TECNOTREE

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INDERES CORPORATE CUSTOMER

COMPANY REPORT

Cash flow is improving, but so far slowly

Tecnotree's Q4 key figures deviated significantly from our forecasts, both positively and negatively, but cash flow was, as expected, still scarce. The cash flow guidance for the current year has been moderately increased, but we do not believe this changes the overall picture of the cash flow profile. We raise our target price for Tecnotree to EUR 3.5 (was EUR 3.0) and reiterate our Reduce recommendation.

Q4 key figures were significantly different from our forecasts

Tecnotree's Q4 revenue decreased by 21% to 17.6 MEUR, significantly below our forecast of 23.4 MEUR. This was partly explained to exchange rates, but also on a comparable basis growth (-16.5%) was well below our expectations. This was partly due to factors related to the timing of sales in the second half of the year, but the general shift to the ARR model also slowed the accumulation of revenue last year. However, the order book remains at a good level of 79.6 MEUR (2023: 80.2 MEUR), including more recurring revenue. Tecnotree's Q4 EBIT was 10.9 MEUR, well above our forecast (6.9 MEUR) and corresponding to an EBIT margin of as much as 62%. However, there were some anomalies in the cost structure, such as the release of provisions, which resulted in a surplus of 1.3 MEUR in materials and services. In general, the company has also significantly reduced its fixed costs, which has been reflected in a reduction in headcount. Despite the strong operating profit, the net result remained at only 0.5 MEUR. The bottom line was burdened by a 4.4 MEUR write-off of receivables related to the sale of a subsidiary in the Middle East. Free cash flow was slightly positive in Q4 (MEUR 0.4), as required by the company's guidance. Cash and cash equivalents decreased slightly after currency revaluations. In other words, the company still did not actually make much money.

Slight increase in cash flow guidance

Tecnotree's guidance is for low to mid-single digit revenue growth in 2025. The company expects the EBIT margin to improve by at least 2 percentage points. The mixed Q4 performance led us to cut our revenue forecasts but raise our profitability and earnings forecasts. The company raised its free cash flow guidance to over 4 MEUR (previously over 3 MEUR). While the direction here was positive, considering the outcome landed at the lower end of the guidance for the rest of the year, this was not particularly surprising. In any case, free cash flow this year is still well below the company's earnings level, and we do not expect a large release of working capital. At the end of 2024, receivables represented 107% and net working capital 86% of the company's revenue. The levels are exceptionally high.

We continue to monitor cash flow development from the sidelines

In our view, determining the fair value of Tecnotree is very challenging. We do not believe that cheap-looking earnings-based multiples can be relied upon, and visibility on the company's sustainable cash flow generation capacity is weak. At the lower end of the cash flow guidance, the cash flow yield would be in single digits, which we find unattractive given Tecnotree's risk level. Our DCF model, which assumes a significant improvement in cash flow over the next few years, suggests a value of EUR 4.7 per share. However, this does not take into account the dilution from the company's convertible bonds and employee stock option plan over the next few years (combined effect of around 40-50% at current share price), which makes the upside unattractive. We believe that the company's business risks are high, and given the still relatively slow improving cash flow outlook, we believe that the risk/reward for investors remains weak. New successes in the US market could act as a positive driver for the share in the future, but we believe that with the current valuation, the improving cash flow outlook associated with these is already somewhat priced into the share. In the case of Tecnotree, we continue to recommend focusing on the recommendation rather than the target price.

Recommendation
Reduce
(was Reduce)

Target price:
EUR 3.50
(was EUR 3.00)

Share price:
EUR 3.77

Business risk
●●●●○

Valuation risk
●●●○○

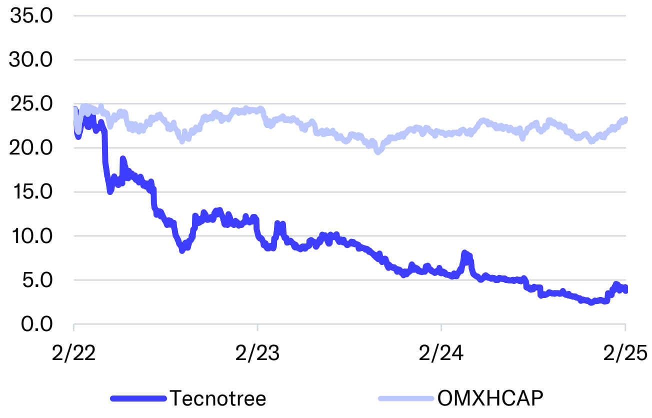
	2024	2025e	2026e	2027e
Revenue	71.6	74.1	76.4	78.6
growth-%	-9%	4%	3%	3%
EBIT adj.	26.7	26.5	27.5	27.6
EBIT-% adj.	37.3 %	35.7 %	36.0 %	35.1 %
Net income	8.3	13.9	16.3	16.6
EPS (adj.)	0.97	0.85	0.57	0.57
P/E (adj.)	2.7	4.4	6.6	6.6
P/B	0.4	0.6	0.7	0.6
P/FCF	6.2	11.8	7.8	8.3
EV/EBIT (adj.)	1.9	2.8	2.5	2.2
EV/EBITDA	1.7	2.2	1.8	1.7
EV/S	0.7	1.0	0.9	0.8

Source: Inderes

Guidance (New guidance)

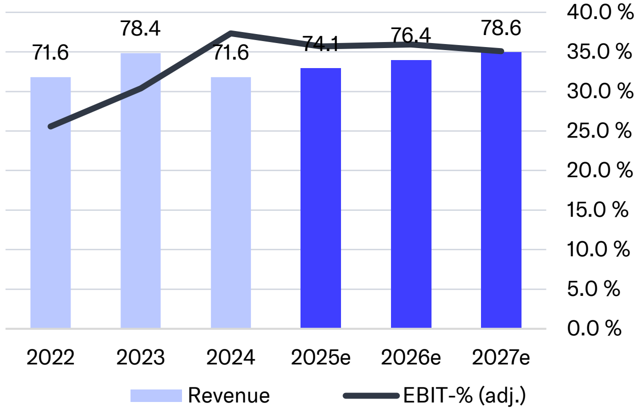
Tecnotree expects revenue to grow by low to mid-single digit percentage in constant currency terms. The company expects the EBIT margin to improve by at least 2 percentage points. Tecnotree expects free cash flow to be over 4 MEUR. Tecnotree expects a capex/revenue ratio of 10-12%.

