Tecnotree

Company report

8/7/2023

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Inderes corporate customer

This report is a summary translation of the report “Edessä voimakas investointivaihe” published on 08/07/2023 at 8:15 am EEST.

A vigorous investment phase ahead

Tecnotree's Q2 report came in below our estimate for net sales, but above for earnings. The company reiterated its guidance, but the uncertain operating environment is reflected in the company's order flow as customers postpone their investments to some extent. In the coming years, a critical part of Tecnotree's investment story will be how the company allocates the capital raised through convertible bonds, which it intends to allocate to M&A and product development, among other things. The risks of the stock are high, but at the current valuation the risk/reward ratio turns marginally positive in our view. Thus, we reiterate the target price of EUR 0.54 and raise our recommendation to Accumulate (was Reduce).

Currencies pulled figures in different directions

Tecnotree’s Q4 revenue grew by 5.4% to EUR 19.3 million, missing our EUR 20.5 million estimate. Strong growth was seen in maintenance and management services, while net sales from deliveries fell significantly year-on-year. Reported net sales were also impacted by the strengthening of the euro, which on the other hand brought some relief on the cost side. Tecnotree achieved an EBIT of EUR 6.2 million in Q2 (Q2'22: 5.1 MEUR), which exceeded our forecast of 4.8 MEUR. The company has made good progress with its savings measures, and these started to support profitability already in Q2. However, due to high financing costs resulting from the devaluation of the Nigerian naira, the net result was down year-on-year (Q2'23: 3.7 MEUR vs. Q2’22: 4.0 MEUR). However, this could have a positive impact on the recovery of Nigerian debts in the future (lower exchange costs and faster cash collection). Cash flow from operating activities in Q2 stood at EUR 2.7 million, but after investments the cash flow turned negative again (-0.8 MEUR). Cash and cash equivalents had decreased to EUR 10.7 million at the end of Q2 (Q2'22: 13.9 MEUR) despite the company's drawdown of a EUR 3.2 million loan. After the quarter, the company raised EUR 43.1 million in convertible bonds

The guidance was reiterated, but the company is not immune to the uncertain economic situation

Tecnotree reiterated its guidance of 7-15% net sales growth and 10-20% EBIT growth, although the company expects significant pressure from cost inflation and margin erosion in the second half of the year. The latter part of the outlook was updated and portends a challenging rest of the year. The company's demand outlook is also showing signs of a slight softening as some of its customers postpone larger investments. This is also reflected in the company's clearly weaker order flow in H1 (H1'23: 32.1 MEUR vs. H1’22: 45.9 MEUR). However, there is no major cause for concern as the order book remains at a strong level (Q2'23: 68.4 MEUR). We have made small negative revisions to our net sales (5-6%) and earnings (2-5%) estimates for the coming years. We now expect the company's net sales to grow by 8% this year to EUR 78.2 million and EBIT to increase to EUR 21.5 million (28% of net sales).

Risk/return ratio leans to the positive side

Tecnotree's EUR 43 million convertible bonds will change the valuation of the company as the arrangement will significantly dilute the company's shareholding between 2026 and 2028, before which we will treat the assets as liabilities. Tecnotree's P/E multiples for 2023-2024 are 11x-9x and the corresponding EV/EBIT multiples are 7x-5x. The cash flow multiple (EV/FCF) for the current year is very high (60x), but in 2024 the multiple drops to a moderate level (14x, based on 2023 EV). The share has clear upside to the value indicated by our DCF model, but low visibility of long-term cash flows makes it challenging to rely on this. Investing in the share requires confidence in the success of the company's significant growth investments. We believe the current market offers good M&A opportunities for the company, which at the current valuation will tilt the risk/reward ratio of the stock to the positive side, in our view.

Recommendation

Accumulate
(previous Reduce)

EUR 0.54
(previous EUR 0.54)

Share price:
0.48

Key figures

	2022	2023e	2024e	2025e
Revenue	71.6	77.3	83.2	90.0
growth-%	12%	8%	8%	8%
EBIT adj.	18.3	21.5	24.9	26.3
EBIT-% adj.	25.6 %	27.8 %	29.9 %	29.2 %
Net Income	11.6	13.2	17.1	18.5
EPS (adj.)	0.04	0.04	0.05	0.06

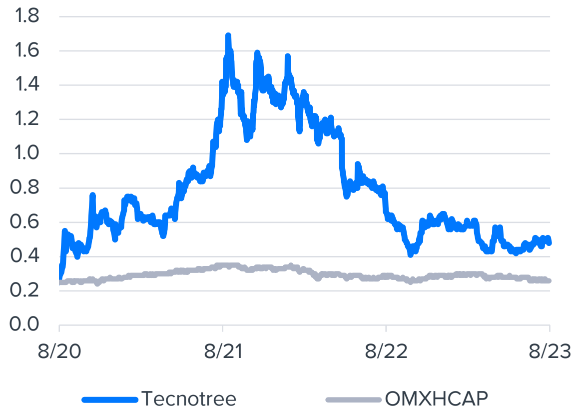
P/E (adj.)	17.0	11.4	8.8	8.1
P/B	2.4	1.1	1.0	0.9
P/FCF	neg.	62.5	14.4	11.5
EV/EBIT (adj.)	10.3	6.7	5.4	4.7
EV/EBITDA	9.5	5.7	4.3	3.5
EV/S	2.6	1.9	1.6	1.4

