LeadDesk

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Hintaansa parempi” published on 12/20/2022 at 8:58 pm

Better than its price

LeadDesk is a SaaS software company whose product enhances the sales and customer service of companies in Europe. Its historical growth track record is good looking beyond short-term challenges. Driven by strong market growth, competitive offering and good strategy implementation we expect the company's organic growth to be 10-13% in the next few years. Relative to this, the share's valuation (2023e EV/S: 1.4x) is very attractive and we believe it entails unjustifiably cautious expectations of the company. We reiterate our Buy recommendation and EUR 10.0 target price.

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

The key value of LeadDesk's product for sales and customer service organizations is more efficient customer contact management by centralizing management of multiple communication channels to a single software and enable communication automation (e.g. chatbots). The solution covers high volume customer communication from customer to the company (Inbound sales and customer service) and from the company to the customer (Outbound sales). The company has grown strongly in Finland and Europe throughout its history (2015-21 annual organic growth around 16%) and has maintained neutral profitability in recent years. LeadDesk's business model relies heavily on recurring and scalable income flows.

Cloud transformation supports European conquest plans, which considering the track record is not just talk

LeadDesk's target market is growing strongly (estimate ~17% annually) with the cloud transformation, and we believe the company has a credible strategy to benefit from the market's tailwind. We believe that LeadDesk's product is highly competitive in Europe, especially in the SME segment, where its track record of opening new markets is good. The company has expanded its target market by increasing its growth investments in the Enterprise segment since 2020 and already won several large customers in the segment. LeadDesk has also strengthened its competitiveness and market position with sensibly prices acquisitions (2020-21: 4) and we believe the company can continue to create shareholder value especially with technology driven acquisitions.

We expect growth to remain good in coming years as the Enterprise segment becomes an equal growth engine

In the last 18 months, LeadDesk's growth has suffered many setbacks, which we consider non-recurring speed bumps. We expect the company's organic growth to be c. 9-10% in 2022-23 in a more difficult market. In 2024-26, we expect growth to accelerate to 12-13%, which is below its historical levels. We expect growth to be quite evenly distributed between Enterprise and SME customers and focus more outside Finland. With our current growth estimates we see conditions for gradual scaling profitability (adj. EBIT) from the 2% level in 2022 to 14% in 2026. In the long run, we expect competition to tighten, but we see significant profitability potential (around 20-22% EBIT %) in the company thanks to high sales margins (2021: 75% of revenue) and a good historical track record in customer expansion.

Expected return is very attractive if the challenges of 2022 prove temporary

We find LeadDesk's valuation attractive in absolute terms (2023e EV/S 1.4x, organic growth ~10-13% p.a.) and compared to the median ratios of peers (2023e 3.6x, growth 15% incl. M&A). The share is also 52% below the value of our DCF model (EUR 15.4 per share), indicating significant long-term potential when the company's strategy is successful. The market seems to price dwindling growth and a low scaling potential for the company which we clearly disagree with. We find the risk/return ratio of the share very attractive.

Recommendation

Buy
(previous Buy)

EUR 10.00
(previous EUR 10.00)

Share price:
7.44

Key figures

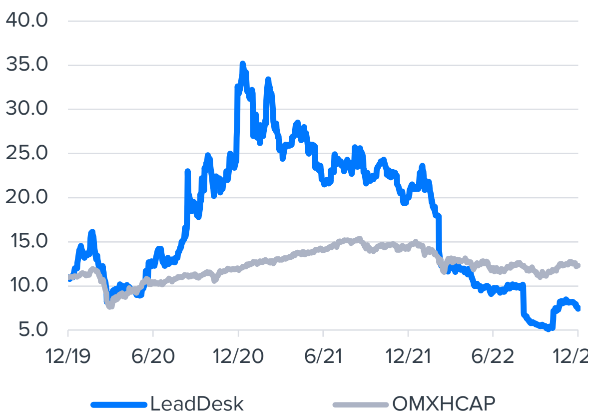
	2021	2022e	2023e	2024e
Revenue	24.6	28.0	30.7	34.8
growth-%	78%	14%	10%	13%
EBIT (adj.)	1.1	0.7	1.5	2.9
EBIT-% (adj.)	4.6 %	2.4 %	4.8 %	8.4 %
Net Income	-1.3	-2.0	-1.4	0.2
EPS (adj.)	0.08	0.03	0.08	0.38
P/E (adj.)	>100	>100	88.0	19.8
P/B	6.0	2.2	2.4	2.4
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	>100	65.8	29.6	14.6
EV/EBITDA	37.7	13.7	10.3	7.1
EV/S	4.7	1.6	1.4	1.2

Source: Inderes

Guidance (Unchanged)

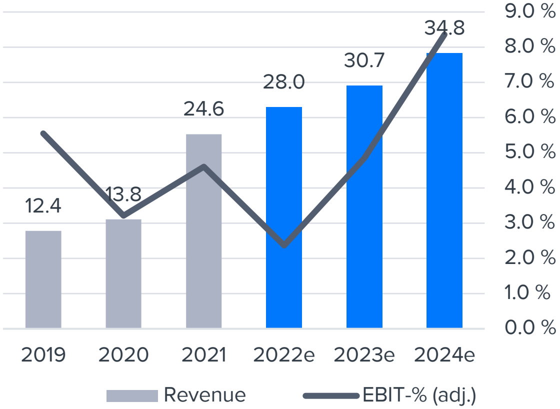
LeadDesk's guidance is that 2022 annual revenue growth will be 13-18% and profitability will be positive measured by EBITDA and operational cash flow. The guidance does not consider the impact of large acquisitions on revenue or profitability.

Share price



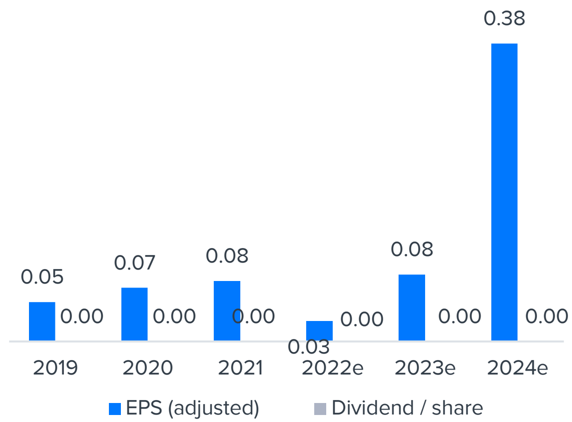
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

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

Risk factors

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

Valuation	2022e	2023e	2024e
Share price	7.44	7.44	7.44
Number of shares, millions	5.46	5.48	5.49
Market cap	41	41	41
EV	44	44	43
P/E (adj.)	>100	88.0	19.8
P/E	neg.	neg.	>100
P/FCF	neg.	>100	22.5
P/B	2.2	2.4	2.4
P/S	1.5	1.3	1.2
EV/Sales	1.6	1.4	1.2
EV/EBITDA	13.7	10.3	7.1
EV/EBIT (adj.)	65.8	29.6	14.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

LeadDesk in brief

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

2010
Operations start

MEUR 23.8
ARR, Q3/2022

+40% 2012-2021
Average annual revenue growth (incl. M&A transaction)

+16% 2015-2021
Average annual revenue growth, Inderes' estimates

91%
ARR of revenue, 2021

185
Personnel at the end of H1/2022

57%
Share of international revenue H2/2021

2010-2016

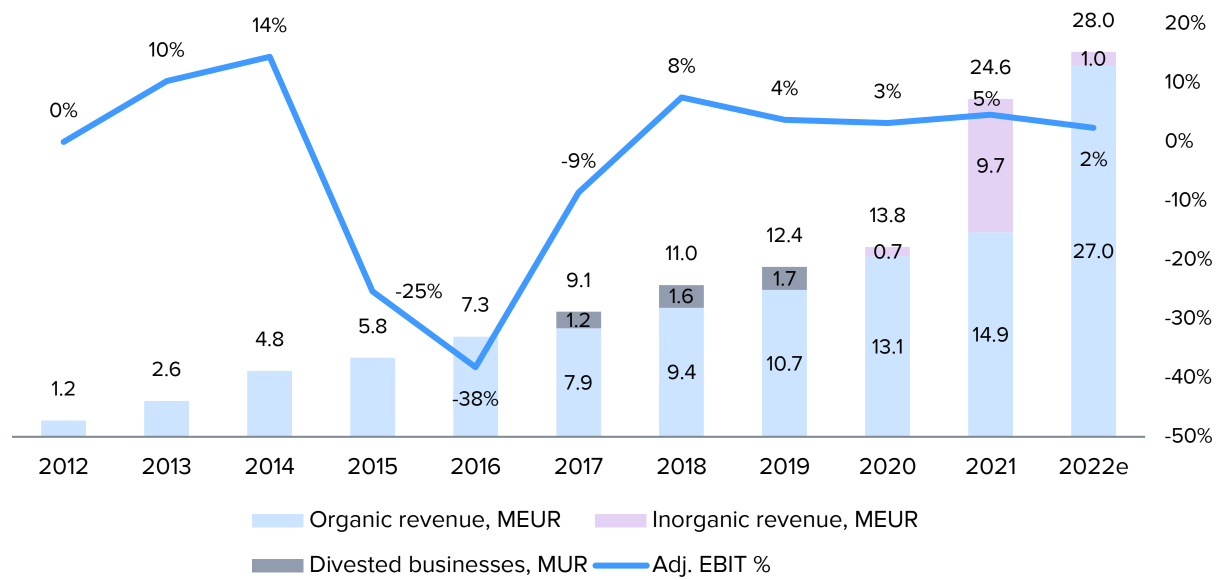
- The company is established in Finland (2012)
- Swedish subsidiary (2013)
- German and Norwegian subsidiaries (2014)
- Capital investment of EUR 5.5 million in the company (2015)
- Dutch subsidiary (2015)
- Danish subsidiary (2016)

2017-2020

- Operational efficiency improves and operating result turns positive (2017)
- Listing on the First North market, where the company raised net assets of about EUR 5 million (2019)
- Majority of the Kontaktitieto business (LeadCloud) is sold (2019)
- Spanish subsidiary (2020)
- Nordcom and Capricode acquisitions that aim at developing the technological competitiveness of the platform (2020)
- Loxysoft acquisition raises the company to a new size class, especially in Sweden and Norway (2020, revenue from 2021 onwards)

2021-

- Long-term target EUR 100 million in revenue (2021)
- GetJenny acquisition, a specialist in customer service automation (2021)
- Partial disappearance of revenue from COVID era customers and Swedish Loxysoft slows down growth (2021)
- French subsidiary (2022)
- The energy crisis paralyzes sales and the use of LeadDesk's product in the energy sector (2022)



Source: LeadDesk / Inderes

Company description and business model 1/5

LeadDesk is a European customer communication SaaS software company

LeadDesk offers a cloud-based contact center software with a SaaS model for customer service and sales with large contact volumes. Thus, sellers and customer service personnel in practice use the company's software to e.g. make sales calls and respond to customer messages or calls.

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

LeadDesk successfully completed its First North listing in February 2019. The listing was not an exit route for the company owners, but a tool for strategy implementation. With the listing, the company collected capital for the next stage of its growth strategy and the possibility to use its own share as payment in possible acquisitions, and to commit personnel, who hold a key role in the company's current strategy stage. Since the listing, LeadDesk has been active in M&A transactions and they have become an important tool for business growth. In 2020, the company expanded to Spain and in 2022 to France. Currently LeadDesk is exploring opening new countries (e.g. Italy), but due to the more difficult market situation and recent challenges, the company is proceeding conservatively with new markets.

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

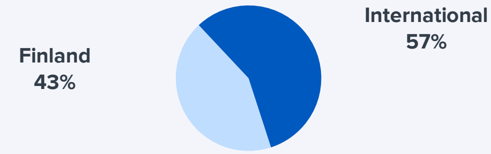
LeadDesk enhances the sales and customer service of European companies with SaaS software. The key value of the product for its user is more efficient customer contact management by centralizing management of multiple communication channels to a single software. The cloud-based design gives customers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

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

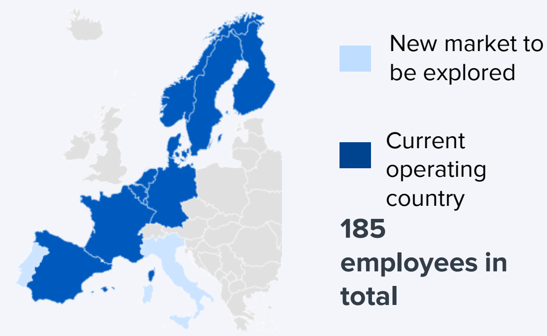
The company's software was originally designed specifically for outbound sales, but the software has been extended to also cover inbound sales and customer service needs. Currently, the product covers a wide range of customer communication channels (calls, SMS, WhatsApp, Messenger, Facebook, email...).

LeadDesk

Geographical distribution of revenue,
%, H1/2022



Operating countries,
H1/2022, number of personnel



185 employees in total

High-level applications of the solution

Customer service and Inbound sales

Outbound sales

Subcontractor and organization management

Source: LeadDesk, Inderes

Company description and business model 2/5

As part of the solution, LeadDesk's customers also have access to the necessary telecom services with the software. In practice, LeadDesk acts as a virtual operator for its customers, and the company is an EU regulated and registered telecom operator. The service relies on the company-built server network in over 15 different global locations (focusing on Europe).

The degree of productization is high in LeadDesk's software, so its implementation and development are scalable. The product also scales to new countries with light changes. LeadDesk Solutions' (previously Capricode Systems) customer service system aimed at Enterprise customers is, however, typically tailored to their needs.

Acquisitions have resulted in certain overlapping functionalities in the product family (Loxysoft's products Outbound and Inbound user interfaces). We believe that software that is not part of the core product (Loxysoft's software) will slowly deteriorate as development investments focus on the core product. In this case, customers will gradually feel a need to switch to the main product, although during the transition period maintaining the old solution will have a slight impact on product development resources.

Sales seeks high scalability

LeadDesk mainly uses its own sales channels. Unlike many other software solutions, LeadDesk does not need an integrator between the software supplier and the customer due to its light solution. For Enterprise customers, the longer implementation time (~6-12 months) is related to implementation, possible tailoring and training the personnel to use the new system.

The company reaches its customers through direct sales (Outbound) and online sales. The purchase decision is usually made by the manager of the user organization (contact center) and the customer's IT department is rarely involved in the purchase which speeds up the sales and implementation cycle considerably. LeadDesk assesses its potential for wider utilization of the partner channel (e.g. Zendesk and Salesforce app stores, system integrators), but so far partners play a small role in the company's sales.

The target customer group for LeadDesk stretches from small to large companies. The core target group has for a longer time been, especially small and medium-sized contact centers, and organizations' internal sales and customer service teams, typically with less than 50 people, dealing with large volumes of sales and customer service contacts. However, since 2020, LeadDesk has also invested particularly in serving large customers , which has also been influenced by the larger share of large customers in Capricode and Loxysoft. We estimate that Enterprise customers account for about 25-40% of the company's revenue.

