

# Tecnotree

## Company report

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This report is a summary translation of the report “Ei vielä merkkejä parantuneesta kassavirrasta” published on 4/29/2024 at 7:50 am EEST.

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# No signs of improved cash flow yet

Tecnotree's Q1 operating result was strong, but as expected, foreign exchange losses ate up a significant portion of it. Cash flow was well clearly in the red, but this should ease in the coming quarters. However, in our view, the report did not provide further evidence of an improvement in the longer-term cash flow profile. We continue to wait for evidence of improving cash flow and reiterate our price target of EUR 7.0 and our Reduce recommendation.

## Strong operating results offset by foreign exchange losses

Tecnotree's revenue grew by around 5% to 16.3 MEUR, slightly above our forecast. During the quarter, revenue was generated from deliveries (8.7 MEUR) and maintenance and management services (7.6 MEUR), but no revenue was generated from license sales. According to the company, this was due to the normal seasonality of the business. In operational terms, the company again delivered a strong result with an EBIT of 4.4 MEUR, compared to our forecast of 3.3 MEUR. However, exchange rate losses had a significant impact on the bottom lines of the income statement, and the net result of 1.6 MEUR was down year-on-year (Q1'23: 1.8 MEUR).

## Cash flow again severely in the red, but should improve in coming quarters

Tecnotree's cash flow from operating activities was -0.9 MEUR and free cash flow after investments was -4.8 MEUR in the red. Cash flow was burdened by FX, as the receivables of 9.5 MEUR collected by the company would have been 12.0 MEUR at constant exchange rates. The weak cash flow was also due to seasonality (e.g. the holiday season in the Middle East), and the company expects to recover the cash flow from deliveries completed in Q1 in future quarters. Thus, cash flow should improve as the year progresses, but in our view, the report did not add anything new to the longer-term cash flow outlook. The company aims to improve its cash flow profile through the ARR model, growth in developed markets and currency hedging. There are no results yet, but we are excited to see how the company develops in these areas.

## The outlook was reiterated

Tecnotree reiterated its guidance expecting revenue to be higher by 2-7% and operating profit (EBIT) by 7-15% compared to 2022. As far as the development of the demand environment is concerned, we do not see anything new in the report, although order intake (10 MEUR) was at a low level due to seasonal factors. With a better-than-expected Q1 report, we raised our earnings forecast for the coming years by 2-4% at the EBIT level. For the current year, we expect revenue to grow by 6% to 83 MEUR and EBIT to grow by 13% to 27.3 MEUR, both at the upper end of the company's guidance range.

## With the current cash flow generation capacity, valuation is not attractive

Tecnotree's P/E multiples for 2024-2025 are 6.5-6x and the corresponding EV/EBIT multiples are 4-3x. The levels are low, but one should consider the low quality of the result (the result does not reflect cash flow). The current year's EV/OCF multiple is 12x, which we believe is still not very attractive as it does not take into account FX losses. The valuation should also take into account the dilution caused by the company's convertible bonds in 2026-2028 (around 31% at current rates) and in 2026 the P/E ratio will rise to 8.5x on our forecasts. The company has plenty of scope to improve its cash flow profile through geographic expansion and business model change, but at the current valuation we are still waiting for evidence of this.

## Recommendation

**Reduce**

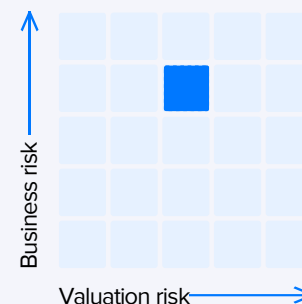
(previous Reduce)

**EUR 7.00**

(previous EUR 7.00)

**Share price:**

6.30



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	78.4	83.0	86.9	90.9
<b>growth-%</b>	9%	6%	5%	5%
<b>EBIT adj.</b>	23.8	27.0	26.5	26.6
<b>EBIT-% adj.</b>	30.4 %	32.5 %	30.5 %	29.3 %
<b>Net Income</b>	11.1	15.5	17.1	17.2
<b>EPS (adj.)</b>	0.04	0.98	1.08	0.74

<b>P/E (adj.)</b>	9.7	6.5	5.9	8.5
<b>P/B</b>	1.2	1.0	0.8	0.8
<b>P/FCF</b>	neg.	11.4	6.4	8.4
<b>EV/EBIT (adj.)</b>	4.8	3.8	3.4	2.9
<b>EV/EBITDA</b>	4.1	3.0	2.5	2.1
<b>EV/S</b>	1.4	1.2	1.0	0.9

Source: Inderes

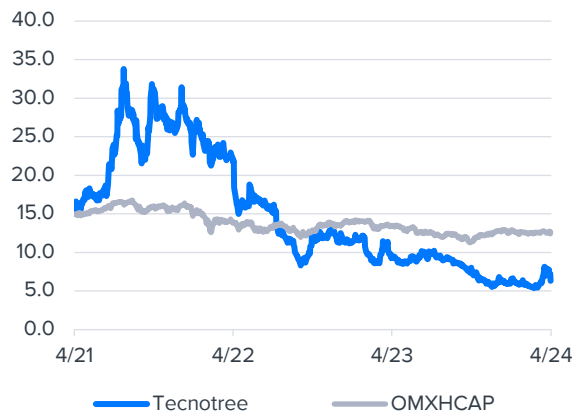
## Guidance

(Unchanged)

Tecnotree expects in 2024:

