Tecnotree

Company report

8/12/2024

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Inderes corporate customer

This report is a summary translation of the report “Kassavirta paranee odotuksiamme hitaammin” published on 8/12/2024 at 8:40 am EEST

Cash flow improving slower than we expected

Tecnotree's Q2 key figures missed our forecasts. Cash flow improved as expected from the beginning of the year and the company provided cash flow guidance for the rest of the year. However, free cash flow is expected to remain tight again this year, which means that we do not see the stock's risk/reward as particularly attractive. Given our lower forecasts and the increased number of shares, we lower our target price to EUR 5.5 (previously EUR 6.0) and reiterate our Reduce recommendation.

Q2 figures missed our forecasts

Tecnotree's Q2 revenue decreased by 3% to 18.7 MEUR, far below our forecast of approximately 5% growth. The deceleration in growth is partly due to the changeover to the ARR model, but also to the slowdown in order flow seen in the first months of the year. The order book has now shrunk for two consecutive quarters (Q2'24: 72.6 MEUR, 2023: 80.2 MEUR), which is inevitably reflected in the revenue development. In Q2, Tecnotree's EBIT was 3.5 MEUR (Q2'23: 6.2 MEUR), which, however, was burdened by a total of 2.9 MEUR in write-downs of capitalized product development costs and receivables related to the sale of business assets. Adjusted EBIT was 6.4 MEUR, which was also slightly below our forecasts (7.0 MEUR).

Cash flow improved as expected from the beginning of the year and the company issued cash flow guidance

Cash flow improved as expected from the first months of the year, with cash flow from operating activities of 4.4 MEUR and free cash flow of 0.7 MEUR in Q2. The company also provided cash flow guidance for the rest of the year, with an expected free cash flow of 2-5 MEUR in H2. Free cash flow for H1 was -3.8 MEUR, so the guidance for the full year is for a free cash flow of -1.8 - 1.2 MEUR. The improved cash flow visibility is of course positive, but cash flow does not yet reflect anything close to the company's profit level and is still expected to remain modest overall this year.

Earnings guidance seems challenging

Tecnotree still expects revenue growth of 2-7% and EBIT growth of 7-15% in 2024. Especially with regard to EBIT growth, we believe that the guidance is difficult to achieve as we believe that the guidance refers to reported EBIT. Reported EBIT was down about 18% in H1, so the company has a lot of catching up to do for the rest of the year. Contributing to the earnings growth is the company's significant cost-saving program, where the company is targeting savings of 4.5 MEUR for H2. For the full year, we expect revenue to grow by just over 2% to 80.3 MEUR and reported EBIT to increase by 1% to 24.1 MEUR. Consequently, we expect the company to fall short of the guidance in terms of reported EBIT, but we expect adjusted EBIT to increase by 13% to 27.0 MEUR.

With current cash flow generation capacity, valuation is not appealing

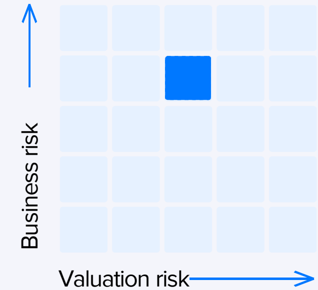
Tecnotree's P/E multiples for 2024-2025 are 5x and corresponding EV/EBIT multiples are 3x. The levels are low, but one should consider the low quality of the result (the result does not reflect cash flow). The current year's EV/OFCF multiple is 20x, which is high as it does not take into account FX losses. The valuation should also take into account the dilution caused by the company's convertible bonds and the staff incentive plan in the coming years (combined effect of around 42% at the current share price). The company has scope to improve its cash flow profile through geographic expansion, business model change and adjustment measures, but at the current valuation we are still waiting for evidence of this.

Recommendation

Reduce
(was Reduce)

EUR 5.50
(was EUR 6.00)

Share price:
5.14



Key figures

	2023	2024e	2025e	2026e
Revenue	78.4	80.3	83.6	87.8
growth-%	9%	2%	4%	5%
EBIT adj.	23.8	27.0	25.8	26.1
EBIT-% adj.	30.4 %	33.6 %	30.8 %	29.7 %
Net Income	11.2	13.4	16.5	16.8
EPS (adj.)	0.71	1.02	1.01	0.66

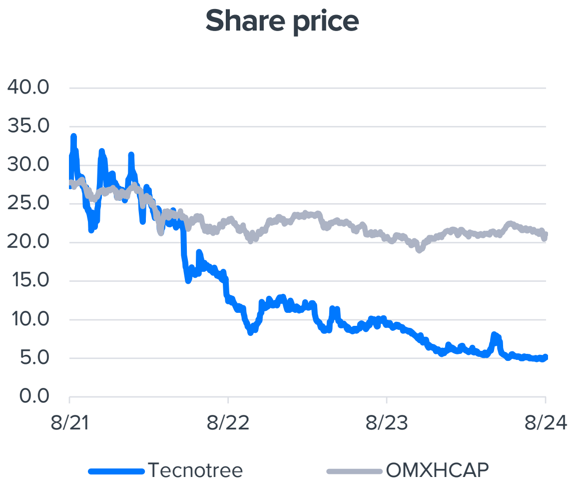
P/E (adj.)	9.6	5.0	5.1	7.8
P/B	1.2	0.8	0.7	0.7
P/FCF	neg.	19.0	6.1	8.1
EV/EBIT (adj.)	4.8	3.3	3.1	2.7
EV/EBITDA	4.1	2.8	2.1	1.8
EV/S	1.4	1.1	1.0	0.8

