

Tecnotree

Company report

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This report is a summary translation of the report “Kassavirta edelleen huolenaiheena” published on 10/30/2023 at 8:10 EET.

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Cash flow continues to be a concern

Tecnotree's key figures for Q3 were slightly above our forecast and the company managed to win a record number of new orders. However, the problems could yet again be found in the cash flow statement. In addition to the clearly negative cash flow from operations, the company was not yet able to collect all the funds subscribed by the convertible bonds. The company is actively seeking to improve its cash flow profile through a change in its business model, but we need to see evidence of this working first. With the current cash flow generation capacity, we do not find the risk/reward ratio attractive, and therefore lower our target price to EUR 0.42 (was EUR 0.54) and lower our recommendation to Reduce (was Accumulate).

Key figures hit the ballpark we expected

Tecnotree's Q3 net sales increased by 7% to EUR 21.4 million, slightly exceeding our forecast of EUR 21.1 million. The company made an EBIT of EUR 6.2 million in the quarter, which also slightly exceeded our expectations (5.9 MEUR). The EBIT margin improved to a strong 29% (Q3'22: 25%), supported in particular by net sales growth and savings measures taken by the company. The order intake was very strong (31.0 MEUR), unlike in the first half of the year, bringing the order book to a new high of EUR 78.0 million. Tecnotree revised its guidance for the current year in connection with the results, and the company now expects net sales to grow by 9-13% (was 7-15%) and EBIT by 15-20% (was 10-20%).

Cash collections still a problem

Tecnotree's operating cash flow in Q3 was at a weak level of EUR -4.1 million, again burdened by changes in working capital. After very large investments (-3.8 MEUR), free cash flow was as weak as EUR -7.9 million. However, the cash flow should improve significantly in line with the company's guidance (12-14% year-on-year growth in cash collections, was 12-18%) in Q4. However, Q3 again showed that the company's historical business challenges (cash collections) are still strongly present. As in the previous year, we expect full-year free cash flow to end up negative. In the future, the company aims to change its business model towards an ARR model, where net sales and cash flow should accumulate more evenly. However, this does not overcome the challenges posed by the difficult geographical locations of the company's customers, and we await further evidence in this regard.

Significant part of the convertible bond funds still to be received

Tecnotree raised only EUR 14.1 MEUR in convertible bonds during the quarter, despite subscriptions of EUR 43.1 million. The company [announced](#) that it has received a legally binding interest from a consortium of investors, partly consisting of the company's current shareholders, for EUR 20 million in convertible bonds and board member Markku Wilenius has confirmed his intention to transfer his unpaid subscriptions. We think this is an unusual situation, but we still expect the company to receive the remaining funds from the subscriptions by the end of the year.

With current cash flow generation capacity, the risk/return ratio of the stock is not attractive

Tecnotree's P/E multiples for 2023-2024 are 10x-9x and corresponding EV/EBIT multiples are 5.5x-5x. The levels are low, but one should consider the low quality of the result (the result does not reflect cash flow). Adjusted for net capitalization, the corresponding EV/EBIT multiples would be 11x-8x, which are no longer particularly low given the company's risk profile. The valuation should also take into account the dilution caused by the company's convertible bonds in 2026-2028 (around 27% at current share price). The current year's cash flow multiple (EV/OFCF) is negative and in 2024 the multiple falls to a more moderate level (13x, based on 2023 EV), but not to a particularly attractive one. The company is actively seeking to improve its cash flow profile, but at the current valuation we await evidence of this.

Recommendation

Reduce

(previous Accumulate)

EUR 0.42

(previous EUR 0.54)

Share price:

0.38



Key figures

	2022	2023e	2024e	2025e
Revenue	71.6	78.7	84.3	91.2
growth-%	12%	10%	7%	8%
EBIT adj.	18.3	21.5	22.5	24.6
EBIT-% adj.	25.6 %	27.3 %	26.7 %	27.0 %
Net Income	11.6	12.3	13.9	15.7
EPS (adj.)	0.04	0.04	0.04	0.05
P/E (adj.)	17.0	9.7	8.6	7.6
P/B	2.4	1.3	1.1	1.0
P/FCF	neg.	neg.	13.3	10.1
EV/EBIT (adj.)	10.3	5.5	5.0	4.2
EV/EBITDA	9.5	4.7	3.9	3.1
EV/S	2.6	1.5	1.3	1.1

Source: Inderes

Guidance

(Adjusted)

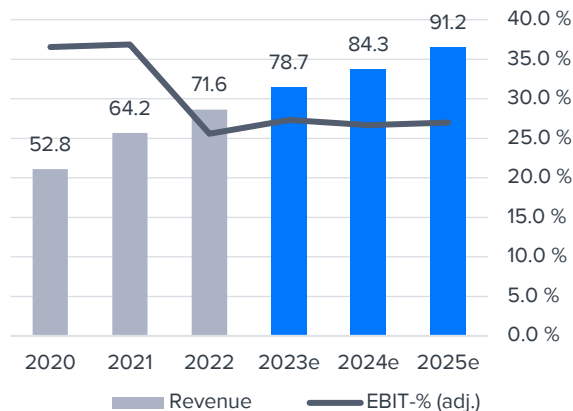
In 2023, Tecnotree expects revenue to be higher by 9-13% and operating profit (EBIT) by 15-20% compared to 2022. The company expects cash collections to grow by 12-14% compared to 2022.

