

Digital Workforce

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Hyvä aloitus ja näkymät kuluvalle vuodelle” published on 5/6/2024 at 7:40 am EEST.

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Good start and prospects for the current year

We raise our target price for Digital Workforce to EUR 4.0 (was 3.4e) reflecting forecast changes and improved visibility, and we reiterate our Accumulate recommendation. Digital Workforce's Q1 was better than expected, and the company's early year orders and comments boost confidence for the rest of the year. So, the turnaround seems to be progressing well, although it is still in its early stages. We expect growth to pick up slightly in the coming years, but to remain below target and historical levels. We also expect growth to scale well into profitability. Our outlook for the stock's valuation profile (2024e EV/S 0.9x, SOTP EUR 4.2) and slightly lower risk profile remain positive.

Good start to the year and orders support future

Digital Workforce's revenue increased by 3% to 6.7 MEUR, beating our forecast for the first quarter. In line with the industry focus, growth was driven by healthcare and the North American market, the geographic focus of the growth market. In addition, the company has announced significant contracts in these areas in recent months, which should support further development. EBITDA was 0.29 MEUR, almost double our forecast. EBITDA margin was 4%, up from the end of last year (H2'23 adj. -2%). Profitability was supported by higher revenue (higher billing rates as headcount decreased), the closure of the Danish and Norwegian offices at the end of last year and administrative efficiency measures.

The strategy is focused on selected customer industries based on competitive advantages

The company's strategy has changed slightly over the past few years, reflecting its stage of development in the young but large automation market. The strategy has now naturally focused on the competitive advantages of its own scalable Outsmart platform and customers in the healthcare, banking and insurance sectors. Geographically, growth will continue to be focused on the UK, Ireland and US markets, which account for ~20% of revenue and will grow ~30% by 2023. Driven by the weaker market situation, however, the company's focus has changed in the short term from growth to profitability. The company has taken several measures to improve profitability in 2024. Thus, the company has plenty of funds for M&A, which is focused on the growth markets and especially the USA.

Guidance reiterated as expected; revenue and profit expected to grow in 2024

Digital Workforce commented that its early year successes with both new sales and existing customers provide a good foundation for accelerating profitable growth in the coming quarters. The company estimates that full-year revenue in 2024 will be higher and adjusted EBITDA will be positive and improve compared to 2023. Based on the report and comments, the turnaround appears to be progressing well, and we have raised our 2024-25 forecast slightly. We expect that the company's revenue will grow by 7% and EBITDA will be 1.4 MEUR or 5% of revenue in 2024 (2023 adj. 0.2 MEUR). We pessimistically estimate that the company will grow to 29 MEUR in 2025 (8% y/y growth) and will be well below the target level (50 MEUR or ~25% y/y growth) partly driven by a challenging market. We forecast EBITDA-% to reach 7% by 2025 driven by profitability focus and continuous services (target over 10%).

Valuation picture remains attractive as risk levels have fallen

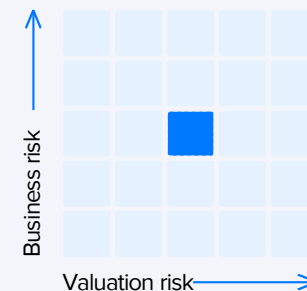
In terms of the investment profile, Digital Workforce is a turnaround company that is still in its early stages, although good progress was made in Q1, which slightly lowered the risk level. Based on our forecasts and the valuation multiples we accept for the company for the next few years, the sum of the parts, scenario analysis and the DCF, we estimate that the fair value range of Digital Workforce's share is EUR 3.2-4.7 per share (previously EUR 3.0-4.5). In the current situation, with high market uncertainty and the company's new strategy still in its early stages, our target price is around the midpoint of the range and the risk-adjusted expected return exceeds the required return

Recommendation

Accumulate
(previous Accumulate)

EUR 4.00
(previous EUR 3.40)

Share price:
3.45



Key figures

	2023	2024e	2025e	2026e
Revenue	24.9	26.6	28.9	32.8
growth-%	-2%	7%	8%	14%
EBIT adj.	0.0	1.0	1.9	3.7
EBIT-% adj.	-0.2 %	3.9 %	6.5 %	11.4 %
Net Income	-0.7	1.1	1.7	3.1
EPS (adj.)	0.01	0.10	0.17	0.30
P/E (adj.)	>100	33.7	20.7	11.6
P/B	2.3	2.4	2.2	1.9
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	23.0	11.6	4.9
EV/EBITDA	neg.	16.9	10.4	4.7
EV/S	0.87	0.89	0.76	0.56

Source: Inderes

Guidance

(Unchanged)

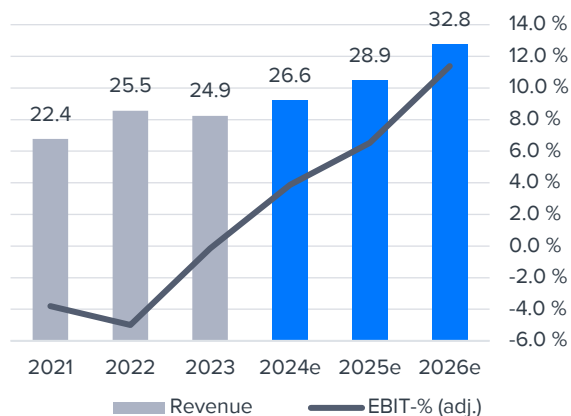
Digital Workforce estimates that full-year revenue in 2024 will be higher and adjusted EBITDA will be positive and improve compared to 2023.

Share price



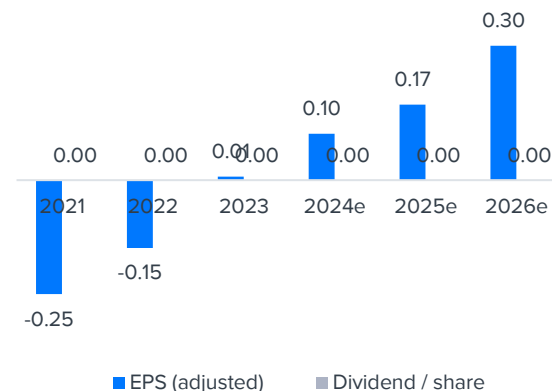
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Success in new markets (US, UK and Ireland) and accelerating growth
- Outsmart-alusta tulisi vahvistaa kilpailuetua, kiihdyttää kasvua sekä parantaa skaalautuvuutta
- Increasing the revenue share of Continuous services with better margins drives earnings growth and makes the investor profile more attractive
- Improving scalability
- Acquisitions



Risk factors

- Success of the growth strategy especially in the US
- Successful commercialization of the Outsmart platform
- Productivity of investments
- Developing large RPA technologies and their expansion to maintenance
- RPA expertise becoming bulk and clients doing the work in-house
- Reacting to market and technological changes
- Development of the employee image and success in recruitment
- Wage inflation and managing attrition
- Acquisitions

Valuation	2024e	2025e	2026e
Share price	3.45	3.45	3.45
Number of shares, millions	11.2	11.2	11.2
Market cap	39	39	39
EV	24	22	18
P/E (adj.)	33.7	20.7	11.6
P/E	33.7	22.4	12.3
P/FCF	16.7	24.1	12.0
P/B	2.4	2.2	1.9
P/S	1.4	1.3	1.2
EV/Sales	0.9	0.8	0.6
EV/EBITDA	16.9	10.4	4.7
EV/EBIT (adj.)	23.0	11.6	4.9
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Good start to the year and orders support future

Revenue up and relatively well above our forecasts

Digital Workforce's revenue increased by 3% to 6.7 MEUR, beating our forecast of just over 5.8 MEUR for the first quarter. By business lines, revenue of Continuous Services increased by 2% to 4.0 MEUR (forecast: 3.8 MEUR), while revenue Professional Services increased by 4% to 2.7 MEUR (forecast: 2.3 MEUR). Thus, both business segments exceeded our forecast. In line with the industry focus, growth was driven by healthcare and the North American market, the geographic focus of the growth market. In addition, the company has announced significant contracts in these areas in recent months, which should support further development.