Source: Inderes

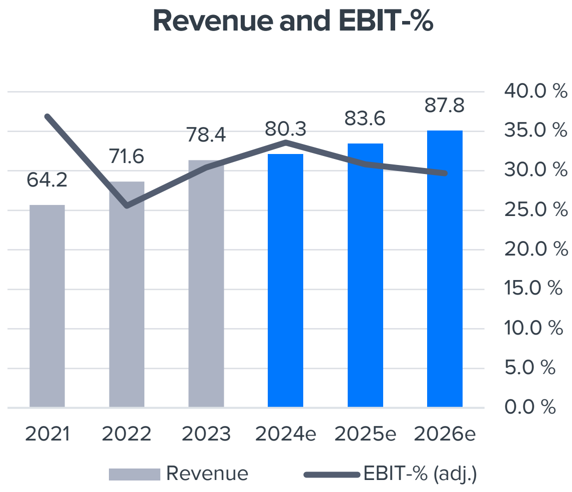
Guidance (Adjusted)

Tecnotree expects in 2024:
- Revenue to be higher by 2%-7% compared to 2023
- Operating profit (EBIT) to be higher by 7%-15% compared to 2023

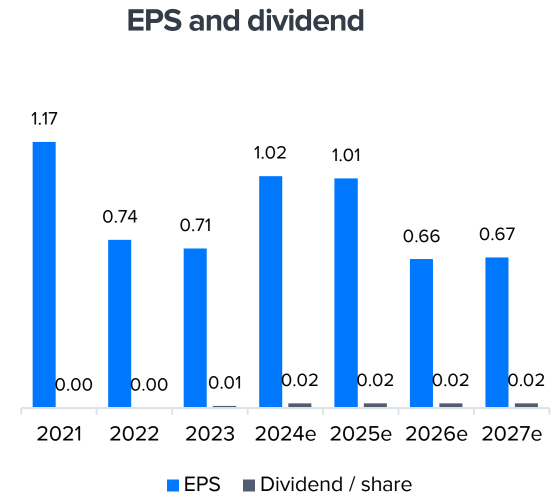
Tecnotree expects free cash flow to reach 2-5 MEUR in the second half of 2024.



Source: Millistream Market Data AB



Source: Inderes



Value drivers

- 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
- Value-generating M&A transactions

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 cyclicality in operators' investments
- Political and legislative threats in emerging countries

Valuation	2024e	2025e	2026e
Share price	5.14	5.14	5.14
Number of shares, millions	16.0	16.3	25.5
Market cap	82	84	131
EV	88	80	71
P/E (adj.)	5.0	5.1	7.8
P/E	6.1	5.1	7.8
P/B	0.8	0.7	0.7
P/S	1.0	1.0	1.5
EV/Sales	1.1	1.0	0.8
EV/EBITDA	2.8	2.1	1.8
EV/EBIT (adj.)	3.3	3.1	2.7
Payout ratio (%)	2.4 %	2.0 %	3.0 %
Dividend yield-%	0.4 %	0.4 %	0.4 %

Source: Inderes

Key figures missed our forecasts, cash flow improved as expected

Revenue development fell short of our expectations

Tecnotree's Q2 revenue decreased by 3% to 18.7 MEUR, missing our forecast of approximately 5% growth. At constant exchange rates, revenue also fell by around 3% from the comparison period. In general, growth is partly limited by the shift to the ARR model, where revenue is generated more slowly as larger one-time licenses do not come in at the same rate.

During the quarter, revenue came especially from deliveries 6.7 MEUR and maintenance and management services 7.4 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 6% year-on-year to 72.6 MEUR. Compared to the previous Q1, the order book decreased by 3%. New orders for the quarter were, according to our calculations, around 16 MEUR, a clear recovery from the weak levels of Q1, but still below the comparison period (-7%).

Operating result also below expectations

In Q2, Tecnotree's EBIT adjusted for non-recurring items was 6.4 MEUR (Q2'23: 6.2 MEUR) and was slightly below our 7.0 MEUR estimate. The company recognized one-time expenses of 2.2 MEUR for a loss provision on receivables related to the sale of business assets and 0.7 MEUR for an additional impairment of product development assets.

In general, profitability is supported from the impact of revenue invoicing by the company's cost adjustment measures. The number of employees was reduced by approximately 5% from the end of Q1 as a result of change negotiations. While we have already seen a slight reduction in fixed costs relative to the comparison period, the more obvious benefits of the company's cost-saving measures will only really be seen in the coming quarters and next year. The company estimates the saving impact to be 4.5 MEUR in H2 and 7 MEUR in 2025. However, currencies also affect costs, as the company's employees are mainly based outside Finland, making it difficult to compare the cost structure.

Exchange rate losses (-0.9 MEUR) again burdened the lower lines of the income statement and the net result ended up at 2.1 MEUR (Q2'23: 3.7 MEUR).

Cash flow strengthened from Q1 as expected

Tecnotree's cash flow from operating activities was 4.4 MEUR, a clear improvement over the comparison period (2.7 MEUR) and Q1 (-0.9 MEUR). Cash flow was supported by the release of working capital due to improved collection of receivables and completed deliveries. The change in working capital was -0.1 MEUR (Q2'23: -4.4 MEUR). The company's cash collections during the quarter amounted to 16.6 MEUR (19.4 MEUR at constant exchange rates). The company spent -3.7 MEUR on investments and the free cash flow was thus around 0.7 MEUR.