Share price



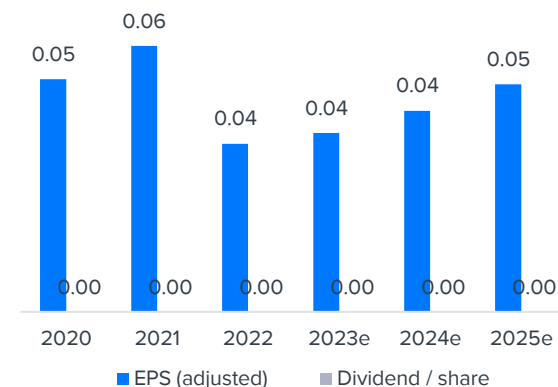
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	0.38	0.38	0.38
Number of shares, millions	312.0	312.0	312.0
Market cap	120	120	120
EV	119	112	104
P/E (adj.)	9.7	8.6	7.6
P/E	9.7	8.6	7.6
P/B	1.3	1.1	1.0
P/S	1.5	1.4	1.3
EV/Sales	1.5	1.3	1.1
EV/EBITDA	4.7	3.9	3.1
EV/EBIT (adj.)	5.5	5.0	4.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Q3 figures hit the ballpark we expected

Net sales grew broadly in line with our expectations

Tecnotree's Q3 revenue grew by 7% to EUR 21.4 million, slightly exceeding our EUR 21.1 million estimate. Growth was driven in particular by income items related to own licenses and deliveries (+19%). In contrast, net sales from maintenance and management services fell by 7% from a strong comparison period. Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures. In general, we estimate that the year-on-year strengthening of the euro had a dampening effect on growth.

The order book grew year-on-year to a new high of EUR 78.0 million (Q3'22: 76.1 MEUR). Quarterly order intake was a record high EUR 31.0 million. H1 saw a clear deterioration in order intake, but the strong order intake in Q3 was a clear departure from this trend. The company reported in the Q2 results that

some larger orders were carried over to Q3, and the company clearly managed to bring them in now. In terms of orders, the five-year multi-million-euro contract with Telenor mentioned in the report was particularly positive. We believe this shows that the company's products are also competitive in developed markets.

Geographically, the Europe & Americas segment's net sales grew strongly by 16% to EUR 3.6 million. The larger MEA & APAC segment grew by 5% to EUR 17.7 million.

Results also broadly in line with our expectations

Tecnotree's Q3 EBIT increased to EUR 6.2 million (Q4'22: 5.0 MEUR), slightly above our estimate of EUR 5.9 million. This corresponded to an EBIT margin of around 29% (Q3'22: 25.4%). Thus, profitability improved as expected, supported by the growth in net sales and the savings measures taken by the

company. On the expense side, the clear reduction in personnel from the previous quarter's levels (Q3'23: 836, Q2'23: 895) offered support. The company has not made any staff cuts but has not recruited people who left through natural turnover. Profitability was also partly supported by the stronger euro, as costs in other currencies are converted into fewer euros. Thus, although the currencies weighed on net sales, the impact is partly neutralized in the lower lines of the income statement.

Product development costs capitalized by the company amounted to EUR 3.8 million in Q3. With the depreciation level still low (-1.2 MEUR), the capitalization of product development costs has a significant profitability-enhancing effect.

Tecnotree's EPS for Q3 were flat at EUR 0.01. The net result was burdened by high net financial expenses (-1.9 MEUR) due to FX changes.

Estimates	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	19.9	21.4	21.1				1%	78.7
EBIT (adj.)	5.0	6.2	5.9				5%	21.5
EPS (reported)	0.01	0.01	0.01				-19%	0.04
Revenue growth-%	9.3 %	7.5 %	6.0 %				1.6 pp	11.5 %
EBIT-% (adj.)	25.4 %	29.0 %	28.0 %				1 pp	27.3 %

Source: Inderes

Watch an interview with the CEO:



Cash flow remains a problem

Significant amount of cash burned in the quarter

Tecnotree's cash flow from operating activities in Q3 was at a weak level of EUR -4.1 million. After investments (-3.8 MEUR), cash flow was as weak as EUR -7.9 MEUR. Q3 was an exceptionally weak quarter for the company in terms of cash collections, with total cash collections of only EUR 11.9 million (vs. 21.4 MEUR in net sales). The company's guidance indicates a clear improvement in cash flow in Q4, but the rapid cash burn is a cause for concern.

