	**13.8**	**18.0**	**20.3**	**21.2**
EPS (adj.)	**0.06**	**0.00**	**0.01**	**0.01**	**0.01**	**0.04**	**0.01**	**0.01**	**0.01**	**0.01**	**0.04**	**0.06**	**0.07**	**0.07**
EPS (rep.)	**0.06**	**0.00**	**0.01**	**0.01**	**0.01**	**0.04**	**0.01**	**0.01**	**0.01**	**0.01**	**0.04**	**0.06**	**0.07**	**0.07**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	21.6 %	18.6 %	9.7 %	9.3 %	11.0 %	11.5 %	17.0 %	11.9 %	12.5 %	15.8 %	14.1 %	8.0 %	8.4 %	5.0 %
Adjusted EBIT growth-%	22.7 %	-34.2 %	-32.4 %	-28.9 %	3.2 %	-22.7 %	77.5 %	-5.5 %	33.1 %	11.6 %	20.1 %	18.5 %	6.4 %	4.5 %
EBITDA-%	39.4 %	22.5 %	32.9 %	20.9 %	33.0 %	27.7 %	27.2 %	28.4 %	34.9 %	34.5 %	31.7 %	36.9 %	37.0 %	37.4 %
Adjusted EBIT-%	36.9 %	15.4 %	27.9 %	25.4 %	30.4 %	25.6 %	23.3 %	23.5 %	30.0 %	29.3 %	26.9 %	29.5 %	29.0 %	28.8 %
Net earnings-%	28.7 %	7.8 %	21.8 %	16.8 %	15.7 %	16.1 %	11.3 %	14.7 %	20.0 %	19.8 %	16.9 %	20.4 %	21.2 %	21.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**13.1**	**26.4**	**34.2**	**38.9**	**42.5**
Goodwill	0.0	5.7	5.7	5.7	5.7
Intangible assets	9.9	17.9	25.5	30.1	33.7
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**	**82.1**	**91.6**	**108**
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	71.9	75.0	78.8
Cash and equivalents	17.6	12.3	10.3	16.6	28.9
Balance sheet total	**79.3**	**104**	**116**	**130**	**150**

Source: Inderes

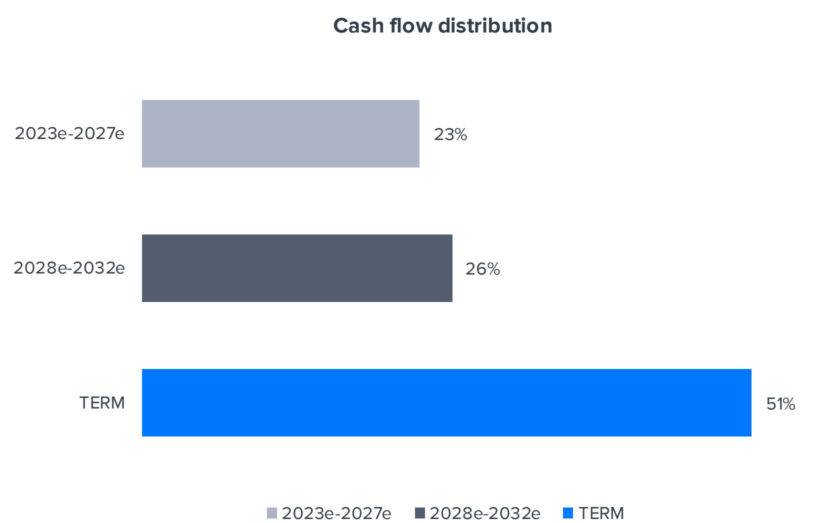
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**67.7**	**80.1**	**93.9**	**112**	**132**
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	37.1	49.5	63.3	81.3	102
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.3	29.3	29.3	29.3	29.3
Minorities	0.0	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**	**19.7**	**15.9**	**15.3**
Short term debt	0.1	2.5	2.6	0.0	0.0
Payables	8.9	15.8	17.2	15.9	15.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**79.3**	**104**	**116**	**130**	**150**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	11.5 %	14.1 %	8.0 %	8.4 %	5.0 %	4.5 %	4.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	25.6 %	26.9 %	29.5 %	29.0 %	28.8 %	28.5 %	28.0 %	27.5 %	27.0 %	27.0 %	27.0 %	27.0 %
EBIT (operating profit)	**18.3**	**22.0**	**26.1**	**27.7**	**28.9**	**29.9**	**30.6**	**30.9**	**31.3**	**32.2**	**32.8**	
+ Depreciation	1.5	3.9	6.5	7.7	8.6	9.3	9.9	10.3	10.7	11.0	11.2	
- Paid taxes	-5.7	-4.9	-6.0	-6.4	-6.7	-6.6	-6.5	-6.6	-6.7	-6.9	-7.2	
- Tax, financial expenses	-0.2	-0.8	-0.5	-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	-5.4	-4.4	-4.4	-2.8	-0.9	-1.6	-0.9	-1.5	-1.5	-1.5	
Operating cash flow	**4.4**	**14.7**	**21.7**	**24.4**	**27.8**	**31.4**	**32.1**	**33.5**	**33.5**	**34.5**	**35.4**	
+ 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	-11.7	-11.2	-11.3	-11.4	-11.6	-11.7	-11.7	-11.8	-11.9	-11.9	
Free operating cash flow	**-10.0**	**2.6**	**10.5**	**13.1**	**16.4**	**19.8**	**20.4**	**21.8**	**21.7**	**22.6**	**23.5**	
+/- 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	2.6	10.5	13.1	16.4	19.8	20.4	21.8	21.7	22.6	23.5	268
Discounted FCFF		**2.4**	**8.8**	**9.9**	**11.2**	**12.2**	**11.3**	**10.9**	**9.8**	**9.2**	**8.6**	**97.8**
Sum of FCFF present value		192	189	181	171	160	147	136	125	115	106	97.8
Enterprise value DCF		**192**										
- Interesting bearing debt		-4.9										
+ Cash and cash equivalents		12.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**199**										
Equity value DCF per share		**0.64**										

