Digital Workforce

Company report

8/26/2024 7:45 am EEST

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Inderes corporate customer

This report is a summary translation of the report “Parempi kasvunäkymä” published on 8/26/2024 at 7:45 am EEST.

Improved growth prospects

We raise our price target to EUR 4.7 (was EUR 4.0) and reiterate our Buy recommendation on the back of revised forecasts and improved growth prospects. Digital Workforce performed better than expected in Q2, with a significant acceleration in growth driven by strategically important Continuous Services. In addition, comments on sales and growth for the rest of the year were cautiously positive. At the same time, however, the company has invested more than expected in growth, and we believe the near-term outlook remains a cautious balancing act between scaling growth and investments. We expect the company to outperform the market over the next few years but miss target and historical levels. In addition, we expect growth to be well scaled to profitability in the coming years. Relative to the company's earnings growth prospects, the valuation picture (2024e EV/S 1.2x, SOTP EUR 4.6) supports a positive view on the stock.

Revenue growth accelerated significantly in Q2, exceeding our expectations

Digital Workforce's revenue increased by 14% to 7.0 MEUR, beating our forecast of just over 6.5 MEUR for Q2. By business lines, revenue of Continuous Services increased by 16% to 4.3 MEUR (forecast: 4.0 MEUR), while revenue Professional Services increased by 11% to 2.6 MEUR (forecast: 2.5 MEUR). As a result, both business segments landed above our forecasts. As we understand it, growth continued to be driven by healthcare in Finland, in line with the industry focus, and by the North American market, which is the geographic focus of the growth market.

Growth did not quite translate into profitability as expected, as the company invested more than expected

Digital Workforce's sales margin was 2.6 MEUR or 38% of revenue in Q2. Sales margin-% improved significantly from 33% in the same period last year and also from 36% in Q1'24. However, other operating expenses and fixed personnel costs increased by 0.5 MEUR compared to Q1'24. The company has added new high-profile individuals to the management team, increased salaries and paid bonuses that were not paid in the comparison period. This translates into an average wage bill increase of ~6% in Q2 (-2% in 2023). Other operating expenses increased due to several large sales and marketing events. In turn, profitability was supported by growth in higher-margin Continuous Services, the closure of the Danish and Norwegian offices at the end of last year and administrative efficiency measures.

Guidance reiterated as expected; revenue and profit expected to grow in 2024

Digital Workforce commented that its early year successes with both new sales and existing customers provide a good platform for continued profitable growth for the remainder of the year. The company estimates that full-year revenue in 2024 will be higher and adjusted EBITDA will be positive and improve compared to 2023. We have slightly increased our revenue forecasts based on good growth and sales comments from Continuous Services. We have also slightly revised our expectations for investments and revenue structure, leading to a slight increase in next year's profit forecast. We expect that the company's revenue will grow by 10% and EBITDA will be 1.2 MEUR or 5% of revenue in 2024 (2023 adj. EBITDA 0.2 MEUR). We expect the company to grow to 35 MEUR by 2026 (12% y/y growth) with an EBITDA% of 11%, which is below the company's growth target (50 MEUR) but above its profitability target (above 10%).

Valuation remains attractive thanks to improved growth prospects

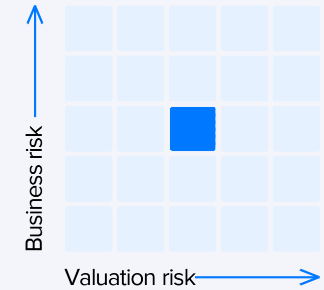
In terms of the investment profile, Digital Workforce is a turnaround company that is still in its early stages, although the turnaround made good progress in H1, which has slightly lowered the risk level. Based on our forecasts and the valuation multiples that we accept for the company for the next few years, the sum of the parts, scenario analysis and the DCF, we estimate that the fair value range of Digital Workforce's share is EUR 3.8-5.2 per share (previously EUR 3.2-4.7). In the current environment of heightened market uncertainty, while the company's strategy is still in its early stages, our range is low if the company proceeds in line with our forecasts for the next 3-5 years.

Recommendation

Accumulate
(was Accumulate)

4.70 EUR
(was 4.00 EUR)

Share price:
4.16



Key figures

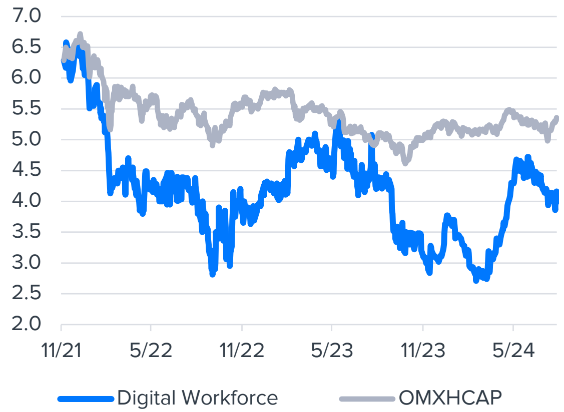
	2023	2024e	2025e	2026e
Revenue	24.9	27.5	30.8	34.7
growth-%	-2%	10%	12%	13%
EBIT adj.	0.0	1.0	2.3	3.7
EBIT-% adj.	-0.2 %	3.8 %	7.4 %	10.7 %
Net income	-0.7	0.8	2.0	3.1
EPS (adj.)	0.01	0.09	0.20	0.29
P/E (adj.)	>100	47.8	21.3	14.1
P/B	2.3	3.0	2.6	2.2
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	30.5	13.1	7.1
EV/EBITDA	neg.	26.0	12.0	6.7
EV/S	0.87	1.16	0.96	0.76

Source: Inderes

Guidance (Unchanged)

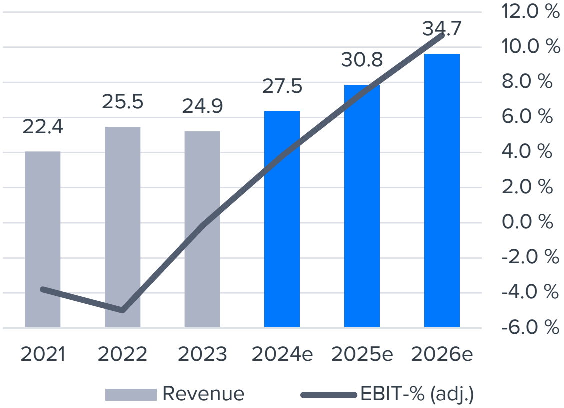
Digital Workforce estimates that full-year revenue in 2024 will be higher and adjusted EBITDA will be positive and improve compared to 2023.

Share price



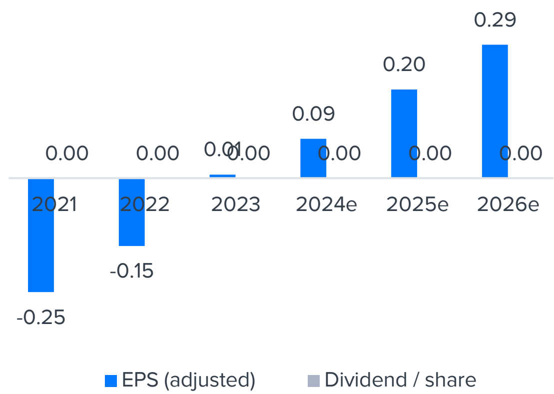
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Success in new markets (US, UK and Ireland) and accelerating growth
- The Outsmart platform should strengthen the competitive advantage, accelerate growth and improve scalability
- Increasing the revenue share of Continuous services with better margins drives earnings growth and makes the investor profile more attractive
- Improving scalability
- Acquisitions

Risk factors

- Success of the growth strategy especially in the US
- Successful commercialization of the Outsmart platform
- Productivity of investments
- Dependence on large customers
- Developing large RPA technologies and their expansion to maintenance
- RPA expertise becoming bulk work and increasing in-house teams for clients.
- Reacting to market and technological changes
- Development of the employee image and success in recruitment
- Wage inflation and managing attrition
- Acquisitions

Valuation	2024e	2025e	2026e
Share price	4.16	4.16	4.16
Number of shares, millions	11.2	11.2	11.2
Market cap	46	46	46
EV	32	30	26
P/E (adj.)	47.8	21.3	14.1
P/E	55.1	22.7	14.9
P/FCF	20.6	23.7	14.6
P/B	3.0	2.6	2.2
P/S	1.7	1.5	1.3
EV/Sales	1.2	1.0	0.8
EV/EBITDA	26.0	12.0	6.7
EV/EBIT (adj.)	30.5	13.1	7.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Revenue growth accelerated well, while investments increased

Revenue growth accelerated significantly in Q2, exceeding our expectations

Digital Workforce's revenue increased by 14% to 7.0 MEUR, beating our forecast of just over 6.5 MEUR for Q2. By business lines, revenue of Continuous Services increased by 16% to 4.3 MEUR (forecast: 4.0 MEUR), while revenue Professional Services increased by 11% to 2.6 MEUR (forecast: 2.5 MEUR). As a result, both business segments landed above our forecasts. As we understand it, growth continued to be driven by healthcare in Finland, in line with the industry focus, and by the North American market, which is the geographic focus of the growth market.