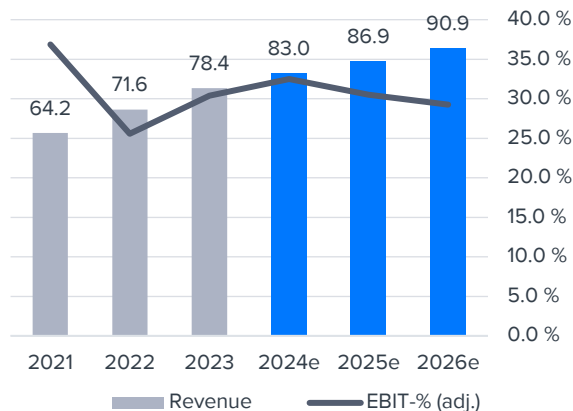
- Revenue to be higher by 2%-7% compared to 2023
- Operating profit (EBIT) to be higher by 7%-15% compared to 2023

## Share price



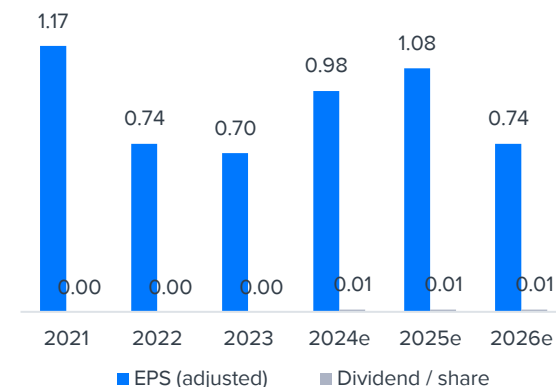
Source: Millistream Market Data AB

## 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 collections
- 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	2024e	2025e	2026e
Share price	6.30	6.30	6.30
Number of shares, millions	15.9	15.9	23.1
Market cap	100	100	146
EV	102	90	78
P/E (adj.)	6.5	5.9	8.5
P/E	6.5	5.9	8.5
P/B	1.0	0.8	0.8
P/S	1.2	1.2	1.6
EV/Sales	1.2	1.0	0.9
EV/EBITDA	3.0	2.5	2.1
EV/EBIT (adj.)	3.8	3.4	2.9
Payout ratio (%)	1.0 %	0.9 %	1.3 %
Dividend yield-%	0.2 %	0.2 %	0.2 %

Source: Inderes

# Exchange rates ate into profits again

## Growth slowed as expected

Tecnotree's Q1 revenue increased by just under 5% to 16.3 MEUR, slightly above our forecast. One factor contributing to the slowdown in growth is the shift to the ARR model, where revenue is generated more slowly as larger one-time licenses do not come in at the same rate. At constant exchange rates, revenue grew by as much as 35%, with the difference from reported revenue being due, we believe, to the significant depreciation of the Nigerian naira. Revenue came from deliveries (8.7 MEUR) and maintenance and management services (7.6 MEUR). Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures.

Tecnotree's order book increased by 10% year-on-year to 74.8 MEUR. However, the order book decreased from the year-end level (80.2 MEUR) and new orders during the quarter were at a relatively weak level of 10 MEUR. However, according to the company, this was due to seasonal factors due to

holidays in the Middle East, and the company expects higher orders in the coming quarters.

## Operating result clearly above our estimate

Tecnotree's Q1 EBIT was 4.4 MEUR (Q1'23: 3.6 MEUR) exceeding our forecast of 3.3 MEUR. The earnings level was supported in particular by revenue growth, which is strongly reflected in the result through high gross margins. In general, the company appears to have maintained tight cost control, with fixed costs down significantly year-on-year. However, currencies also affect costs, as the company's employees are mainly based outside Finland, making it difficult to compare the cost structure.

As in the previous quarter, the company suffered significant FX losses in Q1 (net financing expenses - 2.4 MEUR) due to the weakening of the Nigerian naira. As a result, the net result remained at 1.6 MEUR (Q1'23: 1.8 MEUR).

## Cash flow below zero partly due to seasonal factors

Tecnotree's cash flow from operating activities was -0.9 MEUR, again significantly burdened by tied up working capital (-4.9 MEUR). The company's cash collections during the quarter amounted to 9.5 MEUR (12.0 MEUR at constant exchange rates). According to the company, this was also due to seasonal factors as the company completed significant deliveries during the quarter and the company expects cash flow to improve in the coming quarters.

The company spent 3.9 MEUR on investments and the free cash flow was thus around -4.8 MEUR. During the quarter, the company collected 2 MEUR of its convertible bonds (20 MEUR still to be collected) and the total cash outflow was 4.4 MEUR. Although cash flow was weak in Q1, partly due to seasonality, there is still no structural improvement in cash flow challenges despite the company's focus on cash flow this year.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	15.5	16.3	16.1				1%	83.0
EBIT (adj.)	3.6	4.4	3.3				33%	27.0
PTP	2.7	2.1	0.3				573%	20.6
EPS (reported)	0.01	0.01	0.00					0.98
Revenue growth-%	17.0 %	4.7 %	3.6 %				1.1 pp	5.0 %
EBIT-% (adj.)	23.3 %	27.0 %	20.6 %				6.5 pp	32.5 %

Source: Inderes

NOTE! EPS prior to the reverse split

## Tecnotree Q1'23: Headwinds from currency exchange rates



# Cash flow should improve slightly in the coming quarters

## Guidance unchanged

Tecnotree reiterated its guidance expecting revenue to be higher by 2-7% and operating profit (EBIT) by 7-15% compared to 2022. The company did not have any significant news regarding its outlook. The low order intake is a concern, but we believe that this is due to seasonality and we expect it to recover in the coming quarters. In general, we see no real signs of a slowdown in the demand outlook. However, growth is currently being slowed by the transition to the ARR model, and continued growth after years of strong growth also requires a steadily increasing order flow.