Better-than-expected result supported by efficiency measures and revenue

Digital Workforce's gross profit was 2.4 MEUR or 36% of revenue in Q1, bringing the gross margin to the level of the comparison period. EBITDA was 0.29 MEUR, almost double our forecast of 0.15 MEUR. In addition, the operational result beat was better than reported than in the comparison, as the comparison period included 0.5 MEUR of product development support from Business Finland and product development capitalization. EBITDA margin was 4 % (forecast: 4%), up from the end of last year (H2'23 adj. -2%). Profitability was supported by higher revenue (higher billing rates as headcount decreased), the closure of the Danish and Norwegian offices at the end of last year and administrative efficiency measures. We anticipate that results were still constrained by strategic investments, particularly in

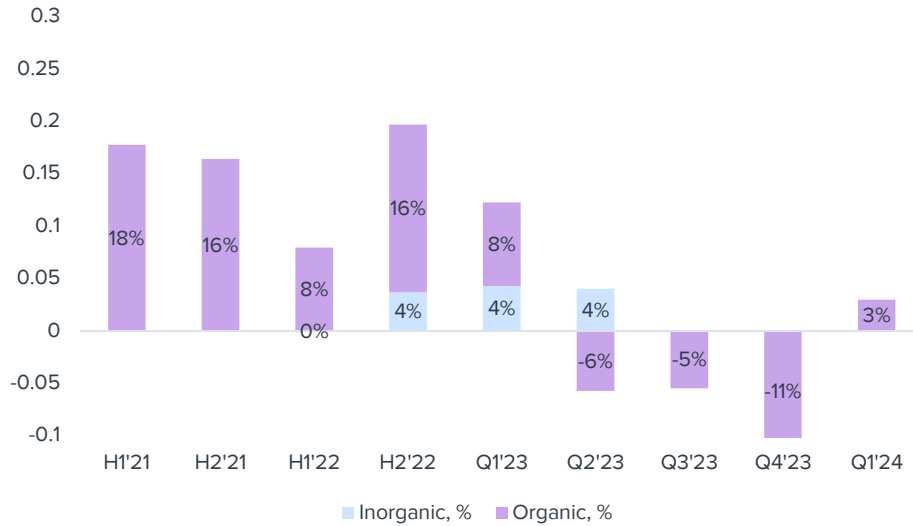
sales and marketing activities in the US, and by general cost increases. There were no surprises on the other lines and the company posted EPS of EUR 0.02. Overall, the operational trend change was good compared to the end of the year.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	6.5	6.7	6.7				0%	26.6
EBITDA (adj.)	0.25	0.29	0.29				0%	1.4
EBIT	0.21	0.19	0.19				0%	1.0
Revenue growth-%	12.3 %	2.9 %	3.0 %				-0.1 pp	6.8 %
EBITDA-%	3.9 %	4.3 %	4.2 %				0 pp	5.3 %

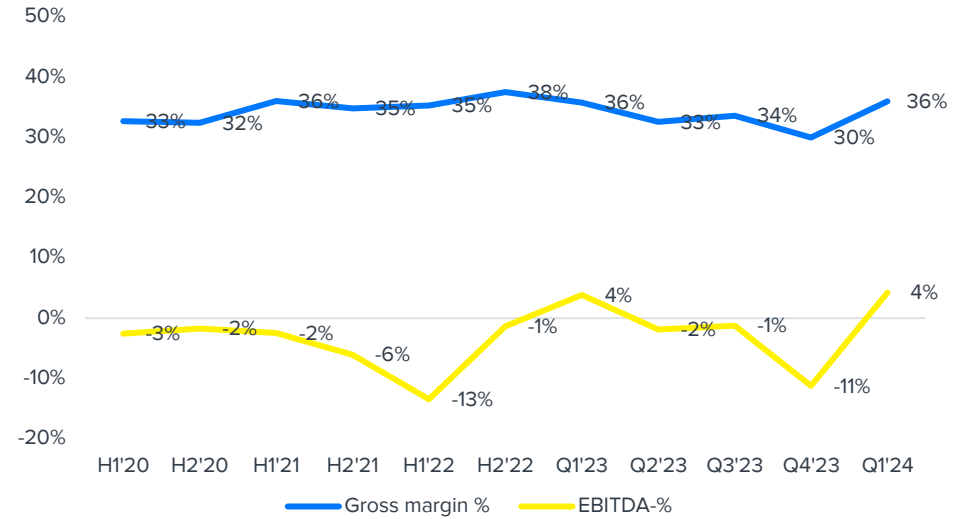
Source: Inderes

Digital Workforce's key figures

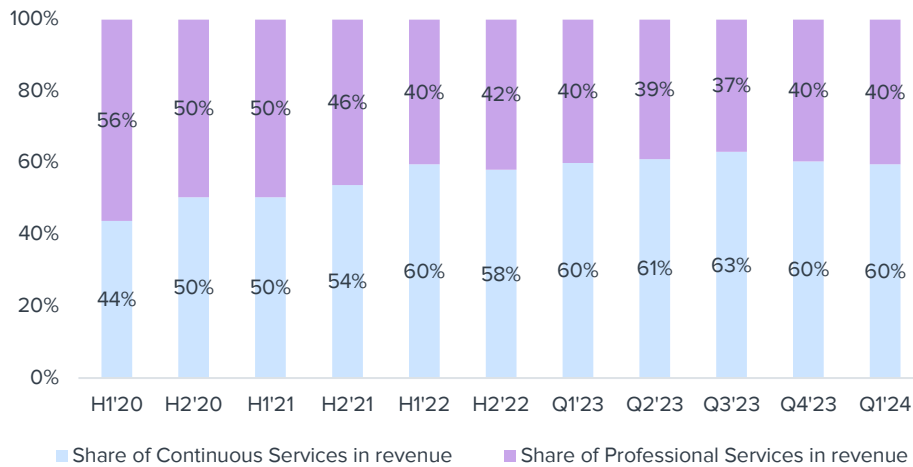
Organic and inorganic revenue development



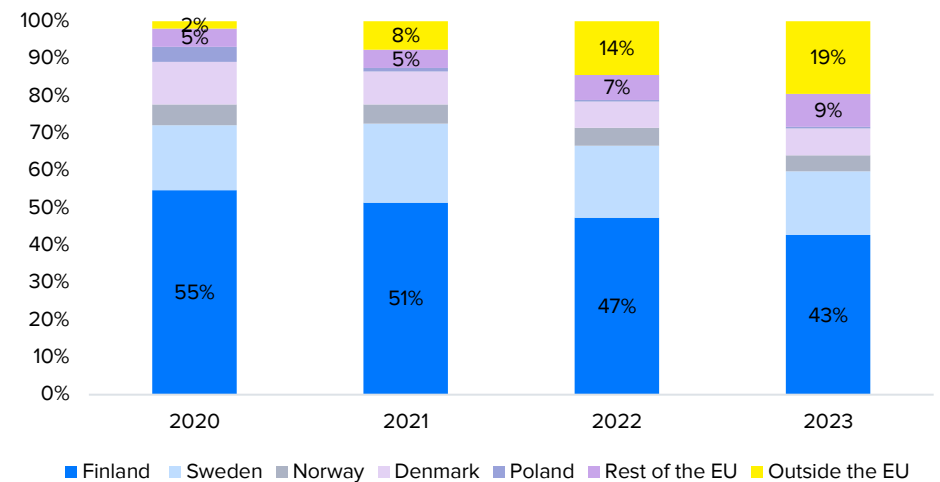
Gross margin and EBITDA (%)



