

Tecnotree

Company report

9/9/2024



Roni Peuranheimo
+358 505610455
roni.peuranheimo@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Luottamus on rakennettava uudestaan” published on 9/8/2024 at 21:50 pm EEST

inde
res.

Trust needs to be rebuilt

Tecnotree held an investor event on Friday in an attempt to provide background information on the Pericius deal. However, we did not get answers to all the worrying details. The company also issued cash flow guidance for next year and published a dividend policy, according to which free cash flow (and profit distribution) are set to remain slim and below our expectations. Given the weak cash flow and the ongoing uncertainties regarding corporate governance, we recommend that investors remain on the sidelines, at least for the time being, due to the elevated risk profile. We lower our recommendation for Tecnotree to Sell (was Reduce) and set our target price to EUR 3.00 (was EUR 5.50).

Company attempted to clarify background to Pericius deal, but not all details are clear

In Q2'24, Tecnotree completed a transaction related to the assets acquired from Pericius Technologies. However, the company did not disclose this openly and there were many questions about the possible related parties involved in the transaction. The company attempted to provide details of the transaction at the investor event, but we feel that we did not receive comprehensive answers to all of our questions. Possible related party links look bad to us, even though no wrongdoing may have occurred and would be difficult to prove. In addition to the Pericius transaction, Tecnotree has a history of several other incidents of poor investor communication and corporate governance and has been under scrutiny on these issues for some time.

Guidance suggests that cash flow will remain relatively weak next year

For next year's cash flow, Tecnotree provided guidance that the company expects capital expenditure to be 10-12% of revenue (at constant exchange rates) and free cash flow to be above 3 MEUR. Despite lower investments, cash flow would remain lean next year at the lower end of the guidance range. With the company's revised dividend policy (dividends at 10% of free cash flow), the dividend stream to investors is also set to remain weak. Cash flows are still far from the figures in the company's income statement, which we believe paint an overly rosy picture of the company's ability to generate cash. Given the ongoing cash flow challenges, we believe that risks related to the quality of receivables and intangible assets, for example, are elevated. As such, we believe the company has a lot to prove and that a clear and sustainable improvement in cash flow is key to restoring investor confidence.

Valuation of Tecnotree in the current situation is very difficult

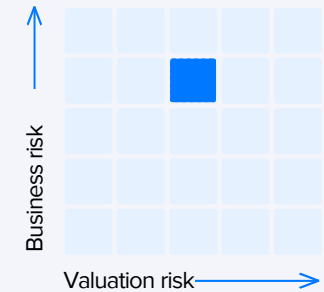
In our view, determining the fair value of Tecnotree in the current situation is very challenging. We do not believe that cheap-looking earnings-based multiples can be relied upon, and visibility on the company's sustainable cash flow generation capacity is weak. Around the lower end of next year's cash flow guidance, the cash flow yield would be in the single digits, which we find unattractive given Tecnotree's risk level. 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 48% at the current share price). In our view, the company has always had a high level of risk, but the recent Pericius transaction has further highlighted the company's shortcomings in communication and corporate governance. Recent events have also, we think, brought previously recognized risks to the forefront (e.g. the quality of receivables and intangible assets). As a result, the risk profile of the stock has increased and we have raised our required return even further. Overall, we consider the risk/reward ratio for investors to be clearly unsatisfactory, which is the reason for the downgrade of the recommendation. We emphasize that a target price for Tecnotree is illusory in the current situation and recommend that investors pay particular attention to the recommendation.

