LeadDesk

Company report

June 2020

Towards scalable growth

We reiterate our accumulate recommendation for LeadDesk and revise the target price to EUR 11.50 (previously EUR 9.0). In our estimate, LeadDesk's investment case has progressed to a phase that is attractive from an investor's perspective. In this phase, the company's investments in international business and product development will start to pay off in the form of expanding market potential and scalable growth. We expect the growth of LeadDesk's operating result to reach approximately 40% annually. Relative to this expectation, the current valuation of the share is still reasonable.

Leading Nordic provider of SaaS-based contact centre software

LeadDesk is the leading Nordic company in its area of specialisation, which is high-volume contact centre software solutions offered in the form of a cloud service. The company has offices in 7 countries and the software is used by more than 700 customer companies. The competitive advantages of the company's solution include rapid and very cost-efficient deployment, a high level of scalability, reliability, ease of integration and configuration as well as a competitive pricing model. LeadDesk is highly competitive against the SaaS competitors in its own core target group and in particular against conventional software companies. The company has already commercialised its cloud service and proven its competitiveness in Finland and expanded its business operations to reach a profitable scale in five international markets (which now account for more than 50% of total revenue), which proves that the company's internationalisation strategy works.

Excellent industry growth outlook, consolidation has begun

The global market for cloud-based contact centre software is growing at an annual rate of approximately 24%. The growth of the market is supported by the industry's rapid transition to cloud-based solutions. Research indicates that traditional software solutions are still used in as many as two-thirds of the industry's workstations. The popularity of cloud solutions is driven by their flexibility, better user experience, efficiency and lower threshold and costs of deployment. We also expect that the COVID-19 crisis will accelerate the industry's transition to cloud services. The contact centre software market typically requires strong local market insight and presence and the threshold for market entry has traditionally been low, which has led to the fragmentation of the industry. The growing use of the SaaS model and the significant advantages of scale that it offers have nevertheless started a consolidation of market shares and companies in the market, and LeadDesk aims to lead the development of its industry with the help of its pioneering role and strong balance sheet.

Valuation remains reasonable considering the strong potential for profit growth

We predict that, driven by the company's international businesses, LeadDesk's comparable revenue growth in 2019–2022 will be approximately 16% on average, while EBITDA will grow by 30% and EBIT by approximately 40% per year. Based on several different valuation methods, we set the target price of LeadDesk's share at EUR 11.50, which corresponds to an EV/S multiple of approximately 3x and an EV/EBIT multiple of 34x for 2021. This means that the earnings-based valuation of the share remains very challenging but, in our view, the valuation is justifiable in light of the strong outlook of profit growth and the predictability of the business model, which relies on recurring revenue. While the company's risk level has been substantially lowered by the divestments carried out in 2019 and the strong growth of its international operations, we note that investors must still take on risks associated with the company's small scale, the industry's development stage and competitive dynamics and the sustainability of the valuation levels in the sector.

Analysts

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Recommendation and target price

Accumulate
(prev. Accumulate)

EUR 11.50
(prev. EUR 9.00)

Share price: EUR 10.70
Potential: 7.5%

Key figures

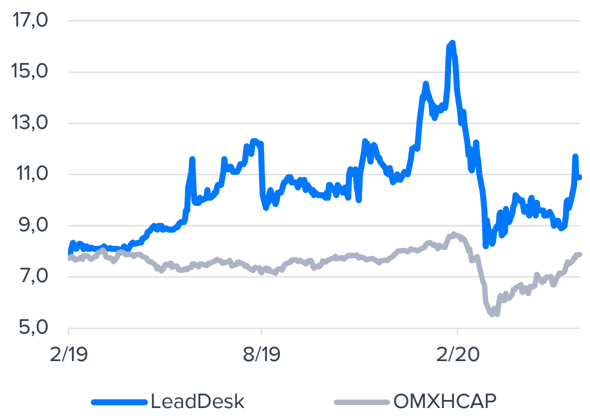
	2019	2020e	2021e	2022e
Revenue *	10.7	12.3	14.3	16.7
growth %	14%	15%	17%	17%
EBITDA adj. *	1.5	1.8	2.4	3.1
- EBITDA % adj.	14.3%	14.7%	16.5%	18.3%
Net income	0.8	0.7	1.2	1.8
EPS (adj.)	0.05	0.14	0.26	0.36

