

Tecnotree

Company report

10/28/2024 11:00 am EET



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

✓ Inderes corporate customer

This report is a summary translation of the report "Riskitaso pysyy korkeana" published on 10/28/2024 at 7:50 am EET.

inde
res.

Risk level remains high

Tecnotree's Q3 results were well below our forecasts, with a sharp decline in revenue and earnings. Cash flow improved as expected in the first half, but further evidence of an improvement in the sustainable cash flow profile remains to be seen. Given the cash flow challenges and governance shortcomings, we continue to recommend that investors stay on the sidelines, at least for now, given the very high risk profile. We reiterate our Sell recommendation and EUR 3.0 target price.

Q3 results missed our forecasts - cash flow slightly improved as expected

Tecnotree's Q3 revenue decreased by 11% to 19.0 MEUR, compared to our expectations of moderate growth (forecast around 4%). We believe that the decrease was influenced by the low order intake in the beginning of the year, but there was an upturn in orders in Q3 (23.8 MEUR). On a quarterly basis, the order book returned to growth (+3%) but was still down year-on-year (-4%). The risks associated with the growth outlook have increased to some extent. Tecnotree's EBIT landed at 5.0 MEUR in Q3, which was also significantly below our forecast (7.8 MEUR). The miss was largely due to lower-than-expected revenue, with no major surprises on the expense side. As expected, free cash flow improved compared to the first half of the year and amounted to 1.7 MEUR, mainly due to the release of working capital and lower investments. The H2 cash flow guidance also points to positive free cash flow in Q4, but we await further evidence of sustainable cash flow improvement.

Significant currency fluctuations make interpretation of guidance difficult

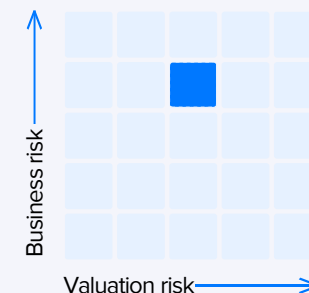
Tecnotree reiterated its guidance for the current year of 2-7% revenue growth and 7-15% EBIT growth. Due to Tecnotree's significant FX exposure, the absolute revenue and profit figures differ significantly from the figures presented in constant currency. Absolute revenue was down 4% in the first nine months, but up 11% at constant exchange rates. Adjusted EBIT decreased by 1% in absolute terms but increased by 28% at constant exchange rates. As a result, the company could even raise its guidance for the rest of the year, even though the absolute numbers are moving in the wrong direction. We expect Tecnotree's revenue to decline by 1% this year to 77.4 MEUR and adjusted EBIT to decline to 22.8 MEUR (reported EBIT expected to be 19.9 MEUR).

Our advice is to remain on the sidelines

In our opinion, determining the fair value of Tecnotree is very challenging in the current environment. We do not believe that cheap-looking earnings-based multiples can be relied upon, and visibility on the company's sustainable cash flow generation capacity is weak. Around the lower end of next year's cash flow guidance, the cash flow yield would be in the single digits, which we find unattractive given Tecnotree's risk level. The valuation should also take into account the dilution caused by the company's convertible bonds and the staff incentive plan in the coming years (combined effect of almost 50% at the current share price). In our view, the risk level of the company's business is high, and the company's communication and corporate governance deficiencies increase the risks. The quality of receivables and intangible assets also poses clear risks. In our view, the Q3 report did not yet show clear signs of a sustained improvement in the risk and cash flow profile, although the cash flow moved to the right direction. We believe that the risk/reward ratio for investors is still unsatisfactory when considering the overall picture. We emphasize that a target price for Tecnotree is illusory in the current situation and recommend that investors pay particular attention to the recommendation.

Recommendation

Sell
(was Sell)
EUR 3.00
(was EUR 3.00)
Share price:
3.65



Key figures

	2023	2024e	2025e	2026e
Revenue	78.4	77.4	79.9	82.6
growth-%	9%	-1%	3%	3%
EBIT adj.	23.8	22.8	23.2	24.1
EBIT-% adj.	30.4 %	29.5 %	29.0 %	29.2 %
Net Income	11.2	12.0	14.6	15.3
EPS (adj.)	0.71	0.93	0.89	0.53
P/E (adj.)	9.6	3.9	4.1	6.9
P/B	1.2	0.6	0.5	0.6
P/FCF	neg.	11.5	11.4	7.7
EV/EBIT (adj.)	4.8	2.7	2.7	2.3
EV/EBITDA	4.1	2.2	1.9	1.6
EV/S	1.4	0.8	0.8	0.7

Source: Inderes

Guidance (Unchanged)

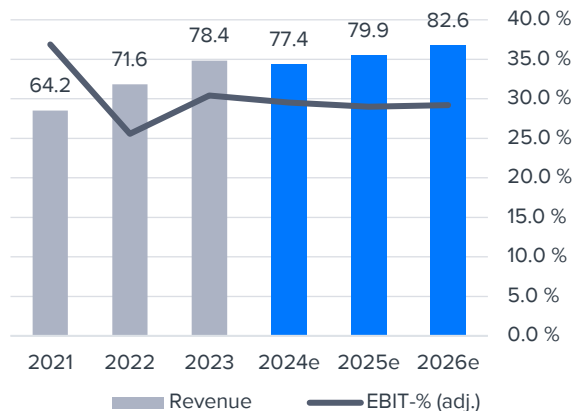
Tecnotree expects in 2024:

- Revenue to be higher by 2%-7% compared to 2023
- Operating profit (EBIT) to be higher by 7%-15% compared to 2023 Tecnotree expects free cash flow to reach 2-5 MEUR in the second half of 2024. In 2025, Tecnotree expects a capital expenditure to revenue ratio of 10-12% and a free cash flow above 3 MEUR.