Recommendation

Sell
(was Reduce)

3.00 EUR
(was 5.50 EUR)

Share price:
3.87 EUR



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	24.1	25.3
EBIT-% adj.	30.4 %	33.6 %	28.8 %	28.8 %
Net Income	11.2	13.4	15.3	16.2
EPS (adj.)	0.71	1.02	0.94	0.57
P/E (adj.)	9.6	3.8	4.1	6.8
P/B	1.2	0.6	0.6	0.6
P/FCF	neg.	14.3	14.0	7.5
EV/EBIT (adj.)	4.8	2.5	2.8	2.4
EV/EBITDA	4.1	2.2	1.9	1.6
EV/S	1.4	0.8	0.8	0.7

Source: Inderes

Guidance

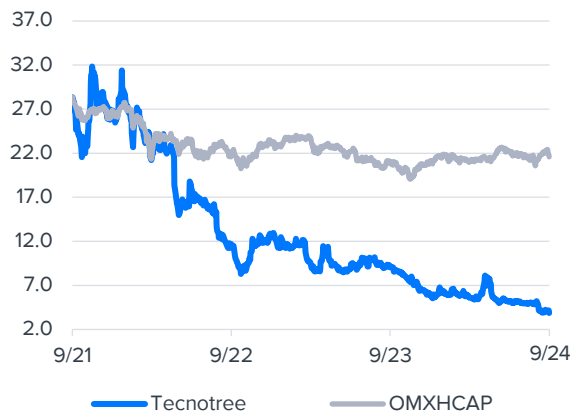
(Adjusted)

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.

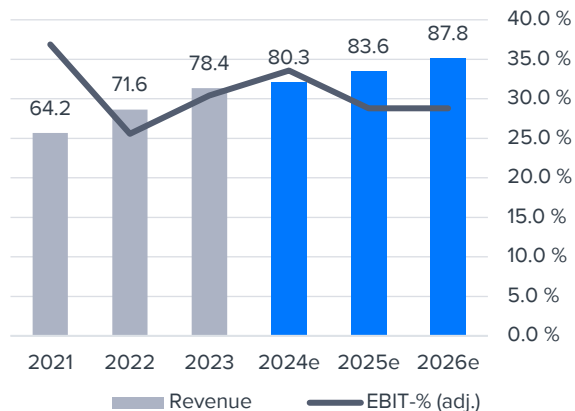
Tecnotree expects free cash flow to reach 2-5 MEUR in the second half of 2024. In 2025, Tecnotree expects a capital expenditure to revenue ratio of 10-12% and a free cash flow above 3 MEUR.

Share price



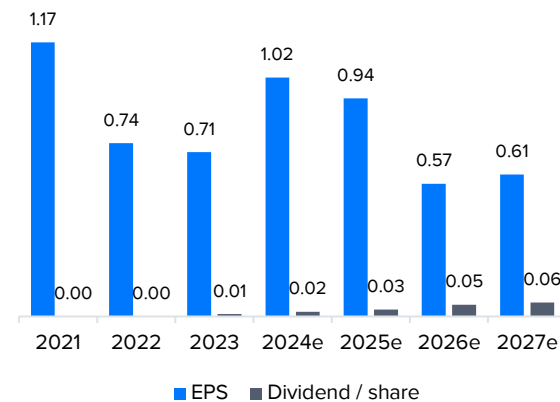
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Value drivers

- A clear and sustainable improvement in cash flow
- Value-generating M&A transactions
- Industry's organic drivers are strong and longer-term growth outlook is good
- Increasing recurring income flow
- Technologically competent product portfolio



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	3.87	3.87	3.87
Number of shares, millions	16.0	16.3	28.4
Market cap	62	63	110
EV	68	68	61
P/E (adj.)	3.8	4.1	6.8
P/E	4.6	4.1	6.8
P/B	0.6	0.6	0.6
P/S	0.8	0.8	1.3
EV/Sales	0.8	0.8	0.7
EV/EBITDA	2.2	1.9	1.6
EV/EBIT (adj.)	2.5	2.8	2.4
Payout ratio (%)	2.4 %	3.2 %	8.8 %
Dividend yield-%	0.5 %	0.8 %	1.3 %

Source: Inderes

Uncertainty still in the air

The company provided background on the Pericius deal

In Q2'24, Tecnotree completed a transaction related to the assets acquired from Pericius Technologies. However, the company did not openly disclose this to investors, and questions about the transaction (including possible related party relationships behind the acquired company) caused a stir among investors. The company initially attempted to clarify the situation in [an interview](#) we conducted. However, the interview revealed certain contradictions and raised new questions.