P/E (adj.)	>100	74.2	40.9	29.5
P/B	6.7	6.1	5.3	4.7
Dividend yield, %	0.0%	0.0%	0.5%	0.9%
EV/EBIT (adj.)	65.9	58.6	34.2	23.0
EV/EBITDA	25.6	24.1	18.0	14.1
EV/Revenue	3.7	3.6	3.0	2.6

Source: Inderes

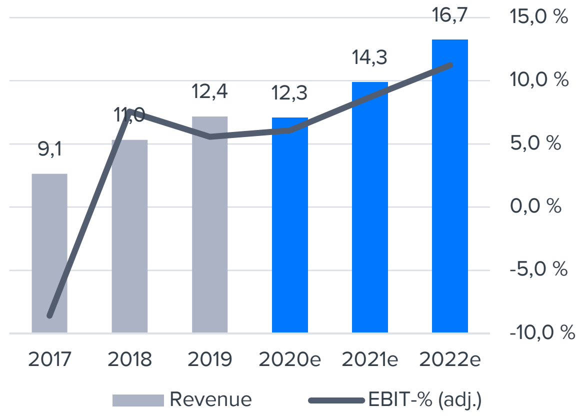
* Continuing operations

Share price



Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

Earnings per share and dividend

Source: Inderes

MCAP
50
MEUR

EV
44
MEUR

EV/S
3.0
2021e

EV/EBIT (adj.)
34
2021e

Value drivers

- Strongly growing target markets and significant market potential
- Strong competitive position compared to smallest and local operators in the target markets
- Scalable business model and cost structure
- Expansion of customer accounts into new solutions and added value services
- New market areas
- Mergers and acquisitions

Risk factors

- Limited visibility to success in sales to new customers
- Changes in the competitive situation
- Technology and information security risks
- Mergers and acquisitions and new markets
- The COVID-19 crisis and cyclical fluctuations may increase customer turnover

Valuation

- There is upside potential in the valuation based on the valuations indicated by the reference groups we have used (SaaS companies, Nordic software and IT companies, DCF, industry peers)
- Strong profit growth will quickly push down the multiples
- The turnover of the share is weak, which increases the required return

Contents

LeadDesk in brief

LeadDesk offers a SaaS software solution designed for the needs of high-volume customer service and sales organisations. The company has offices in Finland, Sweden, Norway, Denmark, Germany, the Netherlands and Spain.

2010
Start of operations

>700 / 7
Customers / operating countries

12.4 / 10.7 MEUR **(+13 % vs 2018)**
Revenue / Revenue from continuing operations, 2019