Share price



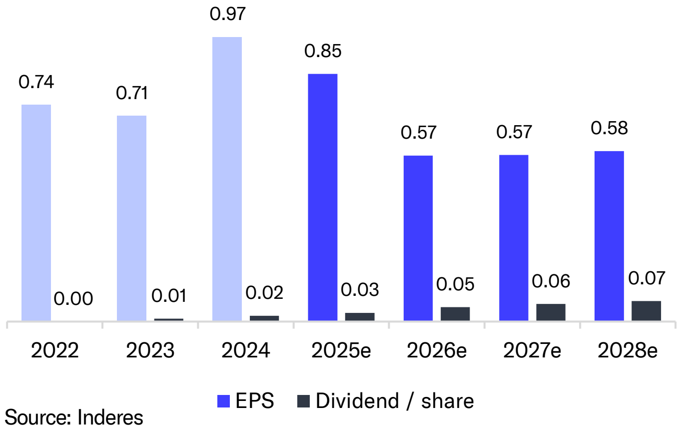
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Clear and sustainable improvement in cash flow
- Value-creating M&A
- Industry's organic drivers are strong and longer-term growth outlook is good
- Increase in recurring revenue
- Technologically competent product portfolio

Risk factors

- Shortcomings in investor communications and corporate governance
- Quality of trade receivables and intangible assets
- Risks related to cash collections
- Failure in M&A
- Customer portfolio structure concentrated at top level
- Failure in product development work and reading the industry
- Some cyclicality in operators’ investments
- Political and legislative threats in emerging countries

Valuation	2025e	2026e	2027e
Share price	3.77	3.77	3.77
Number of shares, millions	16.3	28.7	29.1
Market cap	62	108	110
EV	73	68	62
P/E (adj.)	4.4	6.6	6.6
P/E	4.4	6.6	6.6
P/B	0.6	0.7	0.6
P/S	0.8	1.4	1.4
EV/Sales	1.0	0.9	0.8
EV/EBITDA	2.2	1.8	1.7
EV/EBIT (adj.)	2.8	2.5	2.2
Payout ratio (%)	3.5 %	8.8 %	10.5 %
Dividend yield-%	0.8 %	1.3 %	1.6 %

Source: Inderes

Year-end key figures significantly different from our forecasts (1/2)

Revenue dropped heavily

Tecnotree's Q4 revenue decreased by 21% to 17.6 MEUR, significantly below our forecast of 23.4 MEUR. The top line was also down 16.5% in constant currencies, so the volume decline was very severe. For the full year, revenue declined just under 9%, but grew 4% on a comparable basis, reaching the guidance range of 2-7% on a comparable basis. Our Q4 forecast expected the company to land closer to the top end of the range and positive currency movements. The high volatility of emerging market currencies, such as the Nigerian naira and the Argentine peso, adds significant uncertainty to our forecasts, but the accuracy of our forecasts was still poor.

In our view, Q4 revenue was somewhat impacted by timing factors as there were no major licenses in the quarter. Growth through 2024 will also be negatively impacted by the company's shift to the ARR model, in which revenues accrue more slowly over time. However, the quarterly fluctuations are expected to level off somewhat over time.

In terms of revenue, maintenance and management services grew strongly, reflecting the shift to the ARR model. However, there is also significant quarterly variation in this item. However, revenue from own and third-party royalties and supply decreased very sharply year-on-year, mainly due to the decrease in deliveries.

The order book ended the year at 79.6 MEUR, down slightly from 80.2 MEUR a year earlier. We believe that more than half of the book is already recurring ARR business, which should provide stability to the top line going forward.

EBIT margin reached stunning levels, but net profit remained close to zero

Tecnotree's Q4 EBIT was 10.9 MEUR (Q4'23: 7.9 MEUR), significantly exceeding our forecast of 6.9 MEUR. This was particularly significant considering that revenue was almost 6 MEUR below our forecasts. However, there were some anomalies in the cost structure that explain the beat. A significant contribution was made by materials and services, which were positive at 1.3 MEUR. The company appears to have made some kind of provisions for this item in previous quarters. These did not materialize and the provisions were reversed in Q4. Other operating expenses saw a very strong decline (Q4'24: -1.7 MEUR vs. Q4'23: -4.9 MEUR), which we believe is explained especially by the decreased use of external consultants.

Estimates MEUR / EUR	Q4'23 Comparison	Q4'24 Actualized	Q4'24e Inderes	Q4'24e Consensus	Consensus Low	 High	Difference (%) Act. vs. inderes	2024 Actualized
Revenue	22.2	17.6	23.4				-25%	71.6
EBIT (adj.)	7.9	10.9	6.9				57%	26.7
EBIT	7.9	10.9	6.9				57%	23.8
PTP	2.8	3.0	5.6				-46%	12.8
EPS (reported)	0.16	0.03	0.26				-89%	0.50
Revenue growth-%	10.4 %	-20.7 %	5.5 %				-26.2 pp	0.0 %
EBIT-% (adj.)	35.4 %	61.7 %	29.6 %				32.1 pp	37.3 %

Source: Inderes

Year-end key figures significantly different from our forecasts (2/2)

Personnel expenses also decreased clearly and the general decline in expenses is due to the company's extensive cost savings program, the results of which have been faster than the company previously expected. The adjustments also resulted in a significant reduction in headcount during the year. At the end of the year, the number of employees was 758 (2023: 883). Depreciation was also well below our expectations, with a decrease from previous quarters (a steady increase compared to expectations). However, the company appears to have taken some unusual write-downs of capitalized product development costs in previous quarters and the current level of write-offs is more in line with the normal trend.

However, the reported net profit remained only marginally positive at 0.5 MEUR, burdened by a 4.4 MEUR write-down of receivables related to the sale of the company's subsidiary in the Middle East. Adjusted for these, the net result for Q4 would have been 4.9 MEUR.