Tecnotree subsequently attempted to provide further details of the transaction at the investor event, but we feel that we did not receive comprehensive answers to all of our most challenging questions. In our view, the company's presentation focused mainly on the company's recent performance, its acquisition strategy, the background to its guidance and how it intends to improve its cash flow profile. However, we felt that less attention was paid to the issue of the acquisition and its potential links with related parties. The overall situation is difficult to assess, and the lack of transparency creates a lack of confidence.

Possible related party links look bad, but we find it difficult to prove that the suspicions are true, so there may not even have been any wrongdoing. In addition to the Pericius transaction, Tecnotree has a history of several other incidents of poor investor communication and corporate governance (e.g. share sales by a former board member during a quiet period and confusion over convertible notes). Nevertheless, the company said that it had learned from the Pericius deal and would communicate about similar transactions in the future.

Guidance suggests that cash flow will remain relatively weak next year

For next year's cash flow, Tecnotree provided guidance that the company expects capital expenditure to be 10-12% of revenue (at constant exchange rates) and free cash flow to be above 3 MEUR. The cash flow guidance is naturally based on fixed exchange rates, but as the company operates in countries where exchange rates are volatile and have weakened trend-wise due to high inflation (e.g. the Nigerian Naira), exchange rate losses should be expected in the future as well.

In any case, free cash flow next year will be supported by a significant reduction in investment. This year, we forecast investment to be just under 19% of revenue. Key factors here include the company's staff cuts and the closure of CognitiveScale's operations dedicated to non-operator verticals. Despite substantially lower investments, cash flow would remain lean next year at the lower end of the guidance range. We therefore expect working capital to continue to tie up capital and put a significant strain on cash flow. With the company's revised dividend policy (dividends at 10% of free cash flow), the dividend stream to investors is also set to remain weak.

Cash flows remain far from the figures in the company's income statement, which we believe paint an overly rosy picture of the company's ability to generate cash. Given the ongoing cash flow challenges, we believe that risks related to the quality of receivables and intangible assets, for example, are elevated.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	80.3	80.3	0%	83.6	83.6	0%	87.8	87.8	0%
EBITDA	31.6	31.6	0%	37.3	35.6	-4%	38.5	37.0	-4%
EBIT (exc. NRIs)	27.0	27.0	0%	25.8	24.1	-6%	26.1	25.3	-3%
EBIT	24.1	24.1	0%	25.8	24.1	-6%	26.1	25.3	-3%
PTP	18.0	18.0	0%	21.8	20.1	-8%	22.1	21.3	-4%
EPS (excl. NRIs)	1.02	1.02	0%	1.01	0.94	-8%	0.60	0.57	-6%
DPS	0.02	0.02	0%	0.02	0.03	50%	0.02	0.05	150%

Estimate revisions, in particular to cash flows

Estimate revisions 2024e-2026e

- We increased our estimates for working capital commitments over the next few years
- Although we slightly lowered our investment estimates for next year, it (just under 15%) is still somewhat above the company's guidance range (10-12% of revenue)
- We slightly reduced our earnings estimates for the coming years, as we believe that the lower-than-expected cash flow guidance for 2025 also signals a lower level of earnings than we had previously expected
- We expect the operating free cash flow to be 4.5 MEUR next year, which is in line with the company's guidance

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	80.3	80.3	0%	83.6	83.6	0%	87.8	87.8	0%
EBITDA	31.6	31.6	0%	37.3	35.6	-4%	38.5	37.0	-4%
EBIT (exc. NRIs)	27.0	27.0	0%	25.8	24.1	-6%	26.1	25.3	-3%
EBIT	24.1	24.1	0%	25.8	24.1	-6%	26.1	25.3	-3%
PTP	18.0	18.0	0%	21.8	20.1	-8%	22.1	21.3	-4%
EPS (excl. NRIs)	1.02	1.02	0%	1.01	0.94	-8%	0.60	0.57	-6%
DPS	0.02	0.02	0%	0.02	0.03	50%	0.02	0.05	150%