Total assets on the balance sheet rose to EUR 71.3 million at the end of Q3 (Q3'22: 60.8 MEUR), with a particularly strong increase in "other receivables" (Q3'23: 38.0 MEUR vs. Q3'22: 25.0 MEUR). These include, e.g., advance taxes payable in certain parts of the world, trade receivables and security deposits on rental property. In our view, the amount is very

large in relation to the company's total balance sheet, and the visibility on the repatriation of the receivables is very low.

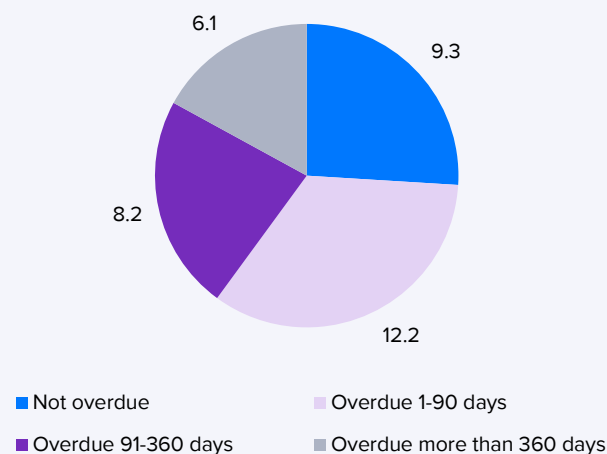
Only part of the convertible bond obligations were collected during the quarter

Tecnotree had raised only EUR 14.1 million through convertible bonds during Q3, although total subscriptions stood at EUR 43.1 million. The company announced that it has received a legally binding interest for EUR 20 million in convertible bonds from a consortium of shareholders consisting of Royal Front Investments Group and Luminos Sun Holdings, led by Fitzroy Investments Limited. Board member Markku Wilenius has confirmed his intention to transfer his unpaid subscriptions rights for his 200 notes to the consortium to enable proposed transaction. According to the company, the parties

will enter into final agreements within the next 15 days. Thus, the situation is still open, but should be resolved fairly soon. Overall, we consider the situation to be unusual, creating uncertainty around the company's financial position.

Overall, at the end of Q3, Tecnotree's cash had increased from the previous quarter (Q2'23: 10.7 MEUR) to EUR 15.5 million, although the company raised EUR 14.1 million via convertible bonds.

Breakdown of accounts receivable Q3'23



Net sales and cash collections



Aiming to improve cash flow profile

Guidance ranges specified

Tecnotree refined its guidance ranges in connection with the report. The company now expects net sales to grow by 9-13% (was 7-15%) and EBIT by 15-20% (was 10-20%). It was logical to refine the guidance, as at this stage of the year visibility for the rest of the year should already be good.

Our earlier net sales forecast was at the lower end of the previous guidance range, so the revised guidance raised our net sales forecast for the current year by 2%. We expect Tecnotree's net sales to grow by 10% to EUR 79 million. As for EBIT, our forecast is unchanged and we expect it to grow by 18% to EUR 21.5 million, which would correspond to an EBIT margin of 27%.

With the strong development of order intake, we raised our net sales forecasts for the coming years marginally (1%). Based on the report, we revised our cost estimates, which in turn lowered our earnings estimates for the coming years by around 6-10%. In 2024, we expect net sales to grow by 7% to EUR 84 million. We expect EBIT to improve to EUR 22.5

million (27% of net sales). With the company capitalizing its product development costs very strongly, we forecast that the depreciation level should increase significantly in the coming years. Thus, in our forecasts, EBIT growth is constrained by a clear increase in depreciation and amortization, and growth is stronger at the EBITDA level.

Cash flow guidance was refined

The company also revised its cash recovery guidance and now expects it to increase by 12-14% year-on-year (was 12-18%). Revising the range towards the bottom was naturally disappointing. In general, the company commented that the challenge for cash recovery is more related to the geographical location of the company's customers, where collections can be challenging and slow at times. According to the company, customers' ability to pay is not a problem in itself. In the short term, the devaluation of the Nigerian currency has caused payment delays, according to the company. The company is seeking to negotiate a possible swap agreement with banks to speed up the repatriation of its receivables. In any case, due to the weaker than

expected cash flow repatriation and slightly higher investments, the company's free cash flow will remain negative this year. The historical challenges of the company's business model are therefore still very much present, and we believe the company has much to prove in terms of cash flow generation.