Cash flow close to zero

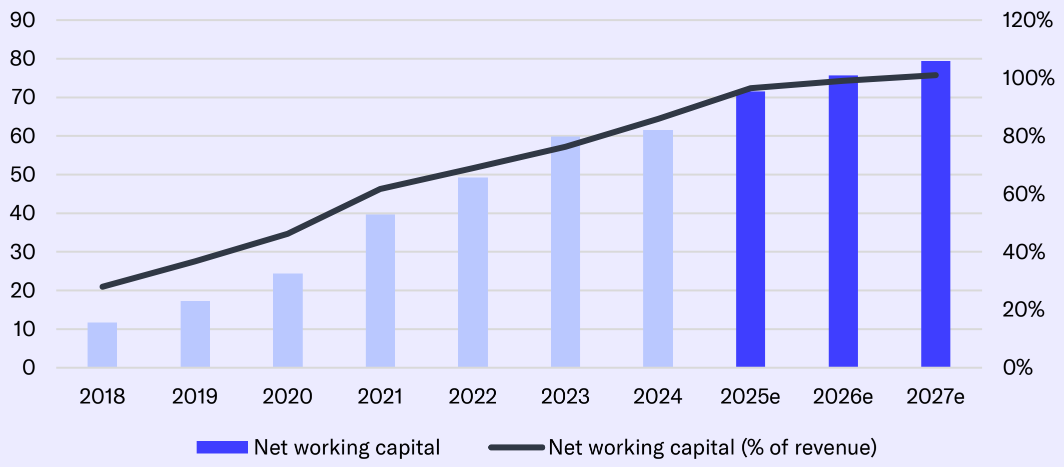
Tecnotree generated free cash flow of 0.4 MEUR in Q4. In H2, free cash flow amounted to 2.2 MEUR, just barely in line with the cash flow guidance (H2'24: 2-5 MEUR). Loans were repaid by 0.1 MEUR and after revaluation of bank balances (-0.6 MEUR), the change in cash and cash equivalents in Q4 was -0.3 MEUR. Overall, despite the significant improvement in profitability, the company has not yet been able to generate a meaningful positive cash flow. Of course, the direction of the cash flow is right, and stopping the outflow is an important first step.

Total receivables (trade and other receivables) amounted to 76.5 MEUR at the end of the year. Receivables are thus 107% of the previous year's revenue and net working capital 86% of revenue. The levels are exceptionally high and the trend has been upwards. In a business that ties up working capital, a decline in revenue should typically free up working capital, but this has not yet happened in Tecnotree's case.

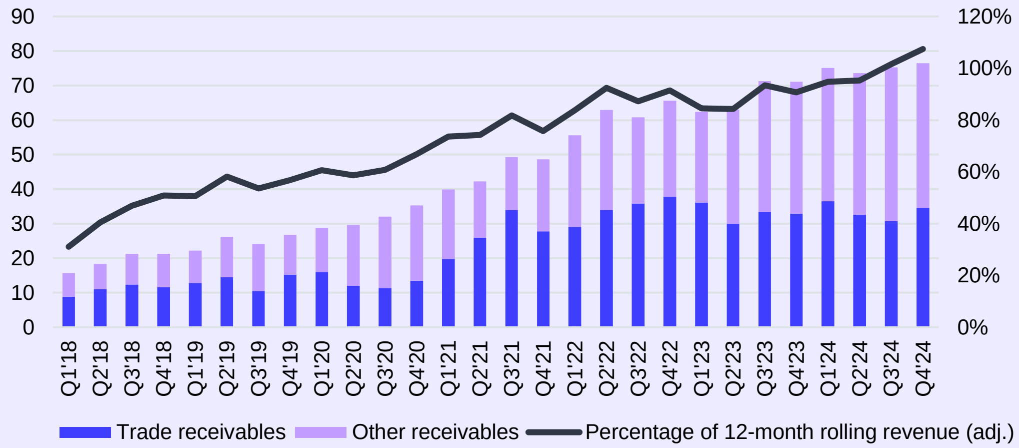
No dividend proposal

Tecnotree's Board of Directors did not propose a dividend payment in the Q4 report. On the other hand, the non-payment of dividends was not proposed either. The company simply reiterated its target of paying out 10% of free cash flow as dividends. We are still forecasting a small dividend for this year, but for last year the new policy would not require a dividend (negative free cash flow for the year).

Development of net working capital



Receivables development vs revenue



Estimate revisions

Outlook for the current year supplemented

Tecnotree's 2025 guidance is complex:

- Revenue is expected to grow at a low or mid-single-digit percentage in constant currency.
- The EBIT margin is expected to improve further by at least 2 percentage points.
- Free cash flow is expected to be over 4 MEUR.
- Capital expenditure is expected to account for 10-12% of revenue.
- Receivables days are expected to range between 100-140 days.
- The dividend policy targets 10% of free cash flow.
- FX exposure to developing countries will be reduced to 10-15% within three years.

Some areas of guidance had been provided previously, but the new areas were growth and profitability guidance. The growth guidance was in line with our previous forecast, but with a lower starting level for 2024, we cut our revenue forecasts significantly. According to the company, market growth forecasts predict that the BSS industry will grow approximately 2% per year, but the industry is expected to experience negative growth in 2025. Thus, Tecnotree's guidance would indicate above-market growth and market share gains.

Instead of profit growth rates, this time Tecnotree measured the evolution of the EBIT margin. Taking into account the higher-than-expected margin outcome in 2024, the profitability guidance was well above our expectations. As a result, we made significant upward revisions to our EBIT forecasts.

We now expect Tecnotree's 2025 revenue to grow by just under 4% to 74.1 MEUR, which in our view, is in line with the guidance indicating low- or mid-digit growth. Our forecast at this stage is therefore for reported growth to be in line with comparable growth, but this is likely to fluctuate as the year progresses. We expect EBIT to improve to 26.5 MEUR (2024: 23.8 MEUR), which would mean an EBIT margin of 35.7% (2024: 33.2%), in line with the guidance.

Small increase in cash flow guidance

The cash flow guidance for 2025 has been slightly increased and the company now expects free cash flow in 2025 to be above 4 MEUR (previously above 3 MEUR). At the lower end of the guidance range, this year's free cash flow will remain significantly below the company's profit level. Nevertheless, the increase in the cash flow guidance is obviously positive and signals to some extent an improved cash flow outlook. On the other hand, free cash flow in H2'24 remained at the lower end of the guidance range (actualized 2.2 MEUR vs. guidance of 2-5 MEUR), so that the increased cash flow guidance can also be explained by a low cash flow carryover to the following year.

We expect the difference between cash flow and earnings to continue to be driven by working capital commitments this year. Free operating cash flow (excluding FX losses) is expected to be 5.2 MEUR this year. In our view, the cash flow forecast involves significant uncertainty, as timing factors related to the release of working capital can significantly alter the situation in either direction.