Growth did not quite translate into profitability as expected, as the company invested more than expected

Digital Workforce's sales margin was 2.6 MEUR or 38% of revenue in Q2. Sales margin-% improved significantly from 33% in the same period last year and also from 36% in Q1'24. However, other operating expenses and fixed personnel costs increased by 0.5 MEUR compared to Q1'24. The company has added new high-profile individuals to the management team, increased salaries and paid bonuses that were not paid in the comparison period. This translates into an average wage bill increase of ~6% in Q2 (-2% in 2023). Other operating expenses increased due to several large sales and marketing events.

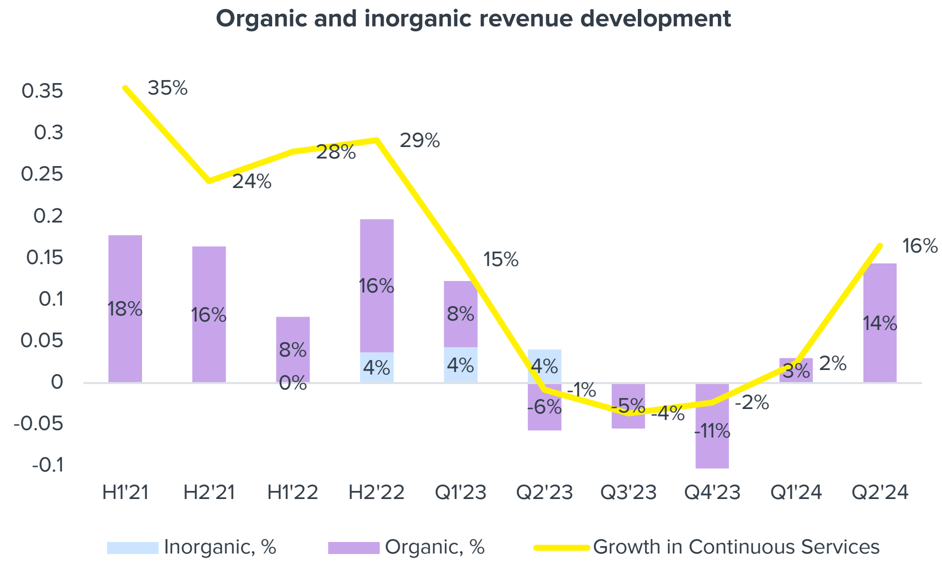
EBITDA was thus 0.2 MEUR, below our forecast of 0.3 MEUR, i.e., very slightly below our forecast in absolute terms. EBITDA margin was 3%, up from the end of last year (H2'23 adj. -2%), but down from the Q1 level of 4%. In turn, profitability was supported by growth in higher-margin Continuous Services, the closure of the Danish and Norwegian offices at the end of last year and administrative efficiency measures. EBIT were limited by the aforementioned strategic investments, which were nevertheless higher than expected. There were no surprises on the other lines and the company posted EPS of EUR 0.01. Overall, the operational turnaround was good compared to the end of the year and also compared to Q1.

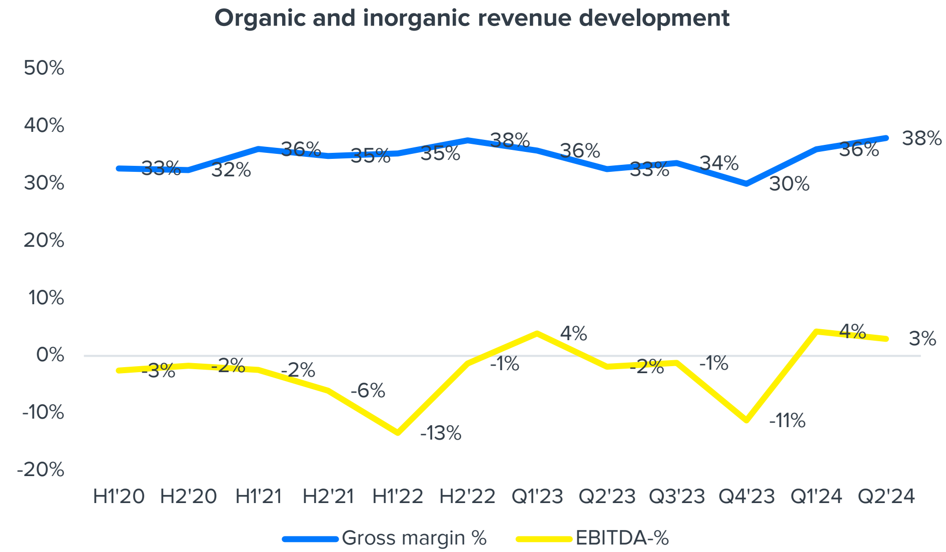
Cash flow from operating activities was weak (-1 MEUR) due to a strong increase in trade receivables (-2 MEUR). However, we understand that this was due to high billing in June and US receivables that will be collected in Q3. So, as we understand it, this is "normal" cyclicality.

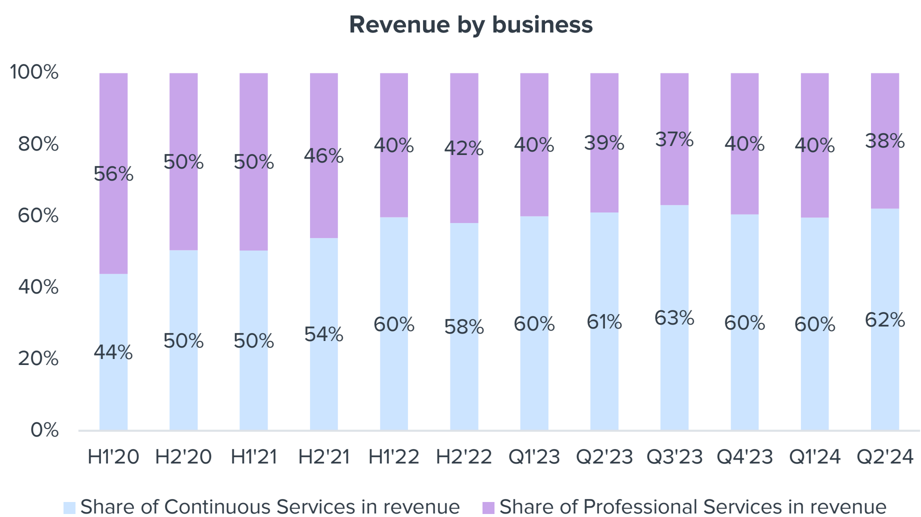
Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	6.1	7.0	6.5				7%	26.6
EBITDA	-0.11	0.20	0.30				-33%	1.4
EBIT	-0.17	0.10	0.21				-52%	1.0
PTP	0.10	0.15	0.31				-52%	1.4
EPS (reported)	0.01	0.01	0.02					0.10
Revenue growth-%	5.2 %	14.4 %	6.9 %				7.5 pp	10.2 %
EBITDA-%	-1.9 %	2.9 %	4.6 %				-1.7 pp	5.3 %