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

Main sales channels

Digital sales and marketing	Direct sales

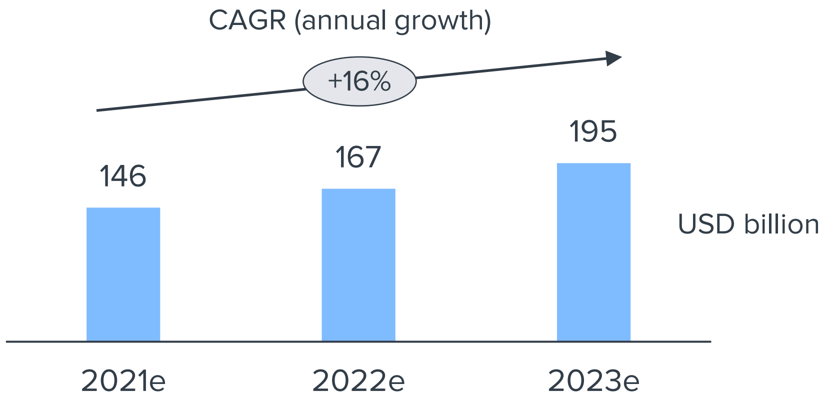
Key layers of the product

	Functionality
Communication channels ("CPaaS")	• A global platform based on LeadDesk's proprietary technology that enables using communication channels with its software. • Includes, e.g., calls, SMS, email, chats, communication services (e.g. WhatsApp), Facebook and Instagram.
User interface	• **Active development**: Mobile app, telemarketing, multi-channel customer service, chatbot (Jenny) and call center, Solutions (former Capricode) • **In maintenance mode:** Loxy Inbound, Loxy Outbound.
Operations management	• **Gamification and coaching** • **Analytics and Reporting:** Reporting, dashboards, interfaces for BI systems. • **Quality assurance:** Call recording, remote listening, live whisper, speech analysis • **Managing the customer journey:** Auto dialer, customer flow, queues • **Workforce management:** Calabrio (partner)
Integrations	• Data transmission to other systems: CRM, ERP, ticketing, service management. • Forwarding customer information, sales leads, orders, etc. • Applications in ecosystems (Microsoft, Salesforce, Zendesk)

Source: LeadDesk, Inderes

LeadDesk has operated with a SaaS model all its life

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



Source: Gartner (10/2022)

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

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

SaaS model offers clear benefits for all parties

Investor

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

➢ **Higher valuation levels**

Software supplier

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

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

Customer

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

➢ **Low total costs for owning software**

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

Company description and business model 3/5

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

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

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

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

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

The income flow from LeadDesk's business model is divided into three groups: SaaS license income (H1'22: 67% of revenue), telecom services (22%) and professional services (11%). Of the income flow, only services are of project nature, so the company business largely relies on recurring income flows. Income flows are also highly diversified, and the 10 largest customers only account for about 21% of the company's revenue. LeadDesk's customers operate in several industries and, according to the company, its revenue is not concentrated on customers in a particular industry. SaaS license income is very high margin income flow that is typically charged in 1-to-12-month periods.

Examples of LeadDesk's customers

SpareBank 1 SR-Bank, Händlerbund, Telenor, Taksi Helsinki 0100 0700, Intrum, Oulu, Edenred

Source: LeadDesk, Inderes

Examples of LeadDesk's customer sectors

Energy sector	Telecom operators
Transport services	Financial services
Healthcare	Public sector

Source: Inderes

Revenue distribution, H1'22, % of revenue

10 largest customers	Other customers
21%	79%
Finland	**Other countries**
43%	57%

Source: LeadDesk

Company description and business model 4/5

License income is based on the number of users. The list price per user is EUR 89-129 per month, depending on the functionalities in use. However, for larger customers with more than 50 users, a customer-specific price can be negotiated. Monthly billing can also be increased by introducing extensions to the product from the LeadApp store, but we estimate that the role of the app store is still small.

LeadDesk also sells telecom services such as voice calls and SMSs to its customers, which it purchases from telecom operators as a wholesale service. Telecom services comprise purely recurring income items (e.g. telephone numbers) and usage-based items. LeadDesk customers need telecom services to use the software and we do not believe their use fluctuates much, except for the seasonally quieter summer months. According to our estimates, telecom services are largely recurring sales with good margin levels (about 30-50%) for LeadDesk.

To support implementation, LeadDesk also provides professional services. The services mainly include product user training and integration with existing tools. In larger customer relationships, services can also cover product tailoring and programming. The increase in the importance of Enterprise sales has slightly increased the share of service revenue in the company's income flow.

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

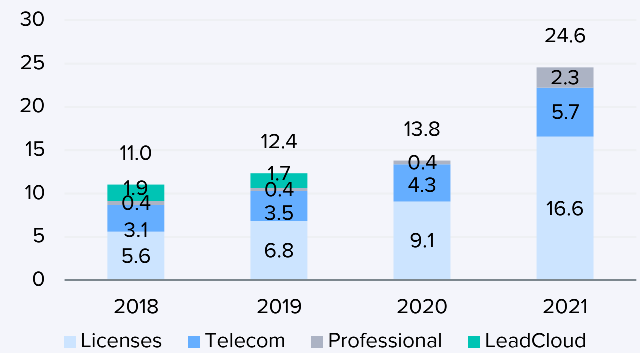
As regards customer service, we believe that the use of the software is quite defensive and we estimate it accounts for about half of LeadDesk's revenue. We believe consumer sector sales and related software use are more sensitive to weaker cycles. In an extreme example, consumer sales of electricity contracts practically stopped in Europe in the 2022 energy crisis.

Due to this dynamic, we believe that LeadDesk's income flow growth is somewhat cyclical, as the use of the software and therefore also invoicing may vary in different economic environments. However, we believe that the increase in the share of customer service will mitigate this effect in the longer term. In addition, in a possible recession, increased availability of workforce in LeadDesk's customers' contact centers can also increase the use of the software.

LeadDesk's costs and scalability potential mainly comes from personnel

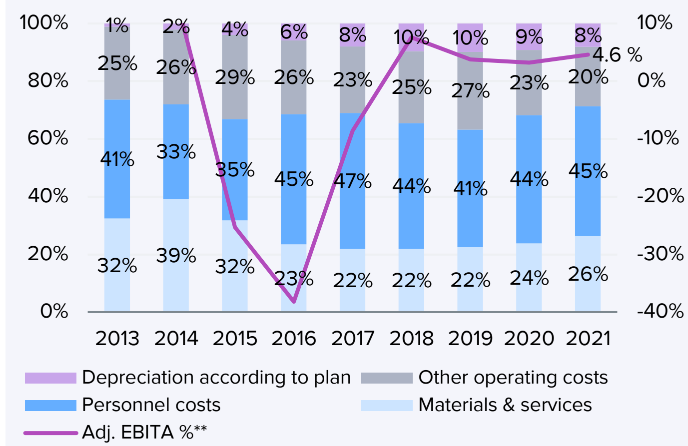
LeadDesk's SaaS business model is fundamentally highly scalable, as is typical of software business. In practice, as revenue increases, the unit costs of most cost items start to decrease in proportion to revenue. In this case, the growth of high-margin revenue (2021 sales margin %: 75%) will flow clearly to the result line if growth succeeds, allowing the

Revenue distribution by type*,
2018-2021, MEUR



Source: Inderes
*LeadCloud business was sold at the end of 2019

Cost distribution,
% of operating costs



Source: Inderes
**Considers depreciation of product development costs, but not goodwill amortization

Company description and business model 5/5

company to either increase its growth efforts or strengthen its profitability.

A considerable share of LeadDesk's costs consists of personnel costs (2021: (45% of operating costs), other operating costs that are partly dependent on personnel (20%), and depreciation and impairment that focus on capitalization of product development costs (8%). Materials and services together with personnel constitute a significant cost item (26%). This is mainly due to wholesale telecom capacity purchases and the infrastructure costs required by the software. Scaling of personnel related costs is, however, key to the company's profitability.

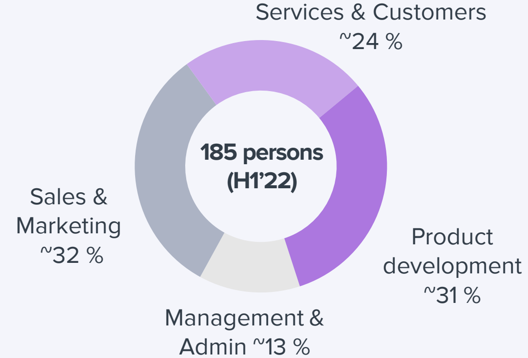
LeadDesk's personnel is divided into sales and marketing (~32% of personnel), product development (~31%), service and customer staff (~25%), and management and administration (~13%). LeadDesk has not published exact information on personnel distribution, so the figures are based on our estimate from publicly available information. We feel that a strong emphasis on sales and marketing, as well as serving customers, is logical. It enables utilization of the company's competitive position, which we find strong at the time being, and reaching a sufficient scale in Europe that supports competitiveness in the long term. Clear investment in product development is also important to maintain the competitiveness of the product.

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

LeadDesk's capital allocation is growth-oriented

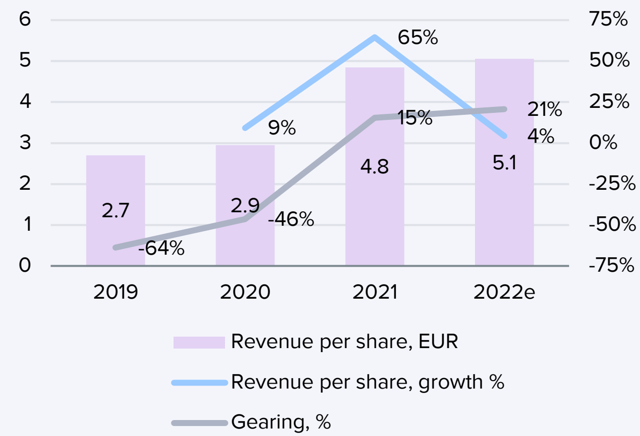
LeadDesk allocates its cash flows to acquisitions, organic growth and strengthening its balance sheet. The company's EPS has increased considerably, where acquisitions made with reasonable valuation multiples (see Strategy section) have played a key role. Part of the growth has been made with debt to pay for acquisitions, so we believe that strengthening of the balance sheet may temporarily gain more weight in the future. There are many good targets available for capital, so it hardly makes sense for the company to distribute income to shareholders (dividends or share repurchases) in the short term. We discuss the allocation of the company's capital in more detail in the strategy section of the report.

Estimate of personnel distribution*,
% of personnel



Source: LeadDesk , *LinkedIn (11/2022), Inderes
**Considers depreciation of product development costs, but not goodwill amortization

Revenue per share,
EUR per share and growth %



Source: Inderes

Investment profile

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

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

3. **Internationalization is well underway, competitive product in a mature development phase**

4. **Overall good and disciplined track record of accelerating growth and improving the product through acquisitions**

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

Potential

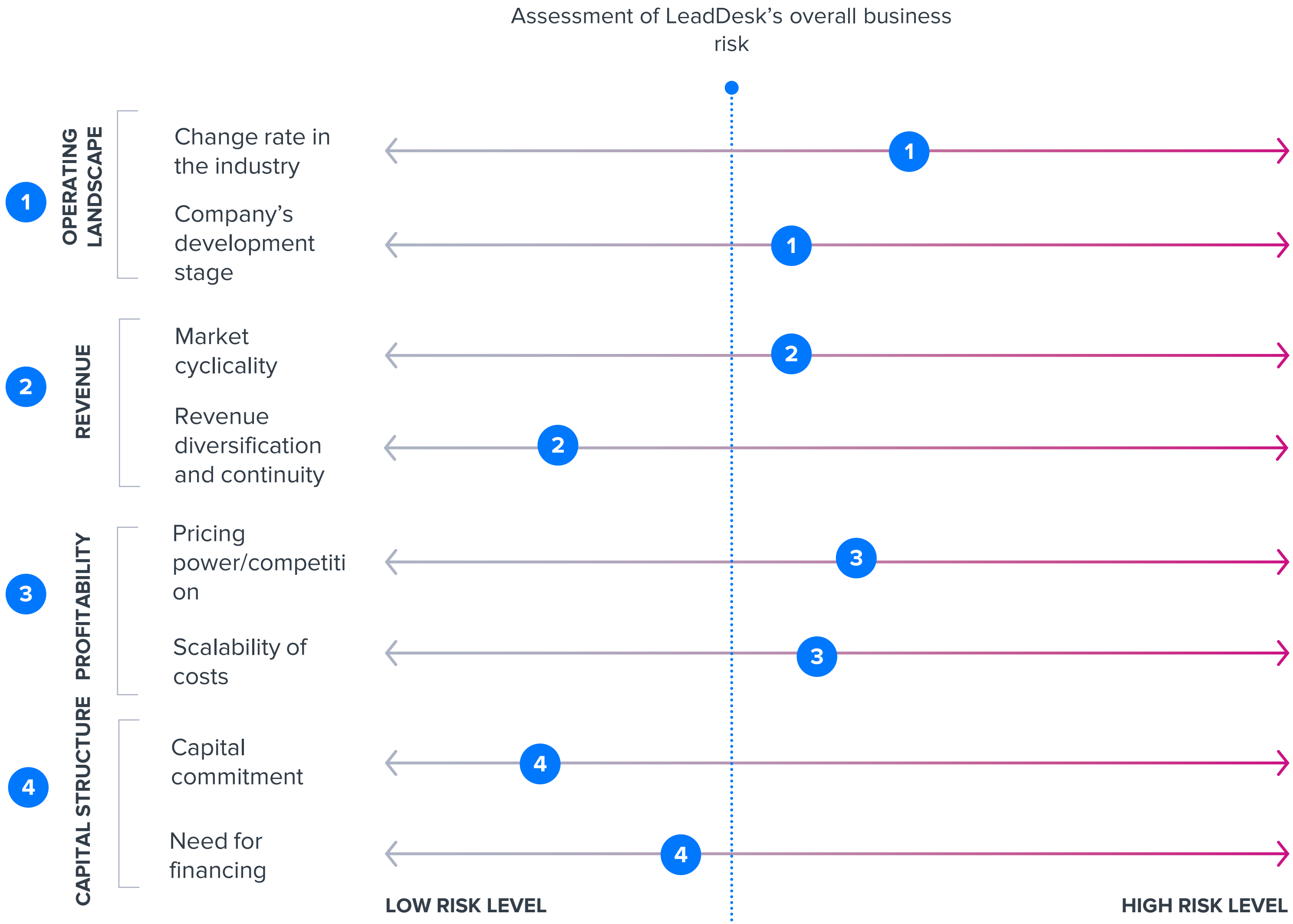
- A strongly growing target market and significant market potential
- Strong competitiveness compared to the smallest and local players in the target market
- Scalable business model and cost structure
- Expanding customer relationships to new solutions and value-added services
- Good track record of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

Risks

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

Source: Inderes

Risk profile of the business model



Industry changing rapidly due to technological development and consolidation, which, however, primarily supports LeadDesk's growth

LeadDesk has a proven and rather mature technology with a long track record of a working sales model (especially to SMEs) Enterprise sales have been launched and made promising progress.

Demand is continuous, but customer churn (exit/decrease in use) may increase in a recession. On the other hand, better workforce availability can increase use in a recession.

Fragmented customer base, extensive industry diversification and revenue almost purely recurring

The pricing power of the software solution is good, especially in SME customers, but lower for telecom services. However, competition brings price pressure for the company.

Fixed cost structure, but recurring income protects against profitability fluctuations. By adjusting sales and R&D investments, cost structure also has flexibility and scalability.

Operations tie little capital and working capital is negative.

Operational financing clearly sufficient to current level of investment/growth investments, own shares can be used as payment in acquisitions. The company's net debt is relatively limited.

Source: Inderes

Markets and competitive landscape 1/6

LeadDesk operates on large, strongly growing and rather stable markets

Globally, the market for Contact Center as a Service software is estimated to be around USD 4.4 billion and to grow by 18% annually in 2022-2030 (Markets and markets). LeadDesk has expanded toward larger customers, meaning that it is relevant to an ever-larger part of the target market ("CCaaS", call center as a service). We estimate that growth will focus on Enterprise customers, where LeadDesk's presence is still limited.