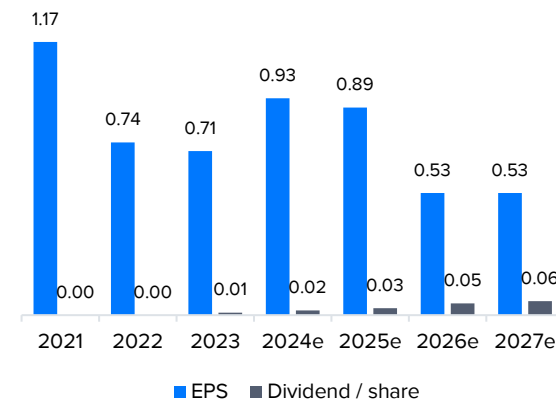
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- A clear and sustainable improvement in cash flow
- Value-generating M&A transactions
- Industry's organic drivers are strong and longer-term growth outlook is good
- Increasing recurring income flow
- Technologically competent product portfolio



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	3.65	3.65	3.65
Number of shares, millions	16.0	16.3	29.1
Market cap	58	60	106
EV	63	62	56
P/E (adj.)	3.9	4.1	6.9
P/E	4.9	4.1	6.9
P/B	0.6	0.5	0.6
P/S	0.8	0.7	1.3
EV/Sales	0.8	0.8	0.7
EV/EBITDA	2.2	1.9	1.6
EV/EBIT (adj.)	2.7	2.7	2.3
Payout ratio (%)	2.7 %	3.4 %	9.5 %
Dividend yield-%	0.5 %	0.8 %	1.4 %

Source: Inderes

Key figures well below our forecasts

Revenue down well against our expectations

Tecnotree's Q3 revenue decreased by 11% to 19.0 MEUR, well below our forecast of moderate growth. At constant exchange rates, revenue also fell by around 5% from the comparison period. In general, growth is partly limited by the shift to the ARR model, where revenue is generated more slowly as larger one-time licenses do not come in at the same rate. We also expect the slowdown in growth to be the result of weak order intake in the early part of the year.

Revenue during the quarter was mainly generated from deliveries (5.1 MEUR), own licenses (5.5 MEUR) and maintenance and management services (8.1 MEUR). Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures.

Tecnotree's order book decreased by 4% compared to the strong level of the previous year and amounted to 75.1 MEUR. However, compared to the previous quarter, the order book grew by 3%. Order intake for the quarter was 23.8 MEUR, clearly recovering from the weaker level of the first quarter,

but still below the strong level of the comparison period (-23%).

EBIT was also well below our expectations

In Q3, Tecnotree's EBIT was 5.0 MEUR (Q2'23: 6.2 MEUR) and was clearly below our 7.8 MEUR forecast. Earnings missed our forecasts by almost as much as revenue. As a result, the fixed cost structure was broadly in line with our expectations. The gross margin was slightly below our expectations (86%), but this was explained by a higher-than-normal use of subcontractors. However, material and service costs are expected to normalize in the future.

Personnel and other costs were down significantly year-on-year, which we believe is due to the company's cost-cutting measures. The company estimates the saving impact to be 4.5 MEUR in H2 and 7 MEUR in 2025. The company said it is on track with the program.

Exchange rates caused a gain for a change and totaled 0.3 MEUR. EPS ended up at EUR 0.24, compared to our forecast of EUR 0.30. The difference is mainly due to lower-than-expected operating result.

Cash flow strengthened as expected from early year levels

Tecnotree's cash flow from operating activities was 4.4 MEUR, showing a clear year-on-year improvement (-4.1 MEUR). Cash flow was supported by the release of working capital (+2.7 MEUR) due to improved cash collections. The company managed to reduce its trade receivables to 30.7 MEUR (Q3'23: 33.3 MEUR). Other receivables, however, continued to grow and amounted to 44.6 MEUR (Q3'23: 38.0 MEUR). In our opinion, the most significant risks related to receivables are related to this item. In line with the company's targets, cash used in investing activities decreased significantly to -2.6 MEUR, compared to -3.7 MEUR in Q2 and -3.8 MEUR in Q1. Free cash flow thus amounted to 1.7 MEUR, indicating that free cash flow will also be slightly positive in Q4 (H2 guidance 2-5 MEUR).

We do not yet see a clear improvement in the structural cash flow challenges and await further evidence. Overall, however, cash flow is moving in the right direction, although the level is still relatively far from the company's earnings level.