Estimate revisions MEUR / EUR	2024 Inderes	2024e Actualized	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	77.4	71.6	-8%	79.9	74.1	-7%	82.6	76.4	-7%
EBITDA	28.1	30.7	9%	33.3	33.6	1%	34.8	36.8	6%
EBIT (exc. NRIs)	22.8	26.7	17%	23.2	26.5	14%	24.1	27.5	14%
EBIT	19.9	23.8	20%	23.2	26.5	14%	24.1	27.5	14%
PTP	15.4	12.8	-17%	19.2	18.5	-4%	20.1	21.5	7%
EPS (excl. NRIs)	0.93	0.97	5%	0.89	0.85	-5%	0.51	0.57	10%
DPS	0.02	0.02	0%	0.03	0.03	0%	0.05	0.05	0%

Source: Inderes

Valuation

Tecnotree is difficult to value

In our view, determining the fair value of Tecnotree is very challenging. We do not believe that the cheap-looking earnings-based multiples (2025e P/E 4.4x) can be relied upon, and visibility on the company's sustainable cash flow generation capacity in the coming years is weak. However, cash flow is on the right track as the company is expected to achieve positive annual cash flow in 2025 for the first time since 2021.

Based on our current year's FCFF forecast, free cash flow yield is clearly in the single digits (7%), which in our view is not attractive considering Tecnotree's risk level (cf. required rate of return clearly in the double digits), given that our forecast does not take into account, e.g., FX losses. Under the dividend policy, dividends will also not support investors' expected return either (dividend yield of less than 1%).

Our DCF model indicates a value of EUR 4.7 per share. However, the model expects a significant improvement in cash flow in the coming years. It also does not take into account the dilution from the company's convertible bonds and employee stock option plan over the next few years (combined effect of 40-50% at current share price), which we believe makes the upside unattractive. The required return (WACC) is unchanged at a high level (16.9%) in our model. The effect of the WACC on the valuation of the company can be examined by means of a sensitivity calculation in the notes.

There are initiatives to improve cash flow

Tecnotree aims to improve its cash flow through more focused investments, currency hedging, a business model shift towards the ARR model, and expansion into developed markets. Growth in developed markets can improve the cash flow profile in a good scenario, and the US deal is a good first step in that direction. But more successes are needed, and we do not think it will be easy to survive in the highly competitive US market. In the long term, we believe that market success may require, for example, increased R&D investment or margin flexibility. If the company were to enter a positive spiral here, it would certainly be reflected in the cash flow forecasts and the required return, supporting the valuation.

In the current situation, we continue to view the company's business risk profile as high, and in particular see clear risks related to the quality of the company's receivables. Of course, we have already seen an example of this realization with the increase in the provision for credit losses in Q4. The company still has to prove itself before we are willing to accept a lower risk premium for the company.

Given the still relatively slow improvement in the cash flow outlook, we believe that the risk/reward for investors is still rather weak. In the case of Tecnotree, we continue to recommend focusing on the recommendation rather than the target price.

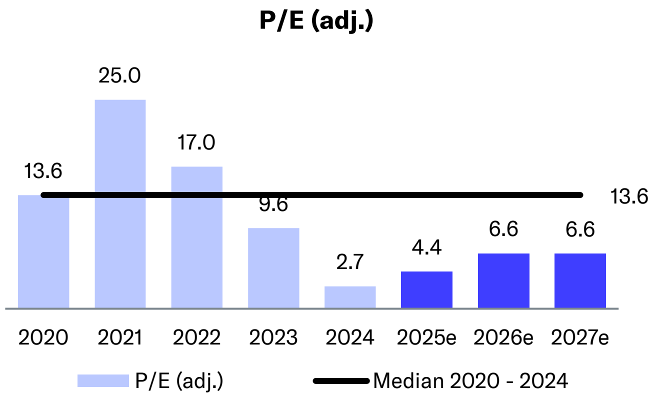
Valuation	2025e	2026e	2027e
Share price	3.77	3.77	3.77
Number of shares, millions	16.3	28.7	29.1
Market cap	62	108	110
EV	73	68	62
P/E (adj.)	4.4	6.6	6.6
P/E	4.4	6.6	6.6
P/B	0.6	0.7	0.6
P/S	0.8	1.4	1.4
EV/Sales	1.0	0.9	0.8
EV/EBITDA	2.2	1.8	1.7
EV/EBIT (adj.)	2.8	2.5	2.2
Payout ratio (%)	3.5 %	8.8 %	10.5 %
Dividend yield-%	0.8 %	1.3 %	1.6 %

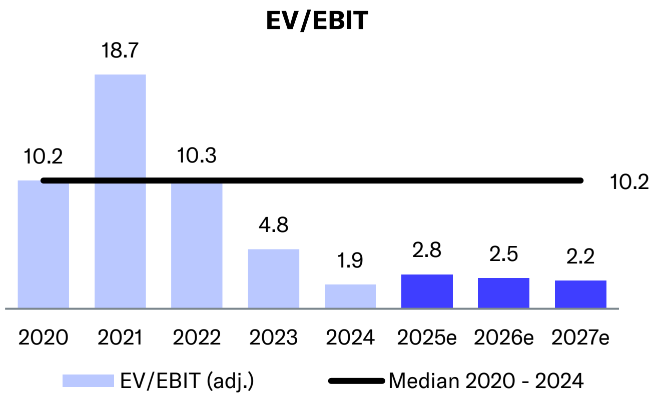
Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	14.0	29.4	12.6	6.80	2.61	**3.77**	**3.77**	**3.77**	**3.77**
Number of shares, millions	13.7	15.7	15.5	15.8	16.0	**16.3**	**28.7**	**29.1**	**29.1**
Market cap	192	460	196	108	42	**62**	**108**	**110**	**110**
EV	198	443	189	114	52	**73**	**68**	**62**	**54**
P/E (adj.)	13.6	25.0	17.0	9.6	2.7	**4.4**	**6.6**	**6.6**	**6.5**
P/E	14.2	25.0	17.0	9.6	5.0	**4.4**	**6.6**	**6.6**	**6.5**
P/B	9.7	6.8	2.4	1.2	0.4	**0.6**	**0.7**	**0.6**	**0.6**
P/S	3.6	7.2	2.7	1.4	0.6	**0.8**	**1.4**	**1.4**	**1.4**
EV/Sales	3.7	6.9	2.6	1.4	0.7	**1.0**	**0.9**	**0.8**	**0.7**
EV/EBITDA	9.7	17.5	9.5	4.1	1.7	**2.2**	**1.8**	**1.7**	**1.4**
EV/EBIT (adj.)	10.2	18.7	10.3	4.8	1.9	**2.8**	**2.5**	**2.2**	**1.9**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	1.4 %	3.9 %	**3.5 %**	**8.8 %**	**10.5 %**	**12.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.1 %	0.8 %	**0.8 %**	**1.3 %**	**1.6 %**	**1.9 %**