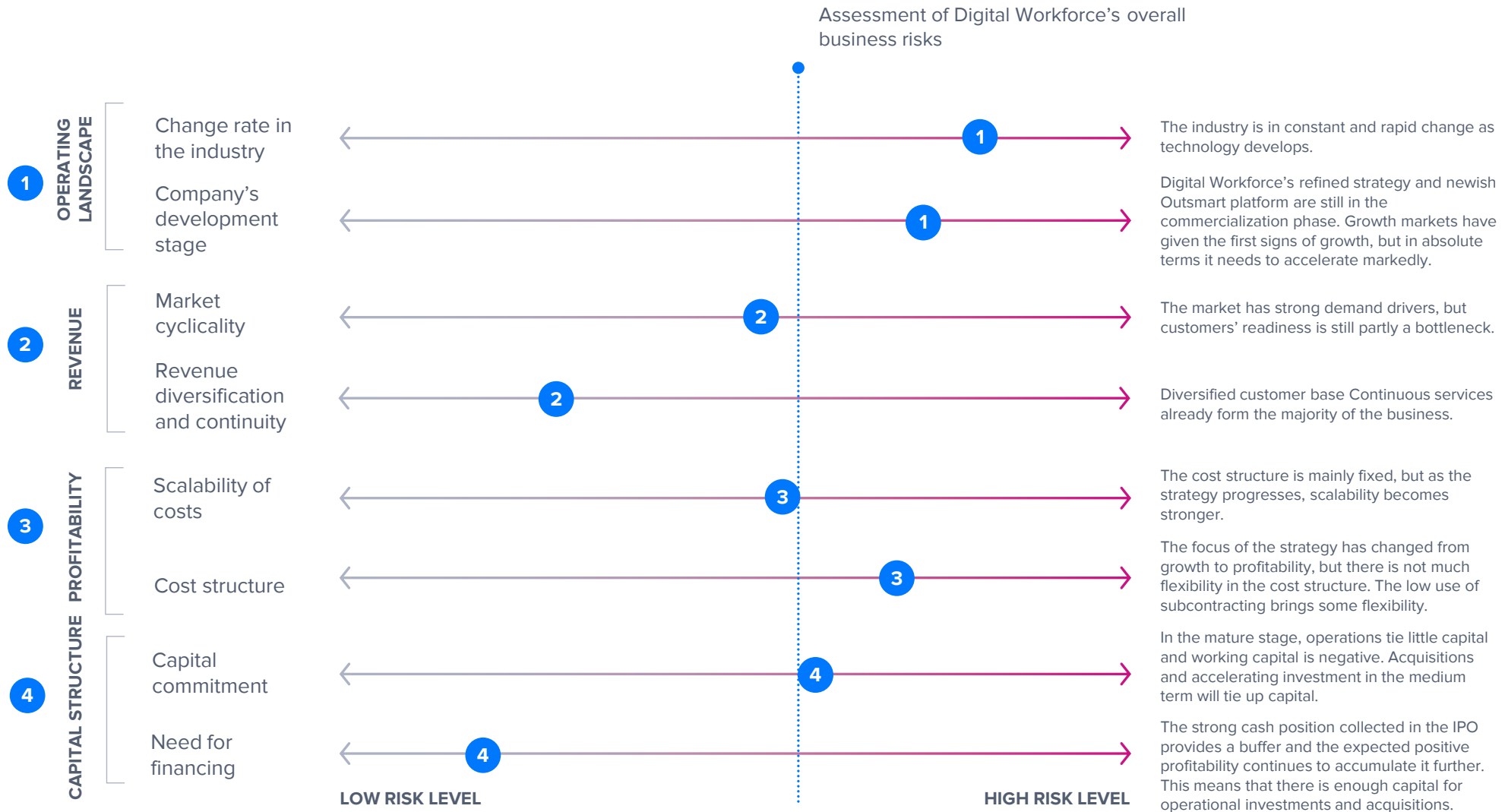
Revenue by business



Revenue by geographic area

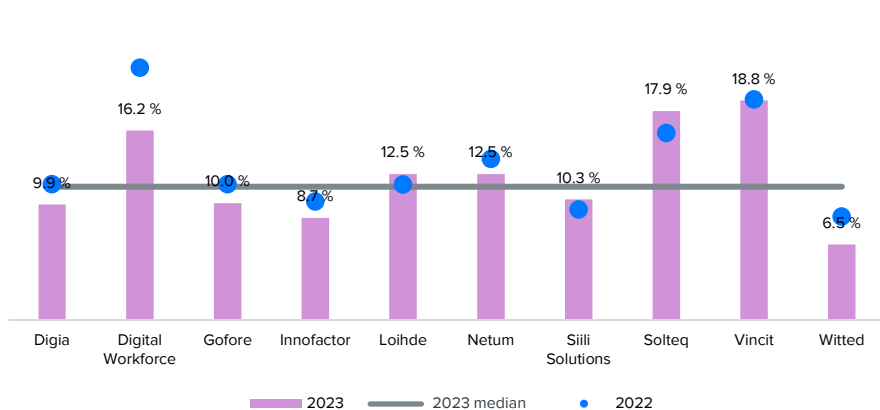


Risk profile of the business model

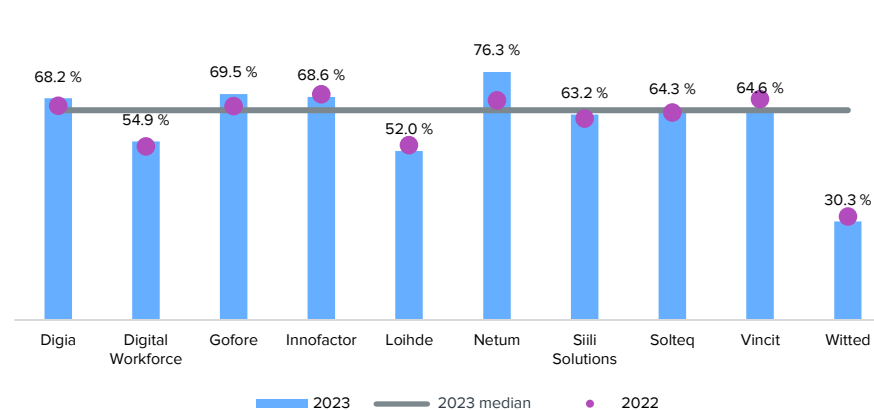


Relevant reported indicators for the sector

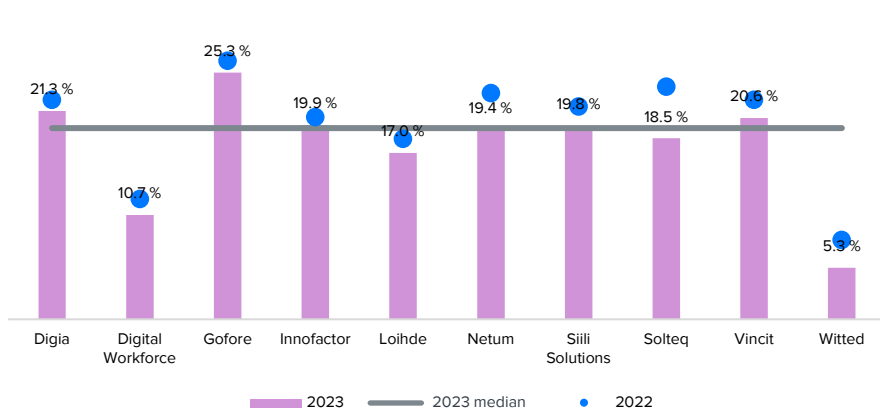
Other costs relative to revenue (%)



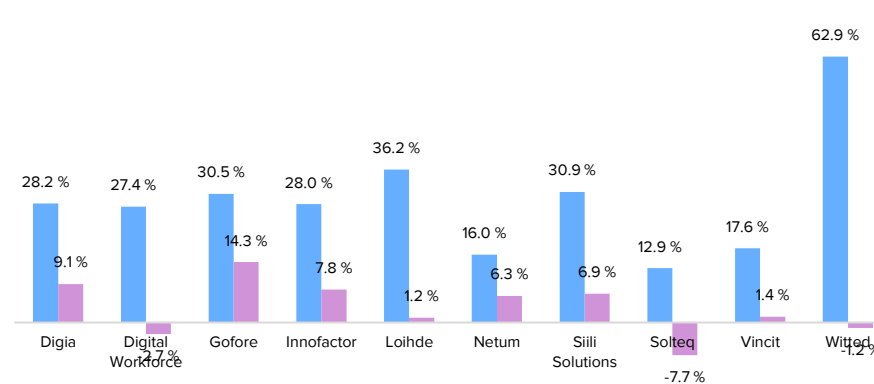
Personnel costs as a percentage of total operational costs (%)



Revenue margin after materials and services and personnel costs (%)



Margin after personnel and other costs and EBITA % (2023, %)