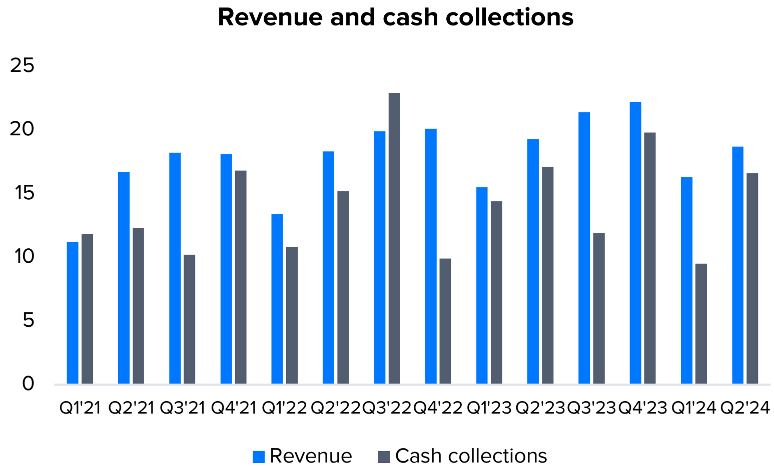
Although the cash flow in Q2 was significantly better than in Q1, it still did not come close to reflecting the company's results. Free cash flow for the first half of the year is also still negative (-3.8 MEUR). In our view, despite the company's focus on cash flow this year, there is still no clear improvement in the structural challenges related to cash flow. In order to improve cash flow, the emphasis continues to be on accelerating the collection of receivables, reducing exchange losses and implementing cost-saving measures.

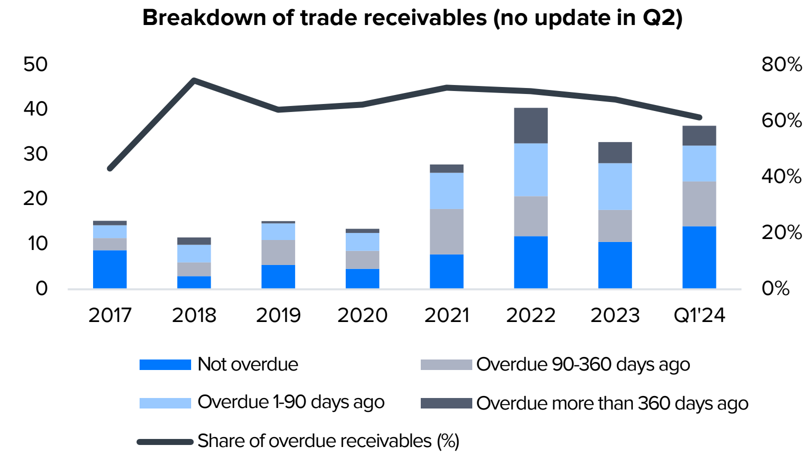
Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	19.3	18.7	20.3				-8%	80.3
EBIT (adj.)	6.2	6.4	7.0				-9%	27.0
EBIT	6.2	3.5	7.0				-50%	24.1
PTP	4.3	2.9	5.5				-47%	18.0
EPS (reported)	0.24	0.12	0.26				-54%	0.84
Revenue growth-%	5.4 %	-3.1 %	5.4 %				-8.5 pp	2.4 %
EBIT-% (adj.)	32.0 %	34.2 %	34.4 %				-0.2 pp	33.6 %

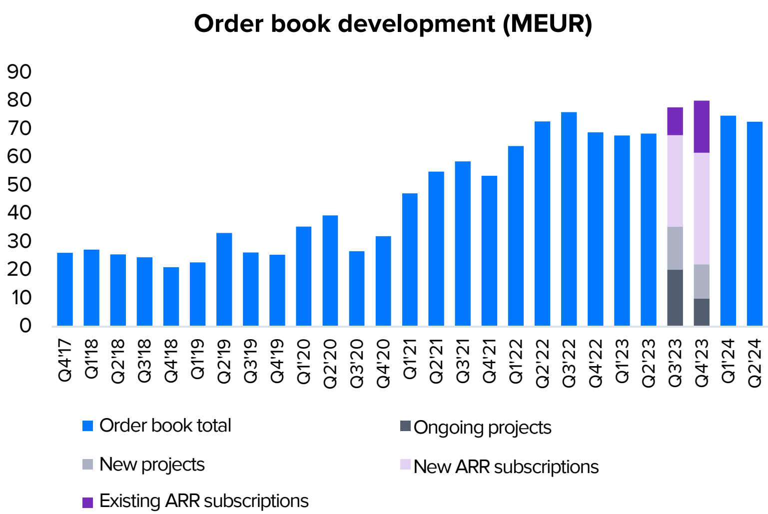
Source: Inderes

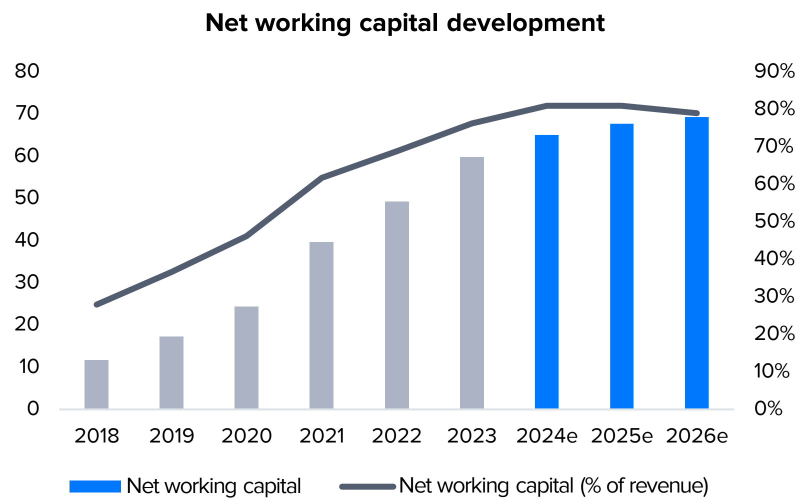
Tecnotree Q2'24: Better visibility to cash flows