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

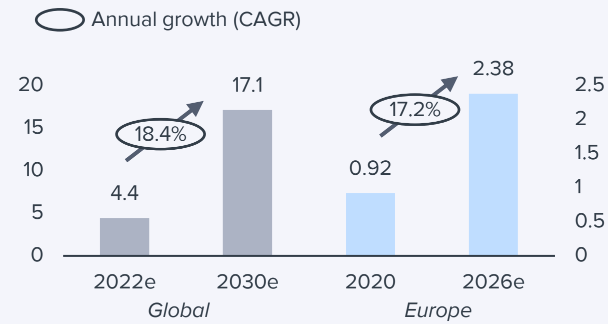
In Europe, LeadDesk's market is typically local and country specific. Frost & Sullivan estimates that the entire European market in 2020 was around EUR 0.92 billion and will grow by 17.2% per year until 2026. In any case, we believe that the European market outside the Nordic countries is so large that it will not limit LeadDesk's growth at least in the next years. On the other hand, the company's current and new planned operating countries mainly have good growth drivers as the use of cloud services becomes more widespread. The utilization rate of advanced cloud services in the EU, especially in Central and Southern European countries, is still very low (25-32% of companies) compared to the Nordic countries and the Netherlands (>=~ 60%). In these countries, the expected market growth rate is clearly faster than in the Nordic countries.

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

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

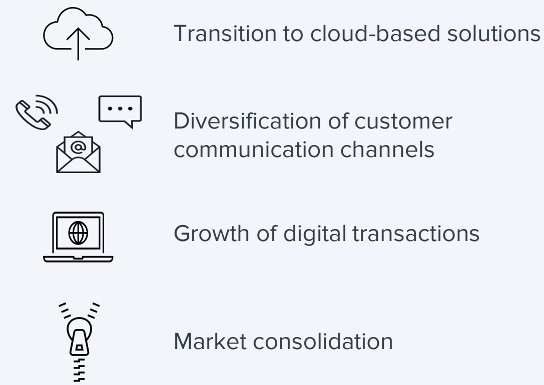
In terms of customer service and Inbound sales, we see market cyclicality as limited. The need to serve customers remains regardless of the cycle, and the software used for this therefore has a business-critical role. However, in our view, a weaker market situation could temporarily slow down sales activity if companies were to take a cautious stance in their software purchases. In a more difficult economic environment, system update projects are also typically postponed when development budgets are cut.

Market for Contact Center as a Service software, USD billion



Source: Markets and markets, Frost & Sullivan

Growth drivers on LeadDesk's target market



Source: LeadDesk, Inderes

Markets and competitive landscape 2/6

In Outbound sales (telemarketing), a weak financial environment could hit small outsourcing players in the industry increasing the number of bankruptcies (2022 energy crisis as an extreme example), which would increase LeadDesk's customer churn in the segment. According to LeadDesk growth among its customers in Outbound sales is usually limited by the lack of employees which tightens in a good economic cycle and alleviates in a weaker cycle. The now witnessed rapid rise in interest rates and widespread inflation is, however, widely reflected in consumers' consumption conditions, making it difficult to predict market development.

LeadDesk competes with a modern product and local presence

More than 150 companies offer contact center software (CCaaS: call center software as a service) in Europe (Frost & Sullivan). The company profiles are very varied, but the main differences are reflected in the regional focus of the players (local, regional, global), acquisition strategy (integration depth varies) and technology generation.

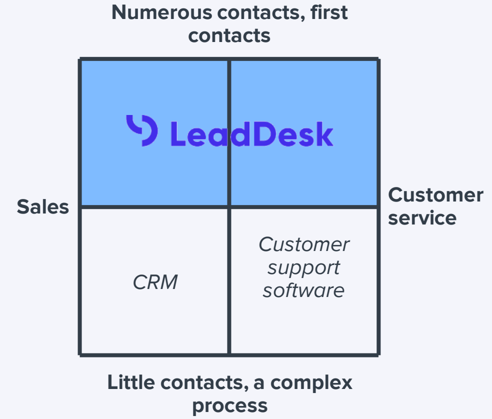
Contact center companies often operate with thin margins and under tough competition, making the software's process efficiency, service reliability, and flexibility critical features. We believe that the role of integration (e.g. CRM, ERP, customer support software) is also an efficiency driver. The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

We believe the small players are partly utilizing delaying tactics by lowering prices. Due to weakening competitiveness of the product because of lower investment ability we do not see these players as relevant long-term competitors. We believe that in the long term, the biggest competition will take place between the larger players.

Among the larger-scale competitors of LeadDesk (e.g. Genesys, Five9 and Talkdesk), only some have significant local activities in Europe. We believe, the underlying reason is the distribution of the European market into several countries, each requiring presence and customer support in the local language. For example, the expansion of the US-based Five9 to Europe seems to be difficult and mainly proceeding in Great Britain. We expect that large players focus in particular on global customer relationships that are bigger than LeadDesk's target group and have a higher price class. These players would therefore be faced more in competition if LeadDesk expanded to large customers more outside the Nordic countries.

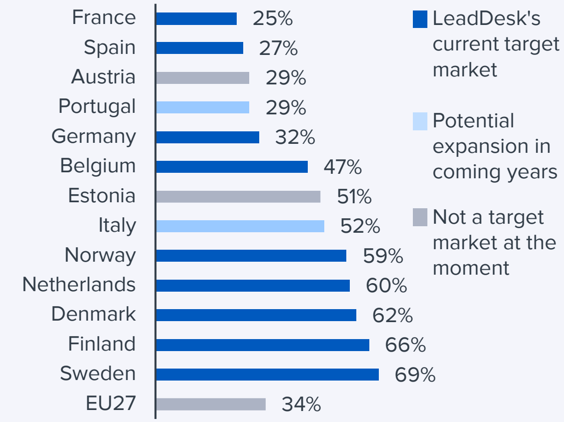
On the other hand, some of the competitors established in Europe (e.g. Talkdesk, Dixa) are seeking growth from outside the continent in larger markets (especially in the US). We believe that players who have built business persistently in Europe, like LeadDesk, currently have an advantage on the SME market (in non-English speaking markets). We note that, e.g., in the large French and Spanish markets, LeadDesk is still a new player, despite the rapid growth.

LeadDesk's positioning in the customer communication software field



Source: LeadDesk

Utilization rate of advanced* cloud services in EU countries, 2021, % of companies

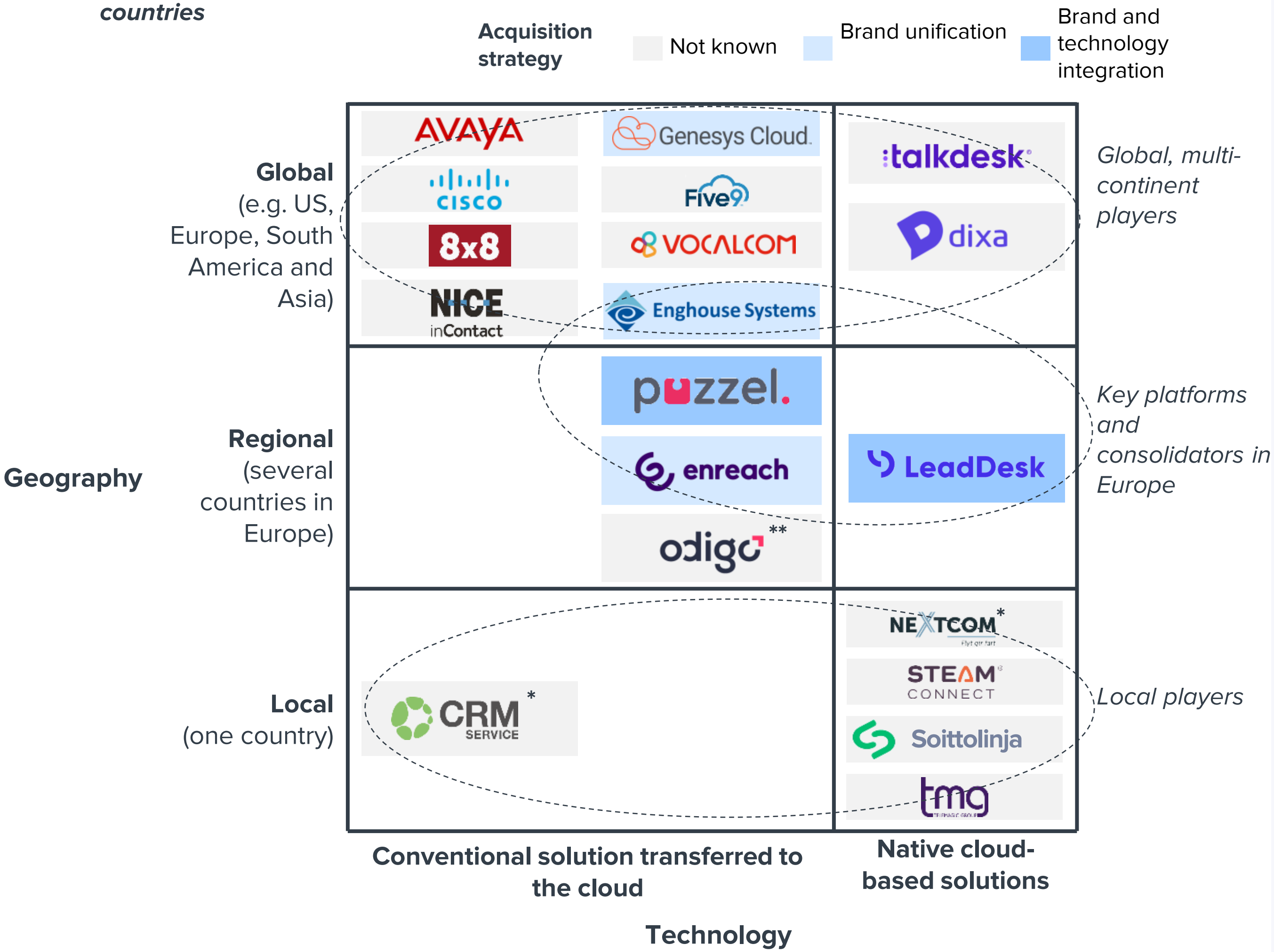


Source: Eurostat, Inderes
* Financial management, CRM, computing capacity, ERP, security and/or software development environments

Markets and competitive landscape 3/6

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

The list is not comprehensive, focus on the SME perspective in LeadDesk's operating countries



LeadDesk's competitive factors

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

Source: LeadDesk, Kempen & Co, company websites, Inderes' estimate. * Main focus on CRM software development
** Partner-oriented sales strategy, no relevant acquisition activity

Markets and competitive landscape 4/6

In Europe, we see half a dozen players who have more clearly built regional presence (LeadDesk, Puzzel, Enghouse and Enreach). This group is expanding actively in Europe through acquisitions. The attention of many competitors seems to be focused on bringing acquisition targets under the same commercial brand without any clear effort to combine product offerings(Enghouse and Enreach).

In contrast, LeadDesk combines the product portfolios available for sale at the integration stage. We also believe Puzzel does this. This way, product development investments can be directed at development of the product portfolio available for sale and outgoing products can be moved to a lighter maintenance mode, which we believe is a more persistent strategy. We believe that with its strategy, LeadDesk (and Puzzel) can develop its product portfolio more than its competitors relative to its size, as competitors' product development requires overlapping development of products sold in different countries.

Competitive landscape can change substantially as industry matures and consolidation progresses

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

Within the current market we believe competition has been relatively calm, excluding price competition and delaying tactics by smaller local players. We believe the background is strong growth on the market, especially in cloud-based solutions, where regional players are less likely to confront each other in a bidding war. However, the slowdown in market growth may increase competitive pressure and reduce sales efficiency. On the other hand, global competitors may invest more decisively in the European market in the future, where the CCaaS market still has visible strong future growth. However, global large competitors are the biggest threat in Enterprise customers, and at least for the time being not in the SME market, which is LeadDesk's main market outside the Nordic countries.

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

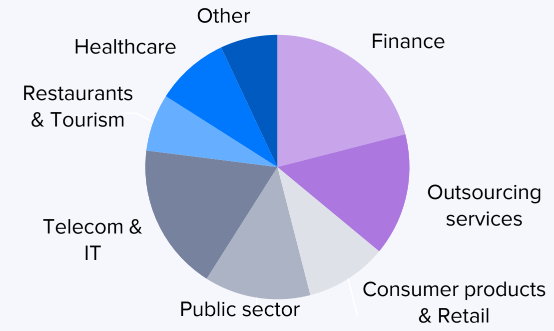
We feel, the more difficult development to predict is linked to cross-border acquisitions and expansion of software categories. LeadDesk operates on the CCaaS market, where software improves the efficiency of large-volume customer communications (customer service and sales). One adjacent market is internal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

Trends on the Contact Center market

- Companies want to offer their customers better customer experiences
- The role of AI grows in the customer experience
- AI and Chatbots will redefine resolving of customer requests
- The cloud transformation is still growing
- Workforce management is evolving
- Developing agents' employee experience with technology is critical
- Agent experience and retention becomes vital (minimizing employee attrition)
- Smooth operation of multi-channel communication is very important
- Social media services have become a crucial area

Source: ISG Provider Lens (9/2022)

Customer distribution in the CCaaS market by industry, Europe



Source: Grandviewresearch, Frost & Sullivan, Inderes

Markets and competitive landscape 5/6

Another adjacent category is software that connects communication channels (CPaaS, Communication Platform as a Service) which, e.g., Twilio or Sinch and LeadDesk's Telecom business represent.

Several acquisitions have taken place between these three markets (see next page). Twilio (CPaaS) has expanded organically to the CCaaS market with its Twilio Flex solution. Also Zoom (UCaaS) announced its own CCaaS offering at the beginning of 2022 in English-speaking countries, when its bid for Five9 (CCaaS) first fell through in the fall of 2021. This development may lead to well-resourced new competitors in the industry, with the capacity to address customers' digital era communication needs more extensively than existing players. A clear trend in the industry seems to be the effort to provide more extensive turnkey solutions for companies' communication needs.

Another possible change in the industry would be a stronger expansion of CRM software (e.g. Hubspot) or customer support software (e.g. Zendesk) to the CCaaS market. The strategy of these companies has generally been to offer integration with other players' CCaaS solutions, like LeadDesk. However, at the end of 2022, the global CRM leader Salesforce announced its own wider CCaaS solution. We believe that Salesforce can become a real competitor in the future.

Similarly, Google and Microsoft have announced their Contact Center platforms that are heavily wrapped around AI. Both platforms partner with CCaaS suppliers but seem to want their share of the value chain. We believe that Google and Microsoft are betting that the share of automation and AI will be significant in the entire value chain. We suspect that platforms from such tech giants may provide a better basis for LeadDesk's competitors. We feel that an early indication of this is that older generation players Avaya, Genesys and NICE started cooperating with Microsoft in 2022.

On the other hand, global tech giants entering the market is a sign of its attractiveness, but at the same time it can increase competition in the medium term. Tech giants (especially Google and Microsoft) have, however, expanded in many directions in history, with varying severity, and we believe that coming years will show how serious the tech giants are in developing their CCaaS platforms.

Especially in SME customers, high customer churn makes the threat of new competitors relevant. For smaller companies, software implementation is typically very quick and the cost of changing suppliers is therefore also limited. On the other side of the coin, the same dynamic helps LeadDesk win market shares. So far LeadDesk has, however, mainly faced less technologically advanced small local players on the SME side. However, to manage the risk of new competition, the company must maintain a high service level and technological competitiveness.