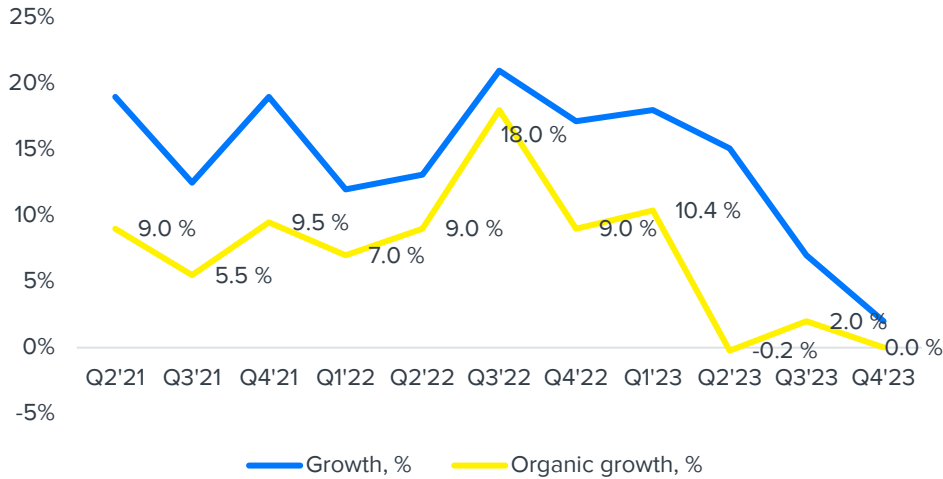


Source: Inderes, companies

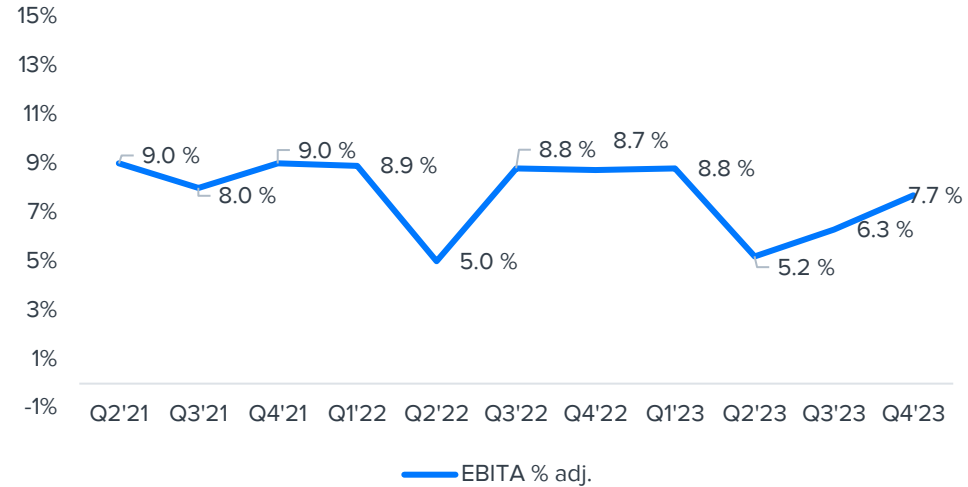
EBITA= Operating profit + intangible depreciation of acquisitions/goodwill amortization + non-recurring write-downs.

Relevant reported indicators for the sector 2/2

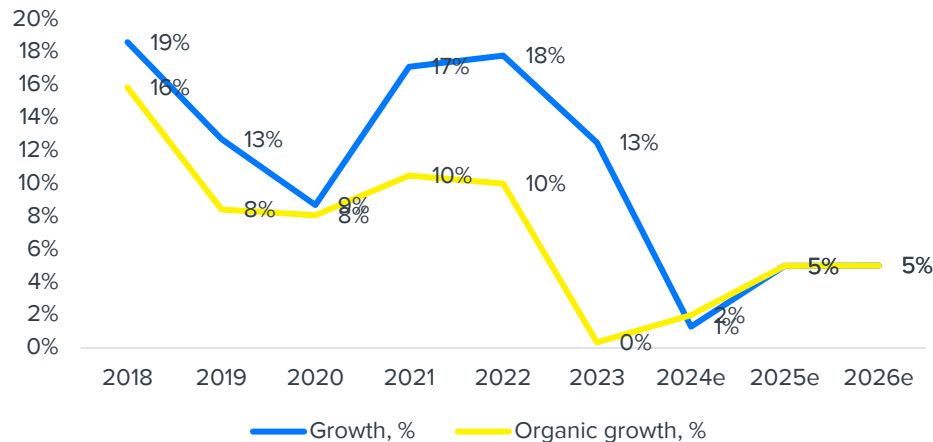
Listed IT services sector in Finland, revenue



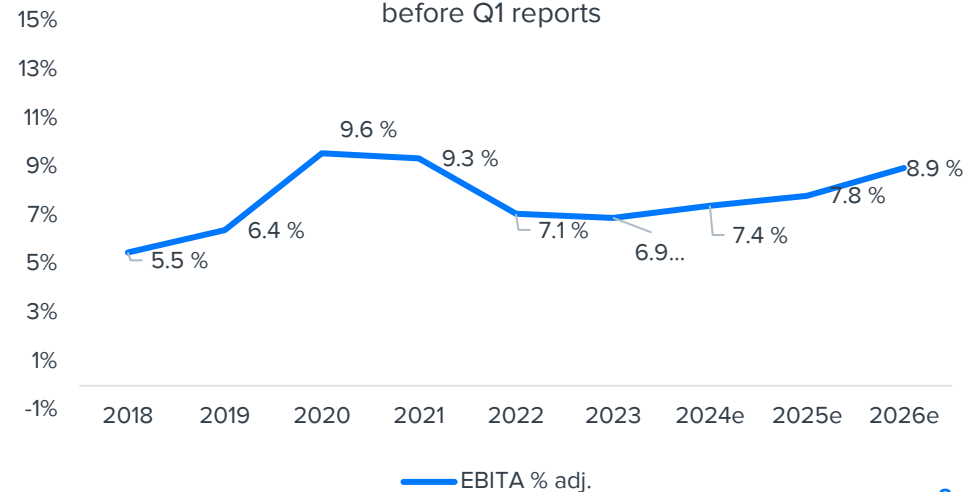
Listed IT services sector in Finland, profitability



Listed IT services sector in Finland, revenue before Q1 reports



Listed IT services sector in Finland, profitability before Q1 reports



Partners



Technology suppliers and communities



Sales and expert partners

Operations

Sales and marketing



Continuous Services



Professional Services



Customer verticals

Healthcare



Banking and financial services and insurance



Business idea

Digital Workforce 's business has been created around its own automation platform and continuous services, which the company aims to grow.



- A business automation platform company that utilizes robotics to a great extent is at the core of the competitive advantage.
 - Multi-technology
 - Cloud
- The company's solutions create automation benefits for a broad customer base in selected industries and internationally.
- In addition to continuous services, the offering includes expert services
- Strong industry expertise in selected customer verticals

Targets

- Revenue target 50 MEUR by the end of 2026.
- Over 10 % adjusted EBITDA margin by the end of 2026.

Customer references

Healthcare



Banking and financial services and insurance



Nasdaq



Industry and logistics



Retail trade and services



Public organizations



Puolustusvoimat
The Finnish Defence Forces

Cost structure (2023)



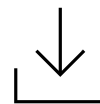
Personnel expenses
(51% of costs)



Materials and services
(27%)



Other operating expenses
(19%)

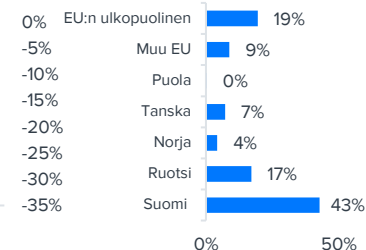
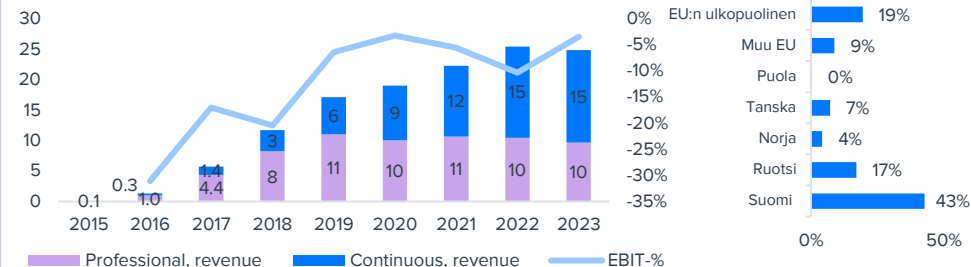


Depreciation and amortization
(3%)

177 employees (2023)
29 MEUR (2023)

Income flows (2023)

Revenue 25 MEUR



We raised our estimates for 2024-2025

Estimate revisions 2024e-2025e

- In absolute terms, we slightly raised our forecasts following a better-than-expected turnaround in Q1 and a better-than-expected outlook. In relative terms, the profit figures rose more because the figures were low.