Source: Inderes

Guidance (Unchanged)

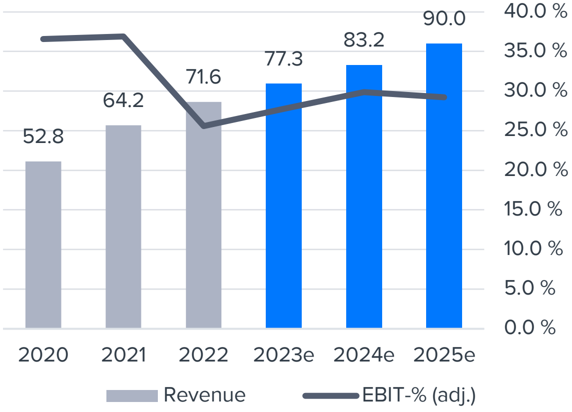
In 2023, Tecnotree expects revenue to be higher by 7-15% and operating profit (EBIT) by 10-20% compared to 2022.

Share price



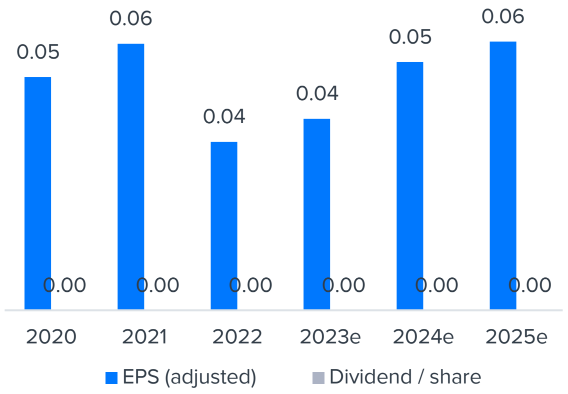
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Value-generating M&A transactions
- Industry's organic drivers are strong and longer-term growth outlook is good
- The company's business model is scalable and cost efficient
- Increasing recurring income flow
- Technologically competent product portfolio

Risk factors

- Failure in M&A transactions
- Risks related to receivables and cash flow repatriation
- Customer portfolio structure concentrated at top level
- Failure in product development work and reading the industry
- Weakening of a cost-efficient operating model
- Some cyclicality in operators' investments
- Political and legislative threats in emerging countries

Valuation	2023e	2024e	2025e
Share price	0.48	0.48	0.48
Number of shares, millions	312.0	312.0	312.0
Market cap	150	150	150
EV	144	135	124
P/E (adj.)	11.4	8.8	8.1
P/E	11.4	8.8	8.1
P/FCF	62.5	14.4	11.5
P/B	1.1	1.0	0.9
P/S	1.9	1.8	1.7
EV/Sales	1.9	1.6	1.4
EV/EBITDA	5.7	4.3	3.5
EV/EBIT (adj.)	6.7	5.4	4.7
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Crossfire of currencies

Growth rate slowed markedly

Tecnotree's Q4 revenue grew by 5.4% to EUR 19.3 million, missing our EUR 20.5 million estimate. Growth was driven in particular by maintenance and management services (+49%), while net sales items related to own licenses and deliveries declined year-on-year (other items in total -14%). Tecnotree's revenue items are quite volatile between quarters so one should not draw far fetching conclusions based on quarterly figures.

The order book decreased year-on-year and stood at EUR 68.4 million (Q2'22: 72.8 MEUR). The order intake during the quarter was EUR 17.7 million, down clearly from the very strong level of EUR 27.1 million in the comparison period. The overall order flow also weakened markedly during H1, which raises some concerns about the demand outlook. The company commented that some customers have postponed orders due to the uncertain market situation. However, some larger orders were postponed to Q3 due to timing factors, according to the company.

Geographically, the Europe & Americas segment's net sales increased by roughly 7% to EUR 4.4 million. Larger MEA & APAC segment (Q2'23: 14.8 MEUR, +4%) grew more moderately.

Profitability surprised positively

Tecnotree's Q2 EBIT increased to EUR 6.2 million (Q4'22: 5.1 MEUR). This corresponded to an EBIT margin of around 32% (Q2'22: 28%). The year-on-year improvement in profitability was a strong performance by the company, considering the lower-than-expected net sales. The company has made good progress with its savings measures, and these started to support profitability already in Q2. Profitability was also partly supported by the stronger euro, as costs in other currencies are converted into fewer euros. Thus, although the currencies weighed on the top lines of the income statement, the impact was not as great on the bottom lines.

However, at net income level, the result down year-on-year (Q2'23: 3.7 MEUR vs. Q2'22: MEUR 4.0) due to high financial expenses resulting from the devaluation of the Nigerian naira. The devaluation reduced the company's cash holdings in Nigeria, but the blow has already been absorbed. With Naira now floating, the company believes that in the long run this could have a positive impact on the speed of cash repatriation and the cost of currency exchange.

Product development costs capitalized by the company amounted to EUR 3.4 million in Q2. With the depreciation level still low (0.7 MEUR), the capitalization of product development costs has a very large profitability-enhancing effect.