Estimates	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus	Difference (%)	2024e
MEUR / EUR	Comparator	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	21.4	19.0	22.2				77.4
EBIT (adj.)	6.2	5.0	7.8				22.8
EBIT	6.2	5.0	7.8				19.9
PTP	4.2	4.9	6.3				15.4
EPS (reported)	0.20	0.24	0.30				0.75
Revenue growth-%	7.4 %	-11.1 %	3.8 %				2.4 %
EBIT-% (adj.)	28.9 %	26.3 %	35.2 %				29.5 %

Source: Inderes

Cuts in forecasts

Significant exchange rate fluctuations complicate interpretation of guidance

Tecnotree reiterated its guidance expecting revenue to be higher by 2-7% and operating profit (EBIT) by 7-15% compared to 2022. The guidance is based on fixed exchange rates and is difficult to interpret due to the company's significant FX exposure.

Tecnotree's revenue decreased by 4% in the first three quarters but increased by 11% at constant exchange rates. Adjusted EBIT was down 1% year-on-year in the same period (reported: down 19%), but adjusted EBIT was up 28% at constant exchange rates. Due to significant currency movements, it is somewhat difficult to assess the relationship between the forecasts and the guidance.

The outlook for cash flow is also unchanged.

Tecnotree expects H2'24 free cash flow to be 2-5 MEUR. For 2025, the company expects free cash flow to be above 3 MEUR. Cash flow guidance is given in absolute figures ("floating" currencies).

Advances in developed markets

According to Tecnotree, recognition in Gartner's Magic Quadrant, among others, has led to "improved market share prospects" in North America and Europe. In Q3, the company grew at a good pace in Europe & America (+17%) and the share of the order book in this segment is also increasing. We see this as promising in the longer term, as a stronger geographic positioning in developed markets could mitigate cash collection and currency challenges, among other things. On the other hand, we believe that the competitive situation and market dynamics are very different in developed and emerging markets, which means that competitiveness in new markets will have to be re-proven in a sense.

Estimates for 2024

Based on the report, we have significantly reduced our growth forecasts for the coming years. These were also strongly reflected in the earnings forecasts,

mainly due to the fixed cost structure.

We now expect Tecnotree's revenue to decline by 1% this year to 77.3 MEUR. We estimate that this would be sufficient to reach the company's guidance range at constant exchange rates. In absolute terms, this would also mean an growth of more than 5% in Q4, a clear turnaround after two quarters of negative growth, although the improved order flow in Q3 sets the stage for this. We expect Tecnotree's reported EBIT to reach 19.2 MEUR and adjusted EBIT to reach 22.1 MEUR (2023: 23.8 MEUR). As a result, we are forecasting a significant decline compared to last year, but a significant increase in EBIT at constant exchange rates.

In our view, the company could even have the potential to raise its guidance as its performance in constant currencies has been significantly stronger than the guidance ranges. In absolute terms, however, the result is expected to be lower than in the previous year.

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	80.3	77.4	-4%	83.6	79.9	-4%	87.8	82.6	-6%
EBITDA	31.6	28.1	-11%	35.6	33.3	-7%	37.0	34.8	-6%
EBIT (exc. NRIs)	27.0	22.8	-15%	24.1	23.2	-4%	25.3	24.1	-5%
EBIT	24.1	19.9	-17%	24.1	23.2	-4%	25.3	24.1	-5%
PTP	18.0	15.4	-14%	20.1	19.2	-5%	21.3	20.1	-5%
EPS (excl. NRIs)	1.02	0.93	-9%	0.94	0.89	-5%	0.57	0.53	-8%
DPS	0.02	0.02	0%	0.03	0.03	0%	0.05	0.05	0%

Source: Inderes

Valuation

Tecnotree is very difficult to value

In our view, determining the fair value of Tecnotree in the current situation is very challenging. We do not believe that the cheap-looking earnings-based multiples (2024e P/E 4x) can be relied upon, and visibility on the company's sustainable cash flow generation capacity is weak. Our cash flow forecast (FCFF) for next year has a free cash flow yield of 8%, well into single digits, which we find unattractive given Tecnotree's risk level (versus a required return well into double digits), as our forecast does not take into account FX losses. At the low end of the cash flow guidance, the cash flow yield is below 5%, which is weak in itself. Under the new dividend policy, dividends will also not support investors' expected return either (dividend yield of less than 1% in the coming years).

The valuation should also take into account the dilution caused by the company's convertible bonds and the staff incentive plan in the coming years (combined effect of almost 50% at the current share price). We have not included warrants in our forecasts at the current price level as their subscription price is far away from the current share price (EUR 18.0).

In our view, the company has always had a high level of risk, but the recent Pericius transaction further highlighted the company's shortcomings in communication and corporate governance. Recent events have also, we think, brought previously recognized risks to the forefront (e.g. the quality of receivables and intangible assets). In our view, the company has a lot to prove to investors, with a sustained improvement in cash flow being key. The company aims to improve its cash flow through more focused investments, currency hedging, a business

model shift towards the ARR model, and expansion into developed markets. Cash flow has moved in a slightly better direction, but we are still waiting for evidence of a more sustainable improvement in the cash flow profile.