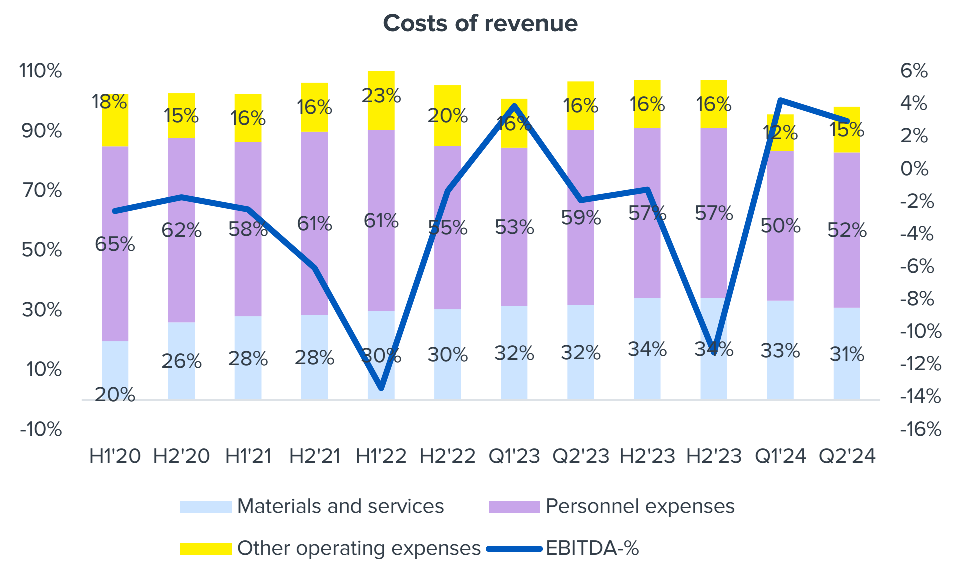
Source: Inderes

Digital Workforce's key figures



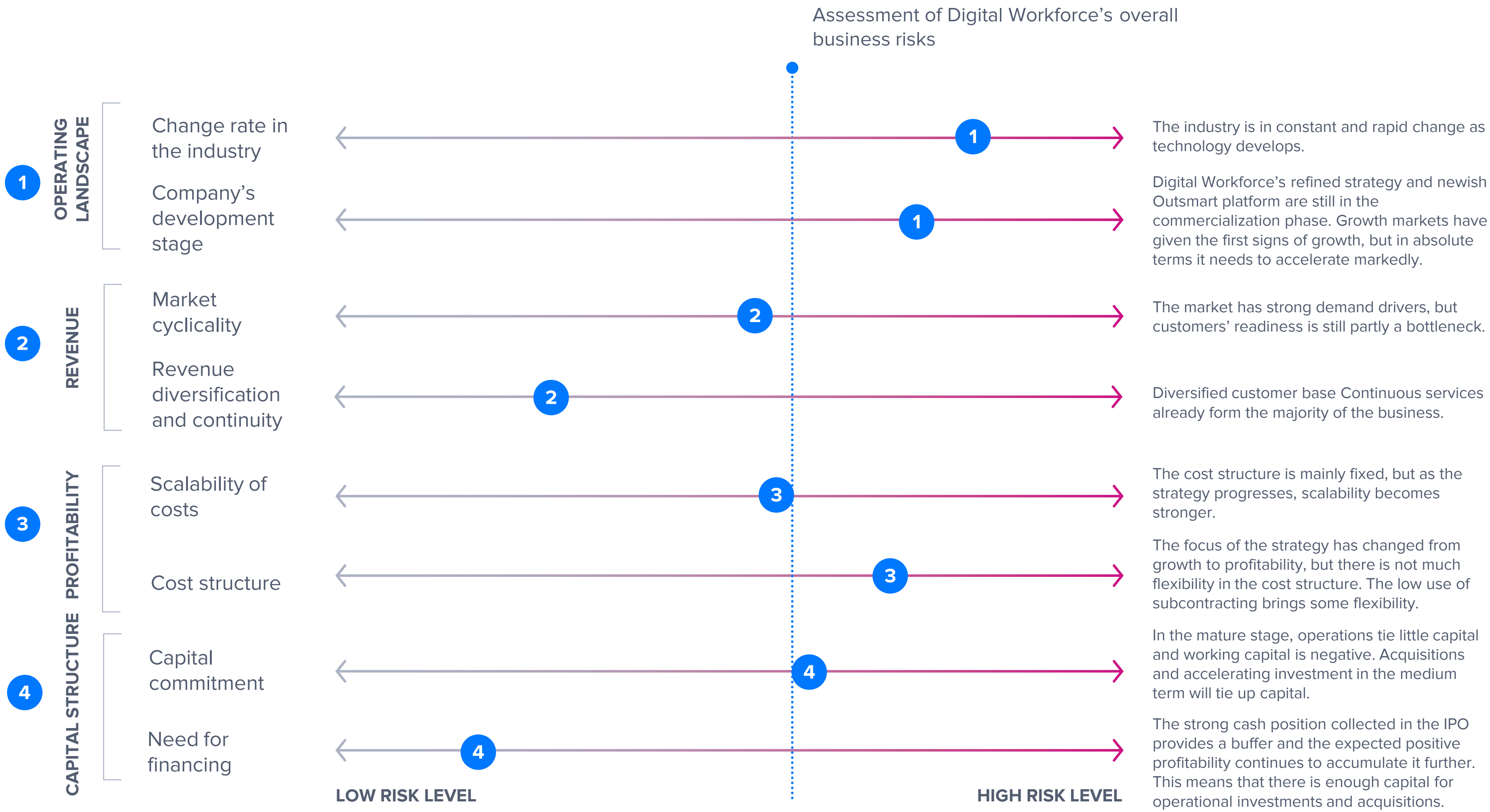






Source: Digital Workforce, Inderes

Risk profile of the business model



Source: Inderes

Partners

Technology suppliers and communities

Sales and expert partners

Operations

Sales and marketing

Continuous Services

Professional Services

Customer verticals

Healthcare

Banking and financial services and insurance

Business idea

Digital Workforce 's business has been created around its own automation platform and continuous services, which the company aims to grow.

- A business automation platform company that leverages robotics as the core of its competitive advantage
  - Multi-technology
  - Cloud
- The company's solutions create automation benefits for a broad customer base in selected industries and internationally.
- In addition to continuous services, the offering includes expert services
- Strong industry expertise in selected customer verticals

Targets

- Revenue target 50 MEUR by the end of 2026.
- Over 10 % adjusted EBITDA margin by the end of 2026.

Customer references

Healthcare

Banking and financial services and insurance

Industry and logistics

Retail trade and services

Public organizations

Cost structure (2023)

177 employees (2023)
29 MEUR (2023)

Personnel expenses
(51% of costs)

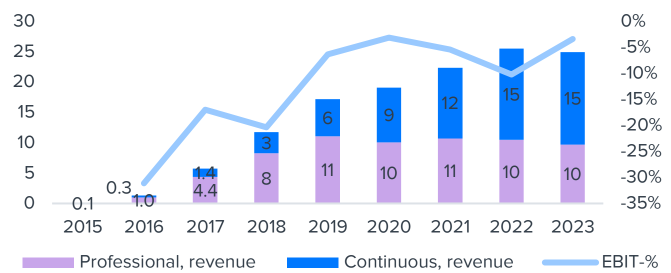
Materials and services
(27%)

Other operating expenses
(19%)

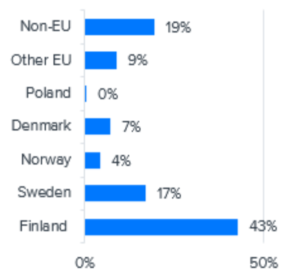
Depreciation
(3%)

Source: Inderes

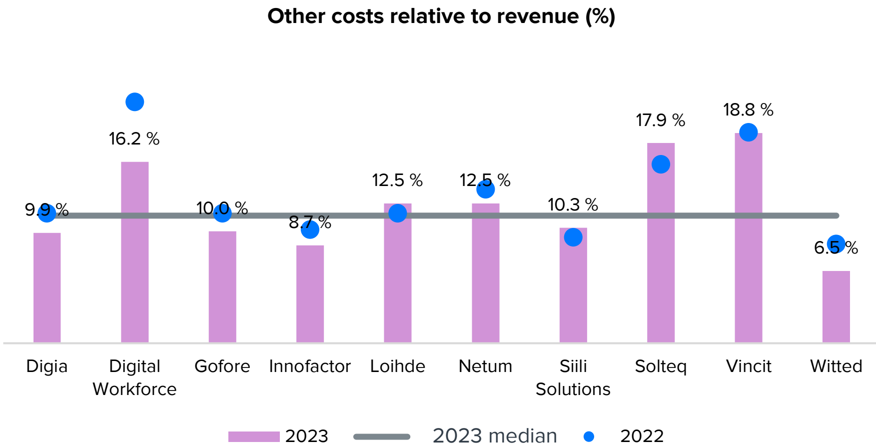
Income flows (2023)