Cash flow after investments in the red

Tecnotree's cash flow from operating activities in Q2 was EUR 2.7 million, which was again heavily burdened by the working capital commitment (-4.4 MEUR). Total receivables (63.0 MEUR) increased slightly quarter-on-quarter (Q1'23: 62.4 MEUR). A clear decline was seen in trade receivables, but other receivables increased in roughly the same proportion. After investments (-3.4 MEUR), cash flow turned negative again and amounted to EUR -0.8 million. In total, the company's cash and cash equivalents at the end of Q2 were EUR 10.7 million, which is lower than a year ago (13.9 MEUR) and at the turn of the year (12.3 MEUR), despite the EUR 3.2 million loan raised by the company in Q2. However, the cash position was burdened during the quarter by the devaluation of the Nigerian naira, as the company's cash held in naira depreciated. At the end of Q2, the balance sheet did not yet show the EUR 43.1 million raised by the company through convertible bonds.

Estimates	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	18.3	19.3	20.5				-6%	77.3
EBIT (adj.)	5.1	6.2	4.8				29%	21.5
EPS (reported)	0.01	0.01	0.01				3%	0.04
Revenue growth-%	9.7 %	5.4 %	11.9 %				-6.5 pp	11.5 %
EBIT-% (adj.)	27.9 %	32.1 %	23.5 %				8.6 pp	27.8 %

Lähde: Inderes

Watch the interview with the CEO:

A slight softening in the growth outlook

The guidance was reiterated, but with a slight softening of the outlook

Tecnotree reiterated its guidance of 7-15% net sales growth and 10-20% EBIT growth, although significant pressure from cost inflation and margin erosion is expected in the second half of the year. The latter part of the outlook was updated and portends a challenging rest of the year. In the early part of the year, the company's guidance seemed cautious in terms of both growth and EBIT. However, the company's order flow has started to decline in H1 and, according to the company, some of its customers have postponed investment decisions related to major technology transitions. With slower-than-expected growth and a slowdown in order intake, we have cut our net sales estimates for the coming years by 5-6%. The company has also said that it will gradually move towards a more continuous billing business model (ARR), which generates recurring revenue over time. In the short term, this will have a negative impact on net sales as there will be fewer significant one-off items from licenses. In the longer term, however, we are positive about the move, as we estimate that it would even out the quarterly differences in net sales, earnings and cash flows.

Estimates for 2023-2024

We now expect Tecnotree's net sales to grow by 8% to EUR 77 million this year. Our estimate is therefore slightly below the mid-point of the guidance range. This year's growth will be supported by the company's continued strong order book and the estimated EUR 5 million growth in AI-related revenue through the CognitiveScale acquisition. At the same time, however, the order flow has calmed down from the levels of recent years, and if the trend continues, this will at some point start to slow down growth. In addition to the Q2 revenue miss, we have also slightly cut our growth forecasts for the rest of the year. We expect Tecnotree's EBIT to grow to EUR 21.5 million, which would correspond to an EBIT margin of 27.8%. This is at the mid-point of the guidance range.

In 2024, we expect revenue to grow by 8% and EBIT to increase to EUR 24.9 million (29.9% y-o-y). At this point, we expect profitability to be supported by the scaling of the cost structure from revenue growth, a general easing of cost inflation and cost savings from the savings program.

A vigorous investment period ahead

Tecnotree also disclosed its growth strategy and investment intentions in its investment presentation. In the medium term, how the company allocates the EUR 43 million raised from convertible bonds will be critical to its investment story.

Investment in business expansion will be key, with a particular focus on geographical expansion (especially in developed markets such as North America and Europe) and new customer acquisition. Inorganic growth is also part of the toolbox, and the company is looking for potential targets to expand geographically or acquire technology that complements its own product portfolio.

The company also plans to significantly increase its investment in product development, where in particular bringing artificial intelligence to play a more integral role in the company's product portfolio will be key. The company will also need to make further investments to deliver its current order book.

The company also intends to repay the debt it inherited from the CognitiveScale arrangement (~4 MEUR remaining). We think this is reasonable as we understand that the interest rate on this debt is quite high.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	81.7	77.3	-5%	88.2	83.2	-6%	95.6	90.0	-6%
EBITDA	25.9	25.1	-3%	32.6	31.4	-4%	35.4	35.1	-1%
EBIT (exc. NRIs)	22.0	21.5	-2%	26.1	24.9	-5%	27.7	26.3	-5%
EBIT	22.0	21.5	-2%	26.1	24.9	-5%	27.7	26.3	-5%
PTP	18.8	17.1	-9%	24.0	22.8	-5%	26.7	24.3	-9%
EPS (excl. NRIs)	0.04	0.04	-5%	0.06	0.05	-5%	0.07	0.06	-9%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation

Valuation is neutral with cash flow multiples

Tecnotree's 43 MEUR convertible bond arrangement changed the valuation profile of the stock, and we have now factored it into our estimates. For the period 2023-2025, we have treated convertible bonds as a liability. The conversion of the bonds into shares will take place between 2026 and 2028, but we have assumed full conversion in 2026. We have not included warrants in our estimates at the current price level. If the share price were to rise above the level required by the subscription price of the warrants (EUR 0.90), the dilution caused by them should be taken into account in the valuation.

Based on our estimates, Tecnotree's P/E ratios for 2023 and 2024 are 11x and 9x while the corresponding EV/EBIT ratios are 7x and 5x. In our view, the earnings-based multiples are low for a growth company like Tecnotree. If the stock were to be fully diluted immediately, the company's P/E ratio for the current year would be 15x (see sidebar for an auxiliary table). Taking full account of warrants, the P/E ratio would be 16x. The multiples show well the effect of dilution and thus much of the valuation depends on how the company manages to allocate the capital raised.