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**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**
Amdocs Ltd	9503	9824	11.2	10.7	9.5	9.1	2.1	2.3	13.8	12.8	2.1	1.9	2.9
CSG Systems International Inc	1833	2192	11.7	11.2	9.1	9.0	1.9	1.9	15.6	14.4	1.8	1.9	
Comarch SA	789	720	21.2	16.6	12.6	10.8	1.6	1.5	21.8	17.6	1.5	1.7	1.9
Sterlite Technologies Ltd	491	733	16.8	39.1	8.8	13.3	1.1	1.3	13.2		2.7	0.8	1.7
Cerillion PLC	571	538	25.4	22.7	22.7	20.3	10.2	9.0	32.8	29.5	0.8	0.8	9.9
Tecnotree (Inderes)	**62**	**73**	**2.8**	**2.5**	**2.2**	**1.8**	**1.0**	**0.9**	**4.4**	**6.6**	**0.8**	**1.3**	**0.6**
Average			**17.3**	**20.0**	**12.5**	**12.5**	**3.4**	**3.2**	**19.4**	**18.5**	**1.8**	**1.4**	**4.1**
Median			**16.8**	**16.6**	**9.5**	**10.8**	**1.9**	**1.9**	**15.6**	**16.0**	**1.8**	**1.7**	**2.4**
Diff-% to median			**-84%**	**-85%**	**-77%**	**-83%**	**-49%**	**-53%**	**-71%**	**-59%**	**-56%**	**-20%**	**-76%**

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**78.4**	**16.3**	**18.7**	**19.0**	**17.6**	**71.6**	**16.6**	**19.2**	**19.7**	**18.6**	**74.1**	**76.4**	**78.6**	**80.8**
EBITDA	**27.7**	**6.0**	**5.8**	**7.1**	**11.9**	**30.7**	**7.5**	**9.2**	**9.1**	**7.8**	**33.6**	**36.8**	**37.4**	**38.5**
Depreciation	-3.9	-1.6	-2.2	-2.1	-1.0	-6.9	-1.6	-1.7	-1.8	-2.0	-7.1	-9.3	-9.9	-10.7
EBIT (excl. NRI)	**23.8**	**4.4**	**6.5**	**5.0**	**10.9**	**26.7**	**5.9**	**7.5**	**7.3**	**5.8**	**26.5**	**27.5**	**27.6**	**27.8**
EBIT	**23.8**	**4.4**	**3.6**	**5.0**	**10.9**	**23.8**	**5.9**	**7.5**	**7.3**	**5.8**	**26.5**	**27.5**	**27.6**	**27.8**
Net financial items	-9.9	-2.3	-0.8	-0.1	-7.8	-11.0	-2.0	-2.0	-2.0	-2.0	-8.0	-6.0	-6.0	-6.0
PTP	**13.9**	**2.1**	**2.8**	**4.9**	**3.0**	**12.8**	**3.9**	**5.5**	**5.3**	**3.8**	**18.5**	**21.5**	**21.6**	**21.8**
Taxes	-2.8	-0.4	-0.8	-0.8	-2.5	-4.5	-1.0	-1.4	-1.3	-1.0	-4.6	-5.2	-5.0	-4.8
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	**11.2**	**1.6**	**2.0**	**4.1**	**0.5**	**8.3**	**2.9**	**4.1**	**4.0**	**2.9**	**13.9**	**16.3**	**16.6**	**17.0**
EPS (adj.)	**0.71**	**0.10**	**0.31**	**0.25**	**0.31**	**0.97**	**0.18**	**0.25**	**0.24**	**0.18**	**0.85**	**0.57**	**0.57**	**0.58**
EPS (rep.)	**0.71**	**0.10**	**0.13**	**0.25**	**0.03**	**0.52**	**0.18**	**0.25**	**0.24**	**0.18**	**0.85**	**0.57**	**0.57**	**0.58**

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	9.5 %	4.7 %	-3.4 %	-10.9 %	-20.7 %	-8.7 %	2.1 %	2.9 %	3.6 %	5.7 %	3.6 %	3.1 %	2.8 %	2.8 %
Adjusted EBIT growth-%	30.2 %	21.5 %	5.2 %	-19.6 %	38.1 %	12.1 %	33.5 %	15.6 %	46.6 %	-46.5 %	-0.9 %	3.9 %	0.3 %	0.8 %
EBITDA-%	35.4 %	37.1 %	30.9 %	37.1 %	67.4 %	42.9 %	45.0 %	48.0 %	46.0 %	42.0 %	45.3 %	48.1 %	47.6 %	47.7 %
Adjusted EBIT-%	30.4 %	27.0 %	34.9 %	26.1 %	61.7 %	37.3 %	35.4 %	39.1 %	36.9 %	31.2 %	35.7 %	36.0 %	35.1 %	34.4 %
Net earnings-%	14.3 %	10.0 %	10.9 %	21.3 %	3.1 %	11.5 %	17.5 %	21.5 %	20.0 %	15.4 %	18.7 %	21.4 %	21.1 %	21.0 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**36.3**	**45.5**	**48.6**	**51.5**	**55.8**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	33.5	43.1	46.0	48.8	53.1
Tangible assets	0.4	0.1	0.3	0.4	0.5
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	1.9	2.2	2.2	2.2	2.2
Deferred tax assets	0.5	0.0	0.0	0.0	0.0
Current assets	**91.9**	**93.4**	**116**	**129**	**140**
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	71.1	76.5	81.2	85.6	89.6
Cash and equivalents	20.8	16.8	34.8	43.6	50.7
Balance sheet total	**128**	**139**	**165**	**181**	**196**