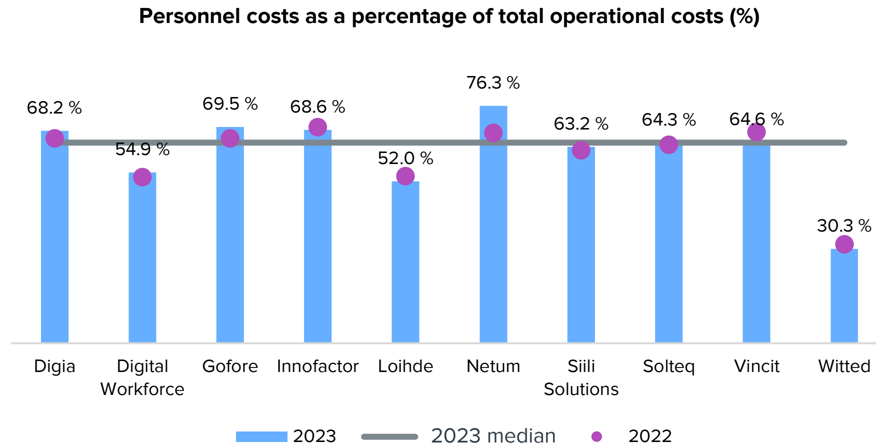


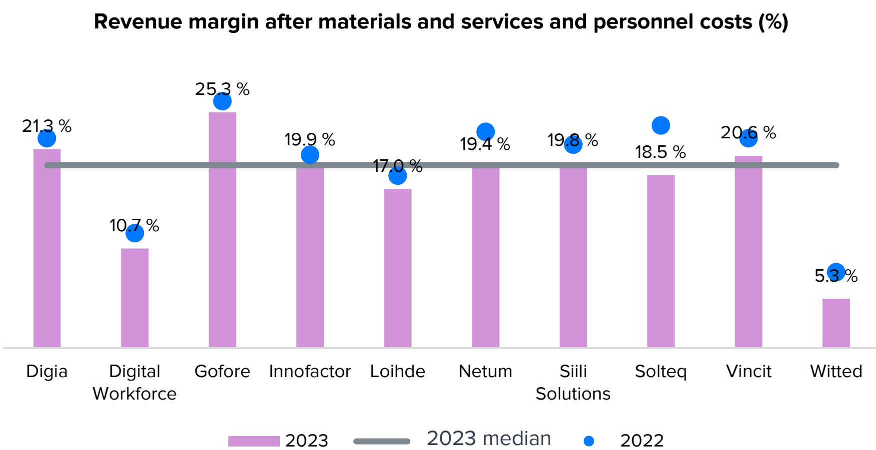
Revenue 25 MEUR

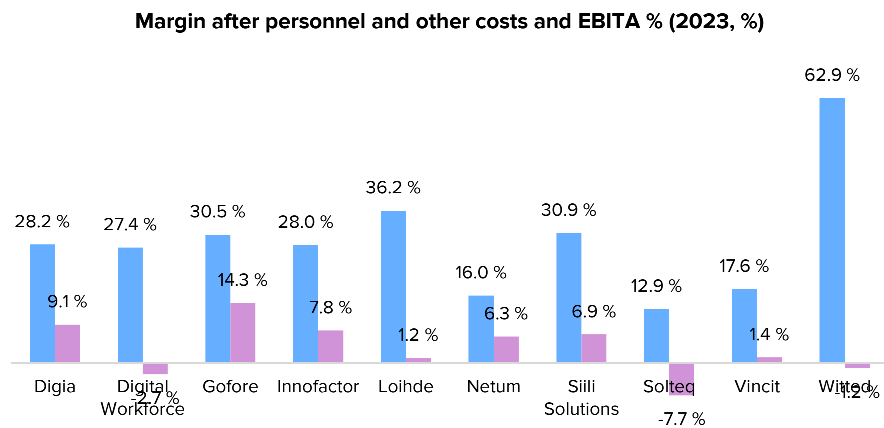


Relevant reported indicators for the sector 1/2





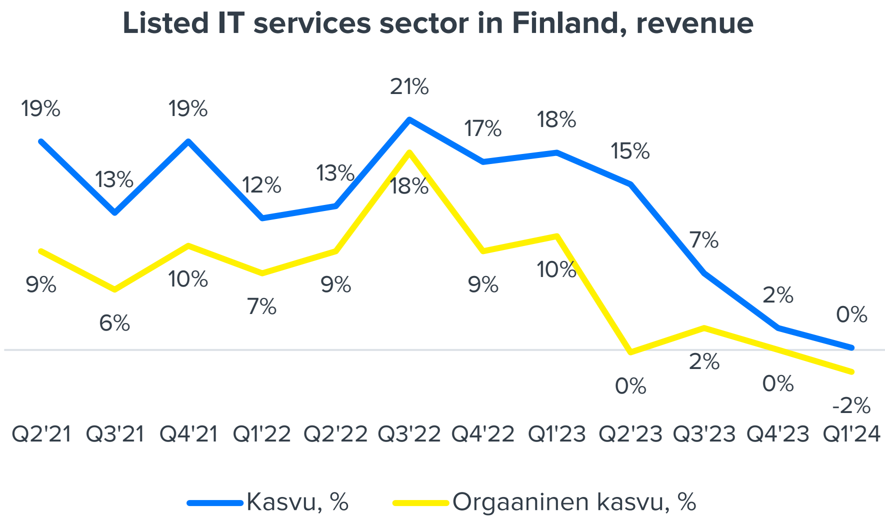


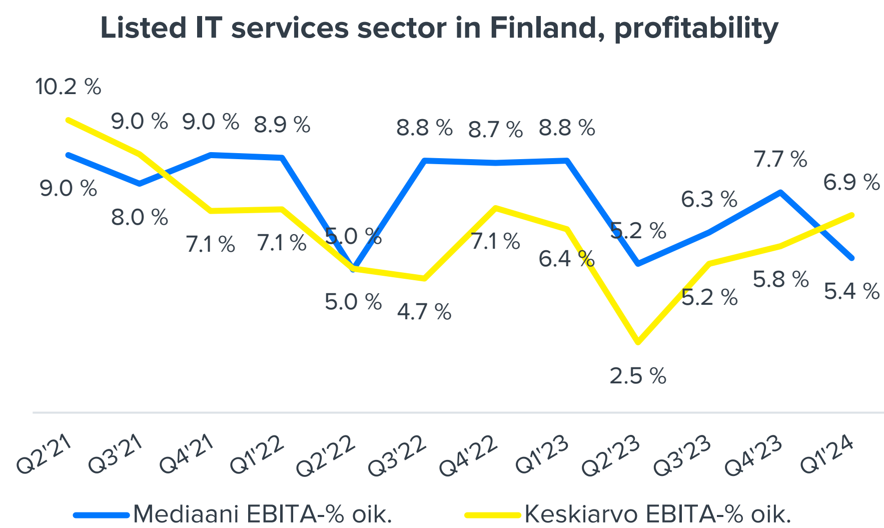


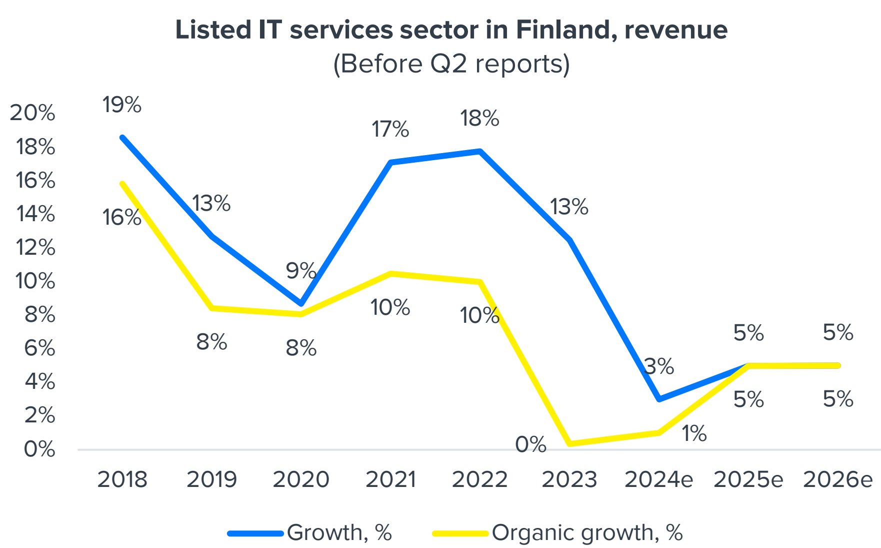
Source: Inderes, companies

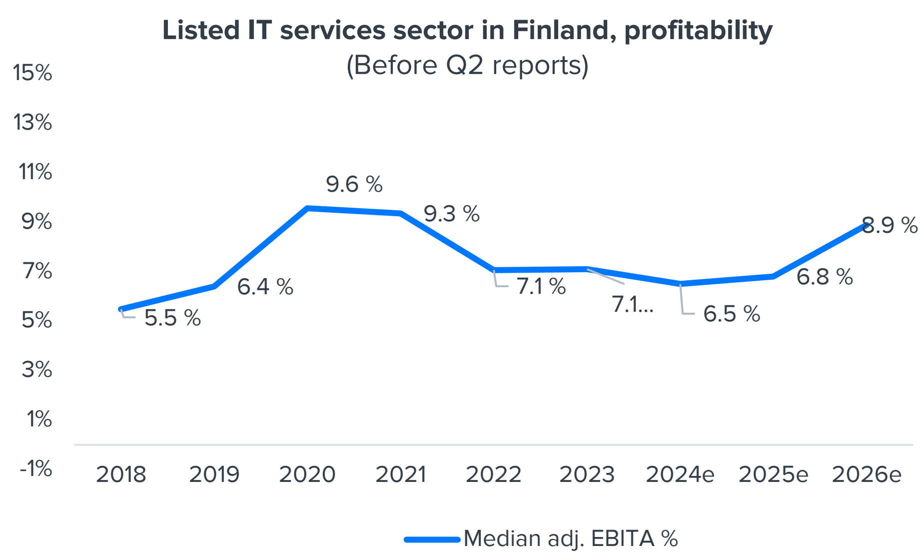
EBITA= Operating profit + intangible depreciation of acquisitions/goodwill amortization + non-recurring write-downs.

Relevant reported indicators for the sector 2/2









Source: Inderes

We raised our revenue forecasts for the coming years and at the same revised investment estimates

Estimate revisions 2024e-2025e

- Based on good growth and sales commentary for Continuous Services, we have raised our revenue forecasts for the coming years by 3-7%. We have also slightly revised our expectations for investments and revenue structure, leading to a slight increase in next year's profit forecast. This year, the company seems to be investing a bit more in growth than expected.