Development of key figures









Improved full-year cash flow visibility

Earnings guidance calls for a significant earnings recovery in the second half of the year

As expected, Tecnotree reiterated its guidance expecting revenue to be higher by 2-7% and operating profit (EBIT) by 7-15% compared to 2022. The company seemed confident that it will be able to meet its growth guidance with the current order book. At constant exchange rates, the company's growth in the first half of the year has been in line with guidance (H1: +5%).

It is our understanding that the earnings guidance refers to the reported result, leaving the company with more work to do for the rest of the year. For H1, the company's EBIT has fallen by around 18% (mainly due to Q2 write-downs), which means that the company will need to accelerate its earnings growth significantly for the rest of the year to reach its guidance. As a result, there is a risk of a profit warning and our forecast for reported EBIT is therefore below the company's guidance range. On the other hand, the informative value of the guidance is also partly questionable, as the company has ultimately deviated from the two previous guidance without issuing a profit warning.

However, the result for the rest of the year should be supported by the company's significant measures, from which the company expects savings of 4.5 MEUR in H2. As part of the savings program, Tecnotree also announced a 35% reduction in the board of directors' remuneration, which we welcome given the very high level of remuneration for a company of its size.

Cash flow guidance provided

In connection with the Q2 report, Tecnotree also provided cash flow guidance. The company expects free cash flow (cash flow from operating activities – investments) to be 2-5 MEUR in H2. With a free cash flow of -3.8 MEUR in H1, this would mean an estimated free cash flow of -1.8 - 1.2 MEUR for the full year. The key to the higher cash flow is an improved collection of receivables, cost savings from adjustment measures and a sharper focus on investments. The increased cash flow visibility is of course positive, but our previous forecast expected a more pronounced positive cash flow for the company. A free cash flow of around zero is not really anything to write home about yet.

Forecasts trimmed a little

With key figures falling short of our expectations and, in particular, the sluggish order flow, we made slight downward revisions to our growth forecasts for the coming years. Lower revenue forecasts were also reflected in the result. At the same time, we have also lowered our cash flow forecast for the current year as we expect a stronger working capital commitment. The operating free cash flow in our forecasts does not take into account financing costs and foreign exchange losses, so it is not fully comparable to our company free cash flow forecast.

We expect Tecnotree's revenue to grow by just over 2% to 80.3 MEUR this year. We expect the reported EBIT to increase to 24.1 MEUR. As such, we do not expect the company to reach its guidance. We expect adjusted EBIT to grow by 13%, which would be in line with the company's guidance range.

Between 2025 and 2027, we expect revenue to grow at a CAGR of around 4-5%, reaching 92.2 MEUR in 2027. We expect EBIT to remain broadly stable between 25 and 27 MEUR. 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: 31.6 MEUR vs. 2027e: 39.3 MEUR).

Estimate revisions MEUR / EUR	2024e Old	2024e New	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	82.3	80.3	-2%	86.2	83.6	-3%	90.1	87.8	-3%
EBITDA	34.3	31.6	-8%	37.9	37.3	-1%	38.8	38.5	-1%
EBIT (exc. NRIs)	27.2	27.0	-1%	26.4	25.8	-2%	26.5	26.1	-2%
EBIT	27.2	24.1	-11%	26.4	25.8	-2%	26.5	26.1	-2%
PTP	20.3	18.0	-12%	22.4	21.8	-3%	22.5	22.1	-2%
EPS (excl. NRIs)	0.96	1.02	7%	1.07	1.01	-5%	0.70	0.66	-6%
DPS	0.02	0.02	0%	0.02	0.02	0%	0.02	0.02	0%

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 5x, while the corresponding EV/EBIT multiple is 3x (net capitalization adjusted EV/EBIT multiple 5x-3.5x). 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 18.0), 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 36%. In addition, the company's employee incentive plan (slightly more than 6% of the share capital) will dilute the share capital in the coming years, which we have now factored into our forecasts.

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/OFCF) is 20x, which is not particularly attractive considering that it does not take into account the company's foreign exchange losses. Thus, in the case of Tecnotree, it does not give a fully accurate picture of the true free cash flow.

DCF model highlights potential for the stock if cash flow profile were to recover

Our DCF model give the stock a value of EUR 9.6, 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. The model also does not take into account future dilution of the share capital.

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.