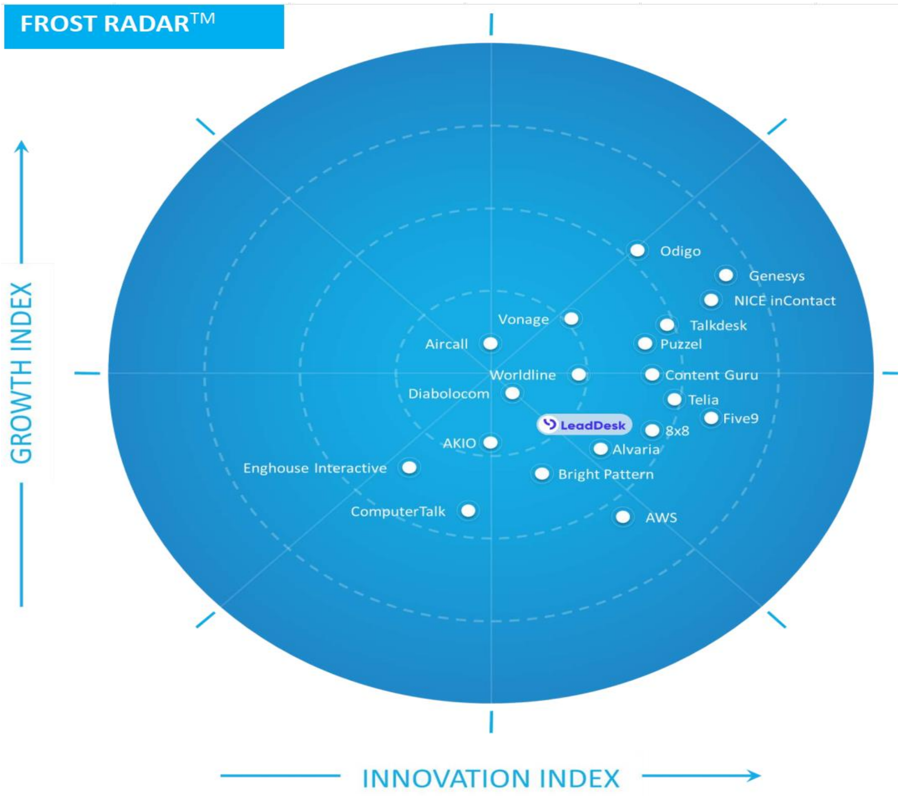
Acquisitions in the cloud communications software market

- Strengthening technology
- Acquiring a competitor
- Expansion to new software categories

Source: Inderes, Kempen & Co.

Markets and competitive landscape 6/6

Frost & Sullivan's view of the main players in the European CCaaS market



Source: Frost & Sullivan

Recent acquisitions by major players

Buyer (Type)	Target	Country	Deal price	Personnel	Traget type	Time
Puzzel (CCaaS)	S2 Communications	Sweden		~20	CCaaS	11/22
Enghouse Networks (Sveral)	Competella	Sweden			UCaaS, CCaaS	6/22
Dixa (CCaaS)	Solvemate	Germany	43 MUSD	~39	CCaaS	3/22
Dixa (CCaaS)	Miuros	France	43 MUSD	~35	CCaaS	3/22
8x8 (CCaaS)	Fuze	USA	214 MUSD		UCaaS, CCaaS	1/22
Puzzel (CCaaS)	Vergic	Sweden				10/21
Ericsson (Sveral)	Vonage	USA	6200 MUSD	~2000	CPaaS, UCaaS, CCaaS	7/21
Enreach (CCaaS)	Benemen	Finland		~70	CCaaS	5/21
Gamma (CCaaS)	Mission labs	UK	46 MGBN	~84	CCaaS	3/21
Cisco (Sveral)	imiMobile	UK	730 MUSD		CCaaS	2/21
Enghouse Networks (Sveral)	Altitude	Portugal			CCaaS	12/20
Apax Partners (Private Equity)	Odigo	France	300 MEUR	~700	CCaaS	9/20
Enreach (CCaaS)	HeroBase	Denmark			CCaaS	9/20
Lifesize (CCaaS)	Serenova	USA			CCaaS	3/20

Source: Inderes, Kempen & Co, media sources

Strategy 1/3

The strategy is growth from multiple sources

LeadDesk's product and technology have reached a rather mature development stage and it has managed to scale the sales investments made into several countries on international markets to profitable. LeadDesk focuses on promoting several growth aspects simultaneously. Simultaneously, the need to develop the company's operating models to support the growing size class also appears.

Organic growth is LeadDesk's key route to allocate capital. The alternatives are enterprise sales (longer repayment, more stable customers) and SME sales (small and medium-sized companies, faster repayment and higher customer churn). On the other hand, investments can be made either to existing or new markets.

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

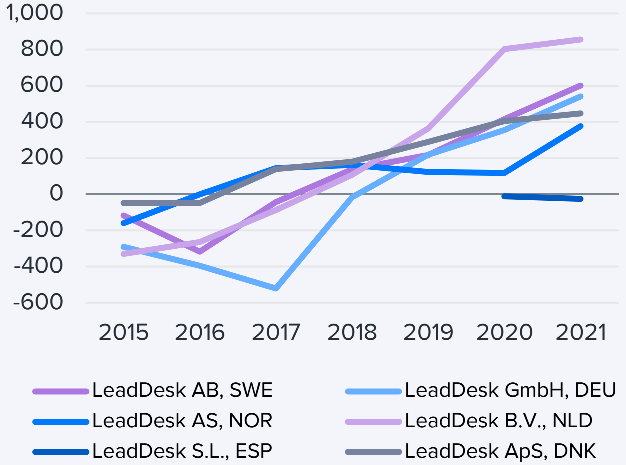
With this strategy, we believe the company has achieved good results and opened markets (Sweden, Norway, Denmark, Holland, Germany) have turned cash-flow neutral within 2-5 years, based on the Concept fee* figures. Spain has been roughly cash-flow neutral since the opening of the market, while growing very strongly (2021 growth: 110%). In its latest opening, the company expanded to France at the beginning of 2022. The company has a rather convincing track record of international growth, especially in SME sales.

The company's credibility has also increased with the larger size class and strengthened portability. This has enabled LeadDesk's second growth strategy cornerstone, strengthening of Enterprise sales. Since 2020, in particular, LeadDesk has increased its investments in Enterprise sales on more mature markets in the Nordic countries. To support this, the company has utilized acquisitions to build an implementation organization (Capricode & Loxysoft) and strengthened the business-critical functionalities of its products. In the future, the company is likely to invest in its Enterprise sales in other markets.

For Enterprise sales, the signs of success are early, as the company only started clearer investments in 2020 with the support of acquisitions. However, especially at the turn of the year 2021-2022, the company announced several successful contracts, so it preliminarily seems this capital allocation is also producing results.

The importance of partners as a sales channel for LeadDesk's business is very limited thus far. However, one focus area has been different ecosystems such as Salesforce and Zendesk, to whose app stores LeadDesk has introduced its own applications in 2022.

Concept fees* by country,
2015-2021, TEUR



Source: LeadDesk, Inderes
*Concept fees are payments between LeadDesk's parent company and country organizations. LeadDesk typically aims to achieve profitability of about 0-5% in the country organizations, so a positive concept fee indicates that the operations of the country organization have turn profitable.

Strategy 2/3

Acquisitions as an additional growth engine

The third cornerstone of the growth strategy is acquisitions. LeadDesk became active in acquisitions in 2020 (see p. 22). The company is particularly interested in technology-driven, smaller-scale acquisitions that support its enterprise offering. LeadDesk is, in turn, cautious in acquisitions whose logic focuses on market position (e.g. Loxysoft) due to, e.g. the high customer churn of Loxysoft Sweden after the acquisition. On the other hand, the company has good experience in technology-driven acquisitions.

We consider a technology-focused acquisition strategy sound, as we estimate that acquisitions that complement technology are more likely to create value for the company. Currently, LeadDesk is particularly interested in, e.g., workforce management solutions and lighter ticketing solutions that it currently offers through partners. To our understanding the acquisitions have been made with attractive relative valuations and using own shares as a means of payment, which has enabled strong growth in LeadDesk's revenue per share. As a whole, we believe that LeadDesk has succeeded in creating shareholder value in the acquisitions.

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

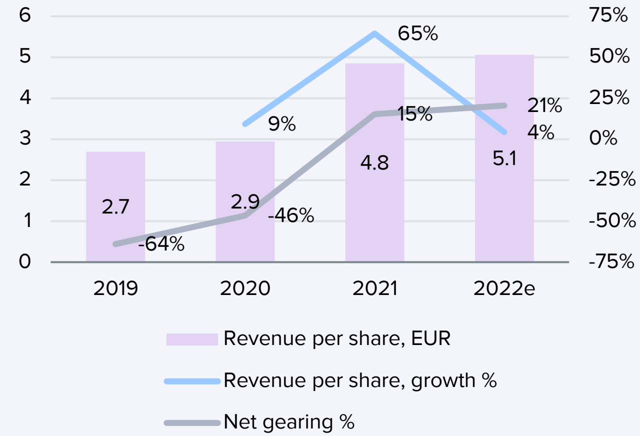
LeadDesk's growth story seems to be attractive to the acquisition targets, as the company has been able to use its shares as payment in acquisitions. This, in turn, gives the company leeway in implementing acquisitions compared to only using cash funds.

There are many good paths to take, as long as growth remains under control

From the point of view of capital allocation, the company is facing important decisions. Opening of new countries and acquisitions are to some extent alternatives to each other, and debt financing is more expensive than before. With our estimates for the end of 2022, LeadDesk's net debt is about EUR 4 million and net debt/EBITDA is currently around 1.2x-0.9x in 2022-2023. We consider this to be a reasonable level, given the company's current discipline. We believe that, if necessary, LeadDesk can raise debt capital. We see that there are a number of options with good track records, so we are not too concerned about the company's future capital allocation choices.

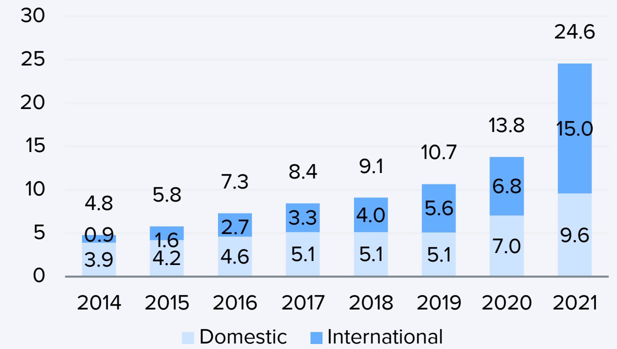
With business growth, the size class of LeadDesk will inevitably grow. We believe that the fourth cornerstone of the company's growth strategy is to ensure organizational scalability during growth. As a solution to previous growing pains the company has already strengthened its middle management, and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

Revenue per share,
EUR per share and growth %



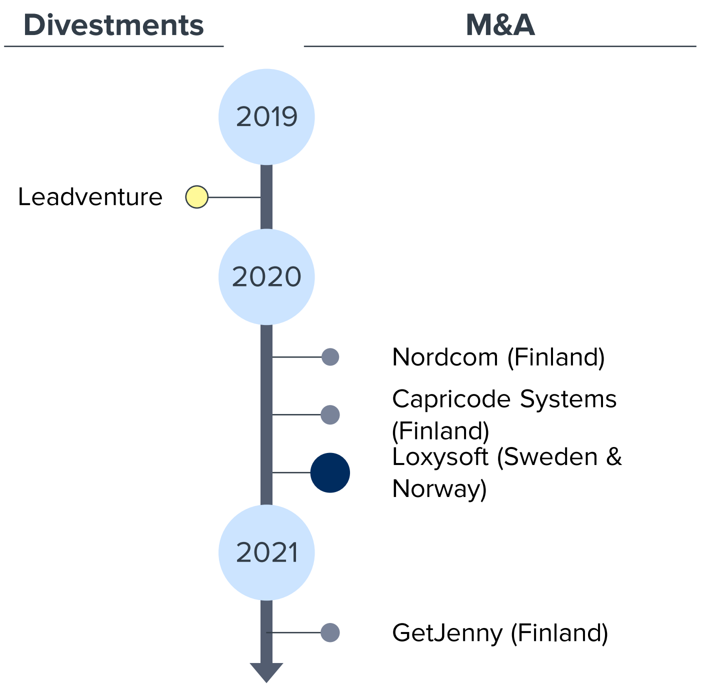
Source: Inderes

Geographical distribution of revenue,
2014-2021, MEUR



Source: Inderes

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



Revenue of the target

- ~0.5 MEUR
- ~20 MEUR

Main industrial logic of transaction

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

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

Acquisition target	Consoli-dated	Deal price (debt-free)	Additio-nal price	Paid?	Net sales[2]	EBITDA-%	Valuation (EV/S)[1], min-max	Paid in shares (original)	Used price per share	LeadDesk own EV/S[3]	Dilution
Nordcom (FIN)	1/7/2020	0.5	0.2		0.9	2.5 %	0.6x-0.8x	60 %	10.3	4.4x	0.6 %
Capricode Systems (FIN)	1/10/2020	2.4	0		1.3	5 %	1.8x	50 %	17.15	4.3x	1.5 %
Loxysoft (SWE, NOR)	1/1/2021	13.6	1.5	x	7.0	14 %	2.0x-2.2x	64 %	17.55	5.1x	10.4 %
GetJenny (FIN)	1/8/2021	3.8	0		1.4	20 %	2.7x	100 %	22.98	4.6x	1.7 %

1 Calculated with actual figures of the acquisition target, 2 Previous years' revenue, 3 LeadDesk's estimated EV/S of the nearest comparable year (including completed acquisitions) at the time of purchase

Source: Inderes

Strategy 3/3

Target market and LeadDesk's position

European market for Contact Center as a Service software, 2020 — **0.92 EUR bn**

Market growth, 2020-2026e — **17.2% CAGR**

Trends behind market development

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

Modern software for large volume customer communication LeadDesk

Strategic focus areas

1. Organic growth on current markets and expansion to new operating countries
2. Strengthening Enterprise sales in more mature market areas
3. Supporting growth, in particular through acquisitions that strengthen the product
4. Ensuring organization scalability during growth