Estimates 2024-2026

- We forecast revenue growth of 10%, driven by Professional Services billing rates and Continuous Services revenue. Revenue growth this year will not be fully reflected in earnings, while the company is investing more than expected. As a result, we expect the EBITDA margin to reach 4% in 2024 (Q1'24 4% and 2023: -3%).
- We estimate that the company will grow to 35 MEUR in 2026 (12% y/y growth) and will be well below the target level (50 MEUR or ~25% y/y growth) partly driven by a challenging market.
- We forecast EBITDA-% to reach 11% by 2026 on the back of profitability focus and Continuous Services (target over 10%). However, if the growth outlook improves, we expect the company to accelerate investments, which will partly limit profitability.
- We find it likely that the company will continue to grow inorganically in coming years. With the profitability turnaround, cash flow also strengthens the balance sheet (Q2'24 equity ratio 74%). Thus, the company's Q2 net cash position of 11 MEUR gives good scope for inorganic growth as well. Naturally, we do not yet include acquisitions in our estimates.

Operational earnings drivers 2024-2026e:

Revenue

+ Growth of the Outsmart platform, where success is critical to realizing long-term potential

+ Growth in Professional Services (market pressure in the short term)

+ Growth in Continuous Services through new customer acquisition and increased usage by existing customers (scalability)

+ Improved penetration rate of robotics

+ Subcontracting increases business flexibility

Profitability

+ Better management of the licensing portfolio, improving the cost structure of materials and services

+ Greater scalability

+ Relative decrease in direct personnel costs driven by the increase in revenue from continuous services

+ Relative decrease in fixed personnel costs due to revenue growth and increased billing rates

+ Relative decrease in other operating expenses driven by revenue growth

– Wage inflation

– Recruiting in the expensive US and UK markets

– Turnover in Professional Services

– Failure of investments

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	26.6	27.5	3%	28.9	30.8	7%	32.8	34.7	6%
EBITDA	1.3	1.2	-3%	2.1	2.5	18%	4.0	3.9	-1%
EBIT (exc. NRIs)	1.3	1.0	-17%	1.9	2.3	20%	3.7	3.7	-1%
EBIT	0.9	0.9	-4%	1.7	2.1	23%	3.6	3.5	-1%
PTP	1.3	1.0	-24%	2.0	2.4	19%	3.7	3.7	-1%
EPS (excl. NRIs)	0.12	0.09	-27%	0.17	0.20	18%	0.30	0.29	-1%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Investment profile

1. **Attractive growth market, where first evidence of growth has been provided**

2. **Improved focus on competitive advantages in selected industries (esp. healthcare)**

3. **Scalable business model based on recurring invoicing**

4. **Strong balance sheet and negative net working capital**

5. **Investment profile of a turnaround company, but potentially a hybrid product and service company**

Potential

- Strong demand outlook on the market
- Success in new markets (the US, the UK and Ireland)
- Strengthening competitive advantage with the Outsmart platform
- Improving scalability
- Further improvement in continuity
- Acquisitions

Risks

- Success of the growth strategy
- Maintaining and developing the competitiveness of the Outsmart platform
- Developing large RPA technologies and their expansion to maintenance
- Reacting to market and technological changes
- Development of the employee image and success in recruitment
- Wage inflation and managing attrition
- Acquisitions

Source: Inderes

Attractive valuation with better growth prospects

Digital Workforce's investment profile is, in a way, that of a turnaround company. The company's investment story is particularly attractive in the longer term, given its growth and profitability potential. In the short term, the shift in focus from growth to improved profitability needs more evidence, although the trend strengthened in Q1-Q2'24. Historically, the company has a strong track record of growth in the Nordic countries and preliminary proof of growth in growth markets.

We continue to examine the company's valuation through the EV/S ratio, DCF model, peer analysis and sum of the parts calculation. With the focus on profitability, earnings-based multiples will also start to support valuations next year, but this will require a continuation of the earnings turnaround.

Valuation multiples

Digital Workforce's 2024-2025 EV/Sales multiples of 1.2x-1.0x are attractive given a good start to the turnaround. Relative to the potential (growth >10% and EBITA >10%) after the investment phase, we believe the valuation is even very moderate. However, the current challenging market conditions continue to limit heavy buying, although the company now appears to be sailing well against the headwinds.

Thanks to the profitability focus, earnings-based multiples will start to support valuation in the next few years. With 2025-2026 estimates (EBITDA: 8% and 11%) the valuation with EV/EBIT ratios is 13x and 7x. Earnings multiples are low, although the earnings turn is in its initial stages which elevates the risk level. However, with the company's focus on profitability, despite the turnaround risk and low earnings multiples, the overall picture turns out to be attractive. However, if the growth outlook continues to improve, we expect the company to accelerate investments, which will partly limit profitability.

Peer group

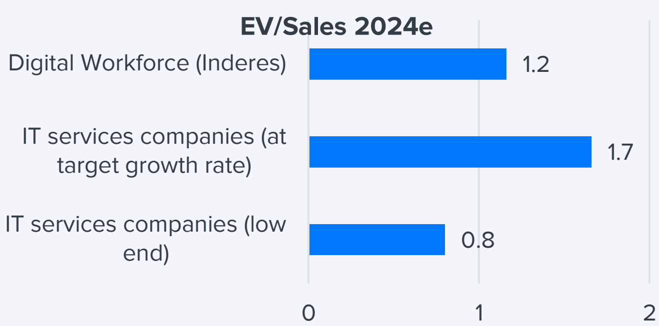
No clear peer group that operates with a similar business model is available for Digital Workforce as compared to expert companies, the company has significantly more recurring business with better margins. Compared to Nordic product companies and software companies, Digital Workforce's margin profile is lower than for companies in a mature stage.

The median EV/S multiples of the peer group for 2024-2025 are around 1.0x. The corresponding multiples for IT service companies are 0.8x-0.7x and 3.8x-3.3x for software companies. The valuation of the entire peer group has fallen significantly in just over a year.

As a valuation floor, we have used the median for IT services companies, which is again relevant as the turnaround progresses. In our view, Digital Workforce deserves a top-tier multiple (above 1.5x) for IT services companies, provided the company's growth accelerates back towards its 25% target and its profitability turnaround makes good progress. However, we do not see any justification for examining the company's valuation relative to software companies. Nevertheless, we include software companies, because if the company reaches its potential, these will also provide support points for the valuation. However, due to the recognition policy of license income, even some 30% lower revenue-based multiples can be accepted for the company.

Peer group valuation Company	EV/EBIT 2024e	EV/S 2024e
Admicom*	19.3	6.6
LeadDesk*	24.1	1.4
Qt Group*	30.1	10.6
Lime Technologies AB	36.7	7.0
Upsales Technology AB	29.6	3.9
Carasent ASA		3.7
FormPipe Software AB	32.0	2.7
Digia*	8.8	0.9
Gofore*	12.0	1.7
Loihde*	16.0	0.5
Innofactor*	12.6	0.8
Netum Group*	10.2	1.0
Siili Solutions*	9.2	0.6
Solteq*	29.2	0.7
Tietoevry*	8.6	1.1
Vincit*	12.6	0.3
Witted Megacorp*	10.4	0.3
Bouvet	15.4	1.8
CombinedX	10.2	0.8
Avensia AB	11.6	0.9
Knowit	18.0	0.8
Netcompany Group	20.5	2.6
Digital Workforce (Inderes)	30.5	**1.2**
Average	18.0	**2.3**
Median (all)	15.4	**1.0**
Diff-% to median	*n.a.*	***13%***
Median (software companies)	29.6	**3.8**
Diff-% to median	*n.a.*	***-70%***
Median (IT service companies)	12.3	**0.8**
Diff-% to median	*n.a.*	*45%*

Source: Thomson Reuters and *adjusted Inderes' estimate/Inderes. NB! The market value used by Inderes does not take into consideration treasury shares.



Still very attractive in the long term

We believe Digital Workforce is now attractively valued on an EV/Sales basis with the slightly improved growth prospects. A relative analysis of earnings multiples (2025e-26e) and a more bullish stance at this stage is challenging as the earnings turnaround is still ongoing, growth and profitability potential is still uncertain, and valuations have already risen over the last 3 months. We deal with the earnings multiples in more absolute terms.

Sum of the parts

We also examine Digital Workforce's valuation through a sum-of-the-parts calculation due to the different business profiles. The usefulness of the calculation is, however, limited by the fact that the businesses cannot and will not be separated. The calculation is still a good valuation method among others.

We apply the lower end of the EV/S range 0.6x of IT service companies for professional services. The low ratio reflects the weaker growth and profitability profile of professional services. For Continuous Services, however, we apply a 1.8x valuation peak for IT services companies (was 1.6x). As the turnaround progressed, we slightly increased the approved multiple for Continuous Services. In the bigger picture, however, valuation levels in the sector have come down sharply over the past year or so. If the profitability potential of the business begins to materialize, a higher valuation level can be accepted for recurring revenue.

Using Digital Workforce's 2024 revenue and the above multiples, the total debt-free value is 37 MEUR. With a strong net cash position, the market capitalization is 52 MEUR or EUR 4.6 per share. The sum of the parts is almost fully in line with our target price. Similarly, using 2025 projections and the same multiples, the value per share is EUR 5.2.