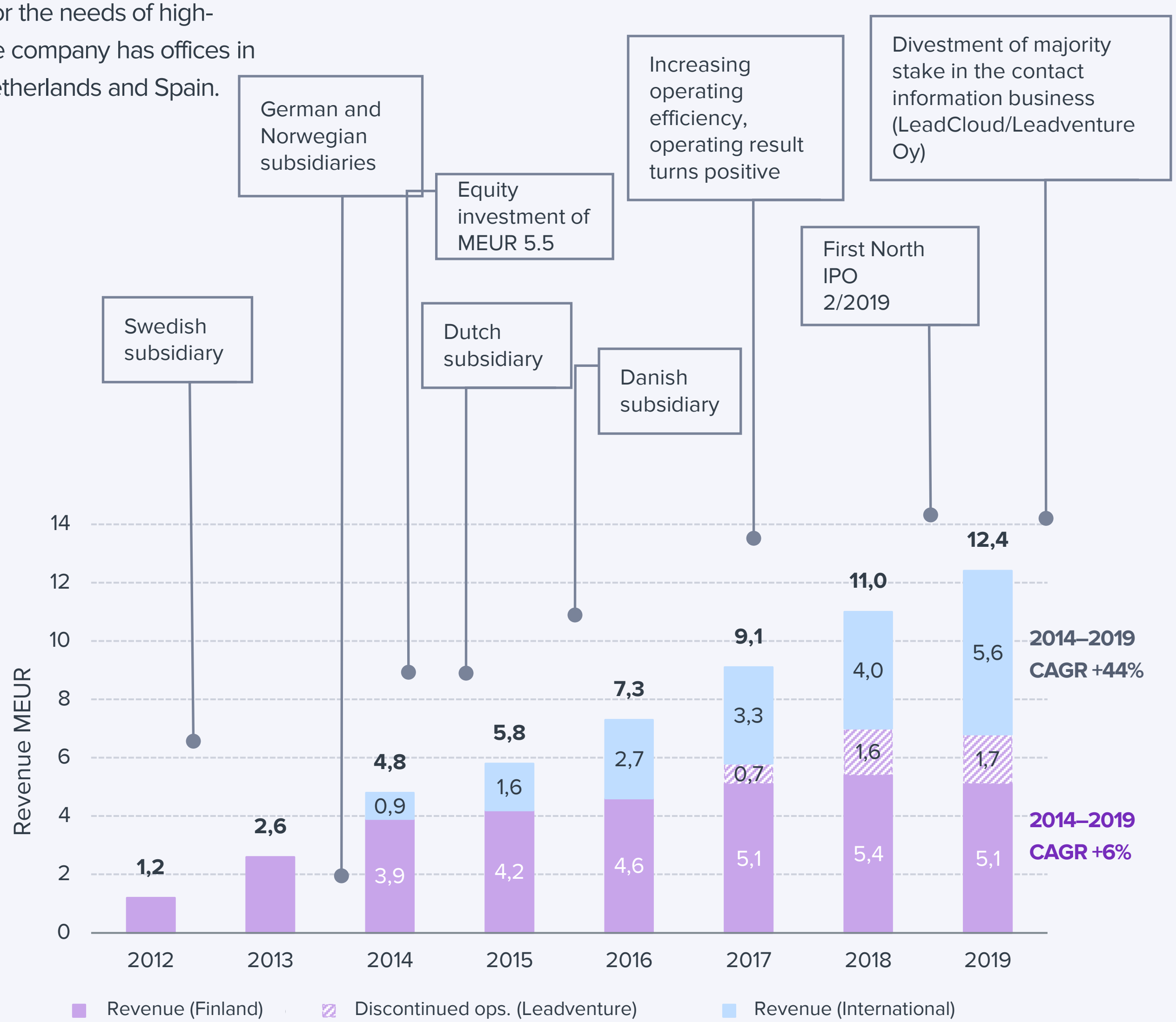
+40% **2012–2019**
Average revenue growth

1.9 / 0.7 MEUR **(15.3% / 5.5% of revenue)**
EBITDA adj. / EBIT adj. 2019

82
Number of employees at the end of 2019

approx. 77% *
Share of revenue of continuing operations represented by recurring revenue in 2019 *

52%
Share of revenue of continuing operations represented by international revenue in 2019



Source: LeadDesk / Inderes
* Recurring revenue from LeadDesk cloud services (incl. Telecom services)

Company description and business model 1/5

Company description

Background and history of LeadDesk

LeadDesk offers a cloud-based contact centre software for high-volume sales and customer service needs. The company was established in 2009 and its operations began in 2010. The founders are former management consultants who recognised a growth opportunity arising in the market with the transition of contact centre software to the cloud. The start was aptly timed, as technology only began to mature adequately in LeadDesk's industry towards the turn of the 2010s to allow the start of the transition of software to the cloud era.

Following rapid growth after the company was established, the entrepreneurs assigned the responsibility for LeadDesk's operational management to an executive team restructured in 2013, at which time the company's current CEO Olli Nokso-Koivisto took up his post. The strong internationalisation of the company began in 2013 after the competitiveness of the product had been proven in the Finnish market. The remote sales model attempted initially did not, however, work as expected in international expansion, and therefore the strategy of international growth was revised towards a local presence and sales model. In 2013–2014, the company established subsidiaries in Sweden, Norway and Germany.

Following the renewal of the operating model, business in the new markets began to see growth in line with the company's expectations and, once an adequate track record of success in internationalisation had been achieved, the company raised MEUR 5.5 in financing from Dawn Capital, a venture fund focusing on SaaS companies, and Tesi (Finnish Industry Investment Ltd) in 2015. With the help of this funding, LeadDesk began to aggressively accelerate its international growth, and the strategic growth investments pushed the company's result clearly into negative territory (EBITDA 2015–2016: -20–30%). In 2015–2016, the company established offices in the Netherlands and Denmark and invested in the background infrastructure of the software to enhance the scalability of the solution.