Another problem with the earnings multiples is the quality of the result, as the result reported through the highly working capital-intensive business model and increased capitalization of product development costs gives too rosy a picture of the company's operational performance. As free cash flow is chronically below the earnings level, we believe that the use of cash flow-based multiples is highly justified. However, cash flow is more volatile than earnings, which creates its own challenges for the use of multiples. For the current year, we forecast the EV/FCF multiple to be at a very high level (60x). Next year the ratio is much more moderate and falls to 14x (calculated with 2023 EV). This is already a relatively moderate level given that the company is still very much in the investment phase. However, there is uncertainty about investment levels in the coming years. In our longer-term projections for 2025 and 2026, cash flow is starting to normalize, and the company is already generating quite good cash flow. The cash flow ratios for 2025-2026 are low at 11x and 10x (calculated with 2023 EV).

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

Our DCF model give the stock a value of EUR 0.62, which would indicate clear upside potential for the stock. In the case of Tecnotree, the DCF model should consider that there is considerable uncertainty in the cash flow projections, especially regarding the projections of working capital commitment and investment levels. Thus, we believe that relying entirely on the DCF model for valuation isn't justified at this stage. However, the model also reflects the potential of Tecnotree's stock if the company's cash flow profile improves in the future.

Risk/return ratio leans to the positive side

The key to Tecnotree's investment story is how the company succeeds in its growth investments in the coming years. We are positive about the company's ambition to grow outside emerging markets, as this could have a risk-mitigating effect through a better cash flow profile. We also believe that the current market offers the company good opportunities for value-creating acquisitions. This brings the risk/return ratio to the positive side at current valuation.

Valuation	2023e	2024e	2025e
Share price	0.48	0.48	0.48
Number of shares, millions	312.0	312.0	312.0
Market cap	150	150	150
EV	144	135	124
P/E (adj.)	11.4	8.8	8.1
P/E	11.4	8.8	8.1
P/FCF	62.5	14.4	11.5
P/B	1.1	1.0	0.9
P/S	1.9	1.8	1.7
EV/Sales	1.9	1.6	1.4
EV/EBITDA	5.7	4.3	3.5
EV/EBIT (adj.)	6.7	5.4	4.7
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation if the dilution of convertible bonds would be fully taken into account immediately:

Valuation with full dilution and no warrants

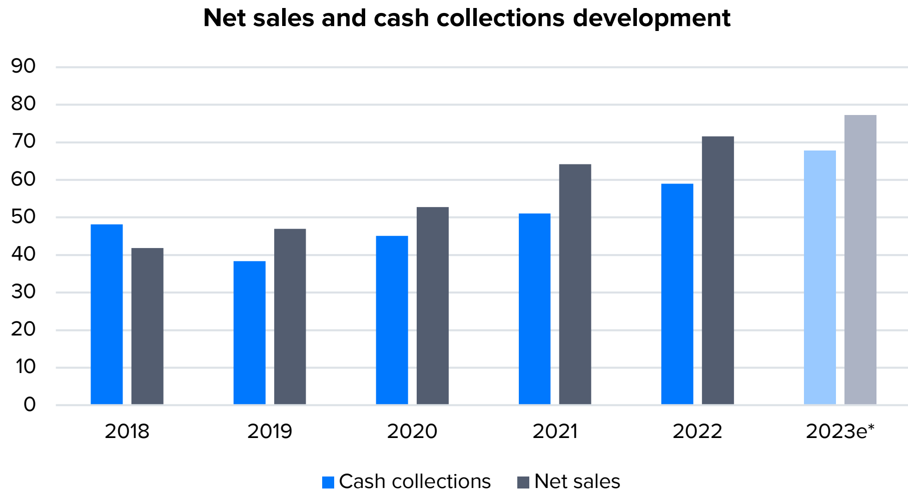
Valuation	2023e	2024e	2025e	2026e
EPS*	0,033	0,042	0,045	0,048
P/E (adj.)	14,8	11,5	10,6	10,1
P/FCF	109,8	18,8	14,6	13,1

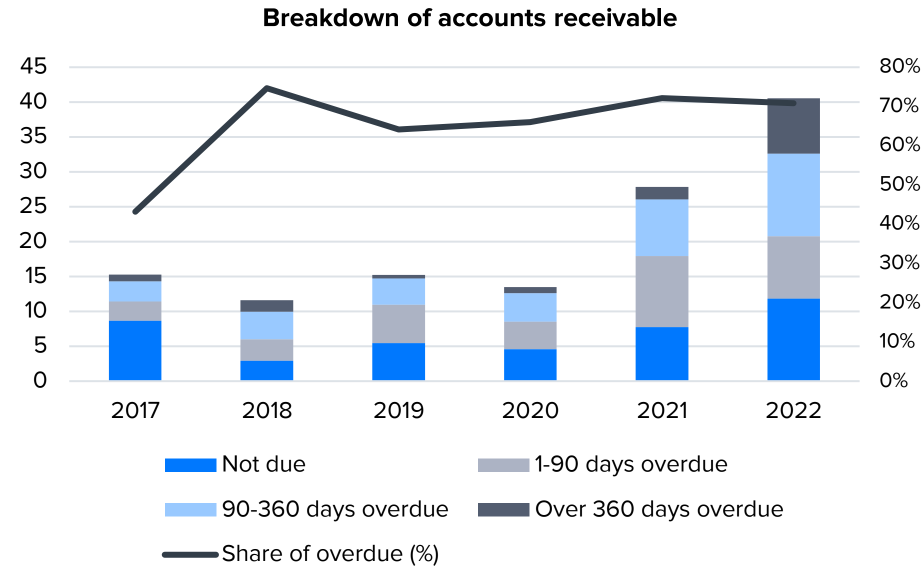
Valuation with full dilution and full warrants