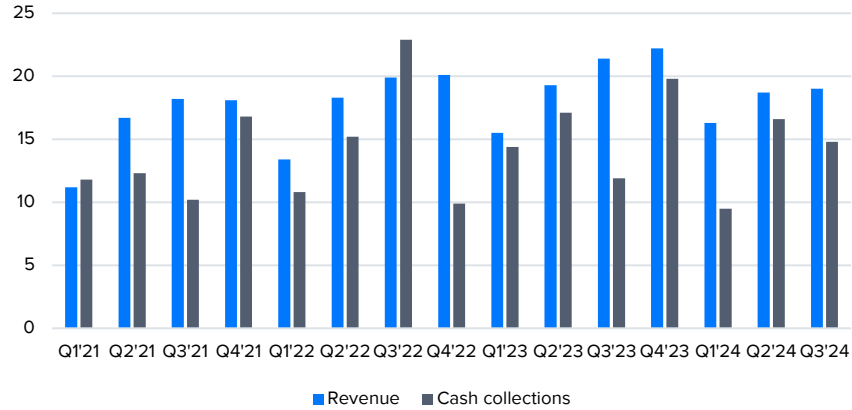
In any case, we believe the risk profile remains high. We think the company has a lot to prove before we are willing to accept a lower risk premium on the company. Given the overall picture, we recommend that investors remain on the sidelines, at least for the time being. We emphasize that a target price for Tecnotree is illusory and recommend that investors pay particular attention to the recommendation.

Valuation	2024e	2025e	2026e
Share price	3.65	3.65	3.65
Number of shares, millions	16.0	16.3	29.1
Market cap	58	60	106
EV	63	62	56
P/E (adj.)	3.9	4.1	6.9
P/E	4.9	4.1	6.9
P/B	0.6	0.5	0.6
P/S	0.8	0.7	1.3
EV/Sales	0.8	0.8	0.7
EV/EBITDA	2.2	1.9	1.6
EV/EBIT (adj.)	2.7	2.7	2.3
Payout ratio (%)	2.7 %	3.4 %	9.5 %
Dividend yield-%	0.5 %	0.8 %	1.4 %

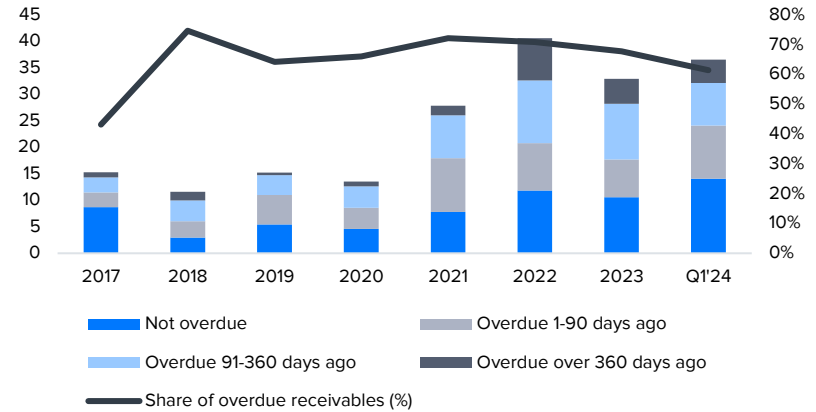
Source: Inderes

Development of key figures

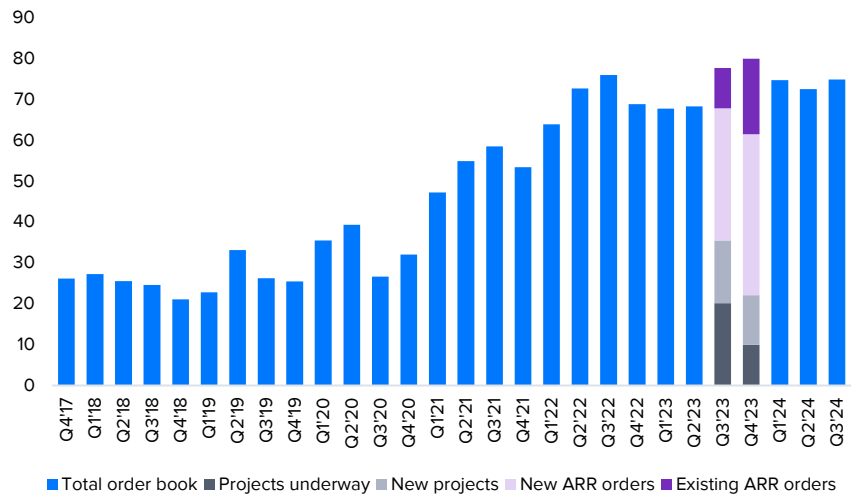
Revenue and cash collections



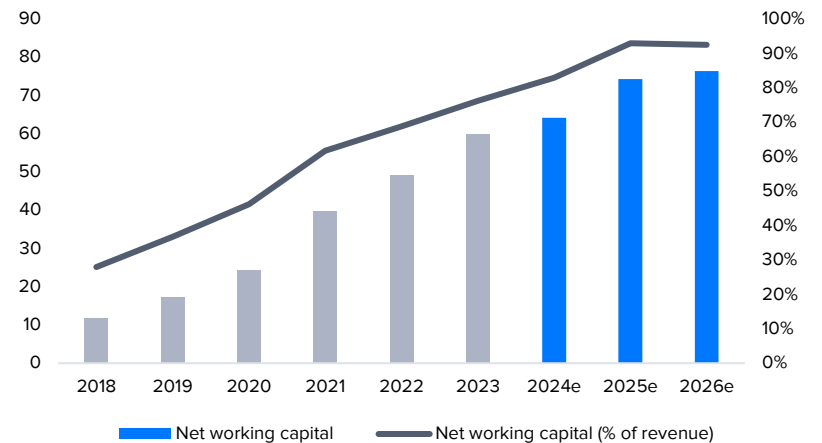
Distribution of trade receivables (no figures given in Q2-Q3)