In 2017, LeadDesk began the strategic transition from a loss-making start-up into a profitable growth company and started to enhance the efficiency of its operations. The company cut down its most aggressive growth investments and increased its operating efficiency, which slowed down the revenue growth rate to 10–20%, while profitability rose quickly and returned into positive territory by a clear margin (2018–2019 adj. EBITDA % >15%). In our estimate, the international markets that the company entered in 2013–2016 have now reached a level of volume where the operations in question are profitable and cash flow positive. With this in mind, LeadDesk can be considered to already have a good track record of successful internationalisation in terms of both growth and profitability. LeadDesk continued its international expansion in 2019 by establishing a subsidiary in the Spanish market.

LeadDesk today

LeadDesk reports that it is currently the leading provider of high-volume cloud sales and customer service software in the Nordic countries. LeadDesk has companies in seven countries and more than 700 customer companies. The company's revenue from continuing operations amounted to MEUR 10.7 in 2019 and it had 82 employees at the end of the year. We estimate that one-third of the company's employees are outside Finland.

LeadDesk operates under a decentralised organisational model. The company's head office is in Helsinki, Finland, while product development activities are centralised in Lappeenranta, Finland. The sales and customer service personnel work close to the customers in country companies that are relatively independent.

LeadDesk successfully carried out a listing on the First North marketplace in February 2019. The IPO was not an exit for the owners, but rather a tool for the company to implement the next phase of its strategy. The listing provided the company with capital for the next phase of its growth strategy and the ability to use its share as a means of payment in potential mergers and acquisitions as well as in engaging the commitment of its personnel, all of which play a key role in the company's current strategy phase. Moreover, the listing was aimed at strengthening the awareness and credibility of the company among customers and as an employer. The company raised net funds of approximately MEUR 5.2 with the IPO. LeadDesk's largest shareholders are its founders Olli Sirkiä (23%) and Lauri Pukkinen (23%). Other major shareholders include the growth stage funding partners Dawn Capital (>10%), Tesi (Finnish Industry Investment Ltd) (11%) as well as CEO Olli Nokso-Koivisto (6%).

In 2019, the company also took a significant strategic step by selling a majority stake (85%) in Leadventure Oy, which focuses on refining contact information and operates in the Finnish market, to an equity investor. The company generated funds of MEUR 2.1 through the transaction, of which MEUR 1.3 was paid in cash and MEUR 0.8 in shares in the new company. The logic behind the divestment was to strengthen the company's focus and resources on implementing the SaaS growth strategy while also reducing the risk level of its business.

Partners and integration

Operator integration for telecom services

Interfaces with the customer's ERP/CRM systems

Functions

Product development

Support and Customer Success

Administration

Local sales and support

Resources

Proprietary software in the local language

Certifications, industry expertise, customer insight

LeadApp additional functionality

Infrastructure and integrations

Business idea

Intelligent SaaS solution for high-volume sales and customer service.

LeadDesk

- Comprehensive cloud-based SaaS solution for contact centres
- Enables the efficient processing of sales and customer contacts
- Proactive and intelligent call system
- Easy and quick deployment
- High reliability

Sales channels

Online sales/marketing

Direct sales

Competition

Local operators

International operators

Solutions

Outbound sales

Inbound sales

Customer service

Subcontractor management

Cost structure

83 employees (2019)
-11.9 MEUR (2019)

Materials and services *(22% of revenue)*

Personnel costs *(39 %)*

Other operating expenses *(26%)*

Depreciation (10%)

Revenue streams

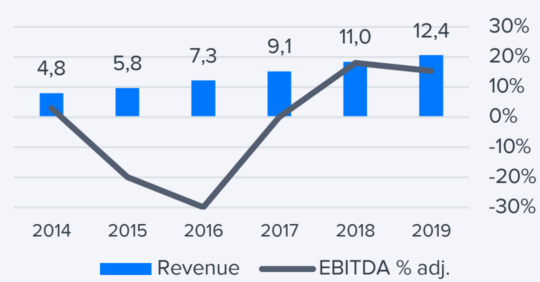
Revenue MEUR 12.4 (2019)
EBITDA adj. 1.9 MEUR

Revenue distribution (continuing operations)

SaaS software revenue **69%**

Telecom services **28%**

Consulting **3%**



Source: Inderes

Company description and business model 2/5

Business model

Product and customers

With LeadDesk's browser-based software, delivered using the Software as a Service (SaaS) model, sales and customer service personnel can work efficiently with regard to contacting customers (in sales) and receiving customer contacts. With the solution, the customer can increase the efficiency of contact centre processes by connecting the right person, channel and solution at the right time. The cloud-based approach provides the customer with flexibility, scalability and cost-savings. The software includes several basic functionalities required by contact centre operations, in addition to which the company develops diverse LeadApp added value applications to complement its offering.