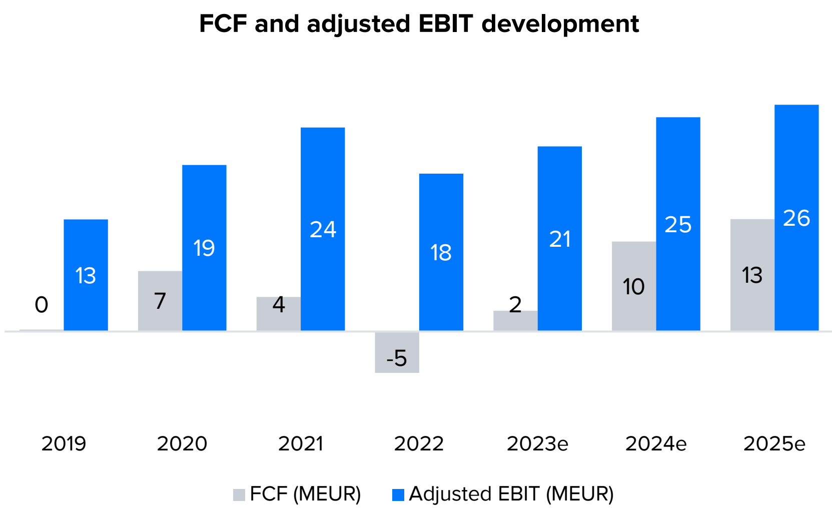
Valuation	2023e	2024e	2025e	2026e
EPS*	0,029	0,038	0,041	0,043
P/E (adj.)	16,4	12,7	11,7	11,2
P/FCF	121,4	20,8	16,2	14,5

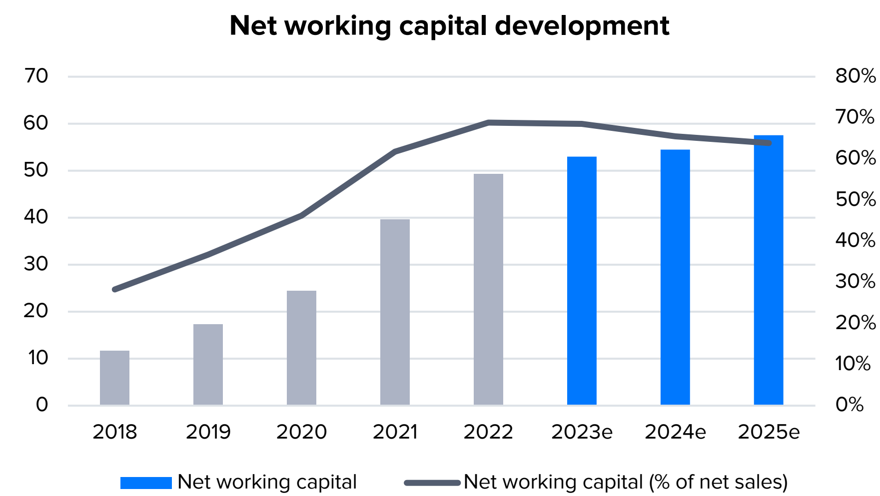
NB! A 5% discount is assumed in the conversion from current share price.