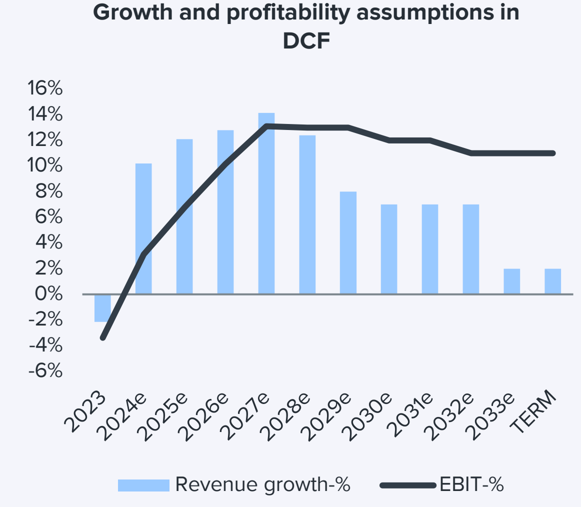
Cash flow model (DCF)

We have set the growth expectation for the terminal period (2031-) to 2.0% and the EBIT margin (2031-) to 11%, which reflects the better profitability than for the IT service sector. However, we point out that our long-term growth and profitability estimates still involve uncertainty, which in part limits the usefulness of the model. The weight of terminal cash flows (45%) is more modest with the profitability turn.

The per share value of our cash flow calculation for Digital Workforce is EUR 5.1 which indicates a clear upside for the share. We still use a high WACC of 11.4%. The required return is raised by the company's small size and uncertainty related to growth and profitability. If Digital Workforce shows that its profitable growth strategy is moving in the right direction in the coming years, there is a downside in the required return as the company's risk profile decreases. As the growth strategy is still in its early stages, the profitability and scalability potential remains to be proven, we are not prepared to rely solely on the DCF as of yet. However, the DCF reflects the attractive potential of the share.

Sum of the parts	2024e	2025e
Professional Services revenue	10.4	11.3
Continuous Services revenue	17.1	19.5

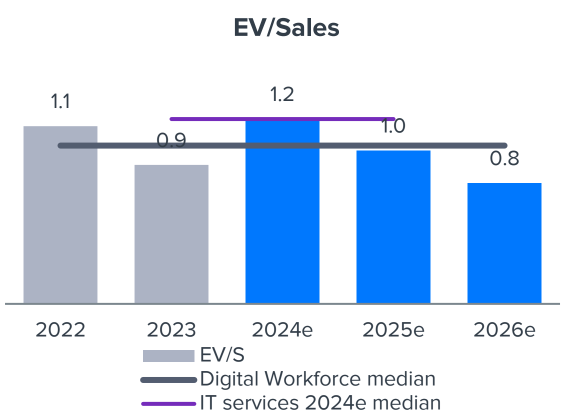
Valuation, EV/S	2024e	2025e
Professional Services, 0.4x	6.2	6.8
Continuous Services, 1.4x	30.7	35.0
EV	**37.0**	**41.8**
Net debt	14.6	16.8
Market cap	51.6	58.7
per share	**4.6**	**5.2**

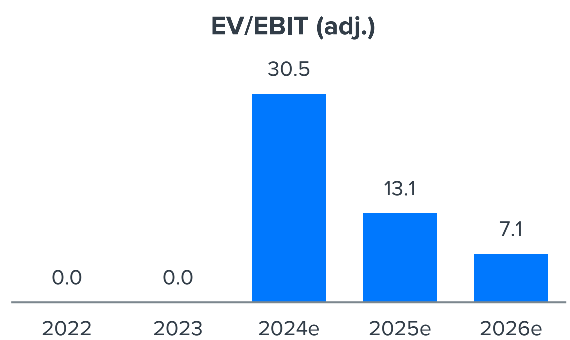


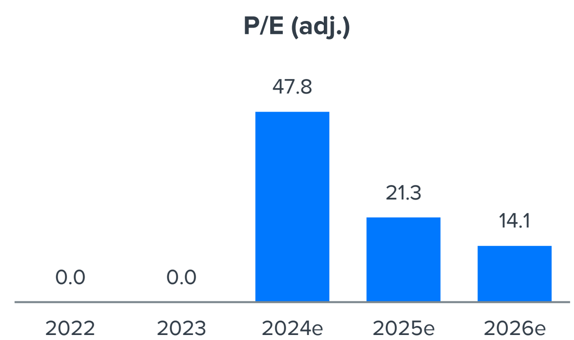
Valuation table

Valuation	2022	2023	2024e	2025e	2026e	2027e
Share price	3.94	3.02	**4.16**	**4.16**	**4.16**	**4.16**
Number of shares, millions	11.2	11.3	**11.2**	**11.2**	**11.2**	**11.2**
Market cap	44	34	**46**	**46**	**46**	**46**
EV	28	22	**32**	**30**	**26**	**22**
P/E (adj.)	neg.	>100	**47.8**	**21.3**	**14.1**	**10.3**
P/E	neg.	neg.	**55.1**	**22.7**	**14.9**	**10.3**
P/FCF	neg.	neg.	**20.6**	**23.7**	**14.6**	**10.2**
P/B	2.9	2.3	**3.0**	**2.6**	**2.2**	**1.8**
P/S	1.7	1.4	**1.7**	**1.5**	**1.3**	**1.2**
EV/Sales	1.1	0.9	**1.16**	**0.96**	**0.8**	**0.5**
EV/EBITDA	neg.	neg.	**26.0**	**12.0**	**6.7**	**3.8**
EV/EBIT (adj.)	neg.	neg.	**30.5**	**13.1**	**7.1**	**4.2**
Payout ratio (%)	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**50.0 %**
Dividend yield-%	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**4.8 %**

Source: Inderes







Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2024e	 2025e	EV/EBITDA 2024e	 2025e	EV/S 2024e	 2025e	P/E 2024e	 2025e	Dividend yield-% 2024e	 2025e	P/B 2024e
Admicom*	247	237	19.3	17.2	19.0	16.9	6.6	6.0	25.2	22.6	1.3	1.5	6.9
Leaddesk*	40	44	24.1	18.7	9.5	8.1	1.4	1.3	44.7	28.2			3.0
Qt Group*	2405	2332	30.1	24.1	28.8	23.3	10.6	8.5	37.6	31.7			9.8
Lime Technologies AB	410	430	36.7	29.5	23.1	20.0	7.0	6.1	50.0	38.2	1.1	1.3	14.9
Upsales Technology AB	52	49	29.6	22.5	18.8	15.2	3.9	3.5	38.1	29.8	4.2	4.2	28.6
Carasent ASA	114	85		29.5	22.6	15.6	3.7	3.2	307.5	34.2			1.4
FormPipe Software AB	128	128	32.0	17.3	12.7	9.4	2.7	2.5	37.5	21.5	2.6	3.7	3.0
Digia*	160	174	8.8	7.6	7.4	6.4	0.9	0.8	11.0	9.7	3.2	3.5	1.8
Gofore*	341	317	12.0	11.1	10.4	9.7	1.7	1.5	16.1	15.1	2.3	2.7	3.0
Loihde*	67	63	16.0	9.5	6.0	4.5	0.5	0.4	19.5	12.5	3.3	5.0	0.7
Innofactor*	60	66	12.6	11.0	8.8	7.3	0.8	0.8	16.0	13.8	4.8	5.4	2.2
Netum Group*	38	44	10.2	9.5	9.8	9.1	1.0	0.9	14.5	11.5	4.6	5.3	3.7
Siili Solutions*	64	66	9.2	8.2	6.6	5.4	0.6	0.5	12.9	11.2	3.5	3.8	1.4
Solteq*	14	38	29.2	12.1	10.2	7.8	0.7	0.7		34.3			0.8
Tietoevry*	2230	3150	8.6	8.1	7.5	7.0	1.1	1.0	9.0	8.5	8.0	8.2	1.4
Vincit*	38	27	12.6	5.6	10.2	4.8	0.3	0.3	23.0	10.1	4.3	6.5	1.2
Witted Megacorp*	27	18	10.4	6.7	12.4	6.5	0.3	0.3	17.5	12.3			1.6
Bouvet	567	600	15.4	13.9	12.3	11.2	1.8	1.6	18.6	16.9	4.7	5.6	14.0
CombinedX	63	64	10.2	7.3	6.2	4.9	0.8	0.7	12.9	9.2			
Avensia AB	30	35	11.6	9.0	7.4	6.6	0.9	0.9	13.2	9.7	3.3	5.5	7.0
Knowit	380	462	18.0	12.2	8.4	7.0	0.8	0.8	26.4	14.3	2.4	4.1	1.0
Netcompany Group	2001	2316	20.5	17.0	15.3	12.9	2.6	2.4	25.3	19.5			3.6
Digital Workforce (Inderes)	**46**	**32**	30.5	**13.1**	26.0	12.0	**1.2**	**1.0**	47.8	21.3	0.0	0.0	3.0
Average			18.0	14.0	12.4	10.0	**2.3**	**2.0**	37.0	18.8	3.6	4.4	5.3
Median (all)			15.4	11.6	10.2	8.0	**1.0**	**1.0**	19.5	14.7	3.3	4.2	3.0
Diff-% to median			*n.a.*	***12%***	*n.a.*	***50%***	***13%***	***-2%***	*n.a.*	***45%***	*n.a.*	*n.a.*	*1%*
Median (software companies)			29.6	20.6	18.9	15.4	**3.8**	**3.3**	37.8	29.0	2.6	3.5	4.9
Diff-% to median			*n.a.*	***-37%***	*n.a.*	***-22%***	***-70%***	***-71%***	*n.a.*	***-27%***	*n.a.*	*n.a.*	*-39%*
Median (IT service companies)			12.3	9.5	9.3	7.0	**0.8**	**0.8**	16.1	12.4	3.9	5.3	1.6
Diff-% to median			*n.a.*	*37%*	*n.a.*	*72%*	*45%*	*28%*	*n.a.*	*71%*	*n.a.*	*n.a.*	*83%*

Source: Refinitiv and *adjusted Inderes forecasts / Inderes. Note: The market value used by Inderes does not take into account treasury shares held by the company..