## Cash flow will improve in the coming quarters

In the case of Tecnotree, we are particularly monitoring the prospects for cash collections. After a weak Q1 in terms of cash flow, we expect the company's cash flow to improve in Q2, mainly driven by the repayment of receivables from past deliveries.

The Nigerian naira also showed signs of recovery in early March but has since depreciated sharply. The currency has historically been very volatile and the longer-term trend has been weakening against the euro. In our view, the company will continue to be at the mercy of emerging market currencies. From time to time, of course, currencies can move in the company's favor. In any case, cash flow should improve in the coming quarters, but looking further ahead, the visibility of a sustained improvement in the cash flow profile has not improved significantly.

## Estimates for the coming years

With the Q1 results beat, we have made small positive changes to our earnings forecasts for the coming years. However, these have had the greatest impact on the forecasts for the current year. We now forecast Tecnotree's revenue to grow by 6% to 83.0 MEUR this year. Our forecast is slightly above the midpoint of the guidance range. We expect

operating profit to grow strongly by 13% to 27.0 MEUR, close to the upper end of the guidance range. This would represent a strong EBIT margin of 32.5%. Because EBIT does not translate well into cash flow, we believe it is more important to monitor cash flow than EBIT.

Between 2025 and 2027, we expect revenue to grow at a CAGR of around 4-5%, reaching 94.5 MEUR in 2027. We expect EBIT to remain broadly stable at 26-27 MEUR and the EBIT margin to gradually decline to 28.4% during the year. However, the stable EBIT in our forecasts is explained by an increase in depreciation in the coming years, when depreciation is still far from the company's investment pace. At the EBITDA level, we forecast a clear increase in earnings in the coming years (2024e: 34.1 MEUR vs. 2027e: 38.9 MEUR).

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Revenue	82.3	83.0	1%	87.1	86.9	0%	91.1	90.9	0%
EBITDA	32.4	34.1	5%	36.1	36.5	1%	37.3	37.8	1%
EBIT (exc. NRIs)	25.9	27.0	4%	26.0	26.5	2%	26.1	26.6	2%
EBIT	25.9	27.0	4%	26.0	26.5	2%	26.1	26.6	2%
PTP	18.4	20.6	12%	22.0	22.5	2%	22.1	22.6	2%
EPS (excl. NRIs)	0.87	0.98	13%	1.05	1.08	2%	0.77	0.74	-4%
DPS	0.00	0.01		0.00	0.01		0.00	0.01	

Source: Inderes

# Valuation

## The quality of the result makes it difficult to assess the valuation

We forecast Tecnotree's P/E multiple for 2024-2025 at 6.5-6x, while the corresponding EV/EBIT multiple is 4-3x (net capitalization adjusted EV/EBIT multiple 5x-4x). However, the problem with earnings multiples is the quality of earnings, as the P&L does not well reflect the company's ability to generate cash flow due to the highly working capital-intensive business model, significant capitalization of product development expenses, and FX challenges.

Tecnotree's valuation should also take into account its 43 MEUR 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 18), 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 would be around 31%.

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. The current year cash flow multiple (EV/OCF) is 12x our forecast, which is not particularly attractive given the current year cash flow visibility is still weak at this stage. Operating free cash flow also does not take into

account the company's potential FX losses, so in Tecnotree's case it does not give a fully accurate picture of true free cash flow.

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

Our DCF model give the stock a value of EUR 9.9, 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. The DCF also excludes foreign exchange losses. Thus, we believe that relying on the DCF model for valuation is not justified at this stage. However, the model also reflects the potential of Tecnotree's stock if the company's cash flow profile improves.

## We do not believe that the risk/reward ratio is sufficient

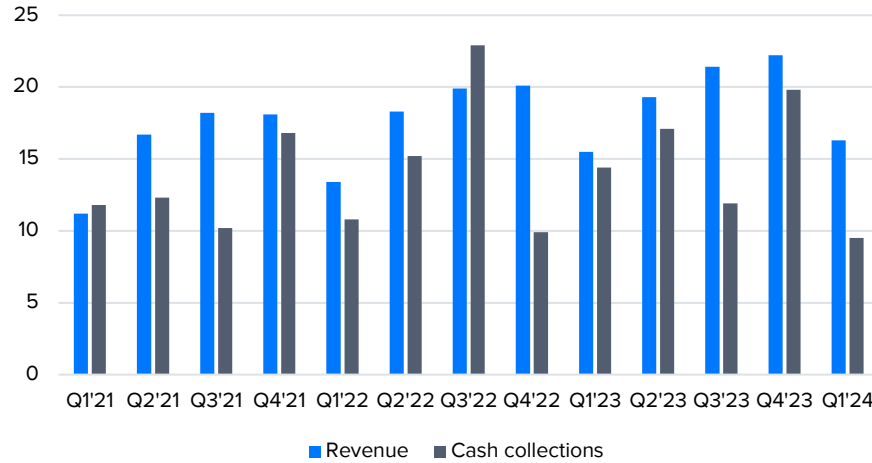
The key to Tecnotree's investment story is how the company manages to invest in growth and improve its cash flow profile in the coming years. We are positive about the company's ambition to grow outside emerging markets and the business model change, which may have a risk-mitigating effect through a better cash flow profile. In general, the company is also strongly focused on improving cash flow, which we welcome. We estimate that the transformation of the business profile may take a long time, as the challenges related to the company's geographical locations will not be resolved overnight. We continue to look for further evidence of this in the form of improved cash flow.