Development of key figures





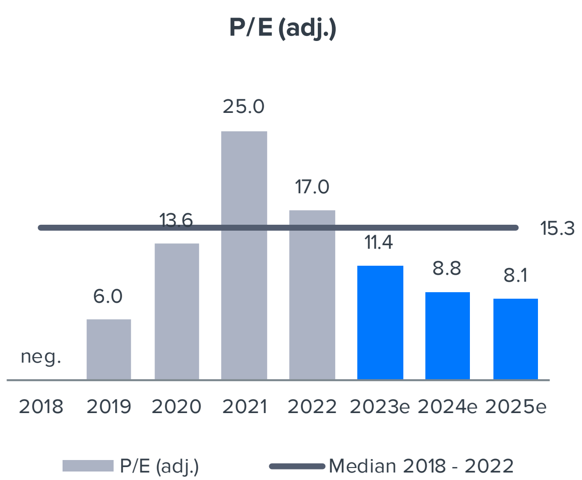


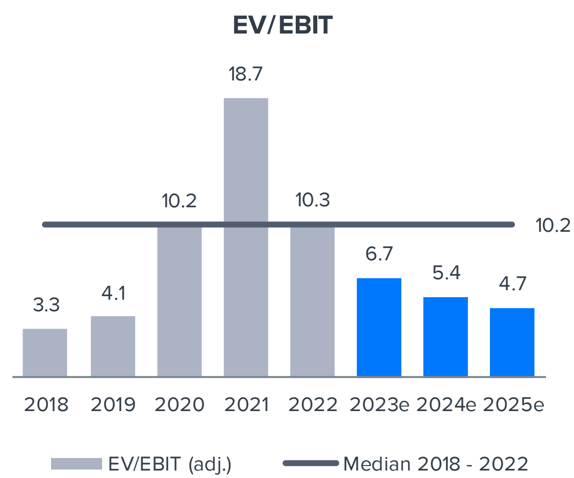


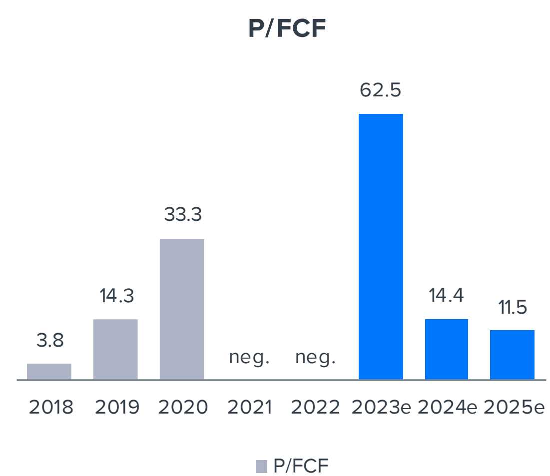
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.05	0.17	0.70	1.47	0.63	**0.48**	**0.48**	**0.48**	**0.48**
Number of shares, millions	136.6	235.3	274.6	313.2	311.0	**312.0**	**312.0**	**312.0**	**406.1**
Market cap	6.8	40	192	460	196	**150**	**150**	**150**	**196**
EV	19	53	198	443	189	**144**	**135**	**124**	**112**
P/E (adj.)	neg.	6.0	13.6	25.0	17.0	**11.4**	**8.8**	**8.1**	**10.1**
P/E	neg.	5.2	14.2	25.0	17.0	**11.4**	**8.8**	**8.1**	**10.1**
P/FCF	3.8	14.3	33.3	neg.	neg.	**62.5**	**14.4**	**11.5**	**13.0**
P/B	neg.	11.7	9.7	6.8	2.4	**1.1**	**1.0**	**0.9**	**1.0**
P/S	0.2	0.9	3.6	7.2	2.7	**1.9**	**1.8**	**1.7**	**2.1**
EV/Sales	0.5	1.1	3.7	6.9	2.6	**1.9**	**1.6**	**1.4**	**1.2**
EV/EBITDA	3.3	3.4	9.7	17.5	9.5	**5.7**	**4.3**	**3.5**	**3.0**
EV/EBIT (adj.)	3.3	4.1	10.2	18.7	10.3	**6.7**	**5.4**	**4.7**	**4.1**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