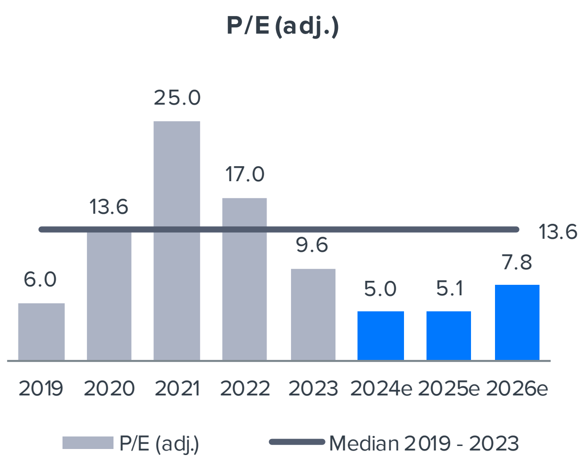
Valuation	2024e	2025e	2026e
Share price	5.14	5.14	5.14
Number of shares, millions	16.0	16.3	25.5
Market cap	82	84	131
EV	88	80	71
P/E (adj.)	5.0	5.1	7.8
P/E	6.1	5.1	7.8
P/B	0.8	0.7	0.7
P/S	1.0	1.0	1.5
EV/Sales	1.1	1.0	0.8
EV/EBITDA	2.8	2.1	1.8
EV/EBIT (adj.)	3.3	3.1	2.7
Payout ratio (%)	2.4 %	2.0 %	3.0 %
Dividend yield-%	0.4 %	0.4 %	0.4 %

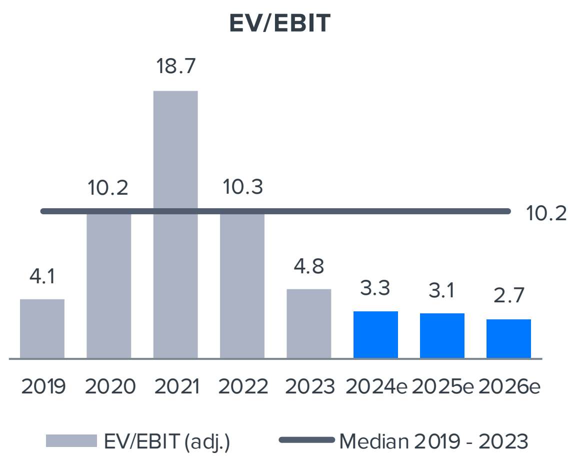
Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	3.40	14.0	29.4	12.6	6.80	**5.14**	**5.14**	**5.14**	**5.14**
Number of shares, millions	11.8	13.7	15.7	15.5	15.8	**16.0**	**16.3**	**25.5**	**25.9**
Market cap	40	192	460	196	108	**82**	**84**	**131**	**133**
EV	53	198	443	189	114	**88**	**80**	**71**	**60**
P/E (adj.)	6.0	13.6	25.0	17.0	9.6	**5.0**	**5.1**	**7.8**	**7.7**
P/E	5.2	14.2	25.0	17.0	9.6	**6.1**	**5.1**	**7.8**	**7.7**
P/B	11.7	9.7	6.8	2.4	1.2	**0.8**	**0.7**	**0.7**	**0.7**
P/S	0.9	3.6	7.2	2.7	1.4	**1.0**	**1.0**	**1.5**	**1.4**
EV/Sales	1.1	3.7	6.9	2.6	1.4	**1.1**	**1.0**	**0.8**	**0.7**
EV/EBITDA	3.4	9.7	17.5	9.5	4.1	**2.8**	**2.1**	**1.8**	**1.5**
EV/EBIT (adj.)	4.1	10.2	18.7	10.3	4.8	**3.3**	**3.1**	**2.7**	**2.3**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	1.4 %	**2.4 %**	**2.0 %**	**3.0 %**	**3.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %	**0.4 %**	**0.4 %**	**0.4 %**	**0.4 %**