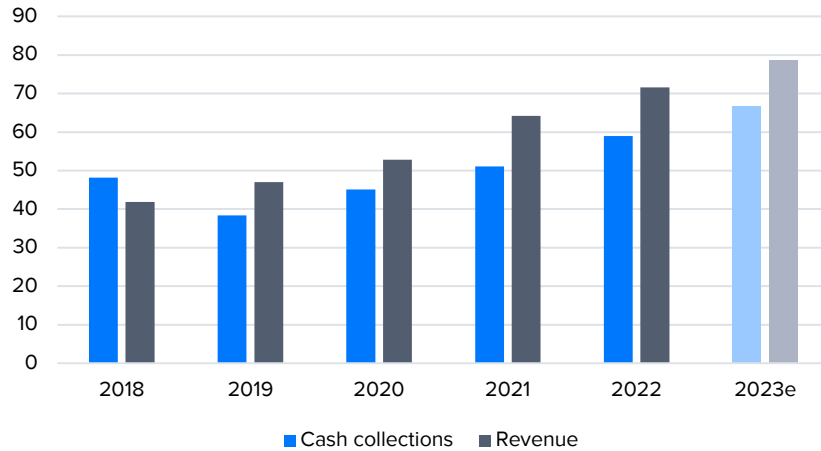
Business model change geared to create more stability

Tecnotree is actively seeking to change its business model towards a continuous ARR model, which should balance net sales and cash flow between quarters. In the model, delivery to the customer should also be faster, so cash flow should start to accrue faster from the moment of order. The change in the model is necessary, but we do not believe it will solve the challenges posed by the geographical location of customers. This will be helped by the expansion of business into developed markets, which should support the cash flow profile in the longer term. However, we still need evidence in this regard.

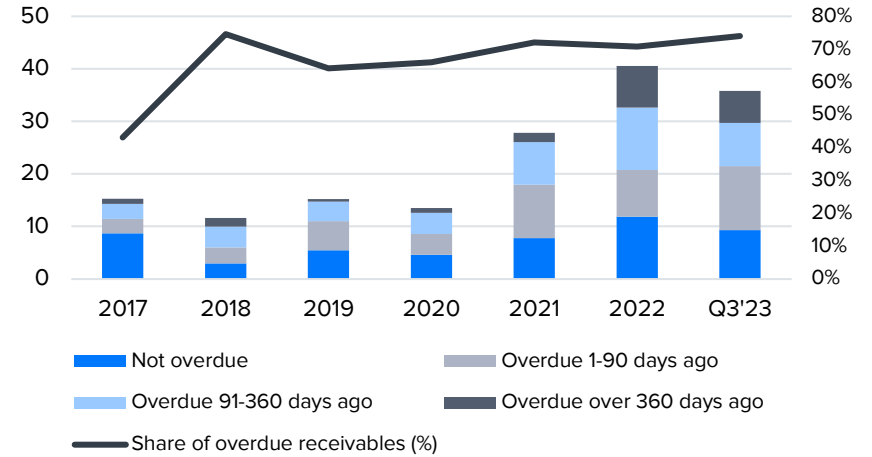
Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Revenue	77.3	78.7	2%	83.2	84.3	1%	90.0	91.2	1%
EBITDA	25.1	25.2	1%	31.4	29.1	-7%	35.1	33.8	-4%
EBIT (exc. NRIs)	21.5	21.5	0%	24.9	22.5	-10%	26.3	24.6	-6%
EBIT	21.5	21.5	0%	24.9	22.5	-10%	26.3	24.6	-6%
PTP	17.1	16.0	-7%	22.8	18.5	-19%	24.3	20.6	-15%
EPS (excl. NRIs)	0.04	0.04	-6%	0.05	0.04	-19%	0.06	0.05	-15%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Development of key figures

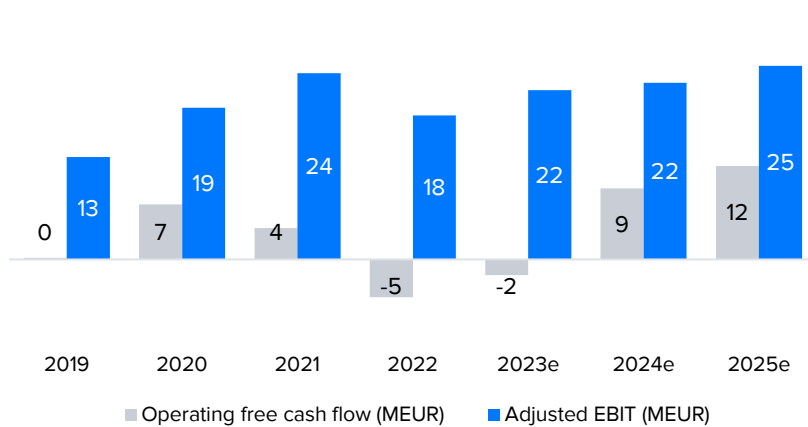
Development of revenue and cash collections