Source: Inderes

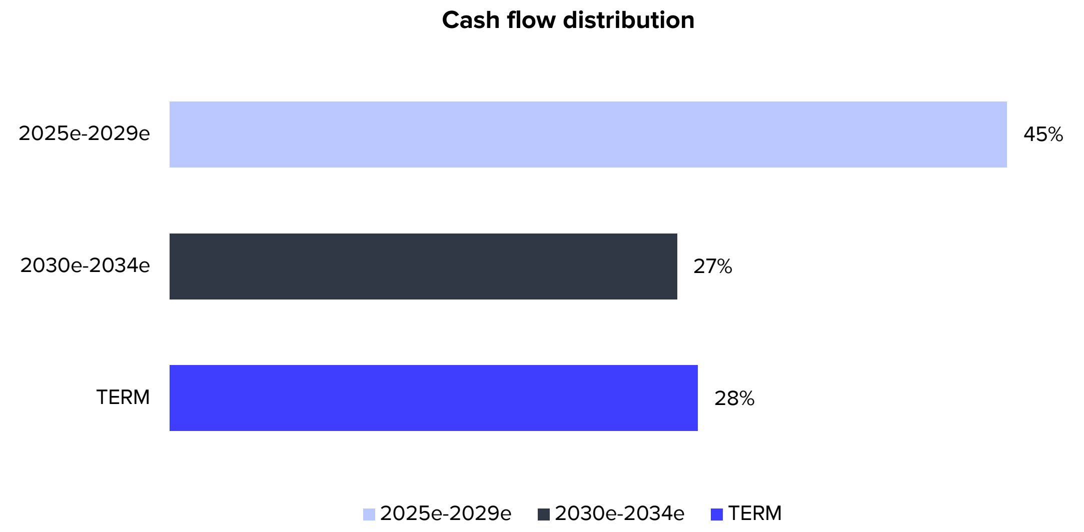
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**86.5**	**92.6**	**106**	**165**	**180**
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	55.9	62.0	75.5	91.4	107
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.3	29.3	29.3	72.4	72.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**25.8**	**27.3**	**45.8**	**2.7**	**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	1.0	0.0	0.0	0.0	0.0
Convertibles	21.1	23.1	43.1	0.0	0.0
Other long-term liabilities	3.7	4.2	2.7	2.7	2.7
Current liabilities	**15.9**	**19.0**	**12.6**	**12.9**	**13.2**
Interest bearing debt	4.5	3.9	3.0	3.0	3.0
Payables	11.3	15.1	9.6	9.9	10.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**128**	**139**	**165**	**181**	**196**

DCF calculation

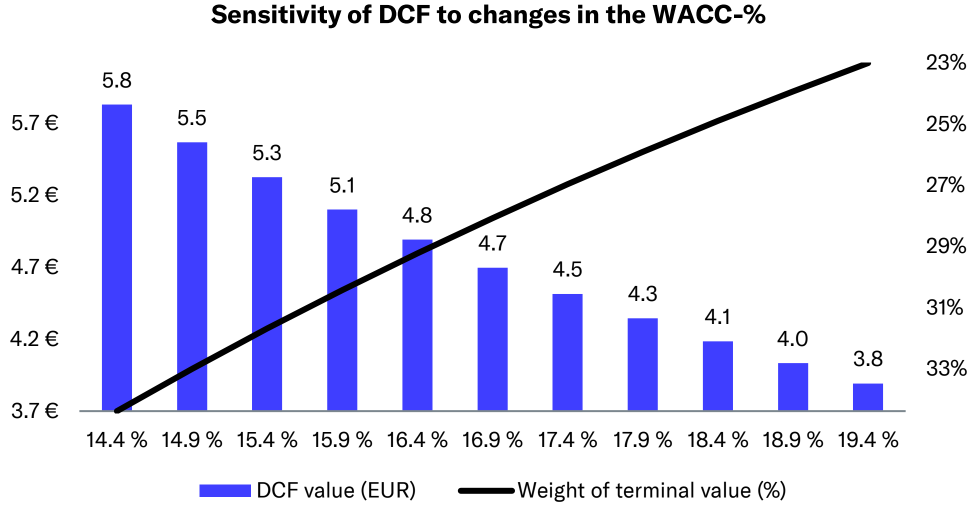
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-8.7 %	3.6 %	3.1 %	2.8 %	2.8 %	2.6 %	2.6 %	2.4 %	2.4 %	2.2 %	2.0 %	2.0 %
EBIT-%	33.3 %	35.7 %	36.0 %	35.1 %	34.4 %	32.1 %	29.8 %	28.1 %	27.2 %	26.5 %	26.5 %	26.5 %
EBIT (operating profit)	**23.8**	**26.5**	**27.5**	**27.6**	**27.8**	**26.6**	**25.4**	**24.5**	**24.3**	**24.2**	**24.6**	
+ Depreciation	6.9	7.1	9.3	9.9	10.7	11.5	12.3	12.8	13.1	13.4	13.7	
- Paid taxes	-4.0	-4.6	-5.2	-5.0	-4.8	-4.5	-4.3	-4.1	-4.0	-4.0	-5.0	
- Tax, financial expenses	-2.2	-2.0	-1.4	-1.4	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-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	-1.7	-10.0	-4.2	-3.7	-3.1	-2.1	-2.2	-2.1	-2.1	-2.0	-1.9	
Operating cash flow	**22.8**	**16.9**	**26.0**	**27.4**	**29.4**	**30.2**	**29.9**	**29.8**	**29.9**	**30.3**	**31.0**	
+ Change in other long-term liabilities	0.5	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-16.6	-10.2	-12.2	-14.2	-14.7	-15.2	-14.7	-14.6	-14.6	-14.6	-14.6	
Free operating cash flow	**6.7**	**5.2**	**13.8**	**13.2**	**14.7**	**15.0**	**15.2**	**15.2**	**15.3**	**15.7**	**16.4**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.7	5.2	13.8	13.2	14.7	15.0	15.2	15.2	15.3	15.7	16.4	113
Discounted FCFF		**4.6**	**10.4**	**8.5**	**8.1**	**7.0**	**6.1**	**5.2**	**4.5**	**3.9**	**3.5**	**24.3**
Sum of FCFF present value		86.1	81.5	71.2	62.7	54.6	47.6	41.5	36.3	31.8	27.8	24.3
Enterprise value DCF		**86.1**										
- Interest bearing debt		-27.0										
+ Cash and cash equivalents		16.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**75.9**										
Equity value DCF per share		**4.7**										