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	8921	9055	11.1	10.2	9.1	8.6	2.0	1.9	13.0	11.9	2.2	2.3	2.7
CSG Systems International Inc	1269	1655	9.5	8.9	7.4	7.0	1.6	1.5	11.4	10.6	2.6	2.7	
Comarch SA	725	625	17.1	13.7	10.5	9.1	1.4	1.3	20.9	16.9	1.6	1.7	1.9
Sterlite Technologies Ltd	745	1066	24.5	45.8	12.8	17.2	1.6	1.8	20.0		1.8	0.4	2.7
Cerillion PLC	619	590	29.9	25.9	26.3	23.4	11.4	10.2	37.9	33.7	0.7	0.8	11.3
Tecnotree (Inderes)	**82**	**88**	**3.3**	**3.1**	**2.8**	**2.1**	**1.1**	**1.0**	**5.0**	**5.1**	**0.4**	**0.4**	**0.8**
Average			**18.4**	**20.9**	**13.2**	**13.0**	**3.6**	**3.3**	**20.6**	**18.3**	**1.8**	**1.6**	**4.6**
Median			**17.1**	**13.7**	**10.5**	**9.1**	**1.6**	**1.8**	**20.0**	**14.4**	**1.8**	**1.7**	**2.7**
Diff-% to median			***-81%***	***-77%***	***-74%***	***-76%***	***-33%***	***-46%***	***-75%***	***-65%***	***-78%***	***-78%***	***-69%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**71.6**	**15.5**	**19.3**	**21.4**	**22.2**	**78.4**	**16.3**	**18.6**	**22.2**	**23.2**	**80.3**	**83.6**	**87.8**	**92.2**
EBITDA	**19.8**	**4.2**	**6.9**	**7.4**	**9.3**	**27.7**	**6.0**	**5.8**	**9.6**	**10.2**	**31.6**	**37.3**	**38.5**	**39.3**
Depreciation	-1.5	-0.6	-0.7	-1.2	-1.4	-3.9	-1.6	-2.2	-1.8	-1.9	-7.6	-11.6	-12.4	-13.0
EBIT (excl. NRI)	**18.3**	**3.6**	**6.2**	**6.2**	**7.9**	**23.8**	**4.4**	**6.5**	**7.8**	**8.3**	**27.0**	**25.8**	**26.1**	**26.3**
EBIT	**18.3**	**3.6**	**6.2**	**6.2**	**7.9**	**23.8**	**4.4**	**3.6**	**7.8**	**8.3**	**24.1**	**25.8**	**26.1**	**26.3**
Net financial items	-1.1	-1.0	-1.9	-1.9	-5.1	-9.9	-2.3	-0.8	-1.5	-1.5	-6.1	-4.0	-4.0	-4.0
PTP	**17.2**	**2.7**	**4.3**	**4.2**	**2.8**	**13.9**	**2.1**	**2.8**	**6.3**	**6.8**	**18.0**	**21.8**	**22.1**	**22.3**
Taxes	-5.7	-0.9	-0.5	-1.0	-0.3	-2.8	-0.4	-0.8	-1.6	-1.7	-4.5	-5.2	-5.3	-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	**11.6**	**1.8**	**3.8**	**3.2**	**2.5**	**11.2**	**1.6**	**2.0**	**4.7**	**5.1**	**13.4**	**16.5**	**16.8**	**17.2**
EPS (adj.)	**0.74**	**0.11**	**0.24**	**0.20**	**0.16**	**0.71**	**0.10**	**0.31**	**0.30**	**0.32**	**1.02**	**1.01**	**0.66**	**0.67**
EPS (rep.)	**0.74**	**0.11**	**0.24**	**0.20**	**0.16**	**0.71**	**0.10**	**0.13**	**0.30**	**0.32**	**0.84**	**1.01**	**0.66**	**0.67**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	11.5 %	17.0 %	5.4 %	7.4 %	10.4 %	9.5 %	4.7 %	-3.5 %	3.8 %	4.6 %	2.4 %	4.1 %	5.0 %	5.0 %
Adjusted EBIT growth-%	-22.7 %	77.5 %	21.1 %	22.2 %	28.5 %	30.2 %	21.5 %	5.2 %	26.4 %	4.9 %	13.1 %	-4.4 %	1.2 %	1.1 %
EBITDA-%	27.7 %	27.2 %	35.6 %	34.5 %	41.7 %	35.4 %	37.1 %	30.9 %	43.4 %	43.9 %	39.4 %	44.6 %	43.8 %	42.7 %
Adjusted EBIT-%	25.6 %	23.3 %	32.0 %	28.9 %	35.4 %	30.4 %	27.0 %	34.9 %	35.2 %	35.5 %	33.6 %	30.8 %	29.7 %	28.6 %
Net earnings-%	16.1 %	11.3 %	19.4 %	15.0 %	11.1 %	14.3 %	10.0 %	11.0 %	21.3 %	21.8 %	16.7 %	19.8 %	19.1 %	18.7 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**26.4**	**36.3**	**43.7**	**46.9**	**48.8**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.6	33.5	40.9	43.9	45.8
Tangible assets	0.4	0.4	0.4	0.5	0.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.8	1.9	1.9	1.9	1.9
Deferred tax assets	0.6	0.5	0.5	0.5	0.5
Current assets	**77.4**	**91.9**	**116**	**127**	**143**
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	77.1	80.3	82.5
Cash and equivalents	12.3	20.8	38.8	47.2	60.1
Balance sheet total	**104**	**128**	**160**	**174**	**191**

Source: Inderes

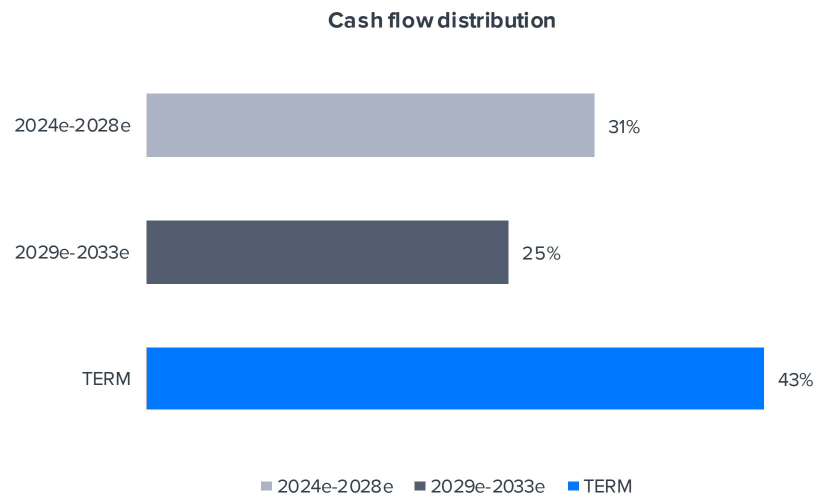
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**80.1**	**86.5**	**99.8**	**116**	**176**
Share capital	1.3	1.3	1.3	1.3	44.4
Retained earnings	49.5	55.9	69.1	85.4	102
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.3	29.3	29.3	29.3	29.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**5.5**	**25.8**	**45.8**	**45.8**	**2.7**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.4	1.0	0.0	0.0	0.0
Convertibles	0.0	21.1	43.1	43.1	0.0
Other long term liabilities	3.1	3.7	2.7	2.7	2.7
Current liabilities	**18.2**	**15.9**	**14.0**	**12.5**	**13.2**
Interest bearing debt	2.5	4.5	2.0	0.0	0.0
Payables	15.8	11.3	12.0	12.5	13.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**104**	**128**	**160**	**174**	**191**