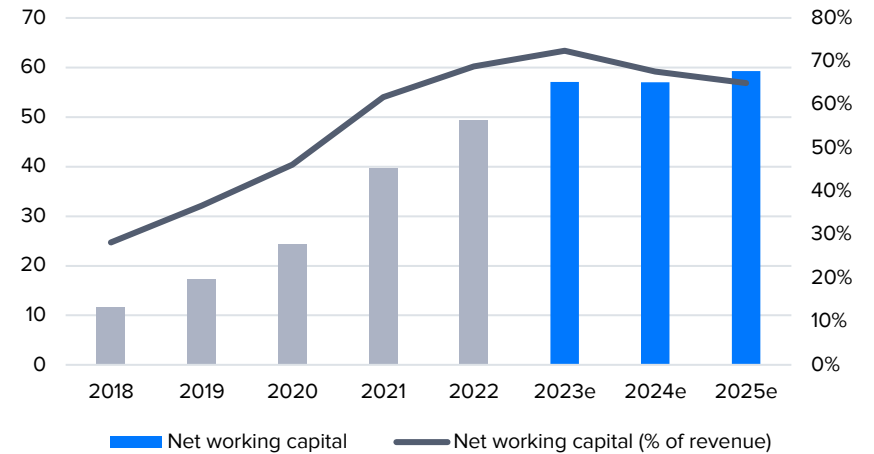
Accounts receivable by age



Development of operating free cash flow and adjusted EBIT



Development of net working capital



Valuation

Valuation factors are not particularly attractive

Based on our estimates, Tecnotree's P/E ratios for 2023 and 2024 are 10x and 9x while the corresponding EV/EBIT ratios are 5-5x and 5x. However, the problem with the earnings multiples is the quality of the result, as the result reported through the highly working capital intensive business model and increased capitalization of product development costs gives too rosy a picture of the company's operational performance. Adjusted for net capitalization (EBIT - investments + depreciation / EBITDA - investments), the company's EV/EBIT ratio for 2023-2024 would be 11x-8x. The levels are not particularly high, but not particularly attractive either given Tecnotree's risk profile.

Tecnotree's valuation should take into account its EUR 43 million convertible bond facility. For the period 2023-2025, we have treated convertible bonds as a liability. The conversion of the bonds into shares will take place between 2026 and 2028, but we have assumed full conversion in 2026. We have not included warrants in our estimates at the current price level. If the share price were to rise above the level required by the subscription price of the warrants (EUR 0.90), the dilution caused by them should be taken into account in the valuation. Investors should note that as the share price falls, the dilution caused by the conversion of convertible bonds for existing investors increases. At the share price, the dilution caused by the bonds would be around 27%.

As free cash flow is chronically below the earnings level, we believe that the use of cash flow-based multiples is highly justified. However, cash flow is more volatile than earnings, which creates its own challenges for the use of multiples. For the current year, we forecast a negative cash flow ratio (EV/OCF, enterprise value/operating free cash flow). Next year

the ratio is much more moderate and falls to 13x (calculated with 2023 EV). This is already a fairly reasonable level, given that the company is still very much in the investment phase, but still not a particularly attractive one. There is also uncertainty about investment levels in the coming years. In our longer-term projections for 2025-2026, cash flow is starting to normalize and the company is already generating quite good cash flow. At that time, cash flow multiples will be around 10x (calculated at 2023 EV).

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

Our DCF model give the stock a value of EUR 0.51, which would indicate clear upside potential for the stock. In the case of Tecnotree, the DCF model should consider that there is considerable uncertainty in the cash flow projections, in particular regarding the projections of working capital commitment and investment levels. Thus, we believe that relying entirely on the DCF model for valuation isn't justified at this stage. However, the model also reflects the potential of Tecnotree's stock if the company's cash flow profile improves in the future.

We do not believe that the risk/return ratio is sufficient

The key to Tecnotree's investment story is how the company manages to invest in growth and improve its cash flow profile in the coming years. We are positive about the company's ambition to grow outside emerging markets and the business model change, which may have a risk-mitigating effect through a better cash flow profile. However, this would require very strong growth in these markets, which in our view still involves considerable uncertainty. We are waiting for evidence of these in the form of improved cash flow.