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**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Amdocs Ltd	9781	9627	12.2	11.3	10.1	9.3	2.2	2.0	15.0	13.5	1.9	2.0	3.0
CSG Systems International Inc	1730	1980	11.8	11.0	9.0	8.6	2.0	1.9	17.0	15.7	1.9	2.0	
Comarch SA	324	248	9.3	8.4	5.1	4.8	0.6	0.5	14.2	13.1	2.7	3.7	0.9
Sterlite Technologies Ltd	650	1013	16.2	14.1	10.3	8.8	1.3	1.3	37.4	17.1	0.7	2.1	2.8
Cerillion PLC	406	382	23.6	20.7	20.4	18.0	8.6	7.6	30.0	26.6	0.9	1.0	10.2
Tecnotree (Inderes)	**150**	**144**	**6.7**	**5.4**	**5.7**	**4.3**	**1.9**	**1.6**	**11.4**	**8.8**	**0.0**	**0.0**	**1.1**
Average			**14.6**	**13.1**	**11.0**	**9.9**	**2.9**	**2.6**	**22.7**	**17.2**	**1.6**	**2.2**	**4.2**
Median			**12.2**	**11.3**	**10.1**	**8.8**	**2.0**	**1.9**	**17.0**	**15.7**	**1.9**	**2.0**	**2.9**
Diff-% to median			***-45%***	***-52%***	***-43%***	***-51%***	***-6%***	***-15%***	***-33%***	***-44%***	***-100%***	***-100%***	***-62%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**64.2**	**13.3**	**18.3**	**19.9**	**20.1**	**71.6**	**15.5**	**19.3**	**21.1**	**21.4**	**77.3**	**83.2**	**90.0**	**94.5**
EBITDA	**25.3**	**3.0**	**6.0**	**4.2**	**6.6**	**19.8**	**4.2**	**6.9**	**7.0**	**7.0**	**25.1**	**31.4**	**35.1**	**37.3**
Depreciation	-1.6	-1.0	-0.9	0.9	-0.5	-1.5	-0.6	-0.7	-1.1	-1.2	-3.6	-6.5	-8.8	-9.7
EBIT (excl. NRI)	**23.7**	**2.0**	**5.1**	**5.0**	**6.1**	**18.3**	**3.6**	**6.2**	**5.9**	**5.8**	**21.5**	**24.9**	**26.3**	**27.5**
EBIT	**23.7**	**2.0**	**5.1**	**5.0**	**6.1**	**18.3**	**3.6**	**6.2**	**5.9**	**5.8**	**21.5**	**24.9**	**26.3**	**27.5**
Group	23.7	2.0	5.1	5.0	6.1	18.3	3.6	6.2	5.9	5.8	21.5	24.9	26.3	27.5
Net financial items	-2.2	-0.4	0.7	0.0	-1.4	-1.1	-1.0	-1.9	-0.8	-0.7	-4.4	-2.1	-2.0	-2.0
PTP	**21.5**	**1.6**	**5.9**	**5.1**	**4.7**	**17.2**	**2.7**	**4.3**	**5.1**	**5.1**	**17.1**	**22.8**	**24.3**	**25.5**
Taxes	-3.1	-0.6	-1.9	-1.7	-1.5	-5.7	-0.9	-0.5	-1.3	-1.3	-4.0	-5.7	-5.8	-6.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**18.4**	**1.0**	**4.0**	**3.4**	**3.2**	**11.6**	**1.8**	**3.8**	**3.9**	**3.8**	**13.2**	**17.1**	**18.5**	**19.4**
EPS (adj.)	**0.06**	**0.00**	**0.01**	**0.01**	**0.01**	**0.04**	**0.01**	**0.01**	**0.01**	**0.01**	**0.04**	**0.05**	**0.06**	**0.05**
EPS (rep.)	**0.06**	**0.00**	**0.01**	**0.01**	**0.01**	**0.04**	**0.01**	**0.01**	**0.01**	**0.01**	**0.04**	**0.05**	**0.06**	**0.05**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	21.6 %	18.6 %	9.7 %	9.3 %	11.0 %	11.5 %	17.0 %	5.4 %	6.0 %	6.4 %	8.0 %	7.6 %	8.2 %	5.0 %
Adjusted EBIT growth-%	22.7 %	-34.2 %	-32.4 %	-28.9 %	3.2 %	-22.7 %	77.5 %	21.1 %	16.8 %	-5.4 %	17.3 %	15.7 %	5.8 %	4.7 %
EBITDA-%	39.4 %	22.5 %	32.9 %	20.9 %	33.0 %	27.7 %	27.2 %	35.6 %	33.2 %	32.7 %	32.4 %	37.7 %	38.9 %	39.4 %
Adjusted EBIT-%	36.9 %	15.4 %	27.9 %	25.4 %	30.4 %	25.6 %	23.3 %	32.0 %	28.0 %	27.0 %	27.8 %	29.9 %	29.2 %	29.1 %
Net earnings-%	28.7 %	7.8 %	21.8 %	16.8 %	15.7 %	16.1 %	11.3 %	19.4 %	18.3 %	17.8 %	17.0 %	20.5 %	20.5 %	20.5 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**13.1**	**26.4**	**36.5**	**43.2**	**47.1**
Goodwill	0.0	5.7	5.7	5.7	5.7
Intangible assets	9.9	17.9	27.8	34.4	38.3
Tangible assets	0.4	0.4	0.6	0.7	0.7
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	2.2	1.8	1.8	1.8	1.8
Deferred tax assets	0.6	0.6	0.6	0.6	0.6
Current assets	**66.2**	**77.4**	**124**	**131**	**144**
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	48.6	65.1	69.2	70.7	74.2
Cash and equivalents	17.6	12.3	55.1	60.5	70.0
Balance sheet total	**79.3**	**104**	**161**	**174**	**191**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**67.7**	**80.1**	**136**	**153**	**172**
Share capital	1.3	1.3	1.3	1.3	1.3
Retained earnings	37.1	49.5	62.6	79.7	98.2
Hybrid bonds	0.0	0.0	43.1	43.1	43.1
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	**2.7**	**5.5**	**3.7**	**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
Long term debt	0.0	2.4	1.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.7	3.1	2.7	2.7	2.7
Current liabilities	**8.9**	**18.2**	**20.7**	**18.2**	**16.7**
Short term debt	0.1	2.5	4.5	2.0	0.0
Payables	8.9	15.8	16.2	16.2	16.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**79.3**	**104**	**161**	**174**	**191**