DCF calculation

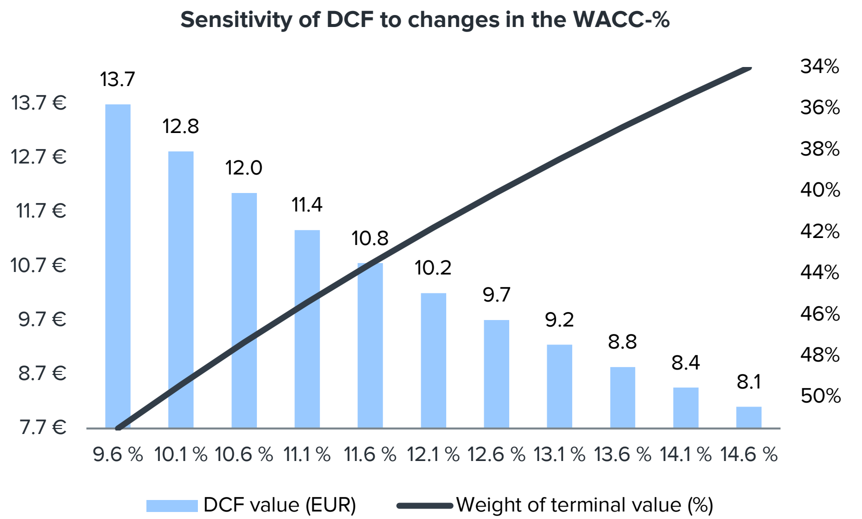
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.5 %	2.4 %	4.1 %	5.0 %	5.0 %	3.3 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	30.4 %	29.9 %	30.8 %	29.7 %	28.6 %	26.8 %	26.2 %	25.8 %	25.5 %	25.5 %	25.5 %	25.5 %
EBIT (operating profit)	**23.8**	**24.1**	**25.8**	**26.1**	**26.3**	**25.5**	**25.7**	**26.1**	**26.4**	**27.1**	**27.6**	
+ Depreciation	3.9	7.6	11.6	12.4	13.0	13.4	13.7	14.0	14.2	14.9	14.9	
- Paid taxes	-2.7	-4.5	-5.2	-5.3	-5.1	-4.7	-4.8	-4.9	-4.9	-5.1	-5.6	
- Tax, financial expenses	-2.0	-1.5	-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	-5.3	-2.7	-1.6	-2.5	-1.4	-1.2	-1.2	-1.9	-1.9	-1.6	
Operating cash flow	**12.7**	**20.3**	**28.4**	**30.6**	**30.7**	**31.9**	**32.5**	**33.1**	**32.9**	**34.1**	**34.8**	
+ 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	-15.0	-14.7	-14.4	-14.4	-14.5	-14.7	-14.8	-14.9	-14.9	-14.9	
Free operating cash flow	**-0.6**	**4.3**	**13.7**	**16.2**	**16.3**	**17.4**	**17.8**	**18.3**	**18.0**	**19.2**	**19.9**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.6	4.3	13.7	16.2	16.3	17.4	17.8	18.3	18.0	19.2	19.9	201
Discounted FCFF		**4.1**	**11.7**	**12.3**	**11.1**	**10.5**	**9.6**	**8.8**	**7.7**	**7.3**	**6.8**	**68.6**
Sum of FCFF present value		159	155	143	131	119	109	99.3	90.5	82.8	75.5	68.6
Enterprise value DCF		**159**										
- Interest bearing debt		-26.7										
+ Cash and cash equivalents		20.8										
-Minorities		0.0										
-Dividend/capital return		-0.2										
Equity value DCF		**153**										
Equity value DCF per share		**9.6**										

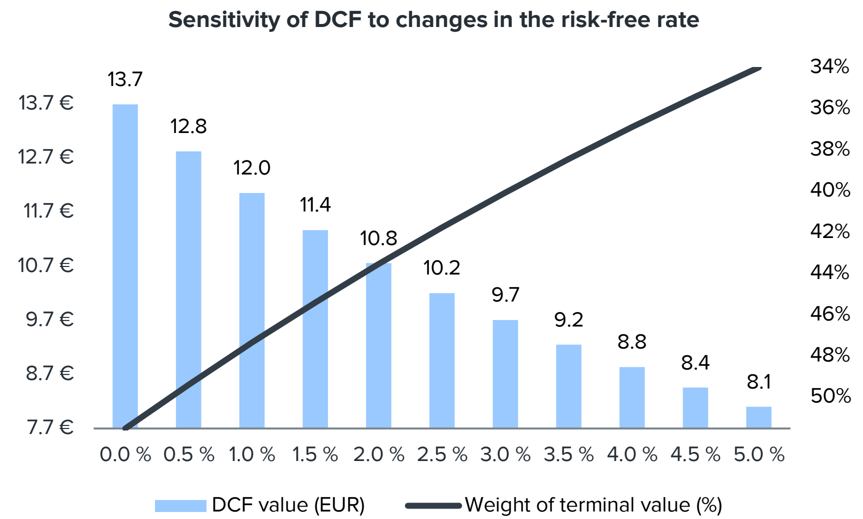
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	3.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	**12.1 %**
Weighted average cost of capital (WACC)	**12.1 %**