Order book development (MEUR)



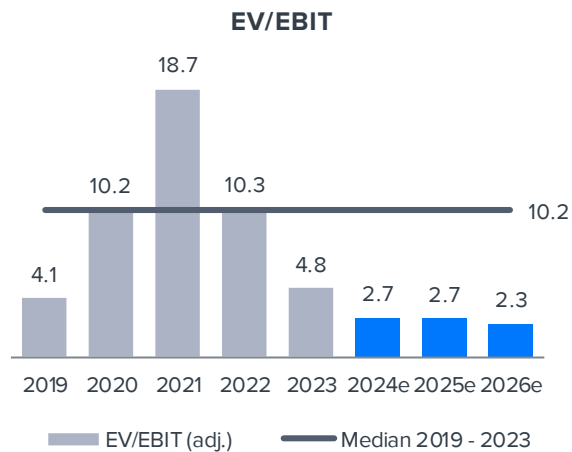
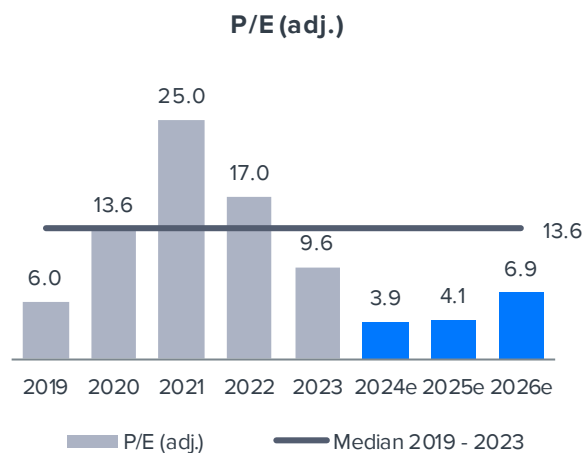
Development of net working capital