Estimates 2024-2026

- We forecast revenue growth of 7%, driven by Professional Services billing rates and Continuous Services revenue. Thus, revenue growth will scale well with profitability, and we expect EBITDA margin to reach 5% in 2024 (Q1'24 4% and 2023: -3%).
- We pessimistically estimate that the company will grow to 29 MEUR in 2025 (8% y/y growth) and will be well below the target level (50 MEUR or ~25% y/y growth) partly driven by a challenging market.
- We forecast EBITDA-% to reach 7% by 2025 driven by profitability focus and continuous services (target over 10%).
- We find it likely that the company will continue to grow inorganically in coming years. With the profitability turnaround, cash flow also strengthens the balance sheet (Q4'23 equity ratio 71%). Thus, the company's Q1 cash position of 13 MEUR gives good scope for inorganic growth as well. Naturally, we do not yet include acquisitions in our estimates.

Operational earnings drivers 2024-2026e:

Revenue

- + Growth of the Outsmart platform, where success is critical in terms of long-term potential
- + Growth in Professional Services (market pressure in the short term)
- + Growth of new Continuous Services and increased use by existing customers (scalable)
- + Improved penetration rate of robotics
- + Subcontracting increases business flexibility

Profitability

- + Better management of the licensing portfolio, improving the cost structure of materials and services
- + Greater scalability
- + Relative decrease in direct personnel costs driven by the increase in revenue from continuous services
- + Relative decrease in fixed personnel costs due to revenue growth and increased billing rates
- + Relative decrease in other operating expenses driven by revenue growth
- Wage inflation
- Recruiting in the expensive US and UK markets
- Turnover in Professional Services
- Failure of investments

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	25.6	26.6	4%	27.8	28.9	4%	31.7	32.8	4%
EBITDA	0.7	1.4	88%	1.8	2.1	14%	3.9	4.0	0%
EBIT (exc. NRIs)	0.6	1.0	86%	1.6	1.9	16%	3.7	3.7	0%
EBIT	0.6	1.0	86%	1.4	1.7	18%	3.5	3.6	1%
PTP	0.9	1.4	68%	1.7	2.0	16%	3.7	3.7	1%
EPS (excl. NRIs)	0.06	0.10	69%	0.14	0.17	15%	0.29	0.30	1%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Our still very topical extensive report published in April is available here:



Investment profile

1. **Attractive growth market, where first evidence of growth has been provided**
2. **Improved focus on competitive advantages in selected industries (esp. healthcare)**
3. **Scalable business model based on recurring invoicing**
4. **Strong balance sheet and negative net working capital**
5. **Investment profile of a turnaround company, but potentially a hybrid product and service company**

Potential



- Strong demand outlook on the market
- Success in new markets (the US, the UK and Ireland)
- Strengthening competitive advantage with the Outsmart platform
- Improving scalability
- Further improvement in continuity
- Acquisitions

Risks



- Success of the growth strategy
- Maintaining and developing the competitiveness of the Outsmart platform
- Developing large RPA technologies and their expansion to maintenance
- Reacting to market and technological changes
- Development of the employee image and success in recruitment
- Wage inflation and managing attrition
- Acquisitions

Valuation picture remains attractive as risk levels have fallen

Digital Workforce's investment profile is, in a way, that of a turnaround company. The company's investment story is particularly attractive in the longer term, given its growth and profitability potential. In the short term, more evidence is needed that the focus is shifting from growth to better profitability, although the trend in Q1'24 was good. Historically, the company has a strong track record of growth in the Nordic countries and preliminary proof of growth in growth markets.

We continue to examine the company's valuation through the EV/S ratio, DCF model, peer analysis and sum of the parts calculation. With the focus on profitability, earnings-based multiples will also start to support valuations next year, but this will require a continuation of the earnings turnaround.

Valuation multiples

Digital Workforce's 2024-2025 EV/Sales multiples of 0.9-0.8x are attractive given a good start to the turnaround. Relative to the potential (growth >10% and EBITA >10%) after the investment phase, we still find the valuation very moderate. However, the current challenging market situation continues to curb the biggest enthusiasm about the stock.

Thanks to the profitability focus, earnings-based multiples will start to support valuation in the next few years. With 2025-2026 estimates (EBITDA: 7% and 12%) the valuation with EV/EBIT ratios is 12x and 5x. Earnings multiples are very low, although the earnings turn is in its initial stages which elevates the risk level. However, given the company's focus on profitability, earnings risk and low earnings multiples still make the overall picture attractive.

Peer group

No clear peer group that operates with a similar business model is available for Digital Workforce as compared to expert companies, the company has significantly more recurring business with better margins. Compared to Nordic product companies, and especially software companies, Digital Workforce's margin profile is lower than for companies in a mature stage.

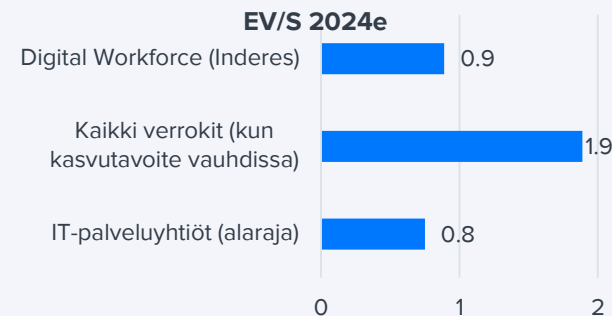
The median EV/S multiples of the peer group for 2024-2025 are around 1.0x. The corresponding multiples for IT service companies are 0.8x-0.7x and 3.7x-2.2x for software companies. The valuation of the peer group has decreased clearly in just over a year, which has also affected the valuation of Digital Workforce.

As a valuation floor, we have used the median for IT services companies, which is again relevant as the turnaround progresses. If the company's growth accelerates back closer to its target level of 25% and the profitability turn progresses well, we feel the top level of IT service companies (over 1.5x), i.e., almost double the current level can be accepted for the company. However, we do not see any justification for examining the company's valuation relative to software companies. Nevertheless, we include software companies, because if the company reaches its potential, these will also provide support points for the valuation. However, due to the recognition policy of license income, even some 30% lower revenue-based multiples can be accepted for the company.

In our view, the valuation of Digital Workforce is cautiously attractive with the EV/S ratio. A relative analysis of earnings multiples (2025e-26e) and a stronger view at this stage is challenging as the turnaround is ongoing and growth and profitability potential is still uncertain. We deal with the earnings multiples in more absolute terms.

Peer group valuation Company	EV/EBIT 2024e	EV/S 2024e
Admicom*	17.8	5.8
Efecte*	91.5	3.5
LeadDesk*	31.0	1.4
Qt Group*	24.5	8.3
Lime Technologies AB	32.8	6.5
Upsales Technology AB	23.1	3.9
Carasent ASA		3.8
FormPipe Software AB	26.7	2.7
Digia*	8.3	0.8
Gofore*	13.5	1.9
Loihde*	18.9	0.6
Innofactor*	7.5	0.6
Netum Group*	9.0	0.8
Silli Solutions*	8.8	0.6
Solteq*	27.6	0.7
Tietoevry*	8.3	1.0
Vincit*	8.2	0.4
Witted Megacorp*	14.1	0.4
Bouvet	14.9	1.6
CombinedX	9.2	0.9
Avensia AB	12.5	0.9
Knowit	15.4	0.8
Netcompany Group	20.6	2.5
Digital Workforce (Inderes)	23.0	0.9
Average	20.2	2.2
Median (all)	15.1	1.0
Diff-% to median	n.a.	-14%
Median (software companies)	24.5	3.7
Diff-% to median	n.a.	-76%
Median (IT service companies)	12.5	0.8
Diff-% to median	n.a.	19%

Source: Thomson Reuters and *adjusted Inderes' estimate/Inderes. NB! The market value used by Inderes does not take into consideration treasury shares.