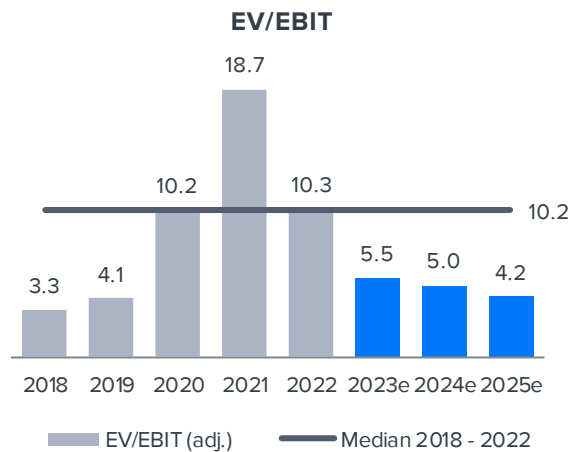
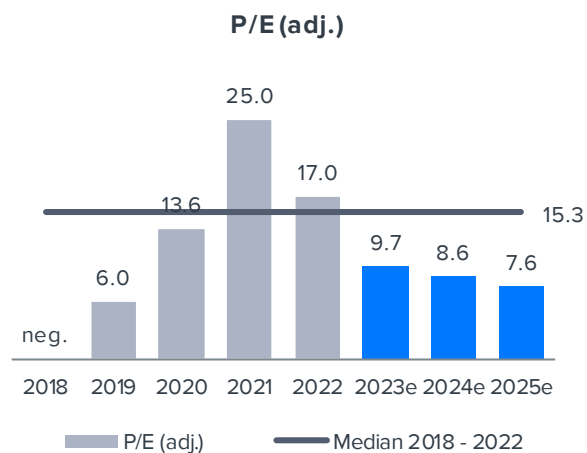
Valuation	2023e	2024e	2025e
Share price	0.38	0.38	0.38
Number of shares, millions	312.0	312.0	312.0
Market cap	120	120	120
EV	119	112	104
P/E (adj.)	9.7	8.6	7.6
P/E	9.7	8.6	7.6
P/B	1.3	1.1	1.0
P/S	1.5	1.4	1.3
EV/Sales	1.5	1.3	1.1
EV/EBITDA	4.7	3.9	3.1
EV/EBIT (adj.)	5.5	5.0	4.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.05	0.17	0.70	1.47	0.63	0.38	0.38	0.38	0.38
Number of shares, millions	136.6	235.3	274.6	313.2	311.0	312.0	312.0	312.0	430.3
Market cap	6.8	40	192	460	196	120	120	120	165
EV	19	53	198	443	189	119	112	104	140
P/E (adj.)	neg.	6.0	13.6	25.0	17.0	9.7	8.6	7.6	10.2
P/E	neg.	5.2	14.2	25.0	17.0	9.7	8.6	7.6	10.2
P/B	neg.	11.7	9.7	6.8	2.4	1.3	1.1	1.0	1.2
P/S	0.2	0.9	3.6	7.2	2.7	1.5	1.4	1.3	1.7
EV/Sales	0.5	1.1	3.7	6.9	2.6	1.5	1.3	1.1	1.5
EV/EBITDA	3.3	3.4	9.7	17.5	9.5	4.7	3.9	3.1	3.9
EV/EBIT (adj.)	3.3	4.1	10.2	18.7	10.3	5.5	5.0	4.2	5.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Amdocs Ltd	8853	8755	10.8	10.0	8.9	8.3	1.9	1.8	13.3	12.0	2.1	2.2	2.6
CSG Systems International Inc	1399	1663	9.6	8.9	7.3	6.9	1.6	1.5	13.3	12.2	2.4	2.6	
Comarch SA	330	269	10.8	9.6	5.7	5.4	0.6	0.6	14.4	13.4	2.7	3.7	0.9
Sterlite Technologies Ltd	616	989	15.4	16.3	9.8	9.5	1.2	1.4	34.5	21.4	0.8	1.3	2.6
Cerillion PLC	426	403	23.4	21.4	20.4	18.7	9.1	8.0	29.2	27.7	0.9	0.9	10.5
Tecnotree (Inderes)	120	119	5.5	5.0	4.7	3.9	1.5	1.3	9.7	8.6	0.0	0.0	1.3
Average			14.0	13.3	10.4	9.7	2.9	2.7	20.9	17.3	1.8	2.1	4.2
Median			10.8	10.0	8.9	8.3	1.6	1.5	14.4	13.4	2.1	2.2	2.6
Diff-% to median			-49%	-50%	-47%	-53%	-7%	-13%	-33%	-35%	-100%	-100%	-50%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	64.2	13.3	18.3	19.9	20.1	71.6	15.5	19.3	21.4	22.5	78.7	84.3	91.2	95.8
EBITDA	25.3	3.0	6.0	4.2	6.6	19.8	4.2	6.9	7.4	6.7	25.2	29.1	33.8	35.6
Depreciation	-1.6	-1.0	-0.9	0.9	-0.5	-1.5	-0.6	-0.7	-1.2	-1.2	-3.7	-6.6	-9.2	-10.3
EBIT (excl. NRI)	23.7	2.0	5.1	5.0	6.1	18.3	3.6	6.2	6.2	5.5	21.5	22.5	24.6	25.3
EBIT	23.7	2.0	5.1	5.0	6.1	18.3	3.6	6.2	6.2	5.5	21.5	22.5	24.6	25.3
Group	23.7	2.0	5.1	5.0	6.1	18.3	3.6	6.2	6.2	5.5	21.5	22.5	24.6	25.3
Net financial items	-2.2	-0.4	0.7	0.0	-1.4	-1.1	-1.0	-1.9	-1.9	-0.7	-5.5	-4.0	-4.0	-4.0
PTP	21.5	1.6	5.9	5.1	4.7	17.2	2.7	4.3	4.2	4.8	16.0	18.5	20.6	21.3
Taxes	-3.1	-0.6	-1.9	-1.7	-1.5	-5.7	-0.9	-0.5	-1.0	-1.2	-3.6	-4.6	-5.0	-5.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	18.4	1.0	4.0	3.4	3.2	11.6	1.8	3.8	3.2	3.6	12.3	13.9	15.7	16.2
EPS (adj.)	0.06	0.00	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.04	0.04	0.05	0.04
EPS (rep.)	0.06	0.00	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.04	0.04	0.05	0.04
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	21.6 %	18.6 %	9.7 %	9.3 %	11.0 %	11.5 %	17.0 %	5.4 %	7.4 %	12.1 %	10.0 %	7.0 %	8.2 %	5.0 %
Adjusted EBIT growth-%	22.7 %	-34.2 %	-32.4 %	-28.9 %	3.2 %	-22.7 %	77.5 %	21.1 %	22.2 %	-9.4 %	17.5 %	4.5 %	9.6 %	2.5 %
EBITDA-%	39.4 %	22.5 %	32.9 %	20.9 %	33.0 %	27.7 %	27.2 %	35.6 %	34.5 %	29.9 %	32.0 %	34.5 %	37.1 %	37.2 %
Adjusted EBIT-%	36.9 %	15.4 %	27.9 %	25.4 %	30.4 %	25.6 %	23.3 %	32.0 %	28.9 %	24.6 %	27.3 %	26.7 %	27.0 %	26.4 %
Net earnings-%	28.7 %	7.8 %	21.8 %	16.8 %	15.7 %	16.1 %	11.3 %	19.4 %	15.0 %	16.1 %	15.7 %	16.4 %	17.2 %	16.9 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	13.1	26.4	36.9	44.8	49.4
Goodwill	0.0	5.7	5.7	5.7	5.7
Intangible assets	9.9	17.9	28.2	36.0	40.6
Tangible assets	0.4	0.4	0.6	0.7	0.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	2.2	1.8	1.8	1.8	1.8
Deferred tax assets	0.6	0.6	0.6	0.6	0.6
Current assets	66.2	77.4	121	125	135
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	48.6	65.1	70.9	72.5	76.2
Cash and equivalents	17.6	12.3	49.7	52.3	59.1
Balance sheet total	79.3	104	158	170	185