The company's software was originally designed particularly for the needs of outbound sales, but it has been expanded to also cover inbound sales and customer service needs. The software can be deployed quickly and does not require significant customisation or integration, which makes the sales and deployment cycle of LeadDesk considerably lighter and faster compared to many other enterprise software products and competitors. LeadDesk's product can also be integrated e.g. with the most common CRM systems through ready-made interfaces.

The core target group of the solution includes small and medium-sized contact centre companies and organisations' in-house sales and customer teams, typically comprising less than 50 people, that process large volumes of sales and customer service contacts. Contact centre companies often operate with thin margins and under tough competition, and therefore the efficiency of processes, reliability of service and flexibility offered by the software are critical features. Other customer industries include the media, security services, the energy industry, telecommunications, financial services, market research and the public sector. The customers typically operate in a single language region or country, which requires LeadDesk to have a presence close to the customers.

As part of the solution, LeadDesk's customers also receive the required telecom services via the software. In practice, LeadDesk therefore operates as a virtual operator for its customers, and the company is an EU-regulated and registered telecom operator. The service depends on a server network built by the company in ten different locations across Europe. The company purchases wholesale data transfer capacity from operators and resells it as part of the LeadDesk solution to customers. We estimate that the telecom services provide the company with high-margin recurring sales and account for approximately one-third of the company's total revenue.

Sales and customer lifecycle

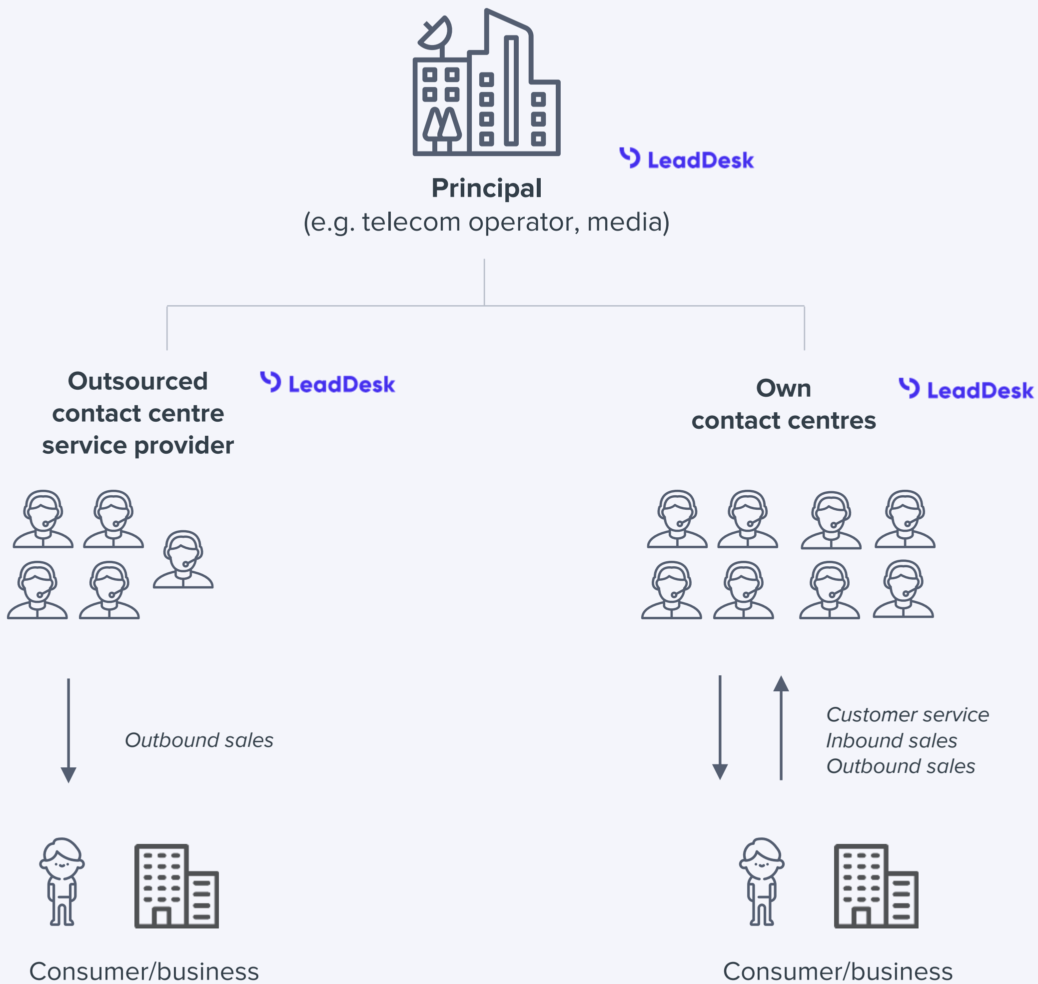
LeadDesk currently operates purely via its own sales organisation. Unlike in the case of many other software solutions, the lightweight solution used in LeadDesk's target market means that no integrator is necessary between the software vendor and the customer. The company reaches customers through its own outbound sales and online sales. The customer's purchase decision is typically made by a supervisor in the user organisation (contact centre) and the customer's IT department is rarely involved in the procurement, which makes the sales and deployment cycle significantly shorter.