Valuation	2024e	2025e	2026e
Share price	6.30	6.30	6.30
Number of shares, millions	15.9	15.9	23.1
Market cap	100	100	146
EV	102	90	78
P/E (adj.)	6.5	5.9	8.5
P/E	6.5	5.9	8.5
P/B	1.0	0.8	0.8
P/S	1.2	1.2	1.6
EV/Sales	1.2	1.0	0.9
EV/EBITDA	3.0	2.5	2.1
EV/EBIT (adj.)	3.8	3.4	2.9
Payout ratio (%)	1.0 %	0.9 %	1.3 %
Dividend yield-%	0.2 %	0.2 %	0.2 %

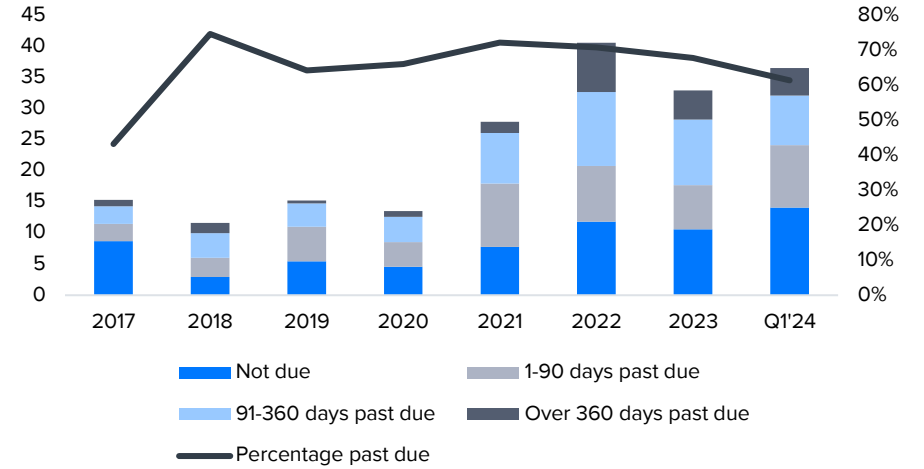
Source: Inderes

# Development of key figures

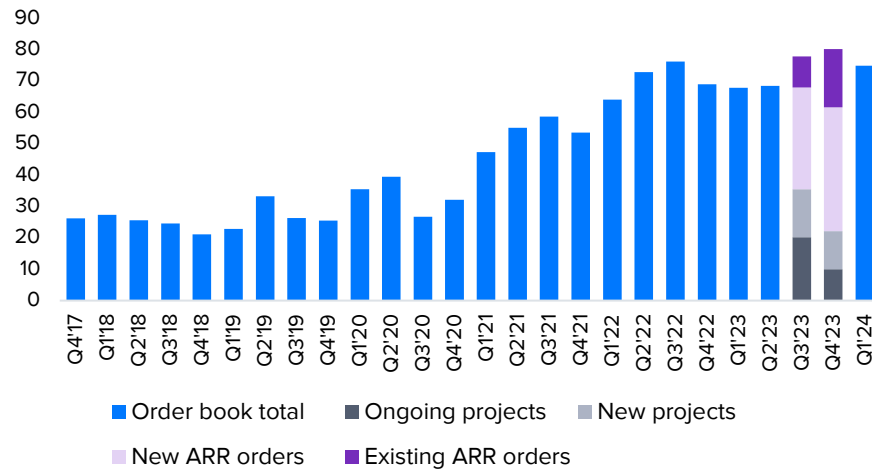
## Revenue and cash collections



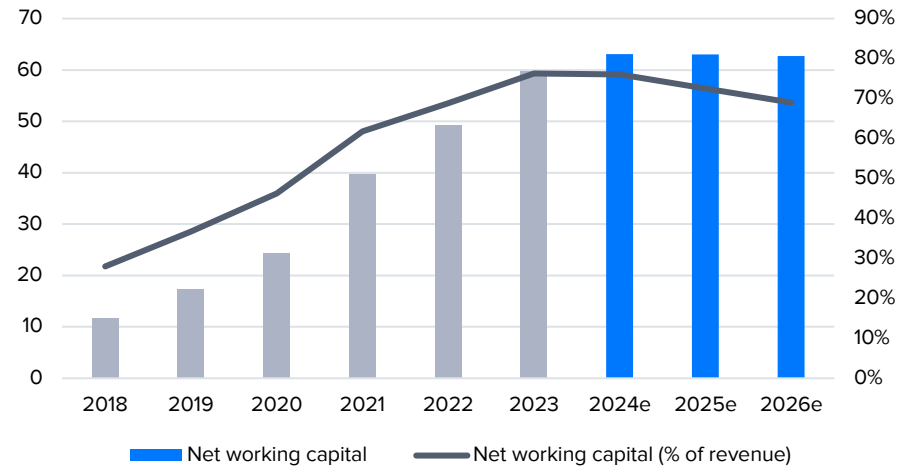
## Breakdown of trade receivables



## Order book development (MEUR)



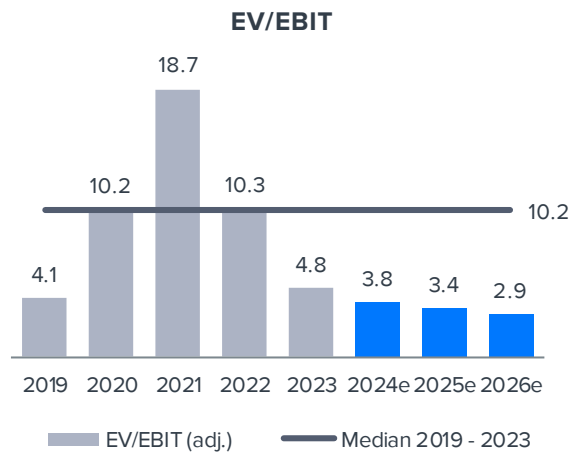
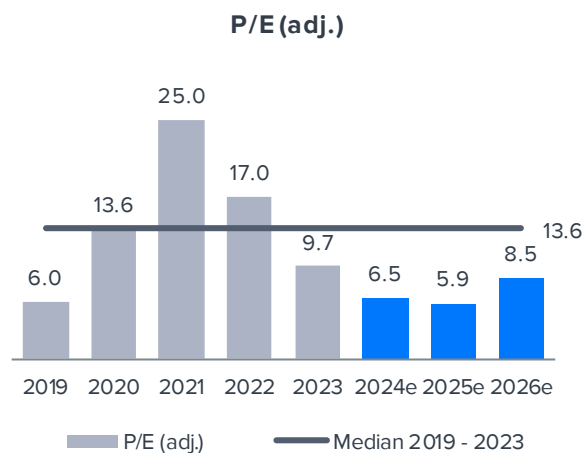
## Net working capital development



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	0.17	0.70	1.47	0.63	0.34	6.30	6.30	6.30	6.30
Number of shares, millions	235.3	274.6	313.2	311.0	316.8	15.9	15.9	23.1	23.1
Market cap	40	192	460	196	108	100	100	146	146
EV	53	198	443	189	114	102	90	78	63
P/E (adj.)	6.0	13.6	25.0	17.0	9.7	6.5	5.9	8.5	8.3
P/E	5.2	14.2	25.0	17.0	9.7	6.5	5.9	8.5	8.3
P/B	11.7	9.7	6.8	2.4	1.2	1.0	0.8	0.8	0.7
P/S	0.9	3.6	7.2	2.7	1.4	1.2	1.2	1.6	1.5
EV/Sales	1.1	3.7	6.9	2.6	1.4	1.2	1.0	0.9	0.7
EV/EBITDA	3.4	9.7	17.5	9.5	4.1	3.0	2.5	2.1	1.6
EV/EBIT (adj.)	4.1	10.2	18.7	10.3	4.8	3.8	3.4	2.9	2.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	1.4 %	1.0 %	0.9 %	1.3 %	1.3 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %	0.2 %	0.2 %	0.2 %	0.2 %