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	3.40	14.0	29.4	12.6	6.80	3.65	3.65	3.65	3.65
Number of shares, millions	11.8	13.7	15.7	15.5	15.8	16.0	16.3	29.1	29.5
Market cap	40	192	460	196	108	58	60	106	108
EV	53	198	443	189	114	63	62	56	47
P/E (adj.)	6.0	13.6	25.0	17.0	9.6	3.9	4.1	6.9	6.9
P/E	5.2	14.2	25.0	17.0	9.6	4.9	4.1	6.9	6.9
P/B	11.7	9.7	6.8	2.4	1.2	0.6	0.5	0.6	0.6
P/S	0.9	3.6	7.2	2.7	1.4	0.8	0.7	1.3	1.3
EV/Sales	1.1	3.7	6.9	2.6	1.4	0.8	0.8	0.7	0.6
EV/EBITDA	3.4	9.7	17.5	9.5	4.1	2.2	1.9	1.6	1.3
EV/EBIT (adj.)	4.1	10.2	18.7	10.3	4.8	2.7	2.7	2.3	2.0
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	1.4 %	2.7 %	3.4 %	9.5 %	11.4 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %	0.5 %	0.8 %	1.4 %	1.6 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Amdocs Ltd	9369	9502	11.2	10.7	9.5	9.1	2.1	2.0	13.8	12.6	2.1	2.1	2.9
CSG Systems International Inc	1284	1681	9.4	8.8	7.3	7.0	1.6	1.5	11.1	10.5	2.6	2.7	
Comarch SA	747	664	20.5	16.1	12.2	10.5	1.5	1.4	21.7	17.5	1.5	1.7	1.9
Sterlite Technologies Ltd	613	935	21.4	40.0	11.1	15.0	1.4	1.5	16.4		2.2	0.4	2.2
Cerillion PLC	606	577	27.6	25.0	24.5	22.2	10.9	9.7	35.1	32.0	0.7	0.8	10.6
Tecnotree (Inderes)	58	63	2.7	2.7	2.2	1.9	0.8	0.8	3.9	4.1	0.5	0.8	0.6
Average			18.0	20.1	12.9	12.7	3.5	3.2	19.6	18.1	1.8	1.5	4.4
Median			20.5	16.1	11.1	10.5	1.6	1.5	16.4	15.1	2.1	1.7	2.5
Diff-% to median			-87%	-83%	-80%	-82%	-48%	-49%	-76%	-73%	-74%	-51%	-76%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	71.6	15.5	19.3	21.4	22.2	78.4	16.3	18.7	19.0	23.4	77.4	79.9	82.6	85.1
EBITDA	19.8	4.2	6.9	7.4	9.3	27.7	6.0	5.8	7.1	9.2	28.1	33.3	34.8	35.9
Depreciation	-1.5	-0.6	-0.7	-1.2	-1.4	-3.9	-1.6	-2.2	-2.1	-2.2	-8.1	-10.1	-10.7	-11.8
EBIT (excl. NRI)	18.3	3.6	6.2	6.2	7.9	23.8	4.4	6.5	5.0	6.9	22.8	23.2	24.1	24.1
EBIT	18.3	3.6	6.2	6.2	7.9	23.8	4.4	3.6	5.0	6.9	19.9	23.2	24.1	24.1
Net financial items	-1.1	-1.0	-1.9	-1.9	-5.1	-9.9	-2.3	-0.8	-0.1	-1.3	-4.5	-4.0	-4.0	-4.0
PTP	17.2	2.7	4.3	4.2	2.8	13.9	2.1	2.8	4.9	5.6	15.4	19.2	20.1	20.1
Taxes	-5.7	-0.9	-0.5	-1.0	-0.3	-2.8	-0.4	-0.8	-0.8	-1.4	-3.4	-4.6	-4.8	-4.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.6	1.8	3.8	3.2	2.5	11.2	1.6	2.0	4.1	4.2	12.0	14.6	15.3	15.5
EPS (adj.)	0.74	0.11	0.24	0.20	0.16	0.71	0.10	0.31	0.26	0.26	0.93	0.89	0.53	0.53
EPS (rep.)	0.74	0.11	0.24	0.20	0.16	0.71	0.10	0.13	0.26	0.26	0.75	0.89	0.53	0.53
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	11.5 %	17.0 %	5.4 %	7.4 %	10.4 %	9.5 %	4.7 %	-3.4 %	-10.9 %	5.5 %	-1.3 %	3.3 %	3.4 %	3.0 %
Adjusted EBIT growth-%	-22.7 %	77.5 %	21.1 %	22.2 %	28.5 %	30.2 %	21.5 %	5.2 %	-19.0 %	-11.8 %	-4.2 %	1.5 %	4.1 %	-0.1 %
EBITDA-%	27.7 %	27.2 %	35.6 %	34.5 %	41.7 %	35.4 %	37.1 %	30.9 %	37.3 %	39.2 %	36.3 %	41.6 %	42.2 %	42.2 %
Adjusted EBIT-%	25.6 %	23.3 %	32.0 %	28.9 %	35.4 %	30.4 %	27.0 %	34.9 %	26.3 %	29.6 %	29.5 %	29.0 %	29.2 %	28.3 %
Net earnings-%	16.1 %	11.3 %	19.4 %	15.0 %	11.1 %	14.3 %	10.0 %	10.9 %	21.5 %	18.0 %	15.5 %	18.2 %	18.5 %	18.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	26.4	36.3	41.3	43.6	46.1
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.6	33.5	38.4	40.6	43.1
Tangible assets	0.4	0.4	0.5	0.5	0.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.8	1.9	1.9	1.9	1.9
Deferred tax assets	0.6	0.5	0.5	0.5	0.5
Current assets	77.4	91.9	97.2	125	137
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	65.1	71.1	76.6	84.7	86.7
Cash and equivalents	12.3	20.8	20.6	40.5	50.7
Balance sheet total	104	128	139	169	184

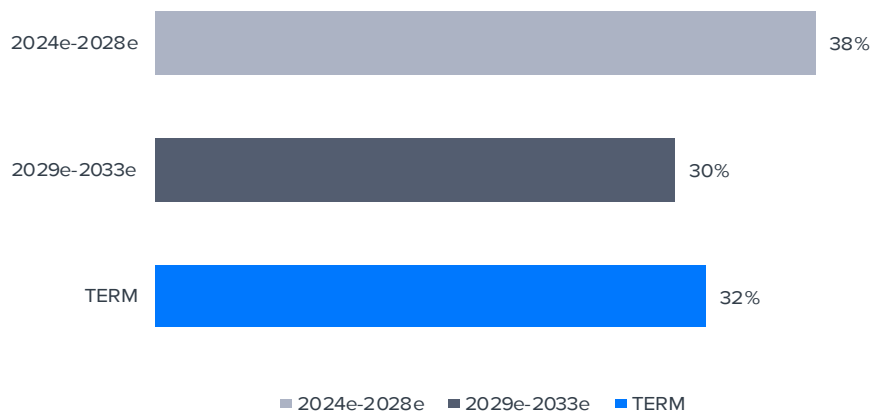
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	80.1	86.5	98.3	113	170
Share capital	1.3	1.3	1.3	1.3	44.4
Retained earnings	49.5	55.9	67.7	81.9	96.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.3	29.3	29.3	29.3	29.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	5.5	25.8	25.8	45.8	2.7
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.4	1.0	0.0	0.0	0.0
Convertibles	0.0	21.1	23.1	43.1	0.0
Other long term liabilities	3.1	3.7	2.7	2.7	2.7
Current liabilities	18.2	15.9	14.4	10.4	10.3
Interest bearing debt	2.5	4.5	2.0	0.0	0.0
Payables	15.8	11.3	12.4	10.4	10.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	104	128	139	169	184