Financing strategy with cash flow and using own shares in acquisitions

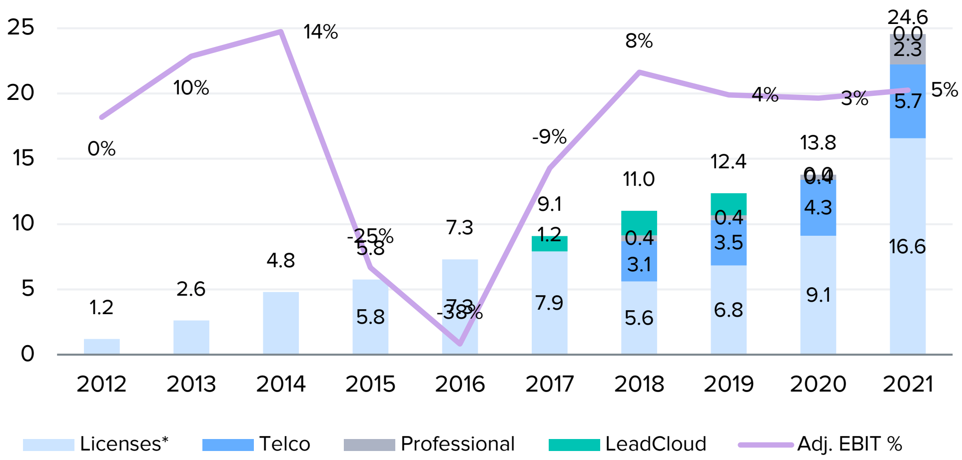
>100 MEUR

Revenue in long term

Source: Inderes, LeadDesk, Frost & Sullivan

Financial position 1/3

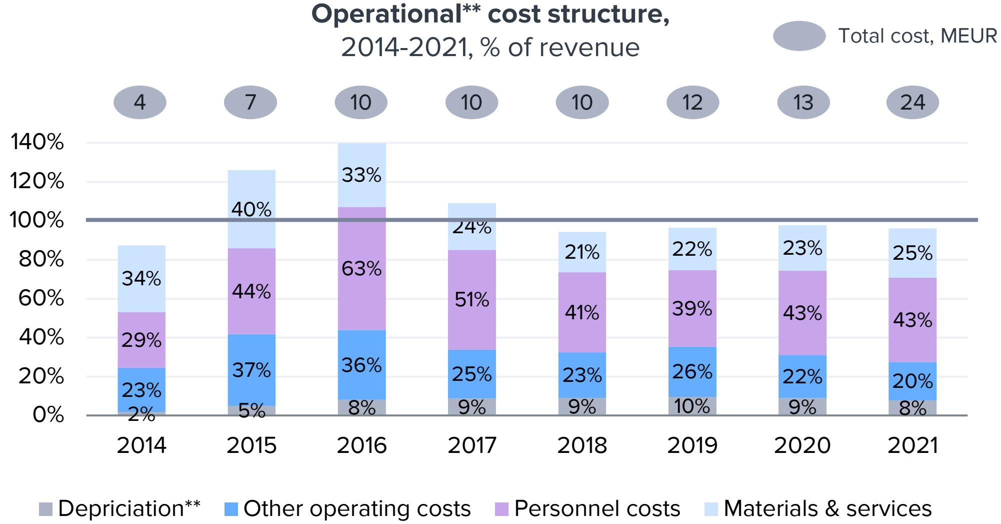
Revenue distribution by type*,
2014-2021, MEUR



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

- We estimate that the organic growth rate of LeadDesk's revenue has been about 16% and profitability (adj. EBIT %) has varied between -38% and +8% in 2015-2021.
- Profitability has stabilized at an average level of around 5% since the heavy investment phase that continued until 2018
- In 2020, the company's organic growth was boosted by COVID driving customers to prefer cloud software suitable for telecommuting more strongly than before.
- In 2018-2021, the sum of LeadDesk's organic growth % and profitability (adj. EBIT %) excluding divested LeadCloud has varied between some 17% and 26%, being on average 22%.
- The large jump in the revenue from professional services sales between 2020 and 2021 was caused by the Capricode and Loxysoft acquisitions, where a bigger share of revenue came from professional services.

Operational cost structure,**
2014-2021, % of revenue

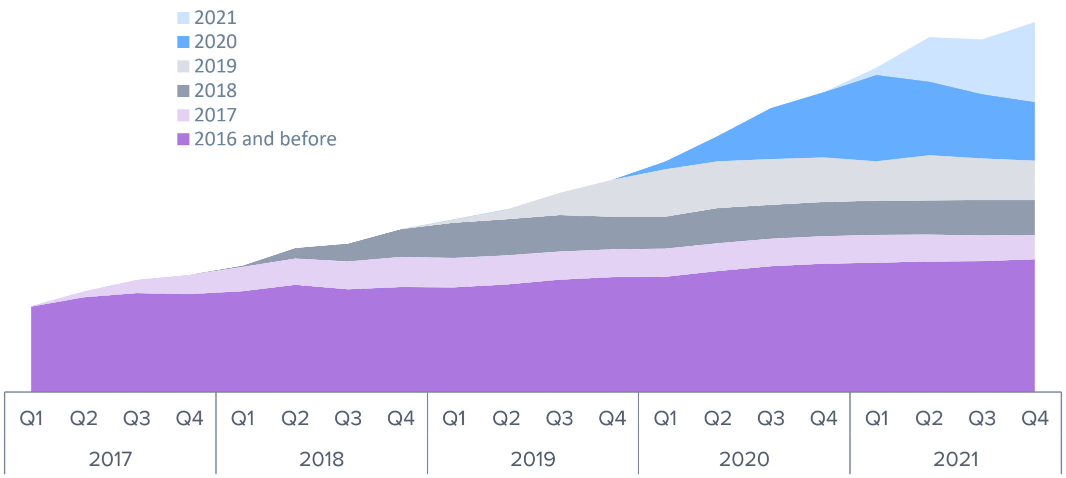


- Materials and services mainly consist of purchases of cloud capacity, purchases required to provide telecom services and in recent years, the use of external workforce in implementations of large customers. The relative share has increased in 2022 from the impact of the strengthening dollar and implementations using external workforce. We see some scalability in the current level.
- Personnel costs are LeadDesk\s most significant cost item, and we feel in particular investments in product development and sales (>50% of employees) should be partly perceived as investments.
- Other operating expenses have been steadily scaled after a strong investment phase. They consist of rents, marketing costs, credit losses and administrative and accounting costs. They are relatively fixed in nature.
- Depreciation (excluding goodwill amortization) is mainly attributable to capitalization of product development costs. Risk of scaling in a mature development phase.

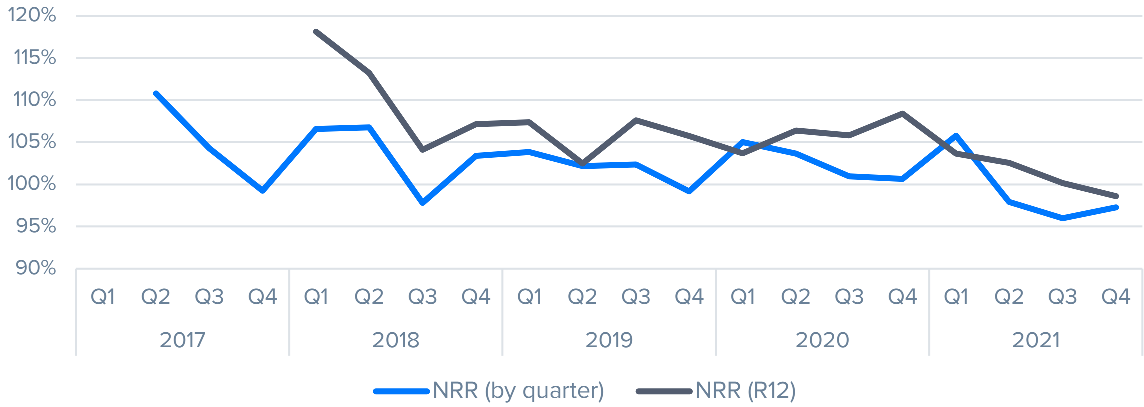
Source: LeadDesk, Inderes
*License revenue includes Telecom revenue until 2017 and the LeadCloud business until 2016 **Does not include goodwill amortization

Financial position 2/3

Recurring revenue by customer cohort (organic)



Inderes' estimate of LeadDesk's recurring revenue NRR*



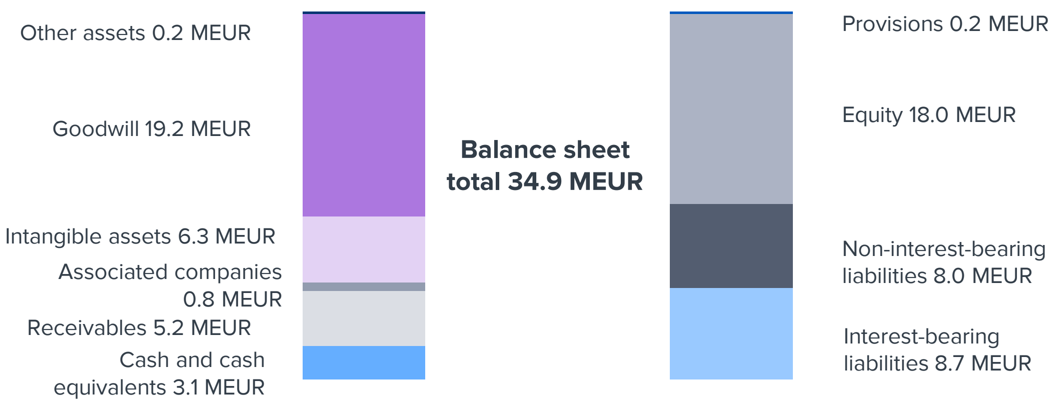
Source: Inderes' estimates
*NRR = Net Revenue Retention. A value of >100% means that during the year, there has been more growth in company invoicing than decrease/exit (churn).

- LeadDesk's historical Net Revenue Retention (NRR) has before 2021 been ~105-108% annually We have estimated these figures based on a graph published by the company.
  - We estimate that LeadDesk's gross churn in SME customers is high (estimated at >5%), largely due to the "bankruptcy sensitivity" of the direct sales industry, which in turn leads to a high natural churn. With this in mind, we believe the 105-108% NRR is a very good level.
  - We also believe that the good NRR supports the idea that LeadDesk should invest in sales and marketing for the time being. Especially considering that LeadDesk's main growth driver is new sales.
- In 2020, LeadDesk got a major boost in new customer revenue. The COVID pandemic caused customers to favor cloud software that is suitable for telecommuting more strongly than before, as companies' need for remote communications increased rapidly and at the same time, e.g., COVID helplines generated new high-volume revenue.
  - In 2021, this customer cohort began declining as the pandemic alleviated and usage decreased.
- In 2021, NRR decreased to 99%, driven mainly by the 2020 customer cohort and no significant changes in other cohorts. In 2022, the energy crisis also caused an exceptional drop in software use and even bankruptcies, as the sales activities in the sector nearly froze in Europe.

Financial position 3/3

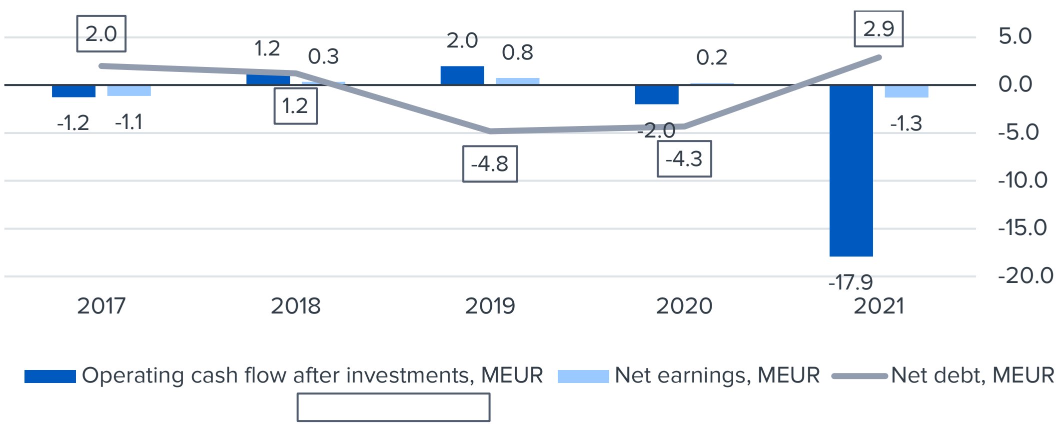
LeadDesk's balance sheet is in pretty good condition, but it is inflated by goodwill from acquisitions

Balance sheet structure, June 30,2022



- Acquisition activity is visible in the balance sheet.
  - Cash assets enable smaller acquisitions (3.1 MEUR).
  - Net debt (5.5 MEUR) and gearing (31%) are at higher levels than historically due to acquisitions and a more difficult market situation, but we still believe the company has borrowing capacity if needed.
  - Goodwill has increased significantly (19.2 MEUR) with acquisitions (especially Loxysoft) and will be depreciated according to FAS accounting over a period of 10 years.
  - Intangible assets (6.3 MEUR) practically consist of capitalized product development costs.
  - Positive operational cash flow and especially the use of own shares as payment, will enable future acquisitions.
- Cash flow is used for growth investments and acquisitions and therefore we do not expect any dividends in the coming years.

Operational cash flow after investments*, net result and net debt, 2017-2021



- LeadDesk's operations generate cash flow with a light capital structure.
  - Organic growth investments are mainly carried out in the form of personnel and other operating costs through the income statement.
  - In 2021, capitalization of product development costs (2.8 MEUR) was higher than depreciation (1.8 MEUR), so the company's cash flow from operating activities was slightly lower than the result.
  - In 2021, large investments (Loxysoft and GetJenny acquisitions) turned cash flow strongly negative*. A similar effect was also seen in 2020 (NordCom, Capricode Systems acquisitions).
- In addition to cash, LeadDesk has also been able to use own shares as payment in acquisitions, which has enabled it to carry out large acquisitions with reasonable net debt increases in 2020-2021.

Source: Inderes *Includes the use of own shares in the payment of acquisitions.

Estimates 1/3

Our estimates are based on the SaaS business model

LeadDesk's strategy focuses on increasing SaaS business and the recurring revenue it generates. In our estimate model, we assume that LeadDesk's revenue development is mainly driven by the development of SaaS revenue. We estimate that the growth of other revenue items (telecom services and professional services) is largely linked to the development of SaaS income.

We primarily expect growth in SaaS revenue through new sales, expansion of existing customers and customer churn. In support of this estimate we expect realistic growth rates in Finland and on more strongly growing international markets. We also assess the shares of large customers and SME customers, but LeadDesk has not specified their shares so far, so the role of this is also to support our estimates. We expect the share of Enterprise customers in revenue is around 25-40%.

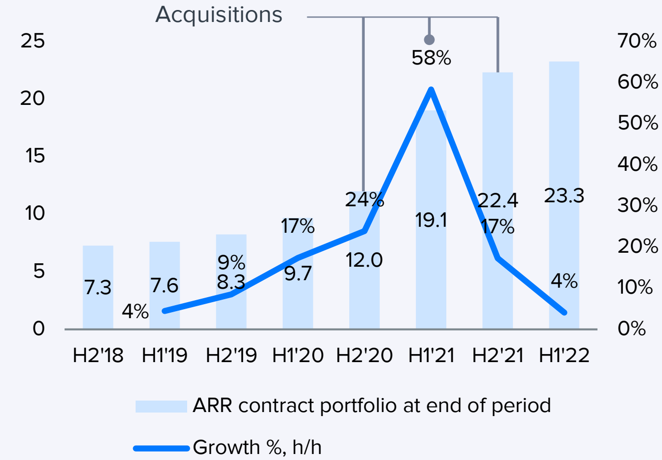
LeadDesk's recurring revenue consists of SaaS license income and telecom services. SaaS revenue is invoiced to the customer on a continuous basis, although it is largely linked to the number of users in the system. Telecom services, on the other hand, are partly recurring and partly related to customer use. Telecom services have some seasonal variation in use, especially in the quieter summer months. We expect telecom services to grow slightly slower than license revenue, because we believe that the company will invest more in its license-based products (e.g. GetJenny chatbots).

The importance of service revenue (H1'22: 11% of revenue) is still relatively small as a whole, but its importance has grown with expansion to large customers whose implementation is also an important driver.

LeadDesk publishes ARR (annual recurring revenue) that includes SaaS orders and the share of continuous contracts in telecom services. In addition, the company reports the ARR in invoicing. The contract portfolio is transferred to invoicing with a delay of a few months due to the duration of implementation and in larger contracts implementation may take up to 6-12 months. The contract portfolio is a fairly reliable tool for predicting the near future of the company's business, especially in terms of license revenue. However, its use is weakened by the fact that revenue distribution (Licenses/Telecom services/Professional services) is reported only every six months and that ARR is not divided into License and recurring Telecom services.

In our model, LeadDesk's profitability and earnings growth is determined by the development of fixed costs in relation to the growth in high-level revenue (2021: sales margin 75%). We expect the company to be able to improve its sales margin to around 77% as its size class grows. We estimate personnel costs (2021: 43% of revenue) and other operating costs (2021: 20%) based on the number of personnel and unit costs. In our estimates, we also consider personnel efficiency figures relative to revenue and revenue growth, which typically strengthen for SaaS companies in the scalable growth stage. In terms of profitability, we look at EBIT adjusted for goodwill amortization, which we believe best describes operating profitability.