Source: Inderes

We do not recommend the stock to investors

Valuation of Tecnotree in the current situation is very difficult

In our view, determining the fair value of Tecnotree in the current situation is very challenging. We do not believe that the cheap-looking earnings-based multiples (2024e P/E 4x) can be relied upon, and visibility on the company's sustainable cash flow generation capacity is weak. Our cash flow forecast for next year is a free cash flow yield of around 6%, which we do not find attractive given Tecnotree's risk level (vs. a clearly double-digit required return). At the low end of the cash flow guidance, the cash flow yield is 4%, which is weak in itself. Under the new dividend policy, dividends will also not support investors' expected return either (dividend yield of less than 1% in the coming years).

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 48% at the current share price). We have not included warrants in our forecasts at the current price level as their subscription price is far away from the current share price (EUR 18.0).

In our view, the company has always had a high level of risk, but the recent Pericius transaction has further highlighted the company's shortcomings in communication and corporate governance. Recent events have also, we think, brought previously recognized risks to the forefront (e.g. the quality of receivables and intangible assets). In our view, the company has a lot to prove to investors, with a sustained improvement in cash flow being key. The company 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. Significant evidence of the impact of these measures is not yet available and we remain awaiting evidence in the form of improved cash flow.

In any case, the risk profile and thus our required return (16.9%, previously 12.1%) has risen even further. Our confidence in the company has taken a significant hit and the company has a lot to prove before we are ready to accept a lower risk premium for the company. Given the overall picture, we recommend that investors remain on the sidelines, at least for the time being. We emphasize that a target price is illusory in the current situation and recommend that investors pay particular attention to our recommendation.

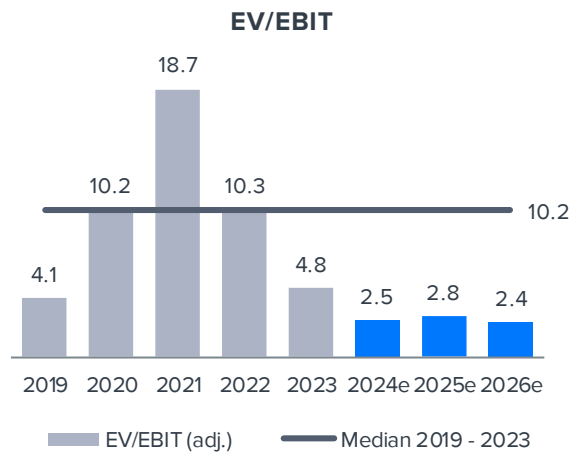
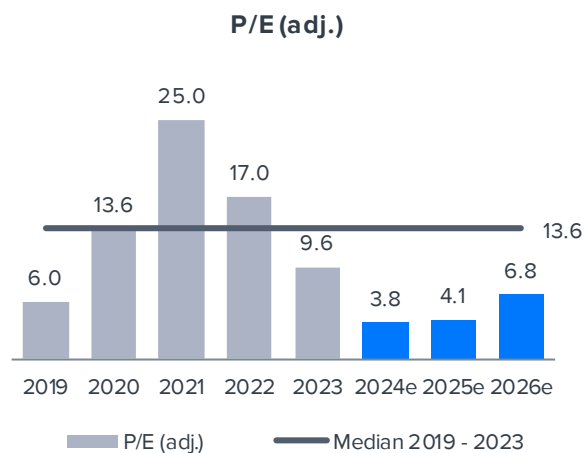
Valuation	2024e	2025e	2026e
Share price	3.87	3.87	3.87
Number of shares, millions	16.0	16.3	28.4
Market cap	62	63	110
EV	68	68	61
P/E (adj.)	3.8	4.1	6.8
P/E	4.6	4.1	6.8
P/B	0.6	0.6	0.6
P/S	0.8	0.8	1.3
EV/Sales	0.8	0.8	0.7
EV/EBITDA	2.2	1.9	1.6
EV/EBIT (adj.)	2.5	2.8	2.4
Payout ratio (%)	2.4 %	3.2 %	8.8 %
Dividend yield-%	0.5 %	0.8 %	1.3 %