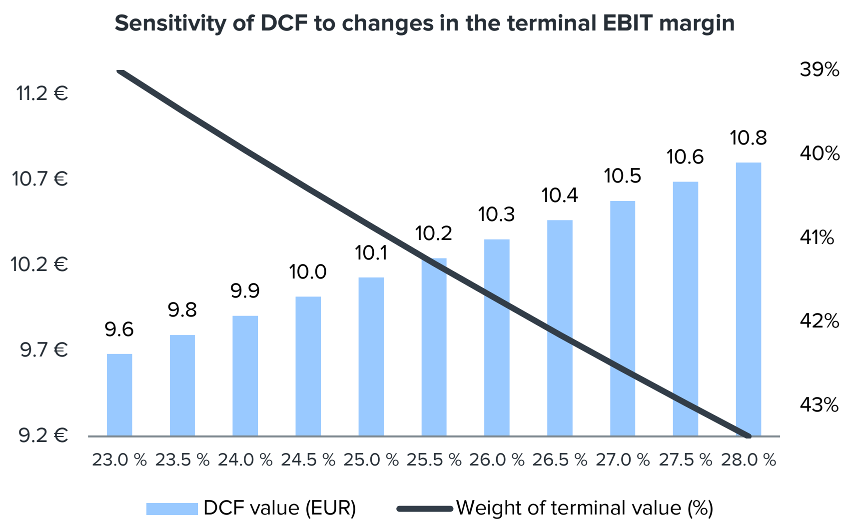
Source: Inderes

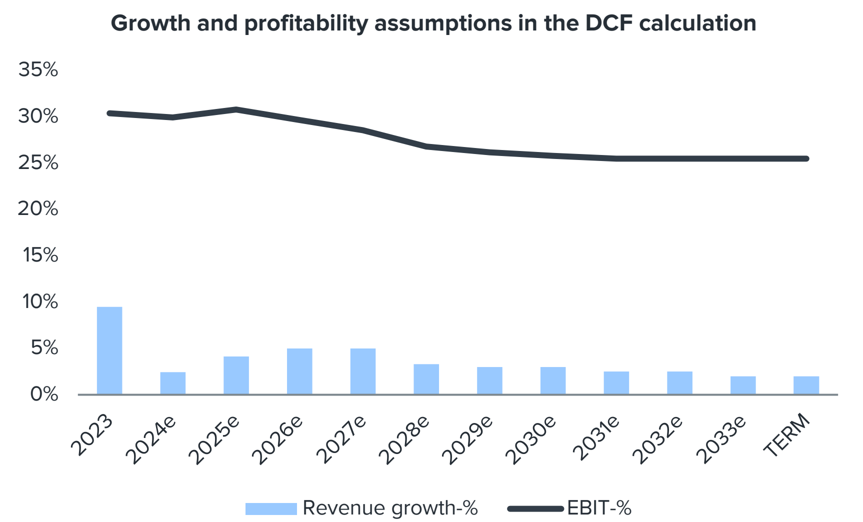


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	64.2	71.6	78.4	**80.3**	**83.6**
EBITDA	25.3	19.8	27.7	**31.6**	**37.3**
EBIT	23.7	18.3	23.8	**24.1**	**25.8**
PTP	21.5	17.2	13.9	**18.0**	**21.8**
Net Income	18.4	11.6	11.2	**13.4**	**16.5**
Extraordinary items	0.0	0.0	0.0	**-2.9**	**0.0**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	1.17	0.74	0.71	**0.84**	**1.01**
EPS (adj.)	1.17	0.74	0.71	**1.02**	**1.01**
OCF / share	0.40	0.28	0.80	**1.27**	**1.74**
FCF / share	-0.30	-0.32	-0.04	**0.27**	**0.84**
Book value / share	4.33	5.15	5.46	**6.26**	**7.11**
Dividend / share	0.00	0.00	0.01	**0.02**	**0.02**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	79.3	103.8	128.2	**159.6**	**174.4**
Equity capital	67.7	80.1	86.5	**99.8**	**116.0**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-17.6	-7.5	5.9	**6.3**	**-4.1**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	22%	12%	9%	**2%**	**4%**
EBITDA growth-%	24%	-22%	40%	**14%**	**18%**
EBIT (adj.) growth-%	23%	-23%	30%	**13%**	**-4%**
EPS (adj.) growth-%	14%	-37%	-5%	**45%**	**-1%**
EBITDA-%	39.4 %	27.7 %	35.4 %	**39.4 %**	**44.6 %**
EBIT (adj.)-%	36.9 %	25.6 %	30.4 %	**33.6 %**	**30.8 %**
EBIT-%	36.9 %	25.6 %	30.4 %	**29.9 %**	**30.8 %**
ROE-%	42.0 %	15.6 %	13.4 %	**14.4 %**	**15.3 %**
ROI-%	46.8 %	24.0 %	24.1 %	**18.6 %**	**16.9 %**
Equity ratio	85.4 %	77.1 %	67.5 %	**62.5 %**	**66.5 %**
Gearing	-25.9 %	-9.3 %	6.8 %	**6.3 %**	**-3.5 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	25.3	19.8	27.7	**31.6**	**37.3**
Change in working capital	-15.5	-9.6	-10.4	**-5.3**	**-2.7**
Operating cash flow	6.3	4.4	12.7	**20.3**	**28.4**
CAPEX	-7.3	-14.8	-13.9	**-15.0**	**-14.7**
Free cash flow	-4.7	-4.9	-0.6	**4.3**	**13.7**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	6.9	2.6	1.4	**1.1**	**1.0**
EV/EBITDA	17.5	9.5	4.1	**2.8**	**2.1**
EV/EBIT (adj.)	18.7	10.3	4.8	**3.3**	**3.1**
P/E (adj.)	25.0	17.0	9.6	**5.0**	**5.1**
P/B	6.8	2.4	1.2	**0.8**	**0.7**
Dividend-%	0.0 %	0.0 %	0.1 %	**0.4 %**	**0.4 %**

Source: Inderes

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Recommendation history (>12 mo)

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

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