ARR contract portfolio,
MEUR at the end of the period, growth %



Source: LeadDesk, Inderes

Announced large Enterprise deals

Company	Value min	Value max	Time y	Revenue per year, MEUR min	Revenue per year, MEUR max	Release
YTHS	0.5	0.5	3.0	0.2	0.2	11/21
X-point	0.8	2.0	3.0	0.3	0.7	12/21
Energy company	0.8	0.8	4.0	0.2	0.2	12/21
Sparebank	1.0	1.0	3.0	0.3	0.3	01/22
Päijät-Hämeen hyvinvointi-kunta-yhtymä	1.3	1.3	4.0	0.3	0.3	06/22
Total	**4.3**	**5.5**	**17.0**	**1.3**	**1.7**	
Average	**0.9**	**1.1**	**3.4**	**0.3**	**0.3**	

Source: LeadDesk, Inderes

Estimates 2/3

Visibility into LeadDesk's revenue is relatively good in the short term as the revenue mainly consists of easily predictable recurring income. By contrast, modeling the revenue growth rate and profitability is more difficult because it is highly dependent on the level of the company's growth investments, sales efficiency and market cycle development. We do not include acquisitions in our estimates in advance.

LeadDesk has active option programs covering some 684,000 shares (~13% of shares) where the subscription period occurs over the next some five years. We include the dilution of the options on the number of shares in the estimated share price as net (dilution now 2%).

Difficult market situation depresses growth rate in 2022-2023

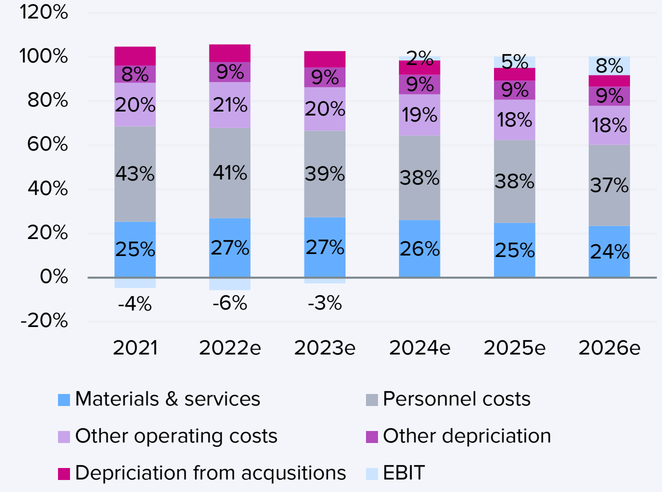
LeadDesk's guidance is that 2022 revenue growth will be 13-18% and profitability will be positive measured by EBITDA and operational cash flow. The guidance does not consider the impact of large acquisitions on revenue or profitability. We expect LeadDesk to grow by 13.9% (organically some 10%) and EBITDA to be 11%.

In 2022, revenue growth has been negatively affected by the customer churn in Loxysoft Sweden in H2'21 and the drop in volume from COVID customers, which is visible in recurring revenue. The energy crisis that began in H1/2022 hit the company's customers in the sector hard, especially in the Netherlands. Growth has been supported by a strong drive on the Spanish market and by the enterprise customers gained in the Nordic countries in late 2021 and early 2022. The completion rates of Enterprise projects are expected to increase to almost full speed by Q1'23 (10/22 69% of license invoicing), supporting 2023 growth.

We expect 2023 organic growth to be roughly at the 2022 comparable growth level of 10%. The company has communicated that the decision making in the private sector in large customer tenders is slower and system projects are also likely to be postponed in a difficult economic situation. We therefore expect professional revenue to develop neutrally in 2023 due to a smaller number of large customer implementations. We expect license revenue to grow by 13%, with recurring revenue from Enterprise customers implemented in late 2022, SME growth outside the Nordic countries and the recent recovery in the energy sector as the main drivers. Telecom revenue is expected to increase with license growth, but slightly slower due to lower usage volumes in weaker general economic conditions.

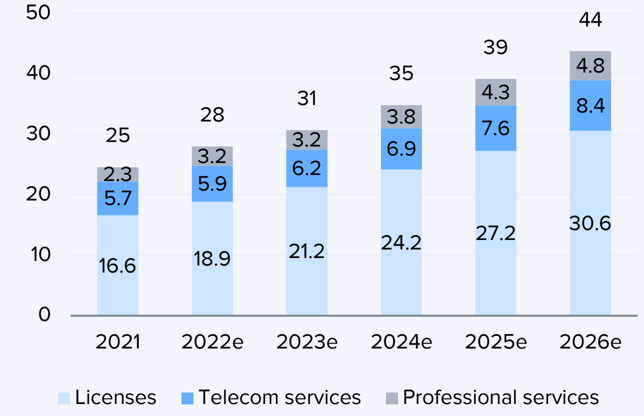
The company has been able to improve its organizational structure somewhat after many acquisitions. We expect personnel costs to scale slightly with growth in 2023 and adjusted EBIT % to rise to 5%. We also believe that the company has preconditions to deliver a positive profitability surprise next year. Profitability, however, is highly dependent on the level of growth investment, which we believe depends to a great extent on market pull. Currently, we expect the company to be conservative in recruitment, but if the market situation proves better than our expectations, the company could quickly step on the gas.

Cost structure estimate,
2021-2026e, % of revenue



Source: Inderes

Revenue estimates by type,
2021-2026e, MEUR



Source: Inderes

Estimates 3/3

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

The growth of LeadDesk's target market is expected to be strong (~17% per year over the next few years), with efficiency gains from the cloud transformation and customer communication software and increased system requirements. We expect competition to remain reasonable in the next few years due to strong market growth, so we believe the company's growth is highly dependent on its own performance. We feel that the company's growth performance so far speaks for confidence in the company's growth.

We expect organic growth to pick up again in 2024-2025 in a better market condition and to rise to 12-13%. In SME customers, we expect LeadDesk to continue making growth investments outside the Nordic countries. In Enterprise customers, we believe that there is still room to grow in the Nordic public and private sectors, but we also believe that the company will start planning for a wider European expansion in large customers in its more mature markets. In 2026, we expect the growth rate to remain at 12%, slightly below the company's historical level.

We expect growth to scale more clearly starting from 2025. We estimate EBIT adjusted for goodwill amortization to strengthen from around 5% in 2023 towards 14% in 2026. With these factors, we expect LeadDesk's sum of growth and profitability (adj. EBIT %) ("Rule of 40") to be 22-25% in 2024-2026.

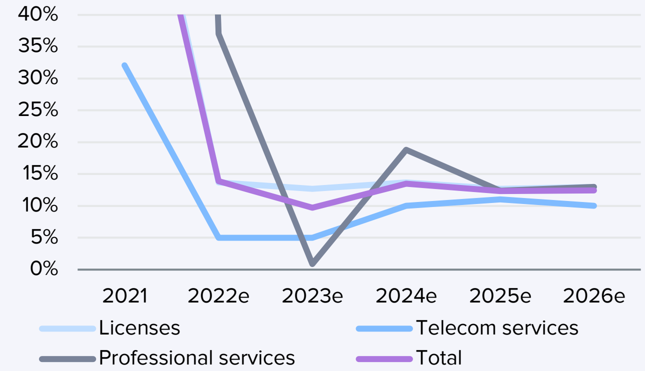
In the long term, we expect competition to intensify

Strong market growth is expected to slow down as cloud software utilization rates increase. There are several growth hungry players on the market, so when the growth space on the market diminishes, we expect LeadDesk to bump into key competitors more often on the market. Furthermore, in the long term, as LeadDesk increasingly expands to enterprise customers, we believe it will face tougher competition from industry giants and we also expect US Goliaths to continue to enter the big European markets.

We estimate that LeadDesk's revenue will grow by 12-3% in 2027-2033 with a slowing trend and will be EUR 69 million in 2033 (long-term target: 100 MEUR incl. acquisitions). In terms of market growth the company could grow even faster and into a larger size class. However, considering the company's historical growth rate we do not see any grounds to expect much stronger long-term growth than this unless the company reaches a significantly larger size class. Our terminal revenue growth is 2%.

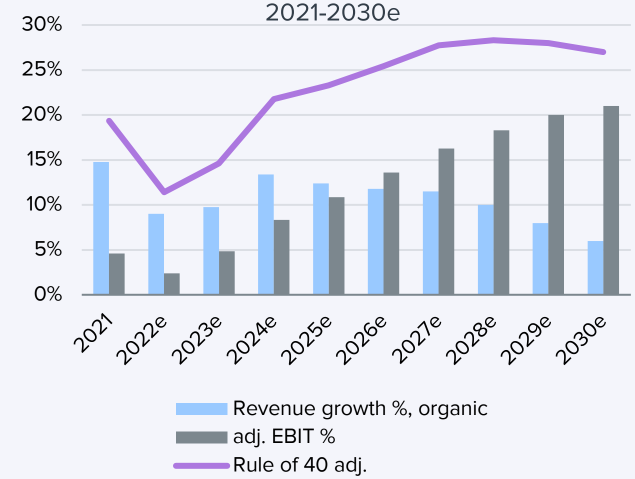
We expect LeadDesk's EBIT margin adjusted for goodwill to rise gradually from 17% to around 22% in 2027-2031 with scalable growth. We expect the profitability development to slow down and suffer from tighter competition and the EBIT margin (EBIT %) to settle at around 20% in the terminal year 2033. We expect the sum of the company's growth and profitability (adj. EBIT %) to be around 28-23% in 2027-2033.

Revenue growth by type,
2021-2026e, % growth on the previous year's revenue



Source: Inderes
*2021-2022 growth % are high due to acquisitions and the low base figure in professional services.

Combination of growth and profitability ("Rule of 40"),**
2021-2030e



Source: Inderes
**In 2021 and 2022, the comparable Pro forma figure reported by the company was used for growth

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	**13.8**	**24.6**	**6.9**	**6.9**	**7.0**	**7.2**	**28.0**	**30.7**	**34.8**	**39.1**
EBITDA	**1.7**	**3.1**	**0.7**	**0.7**	**1.0**	**0.8**	**3.2**	**4.3**	**6.0**	**7.7**
Depreciation	-1.4	-4.0	-1.2	-1.2	-1.2	-1.2	-4.8	-5.0	-5.3	-5.7
EBIT (excl. NRI)	**0.4**	**1.1**	**0.1**	**0.0**	**0.4**	**0.2**	**0.7**	**1.5**	**2.9**	**4.3**
EBIT	**0.3**	**-1.0**	**-0.5**	**-0.5**	**-0.2**	**-0.4**	**-1.6**	**-0.8**	**0.7**	**2.0**
Net financial items	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.3	-0.4	-0.4	-0.3
PTP	**0.3**	**-1.2**	**-0.6**	**-0.6**	**-0.3**	**-0.5**	**-1.9**	**-1.2**	**0.3**	**1.7**
Taxes	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.2	0.0	-0.3
Net earnings	**0.2**	**-1.3**	**-0.6**	**-0.6**	**-0.4**	**-0.5**	**-2.0**	**-1.4**	**0.2**	**1.4**
EPS (adj.)	**0.07**	**0.08**	**-0.01**	**-0.01**	**0.03**	**0.01**	**0.03**	**0.08**	**0.38**	**0.59**
EPS (rep.)	**0.04**	**-0.24**	**-0.11**	**-0.11**	**-0.06**	**-0.09**	**-0.37**	**-0.25**	**0.04**	**0.26**

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	11.7 %	78.0 %	16.6 %	12.5 %	19.6 %	7.8 %	13.9 %	9.8 %	13.4 %	12.4 %
Adjusted EBIT growth-%	-35.4 %	155.1 %	-87.4 %	-95.5 %	-454.4 %	175.2 %	-41.3 %	124.1 %	95.8 %	46.4 %
EBITDA-%	12.4 %	12.4 %	10.0 %	9.6 %	14.2 %	11.7 %	11.4 %	13.9 %	17.2 %	19.6 %
Adjusted EBIT-%	3.2 %	4.6 %	0.8 %	0.5 %	5.2 %	2.9 %	2.4 %	4.8 %	8.4 %	10.9 %
Net earnings-%	1.5 %	-5.2 %	-8.6 %	-8.8 %	-5.0 %	-6.6 %	-7.2 %	-4.5 %	0.6 %	3.6 %

Source: Inderes

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	28.0	28.0	0%	30.7	30.7	0%	34.8	34.8	0%
EBITDA	3.2	3.2	0%	4.3	4.3	0%	6.0	6.0	0%
EBIT (exc. NRIs)	0.7	0.7	0%	1.5	1.5	0%	2.9	2.9	0%
EBIT	-1.6	-1.6		-0.8	-0.8		0.7	0.7	
PTP	-1.9	-1.9		-1.2	-1.2		0.5	0.3	
EPS (adjusted)	0.0	0.0		0.1	0.1		0.4	0.4	
Dividend / share	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Fine-tuning estimates

Our operational estimates are unchanged. With the share price drop, we modified our expectations of the dilution of option schemes which cut our expectations for the increase in the number of shares. We also raised financial costs slightly with the increase in interest rates and overall the impact of these changes was slightly net negative on our 2024 EPS estimate.

Valuation and recommendation 1/3

Valuation is driven by growth and profitability development

LeadDesk's valuation is challenging due to the company's development stage and the revenue model of the SaaS business model. In SaaS companies, investments in growth (especially customer acquisition and product development) are almost exclusively carried out in a front-loaded manner in the income statement. This means that the high-margin income flow from serving current customers is consumed by growth investments and profitability is correspondingly lower.

LeadDesk is still in a development phase where its market is growing strongly and the company's growth investments in the next few years will keep its profitability lower. We expect the company's profitability potential to be realized only later. Therefore, the company must in the short term be examined based on valuation multiples that rely on revenue. We examine revenue multiples relative to the company's organic growth and the sum of growth and profitability commonly used in the software industry (“Rule of 40”).

The “Rule of 40” indicator works well for a SaaS company as it takes into consideration the company’s balancing between growth investments and profitability. We use the “Rule of 40” indicator calculated with relative adjusted EBIT to determine LeadDesk’s valuation level. However, in our valuation, we focus on growth, because we believe that growth in SaaS business is more valuable than short-term profitability.

We view LeadDesk’s revenue as a whole in the valuation. The share of lower margin telecom services is about 20% (some recurring) and they are an integral part of LeadDesk’s turnkey solution. The share of professional services is about 11%. We estimate that the share of recurring revenue is around 80% which is also a good figure compared to the peers. For example, the SaaS companies in the peer group also have service business and non-recurring revenue at varying weights, which is also reflected in the profitability and growth of these companies.

Considerable upside in valuation multiples

LeadDesk’s EV/S ratios for 2022-2023 are 1.6x and 1.4x. In absolute terms, we feel the ratios are attractive considering the fact that the company is cash flow positive and the annual organic growth of around 10-13% we expect for the next few years. Higher multiples can typically be justified for industry companies due to the strong long-term growth outlook of the industry, scalable and capital-light business models, and the visibility of recurring returns. LeadDesk’s 12-month forward-looking revenue multiples (see graph on the right) are also at the lowest levels in the company's stock exchange history, although we note that the company has been listed mainly during strong capital market years (IPO Q1/2019).