Still very attractive in the long term

Sum of the parts

We also examine Digital Workforce's valuation through a sum-of-the-parts calculation due to the different business profiles. The usefulness of the calculation is, however, limited by the fact that the businesses cannot and will not be separated. The calculation is still a good valuation method among others.

We apply the lower end of the EV/S range 0.6x of IT service companies for Professional Services (was 0.4x). The low ratio reflects the weaker growth and profitability profile of professional services. However, for recurring revenue we apply the higher end of IT service companies' valuation or the median of the entire peer group 1.6x (was 1.4x). As the turnaround progressed well, we slightly increased the acceptable multiples. In the bigger picture, however, valuation levels in the sector have come down sharply over the past year or so.

If the profitability potential of the business begins to materialize, a higher valuation level can be accepted for recurring revenue.

Using Digital Workforce's 2024 revenue and the above multiples, the total debt-free value is EUR 32 million. With strong net cash the market cap is 47 MEUR or the value per share EUR 4.2. The SOTP almost represents our target price and indicates a moderate upside.

Cash flow model (DCF)

We have set the growth expectation for the terminal period (2031-) to 2.0% and the EBIT margin (2031-) to 11%, which reflects the better profitability than for the IT

service sector. However, we point out that our long-term growth and profitability estimates still involve uncertainty, which in part limits the usefulness of the model. The weight of terminal cash flows (45%) is more modest with the profitability turn.

The per share value of our cash flow calculation for Digital Workforce is EUR 4.7 which indicates a clear upside for the share. We still use a high WACC of 11.4%. The required return is raised by the company's small size and uncertainty related to growth and profitability. If Digital Workforce shows that its profitable growth strategy is moving in the right direction in the coming years, there is a downside in the required return as the company's risk profile decreases. As the growth strategy is still in its early stages, the profitability and scalability potential remains to be proven, we are not prepared to rely solely on the DCF as of yet. However, the DCF reflects the attractive potential of the share.

Sum of the parts 2024e

Professional Services revenue	10.4
Continuous Services revenue	16.2

Valuation, EV/S 2024e

Professional Services, 0.4x	6.2
Continuous Services, 1.4x	26.0

EV	32.2
Net debt	-14.9

Market cap 47.1

per share 4.2

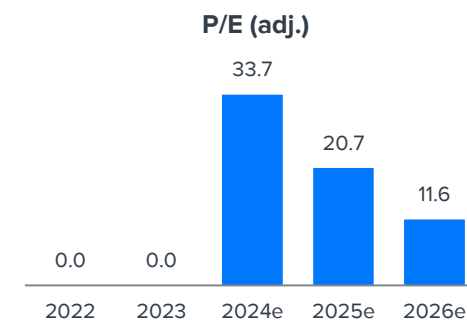
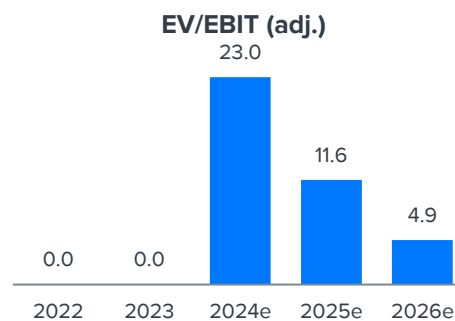
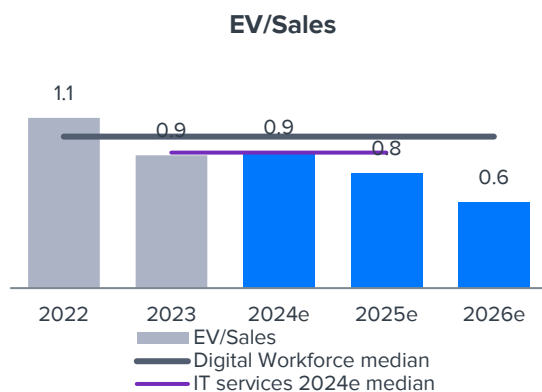
Growth and profitability assumptions in DCF



Valuation table

Valuation	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Share price	3.94	3.02	3.45	3.45	3.45	3.45	3.45	3.45
Number of shares, millions	11.2	11.3	11.2	11.2	11.2	11.2	11.2	11.2
Market cap	44	34	39	39	39	39	39	39
EV	28	22	24	22	18	14	11	8.6
P/E (adj.)	neg.	>100	33.7	20.7	11.6	9.1	8.6	7.9
P/E	neg.	neg.	33.7	22.4	12.3	9.1	8.6	7.9
P/FCF	neg.	neg.	16.7	24.1	12.0	9.0	8.6	8.0
P/B	2.9	2.3	2.4	2.2	1.9	1.5	1.4	1.3
P/S	1.7	1.4	1.4	1.3	1.2	1.0	0.9	0.9
EV/Sales	1.1	0.9	0.89	0.76	0.6	0.4	0.3	0.2
EV/EBITDA	neg.	neg.	16.9	10.4	4.7	2.6	2.0	1.4
EV/EBIT (adj.)	neg.	neg.	23.0	11.6	4.9	2.8	2.1	1.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	50.0 %	50.0 %	50.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	5.5 %	5.8 %	6.3 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2024e
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	
Admicom*	214	204	17.8	15.1	17.6	14.9	5.8	5.2	23.1	20.0	1.5	1.7	6.1
Efecte*	97	96	91.5	35.8	49.8	27.8	3.5	3.1	106.6	41.0			17.7
Leaddesk*	42	45	31.0	20.2	10.7	8.5	1.4	1.3	31.4	23.1			3.0
Qt Group*	1887	1817	24.5	19.6	23.5	18.9	8.3	6.6	31.0	26.0			7.9
Lime Technologies AB	370	390	32.8	27.3	21.2	18.5	6.5	5.7	42.5	34.3	1.2	1.4	13.4
Upsales Technology AB	55	50	23.1	18.6	15.6	13.4	3.9	3.3	31.2	25.5	4.0	4.0	24.8
Carasent ASA	117	89		74.4	26.4	20.0	3.8	3.3	315.0	70.0			1.4
FormPipe Software AB	128	125	26.7	15.7	11.8	8.9	2.7	2.4	25.3	17.0	2.6	3.7	3.0
Digia*	142	156	8.3	7.0	6.9	5.9	0.8	0.7	10.4	9.0	3.6	4.0	1.6
Gofore*	392	368	13.5	11.3	11.8	10.0	1.9	1.6	18.0	15.4	2.0	2.3	3.4
Loihde*	79	75	18.9	11.4	7.1	5.3	0.6	0.5	22.9	14.7	2.8	4.3	0.8
Innofactor*	46	50	7.5	6.1	5.2	4.4	0.6	0.5	9.5	7.8	6.2	7.0	1.5
Netum Group*	34	39	9.0	8.3	8.6	8.0	0.8	0.8	12.0	10.0	5.2	6.0	3.2
Silli Solutions*	67	68	8.8	7.2	6.0	5.0	0.6	0.5	12.3	10.2	3.6	4.2	1.4
Solteq*	12	36	27.6	10.1	10.2	6.7	0.7	0.6		34.6			0.7
Tietoenvy*	2134	3013	8.3	7.6	6.8	6.6	1.0	1.0	8.6	7.9	8.3	8.6	1.3
Vincit*	46	34	8.2	5.7	6.6	5.0	0.4	0.3	14.7	10.2	5.4	6.2	1.4
Witted Megacorp*	28	20	14.1	6.9	16.4	6.6	0.4	0.3	23.8	12.4			1.8
Bouvet	541	528	14.9	12.9	11.8	10.5	1.6	1.4	19.1	16.7	4.7	6.1	12.9
CombinedX	78	75	9.2	7.4	6.3	5.6	0.9	0.8	12.1	9.8			
Avensia AB	27	32	12.5	9.4	8.0	6.7	0.9	0.9	13.4	10.0	3.5	5.8	6.6
Knowit	367	447	15.4	11.6	7.7	6.6	0.8	0.7	14.8	11.1	3.7	4.6	1.0
Netcompany Group	1878	2169	20.6	16.9	14.6	12.4	2.5	2.2	24.0	18.7			3.4
Digital Workforce (Inderes)	39	24	23.0	11.6	16.9	10.4	0.9	0.8	33.7	20.7	0.0	0.0	2.4
Average			20.2	15.9	13.5	10.3	2.2	1.9	37.3	19.8	3.9	4.7	5.4
Median (all)			15.1	11.4	10.7	8.0	1.0	1.0	21.0	15.4	3.6	4.3	3.0
Diff-% to median			<i>n.a.</i>	2%	<i>n.a.</i>	31%	-14%	-23%	<i>n.a.</i>	34%	<i>n.a.</i>	<i>n.a.</i>	-19%
Median (software companies)			24.5	19.1	16.6	14.1	3.7	3.2	31.1	24.3	2.3	3.0	4.7
Diff-% to median			<i>n.a.</i>	-39%	<i>n.a.</i>	-26%	-76%	-76%	<i>n.a.</i>	-15%	<i>n.a.</i>	<i>n.a.</i>	-49%
Median (IT services companies)			12.5	8.3	7.7	6.6	0.8	0.7	14.0	10.2	4.7	6.0	1.5
Diff-% to median			<i>n.a.</i>	39%	<i>n.a.</i>	58%	19%	6%	<i>n.a.</i>	103%	<i>n.a.</i>	<i>n.a.</i>	66%