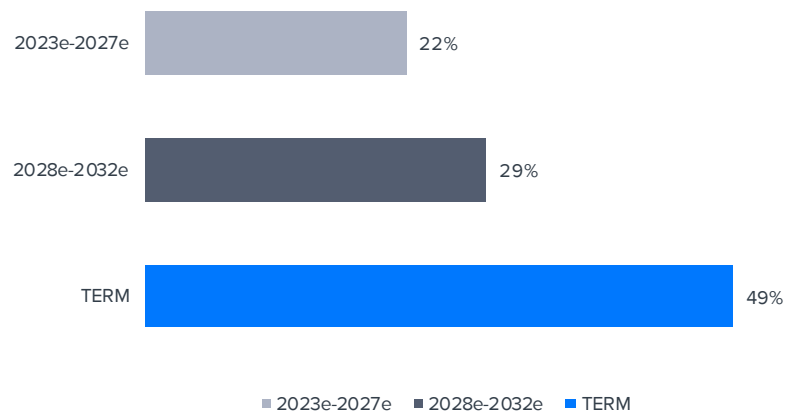
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	67.7	80.1	92.4	106	122
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	37.1	49.5	61.8	75.6	91.3
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	29.3	29.3	29.3	29.3	29.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.7	5.5	46.8	45.8	45.8
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	0.0	2.4	1.0	0.0	0.0
Convertibles	0.0	0.0	43.1	43.1	43.1
Other long term liabilities	2.7	3.1	2.7	2.7	2.7
Current liabilities	8.9	18.2	18.3	17.4	16.9
Interest bearing debt	0.1	2.5	4.5	2.0	0.0
Payables	8.9	15.8	13.8	15.4	16.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	79.3	104	158	170	185