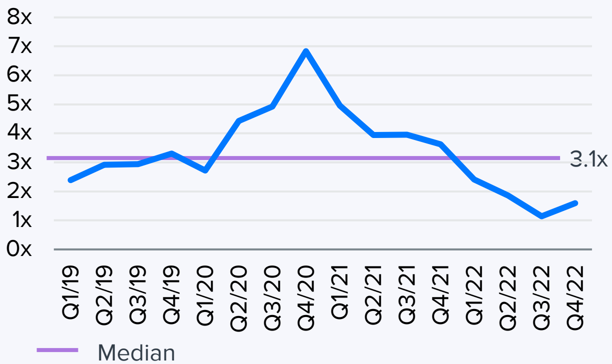
Earnings based indicators support LeadDesk’s valuation only in the medium term Simulated with the company's long-term profitability potential (Inderes’ estimate 15-30% adjusted EBIT %), the current valuation would correspond to low 5-10x EV/EBIT ratios in 2022-23. LeadDesk achieved an adjusted EBIT margin or around 9% (1-9/21 YTD) already before Loxysoft Sweden’s problems.

Valuation multiples

Valuation	2022e	2023e	2024e
Share price	7.44	7.44	7.44
Number of shares, millions	5.46	5.48	5.49
Market cap	41	41	41
EV	44	44	43
P/E (adj.)	>100	88.0	19.8
P/E	neg.	neg.	>100
P/FCF	neg.	>100	22.5
P/B	2.2	2.4	2.4
P/S	1.5	1.3	1.2
EV/Sales	1.6	1.4	1.2
EV/EBITDA	13.7	10.3	7.1
EV/EBIT (adj.)	65.8	29.6	14.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

NTM* EV/S,
Q1/2019-



Source: Inderes
*NTM=Next Twelve months, 12-month forward looking

Valuation and recommendation 2/3

In 2024-25, we expect LeadDesk's adjusted EBIT to rise to 8-11%. The adjusted P/E ratio will then be 20x and 13x and corresponding adjusted EV/EBIT ratios 15x and 9x. The ratios are fairly neutral in absolute terms, but we expect the company to continue investing in growth in its income statement. In LeadDesk's case we believe the earnings multiples are only useful in a phase of slower growth and lower growth investments far in the future.

The relative valuation is also attractive compared to the peer group

Our peer group consists mainly of European SaaS companies, whose business nature and target markets are similar to LeadDesk's. We have also included global companies involved in the CCaaS/CPaaS market that have operations in Europe in the peer group. Global peers are significantly larger than LeadDesk, so the median figures of our peer group rely on European peers.

Measured by EV/S multiples LeadDesk is in 2022-2023 valued some 60% below the peer group median 4.0x-3.6x. Relative to growth (23e: 10% organic, median for peer group including acquisitions: 15%) we feel the discount is too large. Considering growth and profitability (adjusted EBIT-%) (LeadDesk 23e: 15%, peer group median 28%) the discount already seems more neutral, but we value growth over profitability in the short term.

Compared to the wider European SaaS peer group (see next page), LeadDesk is also priced at a clear discount relative to growth, but neutral relative to growth and profitability. We feel that the valuation levels of the software sector are currently quite moderate.

In the light of scenarios, the valuation looks very attractive

We use scenarios to support the valuation with which we assess LeadDesk's valuation in 2025 We adjust the operating profit in the scenarios for goodwill depreciation. Here we reflect the annual expected return that investors expect in the now to the risks they bear. Market uncertainty and LeadDesk's challenges during H2/21-H1/22 reduce the predictability of the company's development. 2025 looks beyond these uncertainties and offers, in our opinion, a relevant reference point for the company's valuation.

In the basic scenario (current estimates), LeadDesk's revenue grows by some 12% p.a. in 2022-2025. Adjusted EBIT will scale slightly to 11% in 2025 but is still well below the potential of the company's mature development phase. The annual expected return in the scenario is excellent at 25%.

In the negative scenario, LeadDesk's revenue will grow slightly by about 6% p.a. and adjusted EBIT will rise to 9%. We believe that this scenario would require the company to face ongoing challenges throughout the estimate period, which we consider unlikely seeing the company's previous track record of growth. The expected annual return in the pessimistic scenario is still a decent 6%, which we feel reflects the cautious expectations of investors.

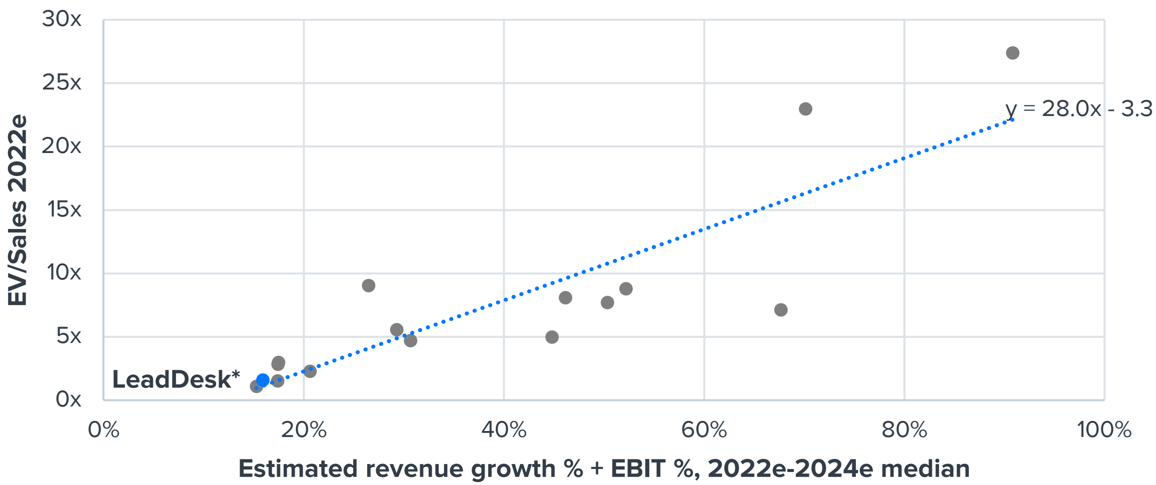
Scenario analysis of valuation

In 2025	Neg.	Neutral	Pos.
Variable revenue growth %	6 %	12 %	16 %
Variable EBIT % (adj.)	9 %	11 %	16 %
Variable revenue MEUR	34	39	43
x multiple revenue	1.8	2.4	3.0
x multiple EBIT (adj.)	13	15	17
("Rule of 40")	16 %	23 %	32 %
= EV (EV/S)	60	94	130
= EV (EV/EBIT (adj.))	41	64	117
Average (EV)	51	79	123
+Net cash + dividends	-1	1	3
=Market cap	49	80	126
Share price 2025 (incl dividends)	9.0	14.5	22.9
Share price at time of publication	7.4	7.4	7.4
Return	21 %	94 %	207 %
Annual return	6 %	25 %	45 %

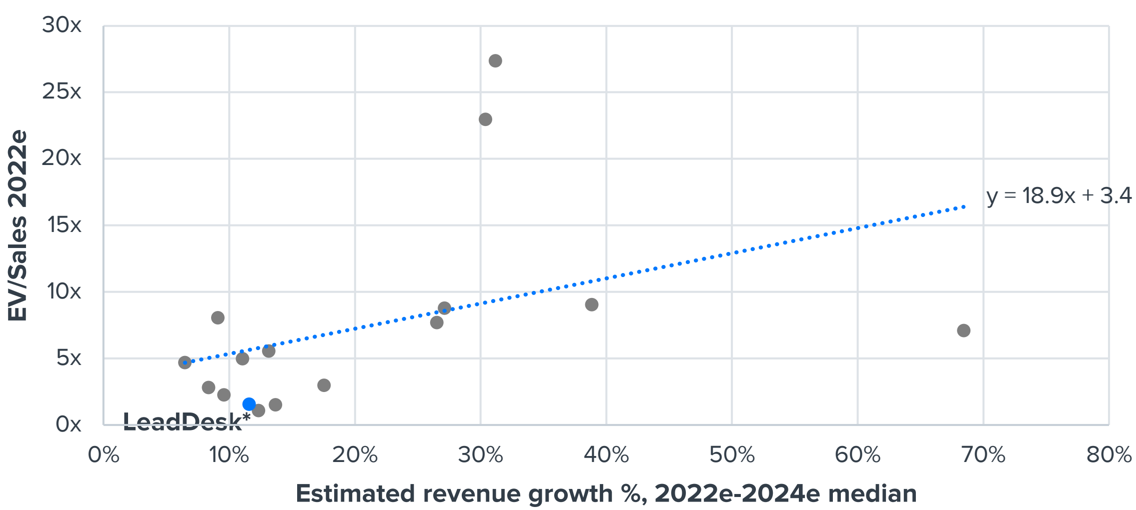
Source: Inderes

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

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



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



- The wider European SaaS peer group is, in our view, in terms of domestic and target markets closer to LeadDesk, which operates on several European markets.
- Although the peer companies operate in various software categories, we see clear similarities in the software markets’ growth outlooks due to the structural growth trend of the cloud-based software market.
- LeadDesk is valued at a clear discount to its peers with multiples relative to growth. With multiples relative to growth and profitability the valuation is in line with the peers. We note that the figures of peers also include inorganic growth and LeadDesk’s do not, so the comparison is slightly unfair from LeadDesk's perspective. We believe that the use of median figures improves comparability of figures
- We feel that the discount to European peers is partly justified due to the smaller size of the company and because most of the peers are already highly profitable. However, we believe that the current undervaluation is clearly exaggerated. The size of the peer group is also relatively small.

Source: Inderes, Refinitiv
*EBIT% adjusted for goodwill depreciation, organic growth %

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBITDA		EV/EBIT		EV/S		Rev. growth-%		EBIT-%		Rule of 40
Company	**MEUR**	**MEUR**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2023e**
Admicom Oyj	240	241	16.5	15.5	17.0	15.7	7.6	6.7	27%	10%	45%	43%	53%
dotDigital Group PLC	293	246	10.4	9.6	15.5	14.7	3.4	3.2	8%	8%	22%	22%	30%
Efecte Oyj	64	62	neg.	78.9	neg.	323.0	2.9	2.5	20%	15%	-1%	1%	16%
FormPipe Software AB	108	109	17.0	11.1	85.9	23.8	2.5	2.2	5%	11%	3%	9%	20%
Fortnox AB	2653	2652	49.7	36.7	63.1	44.8	23.0	17.6	36%	30%	36%	39%	69%
Heeros Oyj	31	33	16.3	14.0	100.1	53.7	2.9	2.7	21%	5%	3%	5%	10%
IAR Systems Group AB	188	176	14.4	10.6	22.9	15.5	4.6	4.0	18%	15%	20%	26%	41%
Irisity AB (publ)	17	16	neg.	9.6	15.6	neg.	1.4	1.1	21%	34%	9%	-49%	-15%
Lime Technologies AB (publ)	253	273	19.7	17.6	33.6	28.5	6.2	5.4	21%	14%	18%	19%	33%
Lemonsoft Oyj*	133	126	18.7	14.5	19.3	15.4	5.6	4.7	30%	16%	29%	31%	46%
LoopUp Group PLC	8	20	neg.	8.8	neg.	neg.	1.1	0.8	-21%	34%	-79%	-45%	-11%
NFON AG	120	112	neg.	37.4	neg.	neg.	1.4	1.3	6%	8%	-14%	-5%	3%
Simcorp A/S	2537	2546	20.3	17.5	22.5	19.0	4.7	4.4	12%	6%	21%	23%	29%
Sinch AB (publ)	2911	3842	14.4	11.5	neg.	36.3	1.5	1.3	84%	14%	-16%	4%	18%
Upsales Technology AB	113	108	34.1	24.3	44.2	30.6	8.8	6.7	50%	30%	20%	22%	52%
8x8 Inc	488	852	22.8	15.5	114.1	21.8	1.4	1.2	21%	18%	1%	6%	24%
Avaya Holdings Corp	12	2486	6.8	7.2	9.8	10.4	1.0	1.1	-12%	-7%	10%	11%	4%
Enghouse Systems Ltd	1320	1176	12.3	11.9	17.9	17.2	4.0	3.9	-12%	4%	22%	23%	27%
Five9 Inc	4497	4648	36.9	30.5	48.7	46.2	6.3	5.5	29%	16%	13%	12%	28%
Nice Ltd	11855	10997	16.5	16.8	18.7	16.4	5.3	4.8	15%	11%	29%	29%	40%
RingCentral Inc	3314	4748	13.3	10.4	20.4	14.0	2.5	2.2	26%	17%	12%	15%	32%
Twilio Inc	8070	5059	23.1	13.9		81.4	1.4	1.2	37%	17%	-2%	1%	18%
Zoom Video Communications Inc	19428	14296	9.1	9.5	9.7	10.1	3.7	3.5	58%	7%	38%	34%	41%
LeadDesk (Inderes)*	**41**	**44**	**13.7**	**10.3**	**65.8**	**29.6**	**1.6**	**1.4**	**9%**	**10%**	**2%**	**5%**	**15%**
Average (european peers)	**2258**	**2111**	**21.0**	**20.2**	**40.0**	**51.7**	**5.9**	**4.6**	**24%**	**20%**	**-19%**	**-7%**	**26%**
Median (european peers)	**214**	**244**	**17.0**	**14.3**	**22.9**	**26.2**	**4.0**	**3.6**	**21%**	**15%**	**9%**	**9%**	**28%**
Diff-% to median	***-81%***	***-82%***	***-19%***	***-28%***	***188%***	***13%***	***-61%***	***-60%***	***-57%***	***-36%***	***-74%***	***-46%***	***-48%***

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

Valuation and recommendation 3/3

In the positive scenario, revenue grows by an average of 16% per year and the adjusted EBIT scales to 16%. In this scenario, the company grows more than we expect supported by Enterprise sales and excellent success in opening new countries. The annual earnings expectation of the scenario is a very attractive 45%. This scenario is in line with the company's historical organic growth, which we believe is challenging to achieve in the current uncertain market situation.

DCF valuation and scenarios

The debt-free value (EV) of our DCF model in line with current estimates is approximately EUR 84 million for LeadDesk, which corresponds to a value of EUR 15.4 per share. Relative to the long-term potential of the DCF model, the company is valued at a considerable 52% discount. Our terminal assumption in the DCF model from 2034 onwards is that EBIT % is 20% and growth 2%. The weight of the terminal assumption (after the terminal year 2034) is still significant at 51%, which indicates that the company's valuation continues to rely on strong long-term growth expectations. The cost of capital (WACC) in the DCF model is 10.2%. To include goodwill amortizations we use a longer 13-year estimate period in our DCF model than the conventional 10 years.

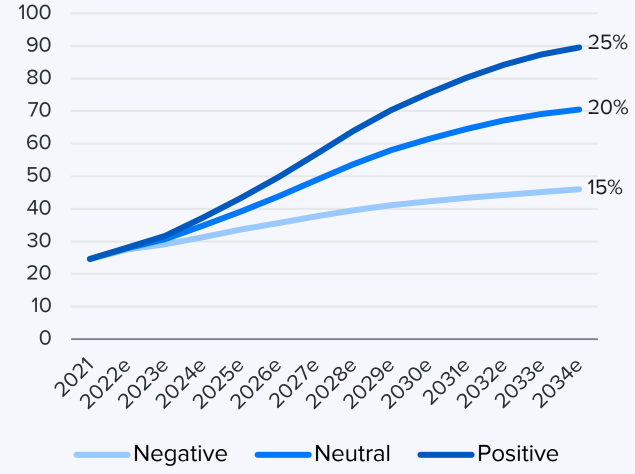
We have also made DCF scenarios that continue in line with our 2025 scenario estimates. The underlying assumptions of the scenarios are described in the previous section until 2025 and from there onwards in the graph on the right. In the pessimistic DCF scenario, the value per share is EUR 7.6. In the optimistic DCF scenario, the value per share is EUR 26.1.