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
Revenue	52.8	64.2	71.6	**81.7**	**88.2**
EBITDA	20.3	25.3	19.8	**25.9**	**32.6**
EBIT	18.6	23.7	18.3	**22.0**	**26.1**
PTP	15.9	21.5	17.2	**18.8**	**24.0**
Net Income	13.6	18.4	11.6	**13.8**	**18.0**
Extraordinary items	-0.7	0.0	0.0	**0.0**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	50.6	79.3	103.8	**116.3**	**130.5**
Equity capital	19.9	67.7	80.1	**93.9**	**111.9**
Goodwill	0.0	0.0	5.7	**5.7**	**5.7**
Net debt	5.4	-17.6	-7.5	**-7.7**	**-16.6**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	20.3	25.3	19.8	**25.9**	**32.6**
Change in working capital	-8.1	-15.5	-9.6	**-5.4**	**-4.4**
Operating cash flow	12.9	6.3	4.4	**14.7**	**21.7**
CAPEX	-3.6	-7.3	-14.8	**-11.7**	**-11.2**
Free cash flow	5.8	-4.7	-4.9	**2.6**	**10.5**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	3.7	6.9	2.6	**1.9**	**1.6**
EV/EBITDA (adj.)	9.7	17.5	9.5	**5.9**	**4.4**
EV/EBIT (adj.)	10.2	18.7	10.3	**7.0**	**5.5**
P/E (adj.)	13.6	25.0	17.0	**11.6**	**8.9**
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

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.05	0.06	0.04	**0.04**	**0.06**
EPS (adj.)	0.05	0.06	0.04	**0.04**	**0.06**
OCF / share	0.05	0.02	0.01	**0.05**	**0.07**
FCF / share	0.02	-0.01	-0.02	**0.01**	**0.03**
Book value / share	0.07	0.22	0.26	**0.30**	**0.36**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	12%	22%	12%	**14%**	**8%**
EBITDA growth-%	32%	24%	-22%	**31%**	**26%**
EBIT (adj.) growth-%	48%	23%	-23%	**20%**	**18%**
EPS (adj.) growth-%	82%	14%	-37%	**19%**	**30%**
EBITDA-%	38.5 %	39.4 %	27.7 %	**31.7 %**	**36.9 %**
EBIT (adj.)-%	36.6 %	36.9 %	25.6 %	**26.9 %**	**29.5 %**
EBIT-%	35.2 %	36.9 %	25.6 %	**26.9 %**	**29.5 %**
ROE-%	116.2 %	42.0 %	15.6 %	**15.9 %**	**17.5 %**
ROI-%	73.1 %	46.8 %	24.0 %	**24.2 %**	**25.0 %**
Equity ratio	39.3 %	85.4 %	77.1 %	**80.7 %**	**85.8 %**
Gearing	27.1 %	-25.9 %	-9.3 %	**-8.2 %**	**-14.8 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
30-03-21	Buy	0.68 €	0.56 €
30-04-21	Buy	0.92 €	0.77 €
31-05-21	Buy	1.00 €	0.86 €
13-08-21	Accumulate	1.54 €	1.39 €
12-10-21	Buy	1.54 €	1.14 €
01-11-21	Accumulate	1.70 €	1.52 €
03-12-21	Buy	1.70 €	1.29 €
28-02-22	Buy	1.50 €	1.21 €
02-05-22	Buy	1.10 €	0.92 €
Analyst changed			
05-08-22	Accumulate	0.80 €	0.69 €
15-09-22	Accumulate	0.65 €	0.54 €
24-10-22	Accumulate	0.65 €	0.54 €
15-12-22	Accumulate	0.70 €	0.63 €
27-02-23	Reduce	0.58 €	0.54 €
28-03-23	Accumulate	0.54 €	0.44 €
19-04-23	Reduce	0.54 €	0.52 €

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