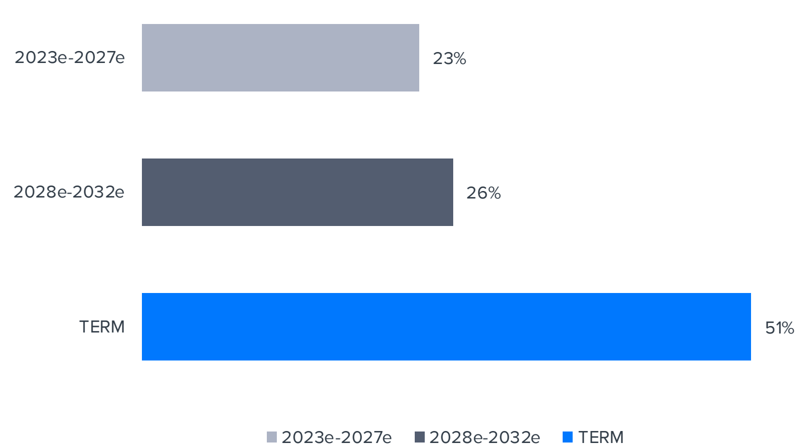
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	11.5 %	8.0 %	7.6 %	8.2 %	5.0 %	4.5 %	4.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	25.6 %	27.8 %	29.9 %	29.2 %	29.1 %	28.2 %	28.0 %	27.5 %	27.0 %	27.0 %	27.0 %	27.0 %
EBIT (operating profit)	**18.3**	**21.5**	**24.9**	**26.3**	**27.5**	**27.9**	**28.8**	**29.1**	**29.4**	**30.3**	**30.9**	
+ Depreciation	1.5	3.6	6.5	8.8	9.7	10.4	10.8	11.2	11.5	11.8	12.0	
- Paid taxes	-5.7	-4.0	-5.7	-5.8	-6.1	-5.9	-5.9	-6.0	-6.0	-6.2	-6.4	
- Tax, financial expenses	-0.2	-1.0	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4	-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	-9.6	-3.6	-1.6	-3.0	-3.4	-2.3	-1.5	-0.9	-1.4	-1.4	-1.4	
Operating cash flow	**4.4**	**16.5**	**23.6**	**25.7**	**27.2**	**29.6**	**31.8**	**33.0**	**33.0**	**34.0**	**34.7**	
+ Change in other long-term liabilities	0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-14.8	-13.7	-13.2	-12.7	-12.2	-12.2	-12.2	-12.4	-12.6	-12.7	-12.7	
Free operating cash flow	**-10.0**	**2.4**	**10.4**	**13.0**	**15.0**	**17.4**	**19.6**	**20.6**	**20.4**	**21.3**	**22.0**	
+/- Other	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.9	2.4	10.4	13.0	15.0	17.4	19.6	20.6	20.4	21.3	22.0	252
Discounted FCFF		**2.3**	**9.0**	**10.2**	**10.6**	**11.0**	**11.2**	**10.6**	**9.5**	**8.9**	**8.3**	**94.8**
Sum of FCFF present value		186	184	175	165	154	143	132	121	112	103	94.8
Enterprise value DCF		**186**										
- Interest bearing debt		-4.9										
+ Cash and cash equivalents		12.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**194**										
Equity value DCF per share		**0.62**										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	3.0 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	**10.9 %**
Weighted average cost of capital (WACC)	**10.9 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	52.8	64.2	71.6	**77.3**	**83.2**
EBITDA	20.3	25.3	19.8	**25.1**	**31.4**
EBIT	18.6	23.7	18.3	**21.5**	**24.9**
PTP	15.9	21.5	17.2	**17.1**	**22.8**
Net Income	13.6	18.4	11.6	**13.2**	**17.1**
Extraordinary items	-0.7	0.0	0.0	**0.0**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	50.6	79.3	103.8	**160.8**	**174.4**
Equity capital	19.9	67.7	80.1	**136.4**	**153.4**
Goodwill	0.0	0.0	5.7	**5.7**	**5.7**
Net debt	5.4	-17.6	-7.5	**-6.5**	**-15.4**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	20.3	25.3	19.8	**25.1**	**31.4**
Change in working capital	-8.1	-15.5	-9.6	**-3.6**	**-1.6**
Operating cash flow	12.9	6.3	4.4	**16.5**	**23.6**
CAPEX	-3.6	-7.3	-14.8	**-13.7**	**-13.2**
Free cash flow	5.8	-4.7	-4.9	**2.4**	**10.4**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	3.7	6.9	2.6	**1.9**	**1.6**
EV/EBITDA (adj.)	9.7	17.5	9.5	**5.7**	**4.3**
EV/EBIT (adj.)	10.2	18.7	10.3	**6.7**	**5.4**
P/E (adj.)	13.6	25.0	17.0	**11.4**	**8.8**
P/B	9.7	6.8	2.4	**1.1**	**1.0**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.05	0.06	0.04	**0.04**	**0.05**
EPS (adj.)	0.05	0.06	0.04	**0.04**	**0.05**
OCF / share	0.05	0.02	0.01	**0.05**	**0.08**
FCF / share	0.02	-0.01	-0.02	**0.01**	**0.03**
Book value / share	0.07	0.22	0.26	**0.44**	**0.49**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	12%	22%	12%	**8%**	**8%**
EBITDA growth-%	32%	24%	-22%	**27%**	**25%**
EBIT (adj.) growth-%	48%	23%	-23%	**17%**	**16%**
EPS (adj.) growth-%	82%	14%	-37%	**14%**	**30%**
EBITDA-%	38.5 %	39.4 %	27.7 %	**32.4 %**	**37.7 %**
EBIT (adj.)-%	36.6 %	36.9 %	25.6 %	**27.8 %**	**29.9 %**
EBIT-%	35.2 %	36.9 %	25.6 %	**27.8 %**	**29.9 %**
ROE-%	116.2 %	42.0 %	15.6 %	**12.2 %**	**11.8 %**
ROI-%	73.1 %	46.8 %	24.0 %	**18.9 %**	**16.7 %**
Equity ratio	39.3 %	85.4 %	77.1 %	**84.8 %**	**88.0 %**
Gearing	27.1 %	-25.9 %	-9.3 %	**-36.4 %**	**-38.1 %**

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Date	Recommendation	Target	Share price
3/30/2021	Buy	0.68 €	0.56 €
4/30/2021	Buy	0.92 €	0.77 €
5/31/2021	Buy	1.00 €	0.86 €
8/13/2021	Accumulate	1.54 €	1.39 €
10/12/2021	Buy	1.54 €	1.14 €
11/1/2021	Accumulate	1.70 €	1.52 €
12/3/2021	Buy	1.70 €	1.29 €
2/28/2022	Buy	1.50 €	1.21 €
5/2/2022	Buy	1.10 €	0.92 €
Analyst changed			
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 €

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