Source: Refinitiv and *adjusted Inderes forecasts / Inderes. Note: The market value used by Inderes does not take into account treasury shares held by the company.

Income statement

Income statement	2021	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue	22.4	25.5	12.6	12.3	24.9	13.2	13.4	26.6	28.9	32.8	37.4
Professional Services	10.7	10.5	5.0	4.7	9.7	5.2	5.2	10.4	11.0	12.1	13.8
Continuous Services	11.7	15.0	7.6	7.6	15.2	8.0	8.3	16.2	17.9	20.7	23.6
EBITDA	-1.0	-1.7	0.1	-0.8	-0.6	0.6	0.8	1.4	2.1	4.0	5.3
Depreciation	-0.3	-0.9	-0.1	-0.1	-0.2	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4
EBIT (excl. NRI)	-0.8	-1.3	0.1	-0.2	0.0	0.4	0.6	1.0	1.9	3.7	4.9
EBIT	-1.2	-2.6	0.0	-0.9	-0.8	0.4	0.6	1.0	1.7	3.6	4.9
Net financial items	-2.3	-0.4	0.2	0.0	0.1	0.2	0.2	0.4	0.3	0.2	0.2
PTP	-3.5	-3.0	0.2	-0.9	-0.7	0.6	0.8	1.4	2.0	3.7	5.1
Taxes	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.3	-0.3	-0.6	-0.9
Net earnings	-3.6	-3.0	0.2	-0.9	-0.7	0.5	0.6	1.1	1.7	3.1	4.3
EPS (adj.)	-0.25	-0.15	0.03	-0.02	0.01	0.05	0.06	0.10	0.17	0.30	0.38
EPS (rep.)	-0.62	-0.27	0.02	-0.08	-0.06	0.05	0.06	0.10	0.15	0.28	0.38

Key figures	2021	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%	17.1 %	13.9 %	5.2 %	-8.7 %	-2.2 %	4.9 %	8.7 %	6.8 %	8.4 %	13.7 %	14.0 %
EBITDA-%	-4.3 %	-6.7 %	1.1 %	-6.4 %	-2.6 %	4.8 %	5.7 %	5.3 %	7.2 %	12.1 %	14.3 %
Adjusted EBIT-%	-3.8 %	-5.0 %	1.0 %	-1.4 %	-0.2 %	3.4 %	4.4 %	3.9 %	6.5 %	11.4 %	13.1 %
Net earnings-%	-16.0 %	-11.8 %	1.5 %	-7.2 %	-2.8 %	3.9 %	4.7 %	4.3 %	6.0 %	9.6 %	11.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	1.6	2.1	2.1	2.0	2.0
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	1.5	2.1	2.0	1.9	1.8
Tangible assets	0.0	0.0	0.1	0.1	0.1
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	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	26.3	21.3	22.5	25.0	28.3
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	8.2	8.1	6.7	7.2	8.2
Cash and equivalents	18.1	13.2	15.9	17.8	20.1
Balance sheet total	27.9	23.4	24.6	27.0	30.3

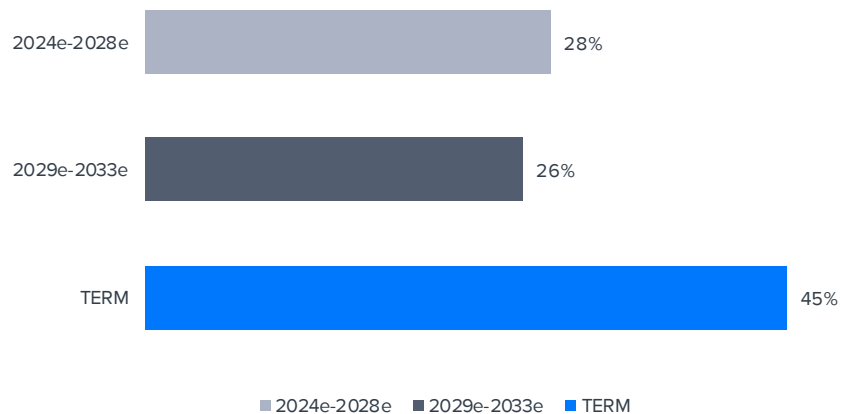
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	15.4	14.7	15.9	17.6	20.7
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-12.7	-13.3	-12.2	-10.5	-7.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	28.0	28.0	28.0	28.0	28.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.3	0.8	1.0	1.0	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.3	0.8	1.0	1.0	0.0
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	10.2	7.9	7.7	8.4	9.5
Interest bearing debt	0.2	0.2	0.0	0.0	0.0
Payables	10.0	5.1	7.7	8.4	9.5
Other current liabilities	0.0	2.6	0.0	0.0	0.0
Balance sheet total	27.9	23.4	24.6	27.0	30.3

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-2.2 %	6.8 %	8.4 %	13.7 %	14.0 %	10.0 %	8.0 %	7.0 %	7.0 %	7.0 %	2.0 %	2.0 %
EBIT-%	-3.4 %	3.9 %	5.9 %	10.8 %	13.1 %	13.0 %	13.0 %	12.0 %	12.0 %	11.0 %	11.0 %	11.0 %
EBIT (operating profit)	-0.8	1.0	1.7	3.6	4.9	5.3	5.8	5.7	6.1	6.0	6.1	
+ Depreciation	0.2	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	
- Paid taxes	0.0	-0.3	-0.3	-0.6	-0.9	-1.1	-1.2	-1.2	-1.3	-1.3	-1.3	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-2.1	1.4	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	
Operating cash flow	-2.7	2.6	1.9	3.6	4.7	4.9	5.3	5.2	5.5	5.4	5.4	
+ 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	-0.8	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.7	
Free operating cash flow	-3.5	2.3	1.6	3.2	4.3	4.5	4.8	4.7	5.0	4.9	4.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.5	2.3	1.6	3.2	4.3	4.5	4.8	4.7	5.0	4.9	4.7	51.6
Discounted FCFF		2.2	1.3	2.4	2.9	2.7	2.6	2.3	2.2	1.9	1.7	18.3
Sum of FCFF present value		40.5	38.4	37.0	34.6	31.7	29.0	26.4	24.1	21.9	19.9	18.3
Enterprise value DCF		40.5										
- Interest bearing debt		-1.0										
+ Cash and cash equivalents		13.2										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		52.8										
Equity value DCF per share		4.7										