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	**25.5**	**0.0**	**12.6**	**0.0**	**12.3**	**24.9**	**6.7**	**7.0**	**6.6**	**7.3**	**27.5**	**30.8**	**34.7**	**39.6**
Professional Services	10.5	0.0	5.0	0.0	4.7	9.7	2.7	2.6	2.3	2.8	10.4	11.3	12.3	14.1
Continuous Services	15.0	0.0	7.6	0.0	7.6	15.2	4.0	4.3	4.3	4.5	17.1	19.5	22.4	25.5
EBITDA	**-1.7**	**0.0**	**0.1**	**0.0**	**-0.8**	**-0.6**	**0.3**	**0.2**	**0.3**	**0.4**	**1.2**	**2.5**	**3.9**	**5.6**
Depreciation	-0.9	0.0	-0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4	-0.4
EBIT (excl. NRI)	**-1.3**	**0.0**	**0.1**	**0.0**	**-0.2**	**0.0**	**0.2**	**0.2**	**0.3**	**0.4**	**1.0**	**2.3**	**3.7**	**5.2**
EBIT	**-2.6**	**0.0**	**0.0**	**0.0**	**-0.9**	**-0.8**	**0.2**	**0.1**	**0.2**	**0.3**	**0.9**	**2.1**	**3.5**	**5.2**
Net financial items	-0.4	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.3	0.2	0.2
PTP	**-3.0**	**0.0**	**0.2**	**0.0**	**-0.9**	**-0.7**	**0.2**	**0.1**	**0.3**	**0.4**	**1.0**	**2.4**	**3.7**	**5.4**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.4	-0.6	-0.9
Net earnings	**-3.0**	**0.0**	**0.2**	**0.0**	**-0.9**	**-0.7**	**0.2**	**0.1**	**0.2**	**0.3**	**0.8**	**2.0**	**3.1**	**4.5**
EPS (adj.)	**-0.15**	**0.00**	**0.03**	**0.00**	**-0.02**	**0.01**	**0.02**	**0.01**	**0.02**	**0.03**	**0.09**	**0.20**	**0.29**	**0.40**
EPS (rep.)	**-0.27**	**0.00**	**0.02**	**0.00**	**-0.08**	**-0.06**	**0.02**	**0.01**	**0.02**	**0.03**	**0.08**	**0.18**	**0.28**	**0.40**

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-%	13.9 %	0.0 %	5.2 %	0.0 %	-8.7 %	-2.2 %	0.0 %	-44.8 %	0.0 %	-41.2 %	10.2 %	12.1 %	12.8 %	14.1 %
EBITDA-%	-6.7 %	0.0 %	1.1 %	0.0 %	-6.4 %	-2.6 %	4.2 %	3.0 %	4.8 %	5.8 %	4.5 %	8.0 %	11.3 %	14.2 %
Adjusted EBIT-%	-5.0 %		1.0 %		-1.4 %	-0.2 %	3.5 %	2.2 %	4.2 %	5.2 %	3.8 %	7.4 %	10.7 %	13.1 %
Net earnings-%	-11.8 %		1.5 %		-7.2 %	-2.8 %	2.7 %	2.0 %	3.3 %	4.2 %	3.1 %	6.6 %	9.0 %	11.3 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**1.6**	**2.1**	**2.1**	**2.0**	**2.0**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	1.5	2.1	1.9	1.9	1.8
Tangible assets	0.0	0.0	0.1	0.1	0.1
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	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**26.3**	**21.3**	**22.5**	**25.5**	**28.9**
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	8.2	8.1	6.9	7.7	8.7
Cash and equivalents	18.1	13.2	15.6	17.8	20.2
Balance sheet total	**27.9**	**23.4**	**24.6**	**27.6**	**30.8**

Source: Inderes

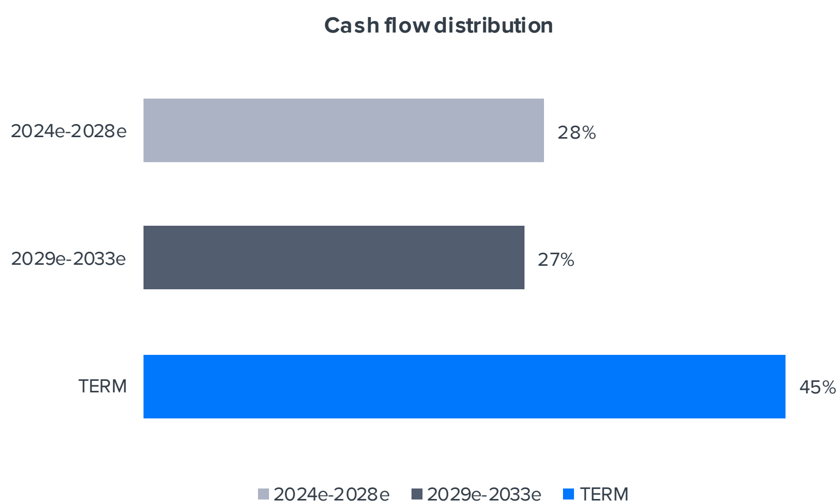
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**15.4**	**14.7**	**15.6**	**17.6**	**20.7**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-12.7	-13.3	-12.5	-10.4	-7.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	28.0	28.0	28.0	28.0	28.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**2.3**	**0.8**	**1.0**	**1.0**	**0.0**
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	2.3	0.8	1.0	1.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**10.2**	**7.9**	**8.0**	**8.9**	**10.1**
Interest bearing debt	0.2	0.2	0.0	0.0	0.0
Payables	10.0	5.1	8.0	8.9	10.1
Other current liabilities	0.0	2.6	0.0	0.0	0.0
Balance sheet total	**27.9**	**23.4**	**24.6**	**27.6**	**30.8**

DCF calculation

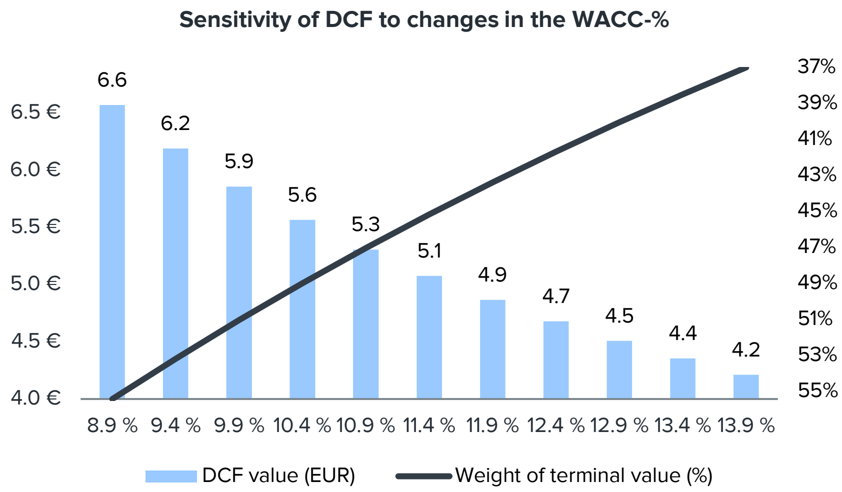
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-2.2 %	10.2 %	12.1 %	12.8 %	14.1 %	12.4 %	8.0 %	7.0 %	7.0 %	7.0 %	2.0 %	2.0 %
EBIT-%	-3.4 %	3.1 %	6.8 %	10.2 %	13.1 %	13.0 %	13.0 %	12.0 %	12.0 %	11.0 %	11.0 %	11.0 %
EBIT (operating profit)	**-0.8**	**0.9**	**2.1**	**3.5**	**5.2**	**5.8**	**6.3**	**6.2**	**6.6**	**6.5**	**6.6**	
+ Depreciation	0.2	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	
- Paid taxes	0.0	-0.1	-0.4	-0.6	-0.9	-1.2	-1.3	-1.3	-1.4	-1.4	-1.4	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-2.1	1.5	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.0	
Operating cash flow	**-2.7**	**2.6**	**2.3**	**3.5**	**4.9**	**5.3**	**5.7**	**5.6**	**5.9**	**5.8**	**5.9**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.8	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.8	
Free operating cash flow	**-3.5**	**2.3**	**2.0**	**3.2**	**4.6**	**4.9**	**5.2**	**5.1**	**5.4**	**5.3**	**5.1**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.5	2.3	2.0	3.2	4.6	4.9	5.2	5.1	5.4	5.3	5.1	55.1
Discounted FCFF		**2.2**	**1.7**	**2.5**	**3.2**	**3.1**	**2.9**	**2.6**	**2.5**	**2.2**	**1.9**	**20.1**
Sum of FCFF present value		44.7	42.5	40.8	38.3	35.2	32.1	29.2	26.6	24.1	22.0	20.1
Enterprise value DCF		**44.7**										
- Interest bearing debt		-1.0										
+ Cash and cash equivalents		13.2										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**56.9**										
Equity value DCF per share		**5.1**										