Source: Inderes





# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Amdocs Ltd	9302	9385	10.9	10.3	9.2	8.7	2.0	1.9	13.1	11.9	2.1	2.2	2.6
CSG Systems International Inc	1321	1655	9.2	8.6	7.2	6.8	1.5	1.4	12.0	11.1	2.5	2.6	
Comarch SA	573	495	15.2	12.4	8.9	7.8	1.1	1.0	20.0	17.2	2.0	2.2	1.5
Sterlite Technologies Ltd	740	1084	32.6	17.5	12.6	9.2	1.6	1.4	19.3	16.6	1.9	1.4	2.6
Cerillion PLC	540	515	25.8	22.6	22.9	20.3	10.0	8.9	33.0	29.4	0.8	0.9	9.7
<b>Tecnotree (Inderes)</b>	<b>100</b>	<b>102</b>	<b>3.8</b>	<b>3.4</b>	<b>3.0</b>	<b>2.5</b>	<b>1.2</b>	<b>1.0</b>	<b>6.5</b>	<b>5.9</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>
<b>Average</b>			<b>18.7</b>	<b>14.3</b>	<b>12.2</b>	<b>10.6</b>	<b>3.2</b>	<b>2.9</b>	<b>19.5</b>	<b>17.3</b>	<b>1.9</b>	<b>1.9</b>	<b>4.1</b>
<b>Median</b>			<b>15.2</b>	<b>12.4</b>	<b>9.2</b>	<b>8.7</b>	<b>1.6</b>	<b>1.4</b>	<b>19.3</b>	<b>16.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.6</b>
<b>Diff-% to median</b>			<b>-75%</b>	<b>-73%</b>	<b>-67%</b>	<b>-72%</b>	<b>-24%</b>	<b>-28%</b>	<b>-67%</b>	<b>-65%</b>	<b>-92%</b>	<b>-93%</b>	<b>-62%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	71.6	15.5	19.3	21.4	22.2	78.4	16.3	20.6	22.7	23.4	83.0	86.9	90.9	94.5
EBITDA	19.8	4.2	6.9	7.4	9.3	27.7	6.0	8.8	9.4	9.8	34.1	36.5	37.8	38.9
Depreciation	-1.5	-0.6	-0.7	-1.2	-1.4	-3.9	-1.6	-1.7	-1.8	-1.9	-7.2	-9.9	-11.2	-12.1
EBIT (excl. NRI)	18.3	3.6	6.2	6.2	7.9	23.8	4.4	7.1	7.6	7.9	27.0	26.5	26.6	26.8
EBIT	18.3	3.6	6.2	6.2	7.9	23.8	4.4	7.1	7.6	7.9	27.0	26.5	26.6	26.8
Net financial items	-1.1	-1.0	-1.9	-1.9	-5.1	-9.9	-2.3	-1.0	-1.5	-1.5	-6.3	-4.0	-4.0	-4.0
PTP	17.2	2.7	4.3	4.2	2.8	13.9	2.1	6.1	6.1	6.4	20.6	22.5	22.6	22.8
Taxes	-5.7	-0.9	-0.5	-1.0	-0.4	-2.8	-0.4	-1.5	-1.5	-1.6	-5.1	-5.4	-5.4	-5.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.6	1.8	3.8	3.2	2.4	11.1	1.6	4.6	4.6	4.8	15.5	17.1	17.2	17.6
EPS (adj.)	0.04	0.01	0.01	0.01	0.01	0.04	0.10	0.29	0.29	0.30	0.98	1.08	0.74	0.76
EPS (rep.)	0.04	0.01	0.01	0.01	0.01	0.04	0.10	0.29	0.29	0.30	0.98	1.08	0.74	0.76
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	11.5 %	17.0 %	5.4 %	7.4 %	10.4 %	9.5 %	4.7 %	6.5 %	6.4 %	5.6 %	5.9 %	4.8 %	4.5 %	4.0 %
Adjusted EBIT growth-%	-22.7 %	77.5 %	21.1 %	22.2 %	28.3 %	30.1 %	21.5 %	14.7 %	22.7 %	0.7 %	13.2 %	-1.5 %	0.2 %	0.9 %
EBITDA-%	27.7 %	27.2 %	35.6 %	34.5 %	41.7 %	35.4 %	37.1 %	42.9 %	41.4 %	42.0 %	41.1 %	41.9 %	41.5 %	41.2 %
Adjusted EBIT-%	25.6 %	23.3 %	32.0 %	28.9 %	35.4 %	30.4 %	27.0 %	34.5 %	33.3 %	33.7 %	32.5 %	30.5 %	29.3 %	28.4 %
Net earnings-%	16.1 %	11.3 %	19.4 %	15.0 %	10.9 %	14.2 %	10.0 %	22.2 %	20.0 %	20.5 %	18.7 %	19.7 %	18.9 %	18.6 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>26.4</b>	<b>36.3</b>	<b>43.6</b>	<b>48.0</b>	<b>51.3</b>
Goodwill	5.7	5.7	5.7	5.7	5.7
Intangible assets	17.9	27.8	35.0	39.4	42.6
Tangible assets	0.4	0.4	0.5	0.5	0.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.8	1.9	1.9	1.9	1.9
Deferred tax assets	0.6	0.5	0.5	0.5	0.5
<b>Current assets</b>	<b>77.4</b>	<b>91.9</b>	<b>119</b>	<b>130</b>	<b>145</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	65.1	71.1	75.5	76.5	77.3
Cash and equivalents	12.3	20.8	43.1	53.6	67.7
<b>Balance sheet total</b>	<b>104</b>	<b>128</b>	<b>162</b>	<b>178</b>	<b>196</b>