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	3.87	3.87	3.87	3.87
Number of shares, millions	11.8	13.7	15.7	15.5	15.8	16.0	16.3	28.4	28.8
Market cap	40	192	460	196	108	62	63	110	111
EV	53	198	443	189	114	68	68	61	52
P/E (adj.)	6.0	13.6	25.0	17.0	9.6	3.8	4.1	6.8	6.4
P/E	5.2	14.2	25.0	17.0	9.6	4.6	4.1	6.8	6.4
P/B	11.7	9.7	6.8	2.4	1.2	0.6	0.6	0.6	0.6
P/S	0.9	3.6	7.2	2.7	1.4	0.8	0.8	1.3	1.2
EV/Sales	1.1	3.7	6.9	2.6	1.4	0.8	0.8	0.7	0.6
EV/EBITDA	3.4	9.7	17.5	9.5	4.1	2.2	1.9	1.6	1.3
EV/EBIT (adj.)	4.1	10.2	18.7	10.3	4.8	2.5	2.8	2.4	1.9
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	1.4 %	2.4 %	3.2 %	8.8 %	9.9 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %	0.5 %	0.8 %	1.3 %	1.6 %

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	8719	8889	10.7	10.2	9.0	8.7	2.0	1.9	13.2	12.1	2.2	2.2	2.8
CSG Systems International Inc	1238	1625	9.3	8.8	7.2	6.9	1.5	1.5	11.0	10.4	2.6	2.7	
Comarch SA	746	662	17.9	15.8	11.1	10.3	1.5	1.4	21.3	17.2	1.6	1.6	1.9
Sterlite Technologies Ltd	672	986	23.1	43.2	12.0	16.2	1.6	1.7	18.4		2.0	0.4	2.4
Cerillion PLC	655	626	31.2	27.0	27.5	24.4	11.9	10.6	39.4	35.0	0.7	0.7	11.7
Tecnotree (Inderes)	62	68	2.5	2.8	2.2	1.9	0.8	0.8	3.8	4.1	0.5	0.8	0.6
Average			18.4	21.0	13.4	13.3	3.7	3.4	20.7	18.7	1.8	1.5	4.7
Median			17.9	15.8	11.1	10.3	1.6	1.7	18.4	14.6	2.0	1.6	2.6
Diff-% to median			-86%	-82%	-81%	-81%	-45%	-51%	-79%	-72%	-73%	-50%	-76%

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	35.6	37.0	38.9
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	-11.7	-12.1
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	24.1	25.3	26.7
EBIT	18.3	3.6	6.2	6.2	7.9	23.8	4.4	3.6	7.8	8.3	24.1	24.1	25.3	26.7
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	20.1	21.3	22.7
Taxes	-5.7	-0.9	-0.5	-1.0	-0.3	-2.8	-0.4	-0.8	-1.6	-1.7	-4.5	-4.8	-5.1	-5.2
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	15.3	16.2	17.5
EPS (adj.)	0.74	0.11	0.24	0.20	0.16	0.71	0.10	0.31	0.30	0.32	1.02	0.94	0.57	0.61
EPS (rep.)	0.74	0.11	0.24	0.20	0.16	0.71	0.10	0.13	0.30	0.32	0.84	0.94	0.57	0.61
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 %	-10.6 %	4.9 %	5.8 %
EBITDA-%	27.7 %	27.2 %	35.6 %	34.5 %	41.7 %	35.4 %	37.1 %	30.9 %	43.4 %	43.9 %	39.4 %	42.6 %	42.1 %	42.2 %
Adjusted EBIT-%	25.6 %	23.3 %	32.0 %	28.9 %	35.4 %	30.4 %	27.0 %	34.9 %	35.2 %	35.5 %	33.6 %	28.8 %	28.8 %	29.0 %
Net earnings-%	16.1 %	11.3 %	19.4 %	15.0 %	11.1 %	14.3 %	10.0 %	11.0 %	21.3 %	21.8 %	16.7 %	18.3 %	18.4 %	19.0 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	26.4	36.3	43.7	44.4	45.8
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.6	33.5	40.9	41.4	42.8
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	141
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	88.6	92.2
Cash and equivalents	12.3	20.8	38.8	38.0	49.2
Balance sheet total	104	128	160	171	187