Cash flow distribution

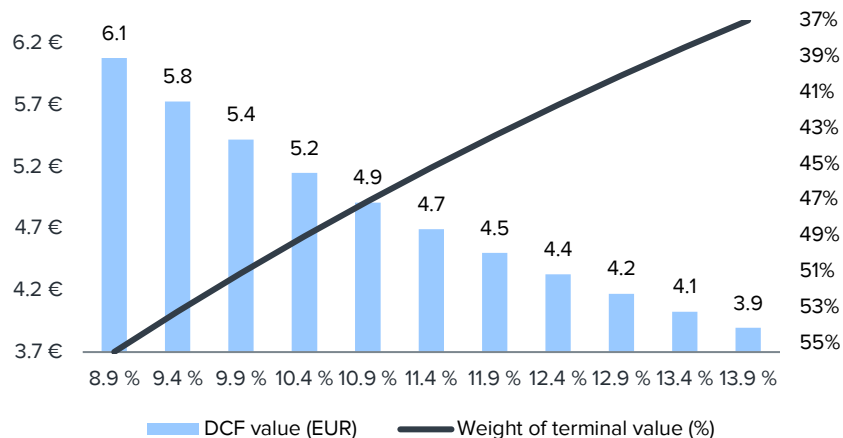


WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	12.1 %
Weighted average cost of capital (WACC)	11.4 %

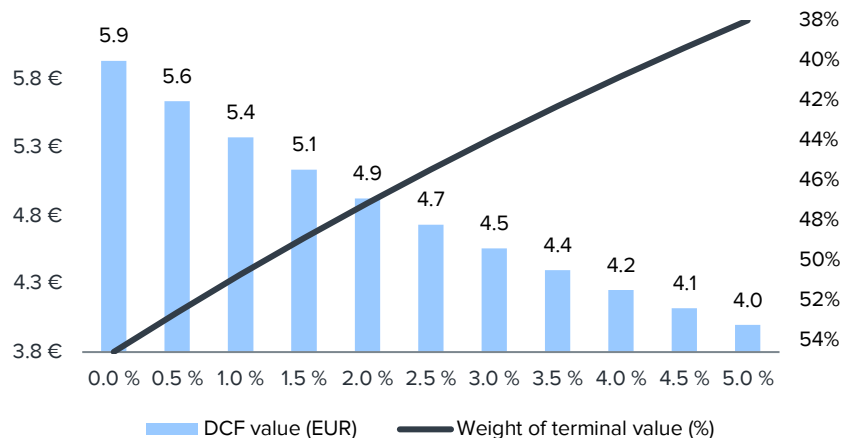
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

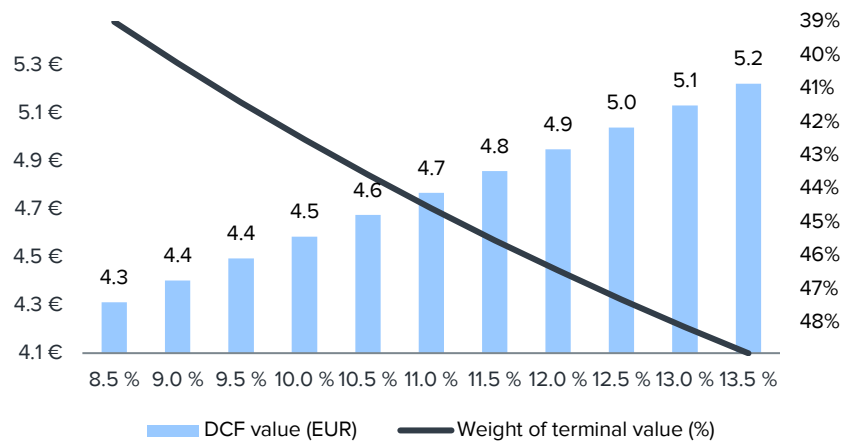
Sensitivity of DCF to changes in the WACC-%



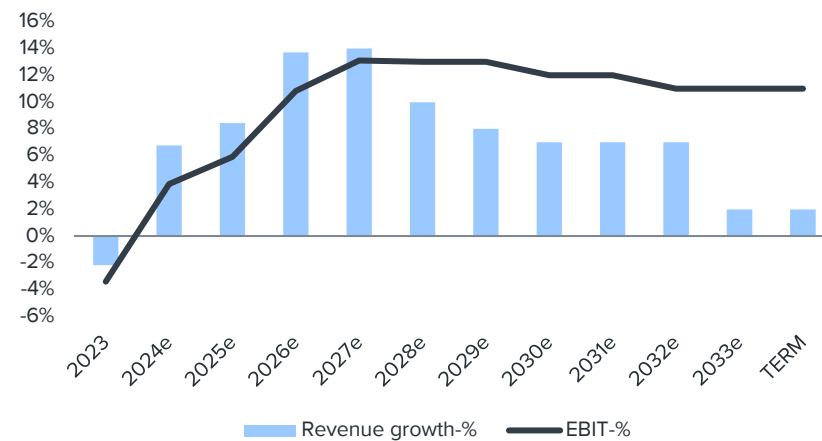
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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	22.4	25.5	24.9	26.6	28.9	EPS (reported)	-0.62	-0.27	-0.06	0.10	0.15
EBITDA	-1.0	-1.7	-0.6	1.4	2.1	EPS (adj.)	-0.25	-0.15	0.01	0.10	0.17
EBIT	-1.2	-2.6	-0.8	1.0	1.7	OCF / share	-0.43	-0.07	-0.24	0.23	0.17
PTP	-3.5	-3.0	-0.7	1.4	2.0	FCF / share	-0.49	-0.22	-0.31	0.21	0.14
Net Income	-3.6	-3.0	-0.7	1.1	1.7	Book value / share	3.18	1.38	1.31	1.42	1.58
Extraordinary items	-0.4	-1.3	-0.8	0.0	-0.2	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	26.5	27.9	23.4	24.6	27.0	Revenue growth-%	17%	14%	-2%	7%	8%
Equity capital	18.3	15.4	14.7	15.9	17.6	EBITDA growth-%	136%	79%	-62%	-316%	49%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	42%	50%	-97%	-2679%	83%
Net debt	-18.3	-15.6	-12.2	-14.9	-16.8	EPS (adj.) growth-%	-86%	-41%	-105%	1172%	63%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	-4.3 %	-6.7 %	-2.6 %	5.3 %	7.2 %
EBITDA	-1.0	-1.7	-0.6	1.4	2.1	EBIT (adj.)-%	-3.8 %	-5.0 %	-0.2 %	3.9 %	6.5 %
Change in working capital	-1.5	1.0	-2.1	1.4	0.1	EBIT-%	-5.5 %	-10.2 %	-3.4 %	3.9 %	5.9 %
Operating cash flow	-2.4	-0.7	-2.7	2.6	1.9	ROE-%	-40.5 %	-17.8 %	-4.6 %	7.5 %	10.3 %
CAPEX	0.0	-1.7	-0.8	-0.3	-0.3	ROI-%	-11.5 %	-13.8 %	-5.0 %	8.1 %	11.5 %
Free cash flow	-2.8	-2.4	-3.5	2.3	1.6	Equity ratio	69.0 %	55.4 %	70.8 %	64.6 %	65.3 %
						Gearing	-100.0 %	-101.2 %	-83.1 %	-93.6 %	-95.1 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.4	1.1	0.9	0.9	0.8						
EV/EBITDA (adj.)	neg.	neg.	neg.	16.9	10.4						
EV/EBIT (adj.)	neg.	neg.	neg.	23.0	11.6						
P/E (adj.)	neg.	neg.	>100	33.7	20.7						
P/B	4.0	2.9	2.3	2.4	2.2						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/14/2022	Accumulate	4.50 €	3.85 €
8/19/2022	Accumulate	4.50 €	4.03 €
11/4/2022	Buy	4.50 €	2.95 €
3/1/2023	Buy	5.50 €	4.26 €
8/18/2023	Accumulate	5.50 €	4.75 €
8/24/2023	Accumulate	5.00 €	4.35 €
11/27/2023	Accumulate	3.80 €	3.20 €
2/29/2024	Reduce	3.40 €	3.16 €
4/11/2024	Accumulate	3.40 €	2.85 €
5/6/2024	Accumulate	4.00 €	3.45 €



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