LeadDesk's DCF calculation and valuation is very sensitive to the required return we use, so changes in, e.g., the interest environment can cause severe fluctuations in valuation levels. The valuation is also very sensitive to changes in the company's growth expectations. Our DCF value has fallen dramatically from one year ago, as at the same time our growth and profitability estimates have decreased and our required return has increased. These factors have reduced the DCF value with a double lever.

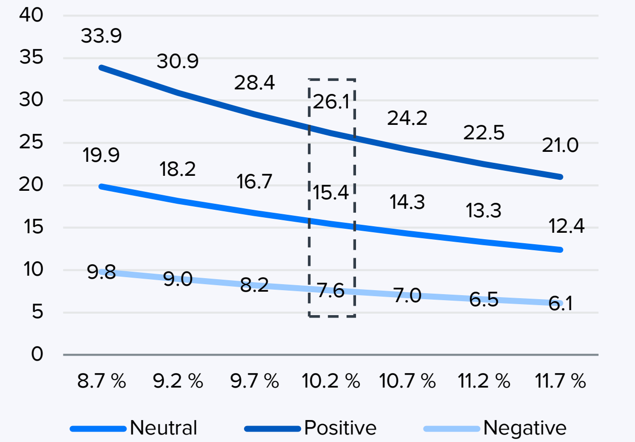
We find the expected return to be very attractive

We believe that LeadDesk’s valuation is very attractive from many angles. The company's growth outlook and displays are good over time and the company being cash flow positive provides leeway in the current market environment. In our opinion a key risk for the valuation is new hits that weaken the company’s growth story that would come either from new crises in the target market (e.g. energy sector crisis in H1/22) or new internal challenges in the company (e.g. Loxysoft customer churn in H2/21). However, we believe these are already largely priced in the share. We reiterate our Buy recommendation and EUR 10.0 target price.

Scenario revenues and terminal profitability,
MEUR and EBIT %



Sensitivity of the DCF value to the required return,
EUR per share, WACC-%



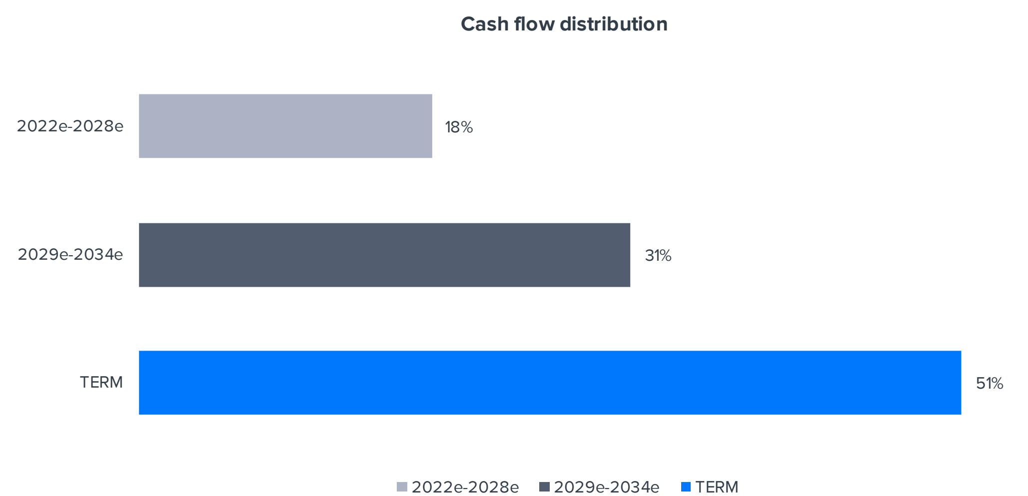
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	78.0 %	13.9 %	9.8 %	13.4 %	12.4 %	11.8 %	11.5 %	10.0 %	8.0 %	6.0 %	5.0 %	4.0 %	3.0 %	2.0 %	
EBIT-%	-4.0 %	-5.7 %	-2.5 %	1.9 %	5.1 %	8.5 %	11.6 %	14.1 %	16.1 %	17.3 %	19.6 %	21.0 %	20.0 %	20.0 %	
EBIT (operating profit)	**-1.0**	**-1.6**	**-0.8**	**0.7**	**2.0**	**3.7**	**5.7**	**7.6**	**9.3**	**10.7**	**12.6**	**14.1**	**13.8**	**14.1**	
+ Depreciation	4.0	4.8	5.0	5.3	5.7	6.1	6.4	6.8	7.1	7.4	6.9	5.5	5.6	5.6	
- Paid taxes	0.0	-0.1	-0.2	0.0	-0.3	-0.7	-1.1	-1.5	-1.9	-2.1	-2.5	-2.8	-2.8	-2.8	
- Tax, financial expenses	0.0	0.0	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	3.6	-0.3	-0.4	0.0	0.6	0.6	0.7	0.7	0.6	0.5	0.4	0.4	0.3	0.2	
Operating cash flow	**6.6**	**2.8**	**3.7**	**5.8**	**7.9**	**9.7**	**11.7**	**13.5**	**15.2**	**16.4**	**17.4**	**17.1**	**16.9**	**17.1**	
+ 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	0.0	0.0	0.0	
- Gross CAPEX	-24.6	-4.9	-3.4	-4.0	-4.4	-4.7	-5.1	-5.4	-5.6	-5.6	-5.7	-5.7	-5.7	-5.7	
Free operating cash flow	**-17.9**	**-2.1**	**0.3**	**1.8**	**3.5**	**5.0**	**6.5**	**8.1**	**9.6**	**10.8**	**11.7**	**11.4**	**11.2**	**11.4**	
+/- Other	3.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-14.9	-0.6	0.3	1.8	3.5	5.0	6.5	8.1	9.6	10.8	11.7	11.4	11.2	11.4	150
Discounted FCFF		**-0.6**	**0.2**	**1.5**	**2.6**	**3.4**	**4.0**	**4.5**	**4.9**	**4.9**	**4.9**	**4.3**	**3.8**	**3.6**	**44.2**
Sum of FCFF present value		86.3	86.9	86.6	85.1	82.5	79.1	75.1	70.6	65.7	60.8	55.9	51.6	47.8	44.2

Enterprise value DCF	**86.3**
- Interesting bearing debt	-9.3
+ Cash and cash equivalents	6.4
-Minorities	0.8
-Dividend/capital return	0.0
Equity value DCF	**84.2**
Equity value DCF per share	**15.4**

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	6.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	**10.2 %**
Weighted average cost of capital (WACC)	**10.2 %**

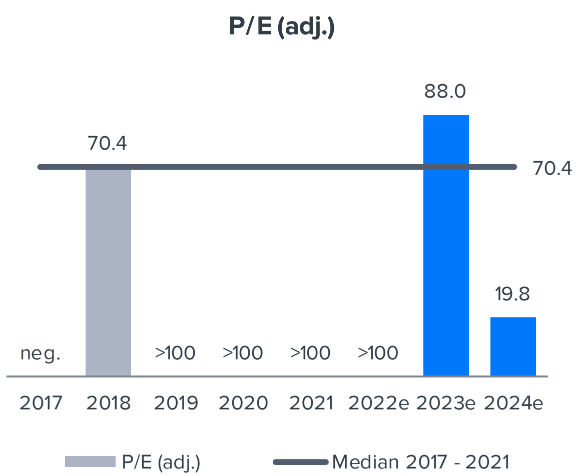
Source: Inderes

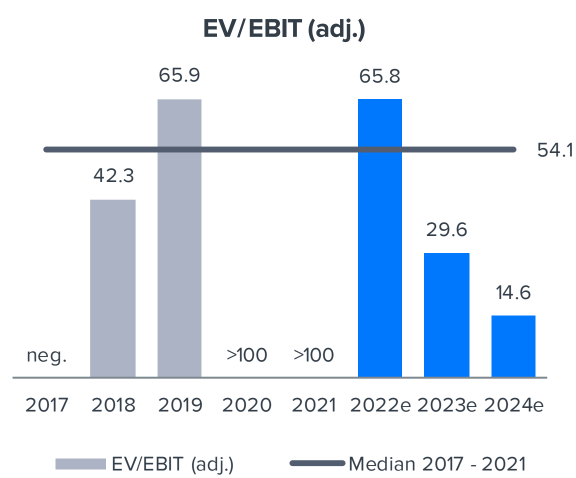


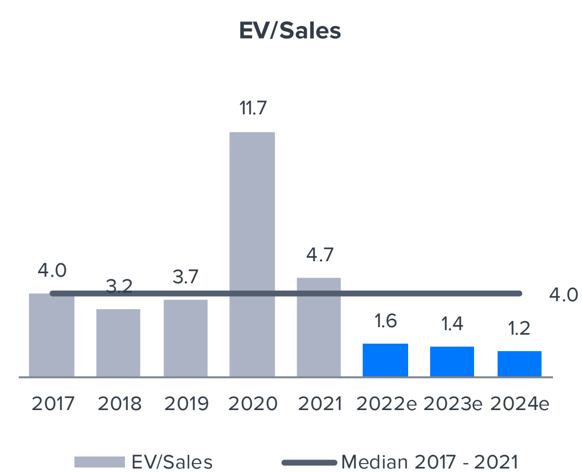
Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	7.50	7.50	11.0	35.0	21.0	**7.44**	**7.44**	**7.44**	**7.44**
Number of shares, millions	4.54	4.54	4.43	4.67	5.39	**5.46**	**5.48**	**5.49**	**5.51**
Market cap	34	34	51	166	113	**41**	**41**	**41**	**41**
EV	36	35	45	161	115	**44**	**44**	**43**	**39**
P/E (adj.)	neg.	70.4	>100	>100	>100	**>100**	**88.0**	**19.8**	**12.6**
P/E	neg.	>100	64.3	>100	neg.	**neg.**	**neg.**	**>100**	**29.1**
P/FCF	neg.	18.7	6.4	neg.	neg.	**neg.**	**>100**	**22.5**	**11.6**
P/B	90.5	47.0	6.7	17.9	6.0	**2.2**	**2.4**	**2.4**	**2.2**
P/S	3.7	3.1	4.1	12.0	4.6	**1.5**	**1.3**	**1.2**	**1.0**
EV/Sales	4.0	3.2	3.7	11.7	4.7	**1.6**	**1.4**	**1.2**	**1.0**
EV/EBITDA	>100	19.3	25.6	94.0	37.7	**13.7**	**10.3**	**7.1**	**5.1**
EV/EBIT (adj.)	neg.	42.3	65.9	>100	>100	**65.8**	**29.6**	**14.6**	**9.3**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

Source: Inderes







Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	**6.9**	**27.4**	**27.5**	**25.9**	**24.6**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	6.0	26.5	26.6	25.0	23.7
Tangible assets	0.1	0.1	0.1	0.1	0.1
Associated companies	0.8	0.8	0.8	0.8	0.8
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**6.2**	**10.1**	**6.5**	**6.9**	**7.8**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.1	0.1	0.1	0.1
Receivables	1.3	3.6	3.6	3.7	4.2
Cash and equivalents	4.8	6.4	2.8	3.1	3.5
Balance sheet total	**13.1**	**37.5**	**34.0**	**32.8**	**32.4**

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	**9.3**	**18.9**	**18.4**	**17.1**	**17.3**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-3.9	-5.1	-7.1	-8.5	-8.3
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	13.1	24.0	25.5	25.5	25.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**0.2**	**8.0**	**3.1**	**2.1**	**1.6**
Deferred tax liabilities	0.0	0.1	0.1	0.1	0.1
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	0.1	7.9	3.0	2.0	1.5
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	**3.7**	**10.6**	**12.6**	**13.7**	**13.6**
Short term debt	0.4	1.4	3.6	5.1	4.5
Payables	3.3	9.2	9.0	8.6	9.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**13.1**	**37.5**	**34.0**	**32.8**	**32.4**

Summary

Income statement	2019	2020	2021	2022e	2023e
Revenue	12.4	13.8	24.6	**28.0**	**30.7**
EBITDA	3.4	1.7	3.1	**3.2**	**4.3**
EBIT	2.2	0.3	-1.0	**-1.6**	**-0.8**
PTP	0.9	0.3	-1.2	**-1.9**	**-1.2**
Net Income	0.8	0.2	-1.3	**-2.0**	**-1.4**
Extraordinary items	1.5	-0.1	-2.1	**-2.3**	**-2.3**

Balance sheet	2019	2020	2021	2022e	2023e
Balance sheet total	10.5	13.1	37.5	**34.0**	**32.8**
Equity capital	7.6	9.3	18.9	**18.4**	**17.1**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-4.8	-4.3	2.9	**3.8**	**4.0**

Cash flow	2019	2020	2021	2022e	2023e
EBITDA	3.4	1.7	3.1	**3.2**	**4.3**
Change in working capital	-0.1	1.0	3.6	**-0.3**	**-0.4**
Operating cash flow	3.0	2.6	6.6	**2.8**	**3.7**
CAPEX	-1.0	-4.6	-24.6	**-4.9**	**-3.4**
Free cash flow	8.0	-1.7	-14.9	**-0.6**	**0.3**

Valuation multiples	2019	2020	2021	2022e	2023e
EV/S	3.7	11.7	4.7	**1.6**	**1.4**
EV/EBITDA (adj.)	25.6	94.0	37.7	**13.7**	**10.3**
EV/EBIT (adj.)	65.9	>100	>100	**65.8**	**29.6**
P/E (adj.)	>100	>100	>100	**>100**	**88.0**
P/E	6.7	17.9	6.0	**2.2**	**2.4**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2019	2020	2021	2022e	2023e
EPS (reported)	0.17	0.04	-0.24	**-0.37**	**-0.25**
EPS (adj.)	0.05	0.07	0.08	**0.03**	**0.08**
OCF / share	0.68	0.55	1.23	**0.51**	**0.68**
FCF / share	1.79	-0.37	-2.76	**-0.10**	**0.05**
Book value / share	1.70	1.99	3.51	**3.38**	**3.11**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2019	2020	2021	2022e	2023e
Revenue growth-%	12%	12%	78%	**14%**	**10%**
EBITDA growth-%	-4%	-3%	78%	**4%**	**34%**
EBIT (adj.) growth-%	-18%	-35%	155%	**-41%**	**124%**
EPS (adj.) growth-%	-53%	36%	13%	**-66%**	**226%**
EBITDA-%	14.3 %	12.4 %	12.4 %	**11.4 %**	**13.9 %**
EBIT (adj.)-%	5.5 %	3.2 %	4.6 %	**2.4 %**	**4.8 %**
EBIT-%	17.9 %	2.2 %	-4.0 %	**-5.7 %**	**-2.5 %**
ROE-%	18.3 %	2.4 %	-9.1 %	**-10.8 %**	**-7.8 %**
ROI-%	40.2 %	3.3 %	-5.2 %	**-6.0 %**	**-3.1 %**
Equity ratio	72.2 %	70.8 %	50.4 %	**54.2 %**	**52.0 %**
Gearing	-63.9 %	-46.4 %	15.4 %	**20.6 %**	**23.6 %**

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
07-01-21	Sell	26.00 €	34.20 €
19-02-21	Reduce	27.00 €	31.00 €
19-03-21	Accumulate	27.00 €	25.40 €
07-07-21	Buy	27.00 €	21.80 €
30-08-21	Accumulate	28.00 €	25.70 €
06-10-21	Accumulate	26.00 €	22.50 €
05-01-22	Accumulate	24.00 €	21.00 €
25-02-22	Accumulate	16.00 €	14.00 €
29-04-22	Buy	14.00 €	11.50 €
26-08-22	Buy	10.00 €	7.00 €
28-10-22	Buy	10.00 €	6.20 €
21-12-22	Buy	10.00 €	7.44 €

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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

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2018, 2020

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