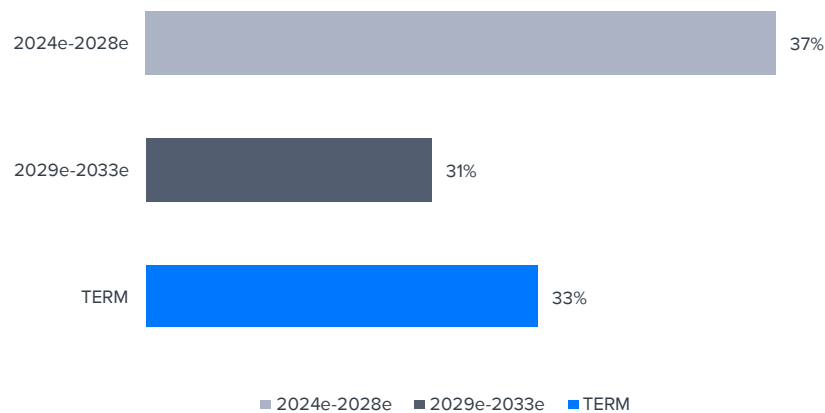
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	80.1	86.5	99.8	115	174
Share capital	1.3	1.3	1.3	1.3	44.4
Retained earnings	49.5	55.9	69.1	84.1	99.8
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	10.5	11.0
Interest bearing debt	2.5	4.5	2.0	0.0	0.0
Payables	15.8	11.3	12.0	10.5	11.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	104	128	160	171	187

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 %	28.8 %	28.8 %	29.0 %	26.8 %	26.2 %	25.8 %	25.5 %	25.5 %	25.5 %	25.5 %
EBIT (operating profit)	23.8	24.1	24.1	25.3	26.7	25.5	25.7	26.1	26.4	27.1	27.6	
+ Depreciation	3.9	7.6	11.6	11.7	12.1	12.7	13.3	13.8	14.1	14.7	14.7	
- Paid taxes	-2.7	-4.5	-4.8	-5.1	-5.2	-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	-13.1	-3.0	-3.6	-0.9	-1.6	-1.6	-1.2	-1.2	-1.8	
Operating cash flow	12.7	20.3	16.7	27.9	29.1	31.7	31.7	32.5	33.5	34.6	34.4	
+ 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	-12.2	-13.2	-14.2	-14.7	-15.2	-14.7	-14.6	-14.6	-14.6	
Free operating cash flow	-0.6	4.3	4.5	14.7	14.9	17.0	16.5	17.8	18.9	20.0	19.8	
+/- 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	4.5	14.7	14.9	17.0	16.5	17.8	18.9	20.0	19.8	136
Discounted FCFF		4.1	3.7	10.3	8.9	8.7	7.2	6.7	6.0	5.5	4.6	31.8
Sum of FCFF present value		97.4	93.3	89.6	79.4	70.5	61.8	54.6	47.9	41.9	36.4	31.8
Enterprise value DCF		97.4										
- Interest bearing debt		-26.7										
+ Cash and cash equivalents		20.8										
-Minorities		0.0										
-Dividend/capital return		-0.2										
Equity value DCF		91.4										
Equity value DCF per share		5.7										