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.5 %	-1.3 %	3.3 %	3.4 %	3.0 %	3.3 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	30.4 %	25.8 %	29.0 %	29.2 %	28.3 %	26.8 %	26.2 %	25.8 %	25.5 %	25.5 %	25.5 %	25.5 %
EBIT (operating profit)	23.8	19.9	23.2	24.1	24.1	23.6	23.7	24.1	24.4	25.0	25.5	
+ Depreciation	3.9	8.1	10.1	10.7	11.8	12.9	13.4	13.9	14.1	14.8	14.7	
- Paid taxes	-2.7	-3.4	-4.6	-4.8	-4.6	-4.3	-4.3	-4.4	-4.5	-4.6	-5.2	
- Tax, financial expenses	-2.0	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-10.4	-4.4	-10.1	-2.1	-1.9	-0.8	-1.5	-1.5	-1.1	-1.1	-1.7	
Operating cash flow	12.7	19.2	17.6	27.0	28.5	30.4	30.4	31.2	32.0	33.1	32.9	
+ Change in other long-term liabilities	0.6	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-13.9	-13.1	-12.4	-13.2	-14.2	-14.7	-15.2	-14.7	-14.6	-14.6	-14.6	
Free operating cash flow	-0.6	5.1	5.2	13.8	14.3	15.7	15.2	16.5	17.4	18.5	18.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.6	5.1	5.2	13.8	14.3	15.7	15.2	16.5	17.4	18.5	18.3	125
Discounted FCFF		4.9	4.3	9.8	8.7	8.2	6.8	6.3	5.7	5.2	4.4	30.0
Sum of FCFF present value		94.3	89.4	85.0	75.3	66.6	58.3	51.6	45.3	39.6	34.4	30.0
Enterprise value DCF		94.3										
- Interest bearing debt		-26.7										
+ Cash and cash equivalents		20.8										
-Minorities		0.0										
-Dividend/capital return		-0.2										
Equity value DCF		88.3										
Equity value DCF per share		5.5										

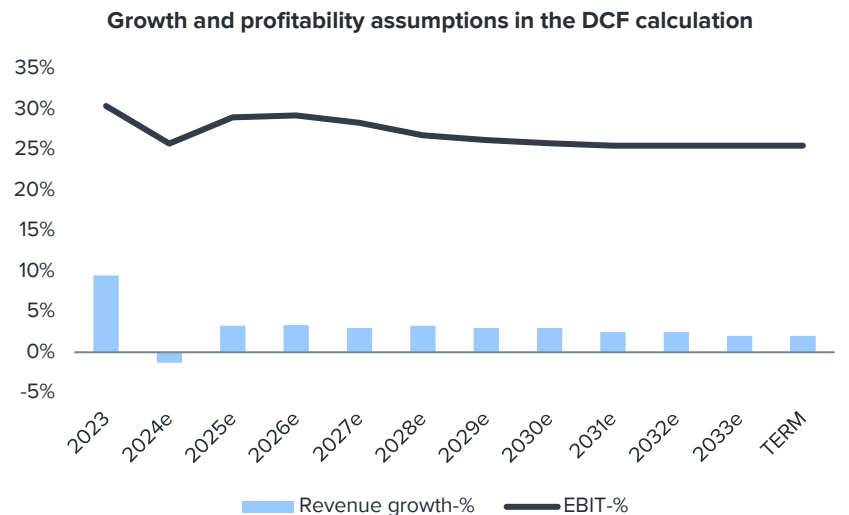
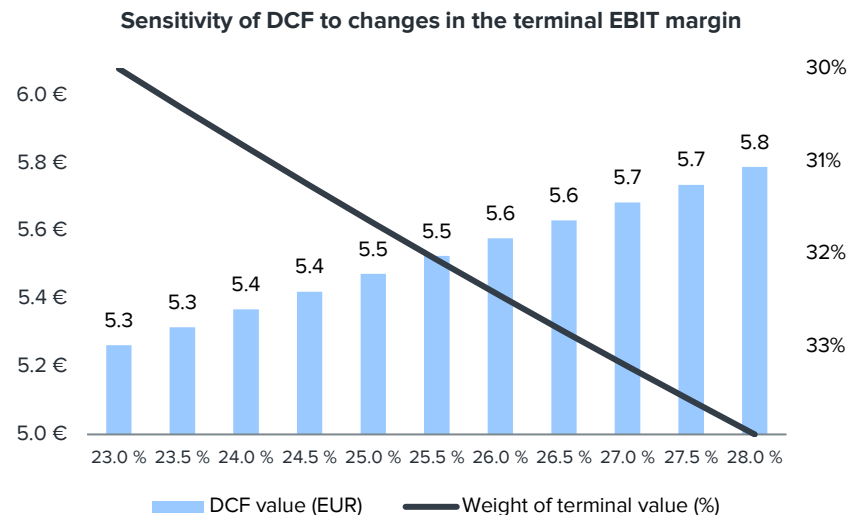
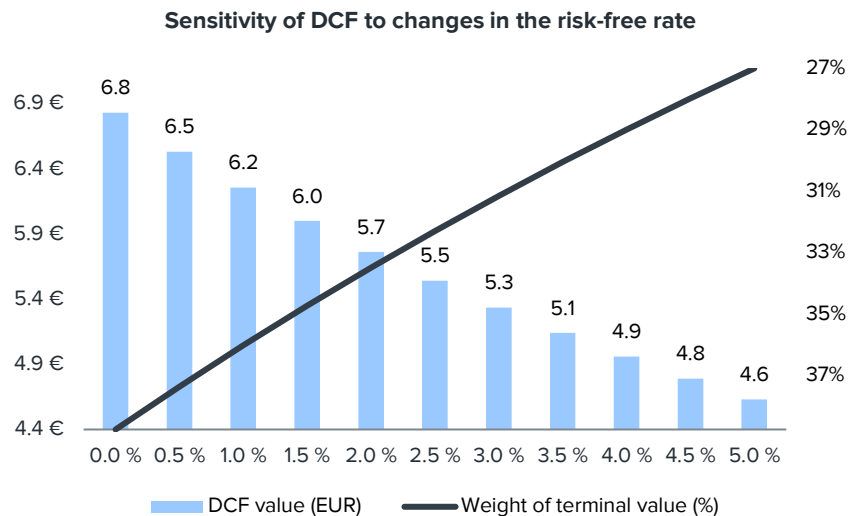
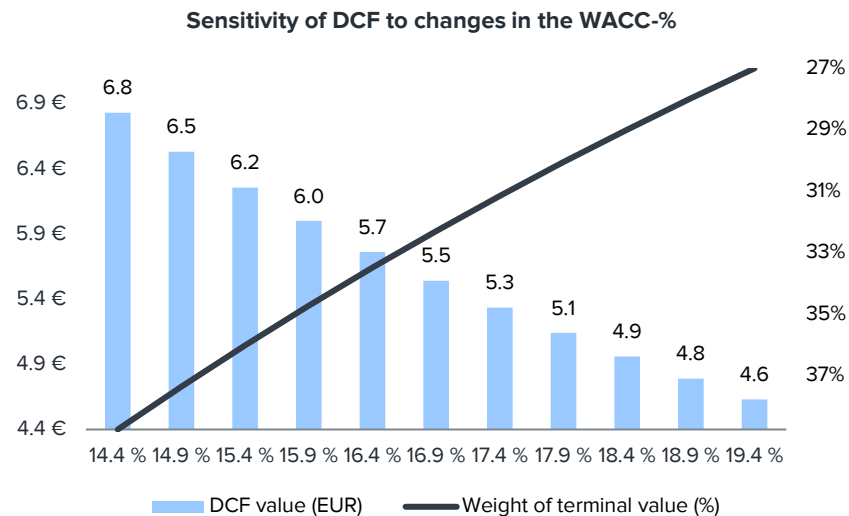
Cash flow distribution



WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	2.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	16.9 %
Weighted average cost of capital (WACC)	16.9 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



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

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	64.2	71.6	78.4	77.4	79.9	EPS (reported)	1.17	0.74	0.71	0.75	0.89
EBITDA	25.3	19.8	27.7	28.1	33.3	EPS (adj.)	1.17	0.74	0.71	0.93	0.89
EBIT	23.7	18.3	23.8	19.9	23.2	OCF / share	0.40	0.28	0.80	1.20	1.08
PTP	21.5	17.2	13.9	15.4	19.2	FCF / share	-0.30	-0.32	-0.04	0.32	0.32
Net Income	18.4	11.6	11.2	12.0	14.6	Book value / share	4.33	5.15	5.46	6.16	6.90
Extraordinary items	0.0	0.0	0.0	-2.9	0.0	Dividend / share	0.00	0.00	0.01	0.02	0.03
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	79.3	103.8	128.2	138.5	168.8	Revenue growth-%	22%	12%	9%	-1%	3%
Equity capital	67.7	80.1	86.5	98.3	112.6	EBITDA growth-%	24%	-22%	40%	1%	19%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	23%	-23%	30%	-4%	2%
Net debt	-17.6	-7.5	5.9	4.5	2.6	EPS (adj.) growth-%	14%	-37%	-5%	32%	-4%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	39.4 %	27.7 %	35.4 %	36.3 %	41.6 %
EBITDA	25.3	19.8	27.7	28.1	33.3	EBIT (adj.)-%	36.9 %	25.6 %	30.4 %	29.5 %	29.0 %
Change in working capital	-15.5	-9.6	-10.4	-4.4	-10.1	EBIT-%	36.9 %	25.6 %	30.4 %	25.8 %	29.0 %
Operating cash flow	6.3	4.4	12.7	19.2	17.6	ROE-%	42.0 %	15.6 %	13.4 %	13.0 %	13.8 %
CAPEX	-7.3	-14.8	-13.9	-13.1	-12.4	ROI-%	46.8 %	24.0 %	24.1 %	16.8 %	16.6 %
Free cash flow	-4.7	-4.9	-0.6	5.1	5.2	Equity ratio	85.4 %	77.1 %	67.5 %	71.0 %	66.7 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	-25.9 %	-9.3 %	6.8 %	4.5 %	2.3 %
EV/S	6.9	2.6	1.4	0.8	0.8						
EV/EBITDA	17.5	9.5	4.1	2.2	1.9						
EV/EBIT (adj.)	18.7	10.3	4.8	2.7	2.7						
P/E (adj.)	25.0	17.0	9.6	3.9	4.1						
P/B	6.8	2.4	1.2	0.6	0.5						
Dividend-%	0.0 %	0.0 %	0.1 %	0.5 %	0.8 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

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



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**