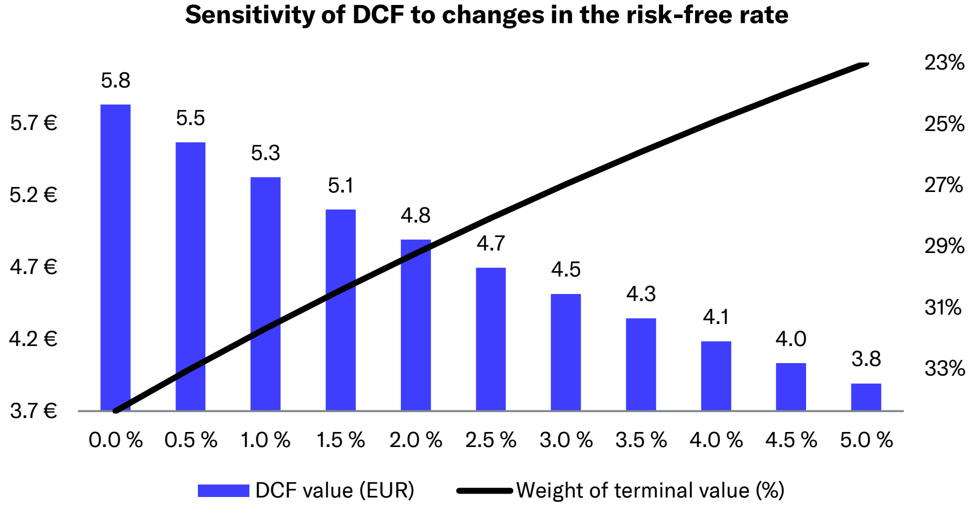
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	2.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	**16.9 %**
Weighted average cost of capital (WACC)	**16.9 %**

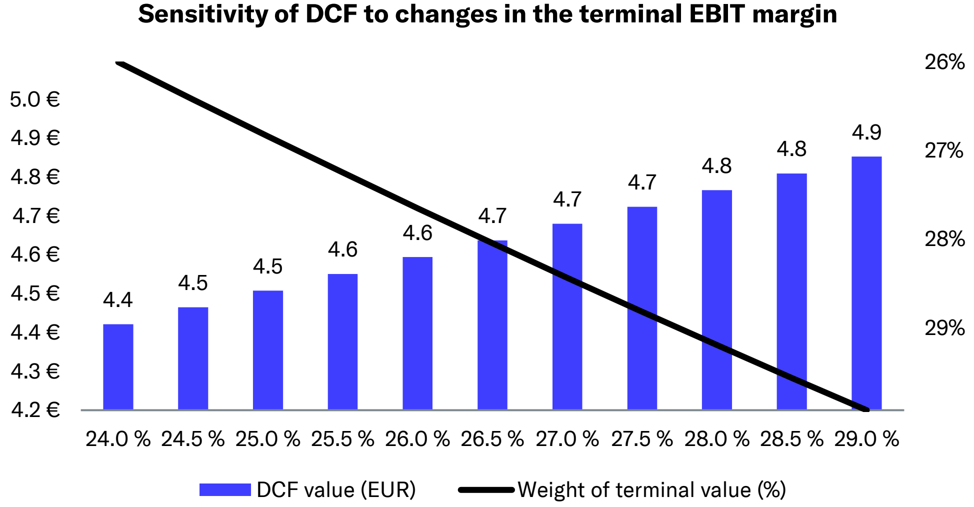
Source: Inderes

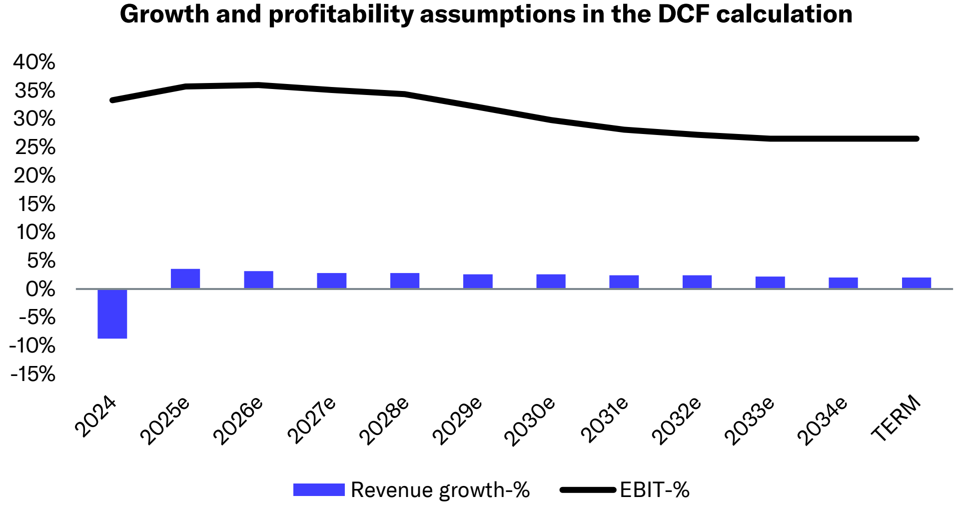


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	71.6	78.4	71.6	**74.1**	**76.4**
EBITDA	19.8	27.7	30.7	**33.6**	**36.8**
EBIT	18.3	23.8	23.8	**26.5**	**27.5**
PTP	17.2	13.9	12.8	**18.5**	**21.5**
Net Income	11.6	11.2	8.3	**13.9**	**16.3**
Extraordinary items	0.0	0.0	-2.9	**0.0**	**0.0**