Cash flow distribution

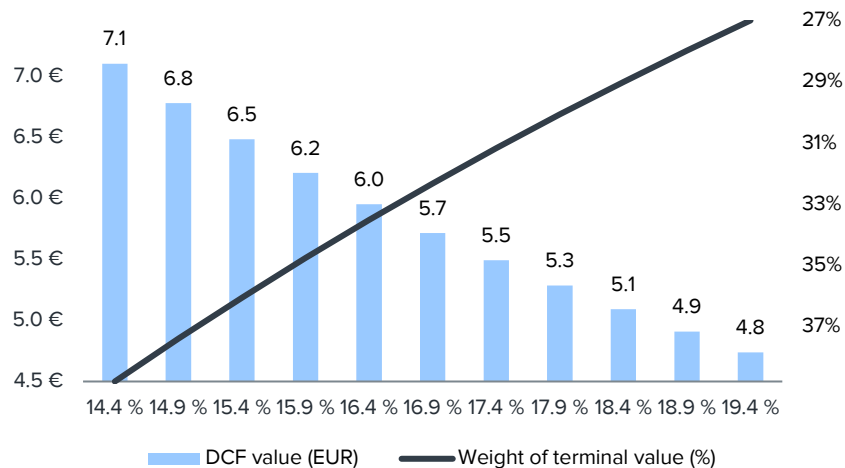


WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.0 %
Equity Beta	2.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	16.9 %
Weighted average cost of capital (WACC)	16.9 %

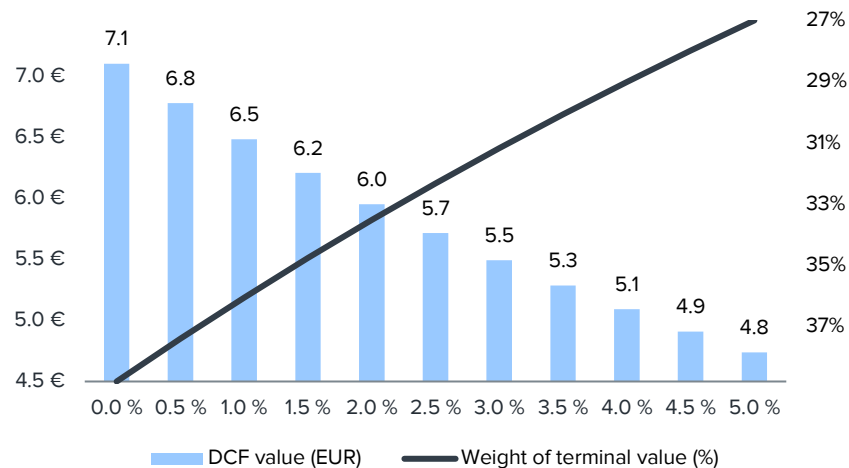
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

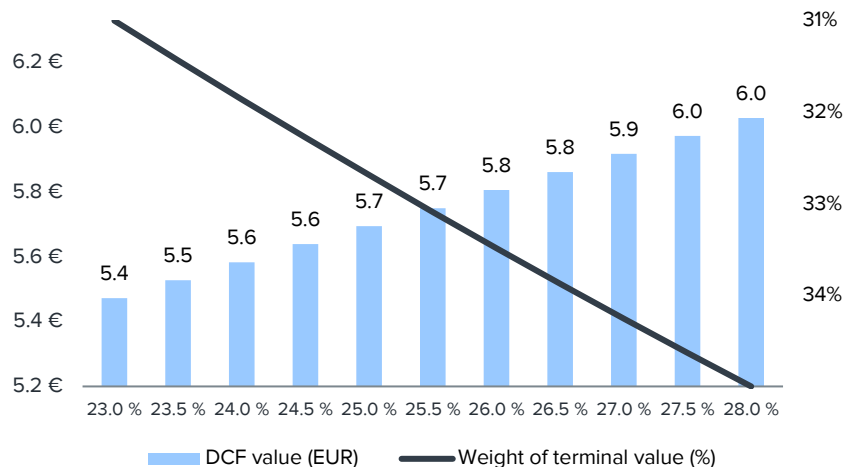
Sensitivity of DCF to changes in the WACC-%