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	11.5 %	10.0 %	7.0 %	8.2 %	5.0 %	4.5 %	4.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	25.6 %	27.3 %	26.7 %	27.0 %	26.4 %	26.4 %	26.2 %	26.1 %	26.0 %	26.0 %	26.0 %	26.0 %
EBIT (operating profit)	18.3	21.5	22.5	24.6	25.3	26.4	27.3	28.0	28.7	29.6	30.2	
+ Depreciation	1.5	3.7	6.6	9.2	10.3	11.2	12.0	12.5	13.1	13.5	13.9	
- Paid taxes	-5.7	-3.6	-4.6	-5.0	-5.1	-5.2	-5.1	-5.3	-5.4	-5.6	-6.2	
- Tax, financial expenses	-0.2	-1.3	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-9.6	-7.7	0.0	-2.2	-3.4	-2.3	-1.6	-0.9	-0.9	-0.9	-1.4	
Operating cash flow	4.4	12.6	23.5	25.7	26.1	29.2	31.7	33.4	34.5	35.6	36.0	
+ Change in other long-term liabilities	0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-14.8	-14.2	-14.5	-13.8	-13.9	-14.2	-14.2	-14.7	-14.8	-14.9	-14.9	
Free operating cash flow	-10.0	-2.0	9.0	11.9	12.2	15.0	17.5	18.7	19.7	20.7	21.1	
+/- Other	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.9	-2.0	9.0	11.9	12.2	15.0	17.5	18.7	19.7	20.7	21.1	212
Discounted FCFF		-2.0	7.9	9.3	8.5	9.3	9.7	9.2	8.7	8.1	7.4	74.4
Sum of FCFF present value		150	152	145	135	127	117	108	98.6	89.9	81.7	74.4
Enterprise value DCF		150										
- Interest bearing debt		-4.9										
+ Cash and cash equivalents		12.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		158										
Equity value DCF per share		0.51										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	12.1 %
Weighted average cost of capital (WACC)	12.1 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	52.8	64.2	71.6	78.7	84.3	EPS (reported)	0.05	0.06	0.04	0.04	0.04
EBITDA	20.3	25.3	19.8	25.2	29.1	EPS (adj.)	0.05	0.06	0.04	0.04	0.04
EBIT	18.6	23.7	18.3	21.5	22.5	OCF / share	0.05	0.02	0.01	0.04	0.08
PTP	15.9	21.5	17.2	16.0	18.5	FCF / share	0.02	-0.01	-0.02	-0.01	0.03
Net Income	13.6	18.4	11.6	12.3	13.9	Book value / share	0.07	0.22	0.26	0.30	0.34
Extraordinary items	-0.7	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	50.6	79.3	103.8	157.5	169.5	Revenue growth-%	12%	22%	12%	10%	7%
Equity capital	19.9	67.7	80.1	92.4	106.3	EBITDA growth-%	32%	24%	-22%	27%	15%
Goodwill	0.0	0.0	5.7	5.7	5.7	EBIT (adj.) growth-%	48%	23%	-23%	17%	5%
Net debt	5.4	-17.6	-7.5	-1.1	-7.2	EPS (adj.) growth-%	82%	14%	-37%	6%	12%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	38.5 %	39.4 %	27.7 %	32.0 %	34.5 %
EBITDA	20.3	25.3	19.8	25.2	29.1	EBIT (adj.)-%	36.6 %	36.9 %	25.6 %	27.3 %	26.7 %
Change in working capital	-8.1	-15.5	-9.6	-7.7	0.0	EBIT-%	35.2 %	36.9 %	25.6 %	27.3 %	26.7 %
Operating cash flow	12.9	6.3	4.4	12.6	23.5	ROE-%	116.2 %	42.0 %	15.6 %	14.3 %	13.9 %
CAPEX	-3.6	-7.3	-14.8	-14.2	-14.5	ROI-%	73.1 %	46.8 %	24.0 %	19.0 %	15.4 %
Free cash flow	5.8	-4.7	-4.9	-2.0	9.0	Equity ratio	39.3 %	85.4 %	77.1 %	58.7 %	62.7 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	27.1%	-25.9 %	-9.3 %	-1.2 %	-6.7 %
EV/S	3.7	6.9	2.6	1.5	1.3						
EV/EBITDA (adj.)	9.7	17.5	9.5	4.7	3.9						
EV/EBIT (adj.)	10.2	18.7	10.3	5.5	5.0						
P/E (adj.)	13.6	25.0	17.0	9.7	8.6						
P/B	9.7	6.8	2.4	1.3	1.1						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/30/2021	Buy	0.68 €	0.56 €
4/30/2021	Buy	0.92 €	0.77 €
5/31/2021	Buy	1.00 €	0.86 €
8/13/2021	Accumulate	1.54 €	1.39 €
10/12/2021	Buy	1.54 €	1.14 €
11/1/2021	Accumulate	1.70 €	1.52 €
12/3/2021	Buy	1.70 €	1.29 €
2/28/2022	Buy	1.50 €	1.21 €
5/2/2022	Buy	1.10 €	0.92 €
<i>Analyst changed</i>			
8/5/2022	Accumulate	0.80 €	0.69 €
9/15/2022	Accumulate	0.65 €	0.54 €
10/24/2022	Accumulate	0.65 €	0.54 €
12/15/2022	Accumulate	0.70 €	0.63 €
2/27/2023	Reduce	0.58 €	0.54 €
3/28/2023	Accumulate	0.54 €	0.44 €
4/19/2023	Vähennä	0.54 €	0.52 €
8/7/2023	Accumulate	0.54 €	0.48 €
10/30/2023	Reduce	0.42 €	0.38 €

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