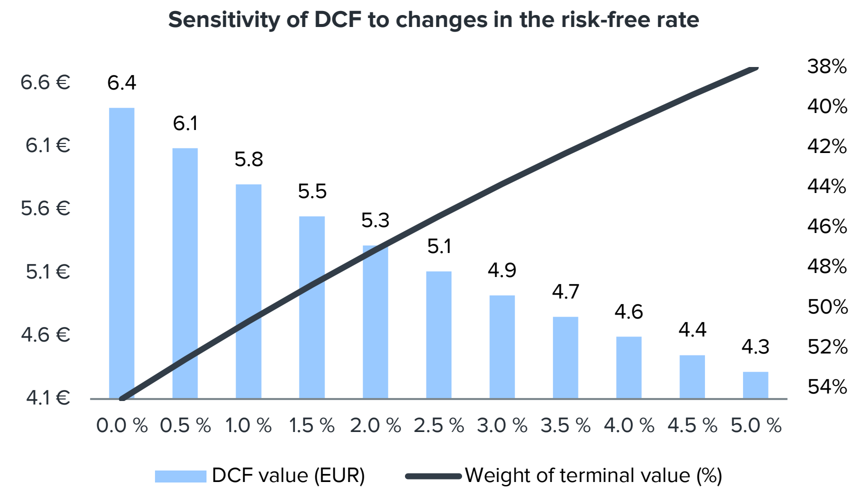
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	6.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	**12.1 %**
Weighted average cost of capital (WACC)	**11.4 %**

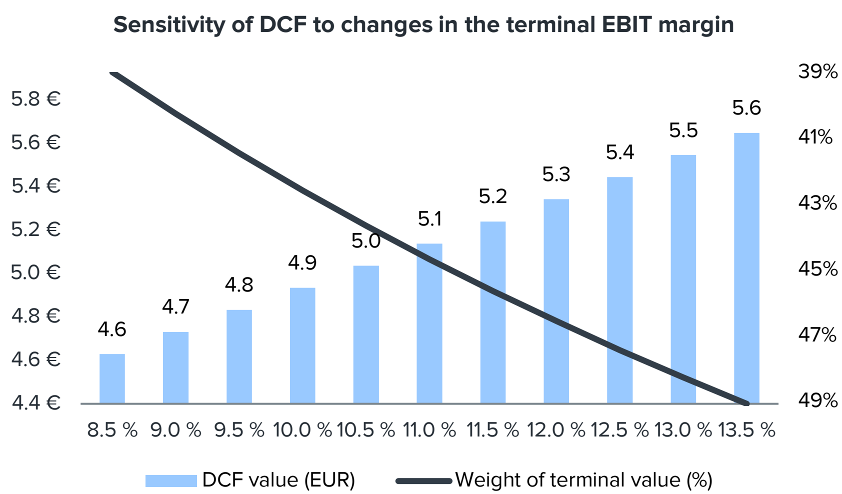
Source: Inderes

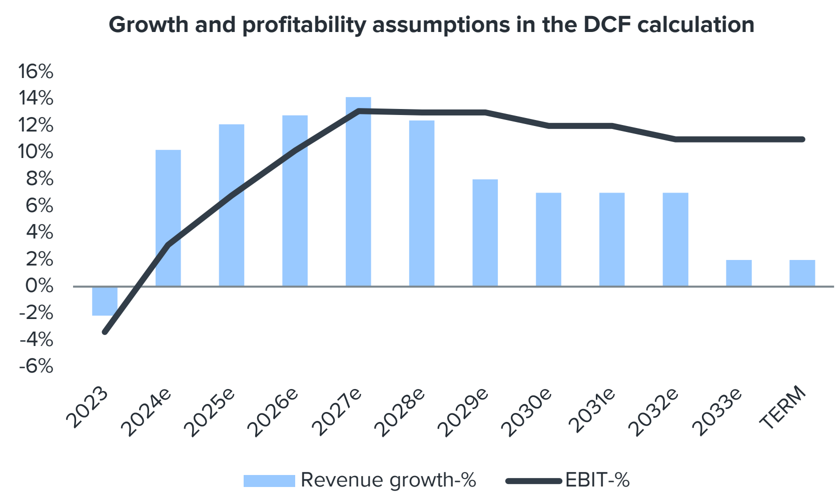


DCF sensitivity calculations and key assumptions in graphs









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	22.4	25.5	24.9	**27.5**	**30.8**
EBITDA	-1.0	-1.7	-0.6	**1.2**	**2.5**
EBIT	-1.2	-2.6	-0.8	**0.9**	**2.1**
PTP	-3.5	-3.0	-0.7	**1.0**	**2.4**
Net Income	-3.6	-3.0	-0.7	**0.8**	**2.0**
Extraordinary items	-0.4	-1.3	-0.8	**-0.2**	**-0.2**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	26.5	27.9	23.4	**24.6**	**27.6**
Equity capital	18.3	15.4	14.7	**15.6**	**17.6**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-18.3	-15.6	-12.2	**-14.6**	**-16.8**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	-1.0	-1.7	-0.6	**1.2**	**2.5**
Change in working capital	-1.5	1.0	-2.1	**1.5**	**0.1**
Operating cash flow	-2.4	-0.7	-2.7	**2.6**	**2.3**
CAPEX	0.0	-1.7	-0.8	**-0.3**	**-0.3**
Free cash flow	-2.8	-2.4	-3.5	**2.3**	**2.0**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	2.4	1.1	0.9	**1.2**	**1.0**
EV/EBITDA	neg.	neg.	neg.	**26.0**	**12.0**
EV/EBIT (adj.)	neg.	neg.	neg.	**30.5**	**13.1**
P/E (adj.)	neg.	neg.	>100	**47.8**	**21.3**
P/B	4.0	2.9	2.3	**3.0**	**2.6**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	-0.62	-0.27	-0.06	**0.08**	**0.18**
EPS (adj.)	-0.25	-0.15	0.01	**0.09**	**0.20**
OCF / share	-0.43	-0.07	-0.24	**0.23**	**0.21**
FCF / share	-0.49	-0.22	-0.31	**0.20**	**0.18**
Book value / share	3.18	1.38	1.31	**1.39**	**1.58**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	17%	14%	-2%	**10%**	**12%**
EBITDA growth-%	136%	79%	-62%	**-289%**	**101%**
EBIT (adj.) growth-%	42%	50%	-97%	**-2709%**	**117%**
EPS (adj.) growth-%	-86%	-41%	-105%	**981%**	**125%**
EBITDA-%	-4.3 %	-6.7 %	-2.6 %	**4.5 %**	**8.0 %**
EBIT (adj.)-%	-3.8 %	-5.0 %	-0.2 %	**3.8 %**	**7.4 %**
EBIT-%	-5.5 %	-10.2 %	-3.4 %	**3.1 %**	**6.8 %**
ROE-%	-40.5 %	-17.8 %	-4.6 %	**5.6 %**	**12.3 %**
ROI-%	-11.5 %	-13.8 %	-5.0 %	**7.1 %**	**13.8 %**
Equity ratio	69.0 %	55.4 %	70.8 %	**63.5 %**	**64.0 %**
Gearing	-100.0 %	-101.2 %	-83.1 %	**-93.8 %**	**-95.6 %**

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/14/2022	Accumulate	4.50 €	3.85 €
8/19/2022	Accumulate	4.50 €	4.03 €
11/4/2022	Buy	4.50 €	2.95 €
3/1/2023	Buy	5.50 €	4.26 €
8/18/2023	Accumulate	5.50 €	4.75 €
8/24/2023	Accumulate	5.00 €	4.35 €
11/27/2023	Accumulate	3.80 €	3.20 €
2/29/2024	Reduce	3.40 €	3.16 €
4/11/2024	Accumulate	3.40 €	2.85 €
5/6/2024	Accumulate	4.00 €	3.45 €
8/26/2024	Accumulate	4.70 €	4.16 €

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