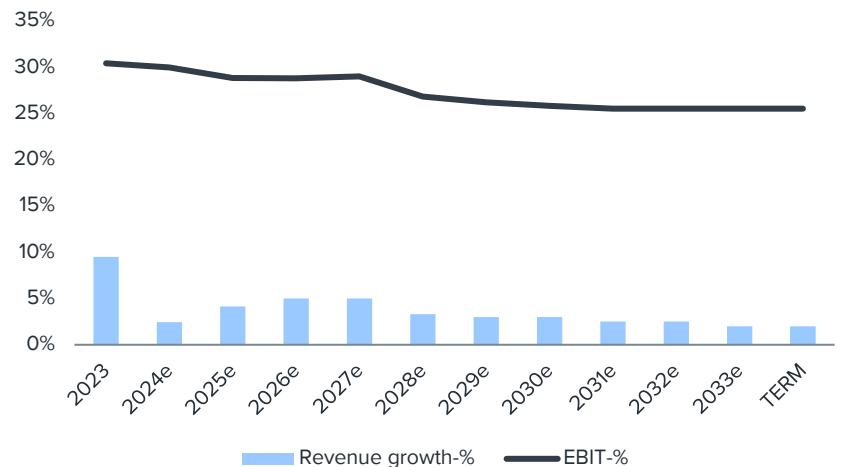
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	64.2	71.6	78.4	80.3	83.6	EPS (reported)	1.17	0.74	0.71	0.84	0.94
EBITDA	25.3	19.8	27.7	31.6	35.6	EPS (adj.)	1.17	0.74	0.71	1.02	0.94
EBIT	23.7	18.3	23.8	24.1	24.1	OCF / share	0.40	0.28	0.80	1.27	1.03
PTP	21.5	17.2	13.9	18.0	20.1	FCF / share	-0.30	-0.32	-0.04	0.27	0.28
Net Income	18.4	11.6	11.2	13.4	15.3	Book value / share	4.33	5.15	5.46	6.26	7.03
Extraordinary items	0.0	0.0	0.0	-2.9	0.0	Dividend / share	0.00	0.00	0.01	0.02	0.03
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	79.3	103.8	128.2	159.6	171.0	Revenue growth-%	22%	12%	9%	2%	4%
Equity capital	67.7	80.1	86.5	99.8	114.7	EBITDA growth-%	24%	-22%	40%	14%	13%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	23%	-23%	30%	13%	-11%
Net debt	-17.6	-7.5	5.9	6.3	5.1	EPS (adj.) growth-%	14%	-37%	-5%	45%	-9%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	39.4 %	27.7 %	35.4 %	39.4 %	42.6 %
EBITDA	25.3	19.8	27.7	31.6	35.6	EBIT (adj.)-%	36.9 %	25.6 %	30.4 %	33.6 %	28.8 %
Change in working capital	-15.5	-9.6	-10.4	-5.3	-13.1	EBIT-%	36.9 %	25.6 %	30.4 %	29.9 %	28.8 %
Operating cash flow	6.3	4.4	12.7	20.3	16.7	ROE-%	42.0 %	15.6 %	13.4 %	14.4 %	14.2 %
CAPEX	-7.3	-14.8	-13.9	-15.0	-12.2	ROI-%	46.8 %	24.0 %	24.1 %	18.6 %	15.9 %
Free cash flow	-4.7	-4.9	-0.6	4.3	4.5	Equity ratio	85.4 %	77.1 %	67.5 %	62.5 %	67.1 %
						Gearing	-25.9 %	-9.3 %	6.8 %	6.3 %	4.5 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.9	2.6	1.4	0.8	0.8						
EV/EBITDA	17.5	9.5	4.1	2.2	1.9						
EV/EBIT (adj.)	18.7	10.3	4.8	2.5	2.8						
P/E (adj.)	25.0	17.0	9.6	3.8	4.1						
P/B	6.8	2.4	1.2	0.6	0.6						
Dividend-%	0.0 %	0.0 %	0.1 %	0.5 %	0.8 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

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 €
<i>Reverse split at 20:1 ratio</i>			
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 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**