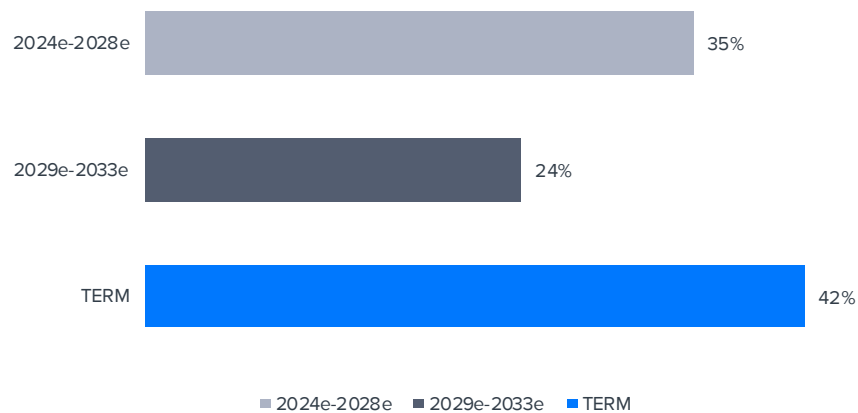
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>80.1</b>	<b>86.5</b>	<b>102</b>	<b>119</b>	<b>179</b>
Share capital	1.3	1.3	1.3	1.3	44.4
Retained earnings	49.5	55.9	71.2	88.2	105
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
<b>Non-current liabilities</b>	<b>5.5</b>	<b>25.8</b>	<b>45.8</b>	<b>45.8</b>	<b>2.7</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.4	1.0	0.0	0.0	0.0
Convertibles	0.0	21.1	43.1	43.1	0.0
Other long term liabilities	3.1	3.7	2.7	2.7	2.7
<b>Current liabilities</b>	<b>18.2</b>	<b>15.9</b>	<b>14.4</b>	<b>13.5</b>	<b>14.5</b>
Interest bearing debt	2.5	4.5	2.0	0.0	0.0
Payables	15.8	11.3	12.4	13.5	14.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>104</b>	<b>128</b>	<b>162</b>	<b>178</b>	<b>196</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.5 %	5.9 %	4.8 %	4.5 %	4.0 %	3.3 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	30.4 %	32.5 %	30.5 %	29.3 %	28.4 %	26.8 %	26.2 %	25.8 %	25.5 %	25.5 %	25.5 %	25.5 %
<b>EBIT (operating profit)</b>	<b>23.8</b>	<b>27.0</b>	<b>26.5</b>	<b>26.6</b>	<b>26.8</b>	<b>26.2</b>	<b>26.3</b>	<b>26.7</b>	<b>27.1</b>	<b>27.8</b>	<b>28.3</b>	
+ Depreciation	3.9	7.2	9.9	11.2	12.1	12.7	13.2	13.6	14.0	14.7	14.8	
- Paid taxes	-2.7	-5.1	-5.4	-5.4	-5.3	-4.9	-4.9	-5.0	-5.1	-5.2	-5.8	
- Tax, financial expenses	-2.0	-1.6	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-10.4	-3.3	0.0	0.3	-0.1	0.4	-1.9	-1.9	-1.7	-1.7	-1.4	
<b>Operating cash flow</b>	<b>12.6</b>	<b>24.2</b>	<b>30.1</b>	<b>31.7</b>	<b>32.6</b>	<b>33.5</b>	<b>31.9</b>	<b>32.5</b>	<b>33.4</b>	<b>34.7</b>	<b>35.5</b>	
+ Change in other long-term liabilities	0.6	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-13.9	-14.4	-14.4	-14.4	-14.4	-14.5	-14.7	-14.8	-14.9	-14.9	-14.9	
<b>Free operating cash flow</b>	<b>-0.7</b>	<b>8.8</b>	<b>15.7</b>	<b>17.3</b>	<b>18.2</b>	<b>19.0</b>	<b>17.2</b>	<b>17.7</b>	<b>18.5</b>	<b>19.8</b>	<b>20.6</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.7	8.8	15.7	17.3	18.2	19.0	17.2	17.7	18.5	19.8	20.6	207
<b>Discounted FCFF</b>		<b>8.1</b>	<b>13.0</b>	<b>12.7</b>	<b>11.9</b>	<b>11.1</b>	<b>9.0</b>	<b>8.3</b>	<b>7.7</b>	<b>7.3</b>	<b>6.8</b>	<b>68.5</b>
Sum of FCFF present value		164	156	143	131	119	108	98.5	90.3	82.6	75.3	68.5
<b>Enterprise value DCF</b>		<b>164</b>										
- Interest bearing debt		-26.7										
+ Cash and cash equivalents		20.8										
-Minorities		0.0										
-Dividend/capital return		-0.2										
<b>Equity value DCF</b>		<b>158</b>										
<b>Equity value DCF per share</b>		<b>10.0</b>										

Cash flow distribution



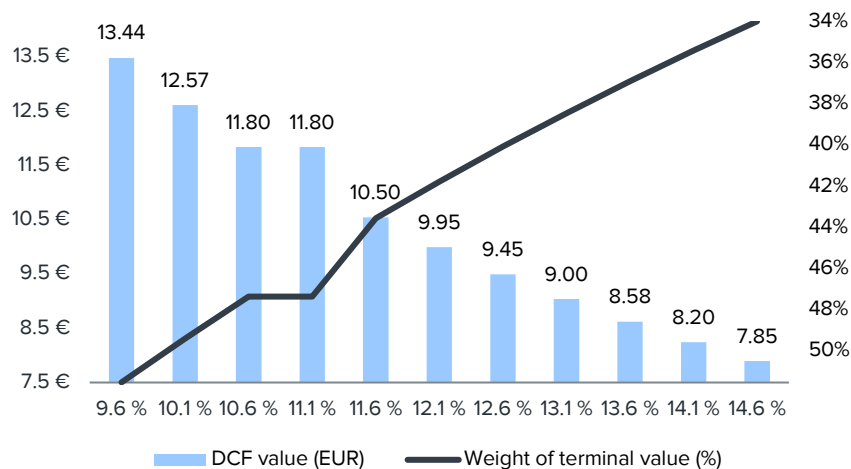
## WACC

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 %
<b>Cost of equity</b>	<b>12.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>12.1 %</b>

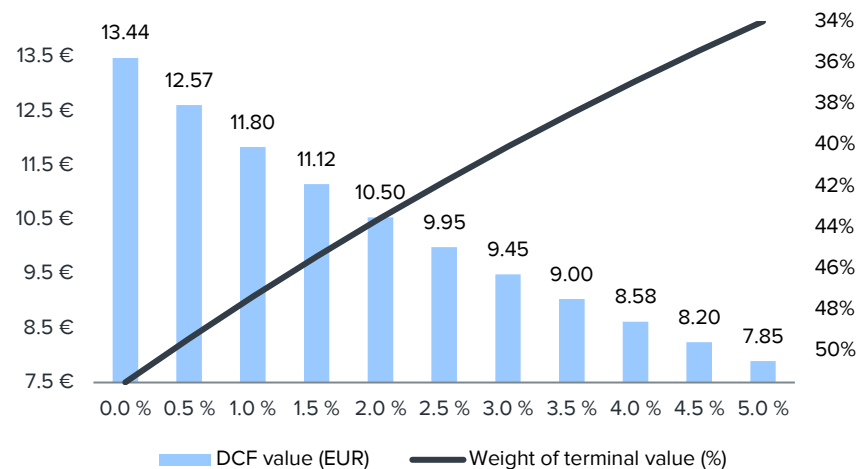
Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs

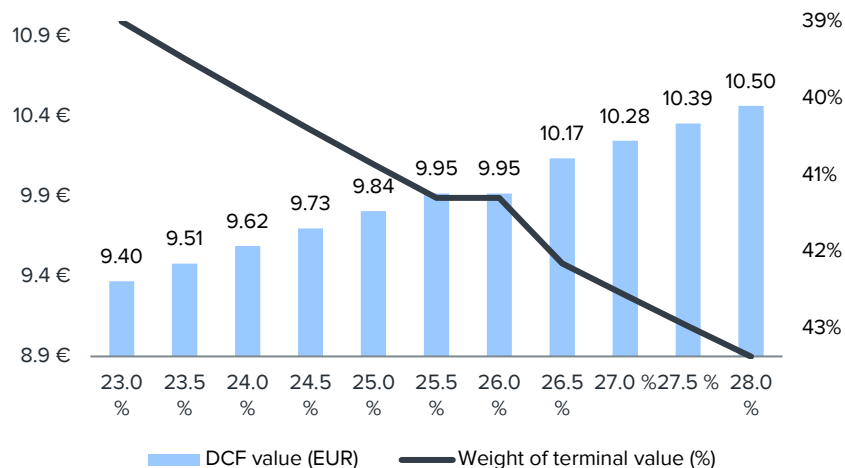
Sensitivity of DCF to changes in the WACC-%



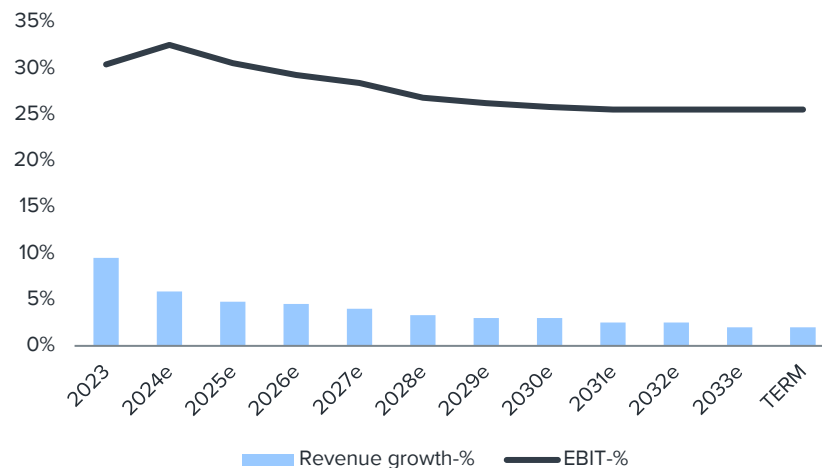
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	64.2	71.6	78.4	83.0	86.9	EPS (reported)	0.06	0.04	0.04	0.98	1.08
EBITDA	25.3	19.8	27.7	34.1	36.5	EPS (adj.)	0.06	0.04	0.04	0.98	1.08
EBIT	23.7	18.3	23.8	27.0	26.5	OCF / share	0.02	0.01	0.04	1.52	1.89
PTP	21.5	17.2	13.9	20.6	22.5	FCF / share	-0.01	-0.02	0.00	0.55	0.99
Net Income	18.4	11.6	11.1	15.5	17.1	Book value / share	0.22	0.26	0.27	6.40	7.47
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.01	0.01
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	79.3	103.8	128.2	162.1	178.1	Revenue growth-%	22%	12%	9%	6%	5%
Equity capital	67.7	80.1	86.5	101.9	118.9	EBITDA growth-%	24%	-22%	40%	23%	7%
Goodwill	0.0	5.7	5.7	5.7	5.7	EBIT (adj.) growth-%	23%	-23%	30%	13%	-2%
Net debt	-17.6	-7.5	5.9	2.0	-10.5	EPS (adj.) growth-%	14%	-37%	-5%	2683%	10%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	39.4 %	27.7 %	35.4 %	41.1 %	41.9 %
EBITDA	25.3	19.8	27.7	34.1	36.5	EBIT (adj.)-%	36.9 %	25.6 %	30.4 %	32.5 %	30.5 %
Change in working capital	-15.5	-9.6	-10.4	-3.3	0.0	EBIT-%	36.9 %	25.6 %	30.4 %	32.5 %	30.5 %
Operating cash flow	6.3	4.4	12.6	24.2	30.1	ROE-%	42.0 %	15.6 %	13.3 %	16.5 %	15.5 %
CAPEX	-7.3	-14.8	-13.9	-14.4	-14.4	ROI-%	46.8 %	24.0 %	24.0 %	20.7 %	17.2 %
Free cash flow	-4.7	-4.9	-0.7	8.8	15.7	Equity ratio	85.4 %	77.1%	67.5 %	62.8 %	66.7 %
						Gearing	-25.9 %	-9.3 %	6.8 %	2.0 %	-8.8 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.9	2.6	1.4	1.2	1.0						
EV/EBITDA (adj.)	17.5	9.5	4.1	3.0	2.5						
EV/EBIT (adj.)	18.7	10.3	4.8	3.8	3.4						
P/E (adj.)	25.0	17.0	9.7	6.5	5.9						
P/B	6.8	2.4	1.2	1.0	0.8						
Dividend-%	0.0 %	0.0 %	0.1 %	0.2 %	0.2 %						

Source: Inderes

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



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