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	0.74	0.71	0.52	**0.85**	**0.57**
EPS (adj.)	0.74	0.71	0.97	**0.85**	**0.57**
OCF / share	0.28	0.80	1.43	**1.04**	**0.91**
FCF / share	-0.32	-0.04	0.42	**0.32**	**0.48**
Book value / share	5.15	5.46	5.80	**6.50**	**5.75**
Dividend / share	0.00	0.01	0.02	**0.03**	**0.05**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	103.8	128.2	138.9	**164.6**	**180.7**
Equity capital	80.1	86.5	92.6	**106.1**	**165.1**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-7.5	5.9	10.2	**11.3**	**-40.6**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	12%	9%	-9%	**4%**	**3%**
EBITDA growth-%	-22%	40%	11%	**9%**	**10%**
EBIT (adj.) growth-%	-23%	30%	12%	**-1%**	**4%**
EPS (adj.) growth-%	-37%	-5%	38%	**-13%**	**-33%**
EBITDA-%	27.7 %	35.4 %	42.9 %	**45.3 %**	**48.1 %**
EBIT (adj.)-%	25.6 %	30.4 %	37.3 %	**35.7 %**	**36.0 %**
EBIT-%	25.6 %	30.4 %	33.3 %	**35.7 %**	**36.0 %**
ROE-%	15.6 %	13.4 %	9.2 %	**13.9 %**	**12.0 %**
ROI-%	24.0 %	24.1 %	20.5 %	**19.5 %**	**17.2 %**
Equity ratio	77.1 %	67.5 %	66.7 %	**64.5 %**	**91.3 %**
Gearing	-9.3 %	6.8 %	11.0 %	**10.6 %**	**-24.6 %**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	19.8	27.7	30.7	**33.6**	**36.8**
Change in working capital	-9.6	-10.4	-1.7	**-10.0**	**-4.2**
Operating cash flow	4.4	12.7	22.8	**16.9**	**26.0**
CAPEX	-14.8	-13.9	-16.6	**-10.2**	**-12.2**
Free cash flow	-4.9	-0.6	6.7	**5.2**	**13.8**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	2.6	1.4	0.7	**1.0**	**0.9**
EV/EBITDA	9.5	4.1	1.7	**2.2**	**1.8**
EV/EBIT (adj.)	10.3	4.8	1.9	**2.8**	**2.5**
P/E (adj.)	17.0	9.6	2.7	**4.4**	**6.6**
P/B	2.4	1.2	0.4	**0.6**	**0.7**
Dividend-%	0.0 %	0.1 %	0.8 %	**0.8 %**	**1.3 %**

Source: Inderes

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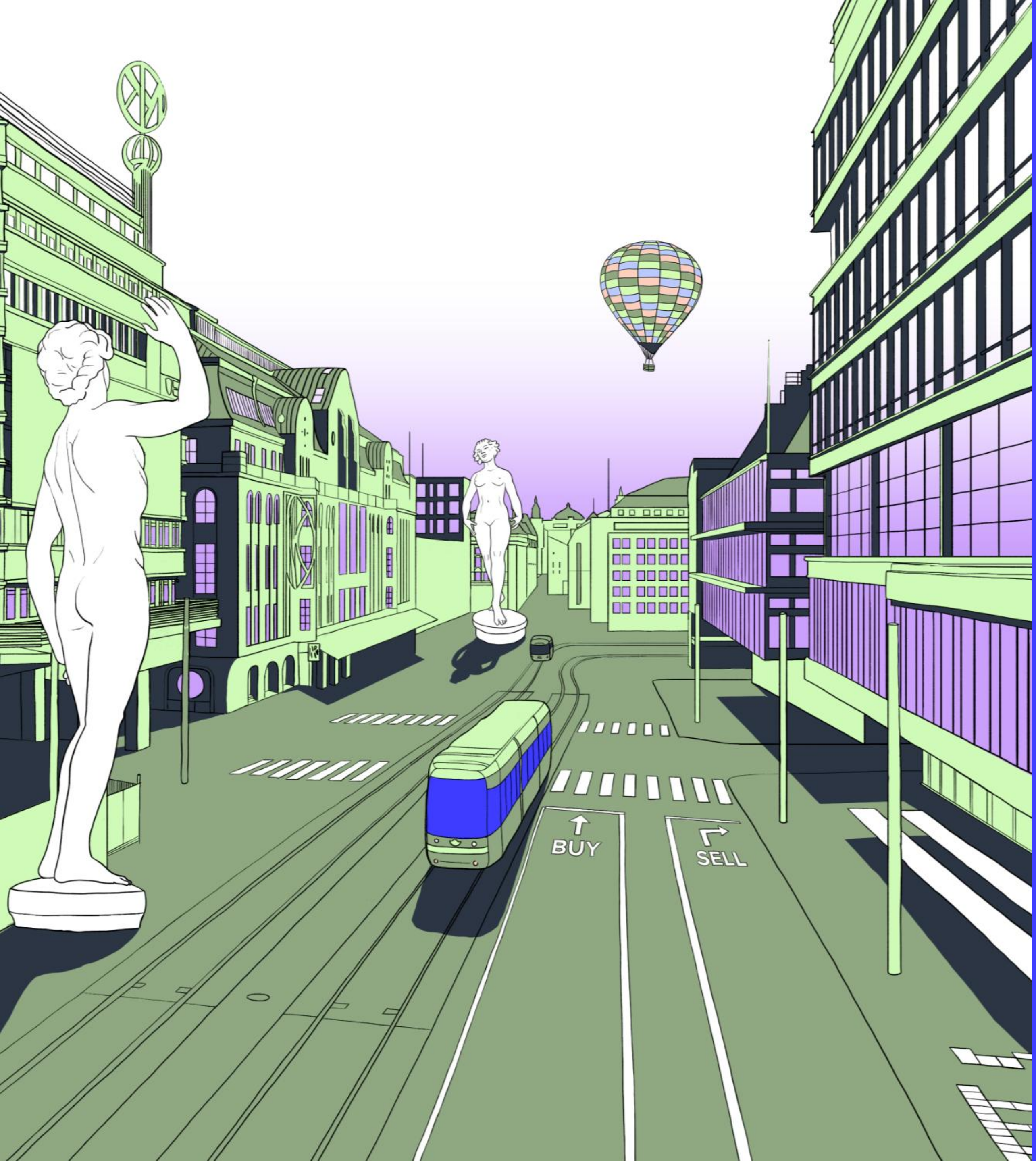
Recommendation history (>12 mo)

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	Vähennä	0.54 €	0.52 €
8/7/2023	Lisää	0.54 €	0.48 €
10/30/2023	Reduce	0.42 €	0.38 €
2/23/2024	Reduce	0.35 €	0.32 €
Osakkeiden yhdistäminen 20:1 suhteella			
4/29/2024	Reduce	7.00 €	6.30 €
5/10/2024	Reduce	6.00 €	5.41 €
8/12/2024	Reduce	5.50 €	5.14 €
9/9/2024	Sell	3.00 €	3.87 €
10/28/2024	Sell	3.00 €	3.65 €
1/28/2025	Reduce	3.00 €	3.29 €
2/27/2025	Reduce	3.50 €	3.77 €



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