In a customer organisation involved in outbound sales, the software is deployed within a few months at the fastest, and earnings-driven sales organisations (outbound) are very often quick to make decisions. Customers can primarily deploy the product themselves, and the specialist services provided by LeadDesk only play a supporting role. When the customer's inbound sales and customer service procures the solution, the deployment is more demanding and the sales process takes longer. Therefore, LeadDesk typically proceeds in its sales via the customer's outbound sales department.

Once the customer has deployed the software, monthly fees based on access points (licences) and the scale of the solution come into effect. The agreements are typically valid for approximately one year at a time. Depending on the agreement, the customer is supported by the customer service function and a customer success team tasked with helping the customer succeed in their business. The fee for LeadDesk's basic level (2–5 licences) "Instant" licence is EUR 89 per access point per month, while the fee for the "Advanced" licence (>5 licences) is EUR 129 per month. However, we estimate that the fees are lower for customers with a high user volume, approximately EUR 70–75 per month per licence. In our estimate, a typical customer pays LeadDesk slightly over EUR 1,200 per month. The obvious strength of the product is its ability to be scaled up from a contact centre with a few people to the needs of large corporations.

LeadDesk's business model

An illustrative example of LeadDesk's solutions in a contact centre ecosystem



LeadDesk

The role of the software	LeadDesk's revenue
Reporting Subcontractor management Customer success Integrations with the customer's systems	Support services included in monthly fees Consultants €/h (minor revenue stream)
Campaign management Shift planning Work prioritisation Intelligent call system	SaaS €/user/month
Multi-channel services and telecommunication connections	Telecommunication services €/volume/month
+LeadApp add-on services	€/user/month

Source: Inderes

Company description and business model 3/5

LeadDesk's growth in existing customers is primarily generated from expansion in the customers' use, i.e. growth in the number of users and the use of telecommunication services as well as expansion into multiple application segments (e.g. customer service). The company also aims to increase the long-term value of its customer accounts through the LeadApp added-value services, which make the use of the solution easier and support its use, but they currently represent only a small share of total revenue.

The company's customer retention is helped by the fact that the solution is typically a very critical part of the customer's business processes. The reliability and efficiency of the service are emphasised as competitive advantages in this case. Moreover, being cloud-based is a key competitive advantage for the company, as customers are primarily transitioning from conventional solutions to purely cloud-based software, where LeadDesk has a good competitive position. The downside of the LeadDesk solution being quick to sell is the rather high turnover of the customer base, as contact centres engaging in outbound sales in particular are often small and have a high natural attrition. In addition, turnover is often higher during the first six months of the customer relationship, when the customers are typically still surveying the suitability of the solution.

Subcontractor network management functionality adds network effects to business

SaaS enterprise software rarely brings network effects typical of platform companies, but in the case of LeadDesk, the business model provides certain network effects, strengthening as the company's market position enhances. This is based on the benefit received by the principal owning the sold product or customer (such as a telecom operator) increasing with the increasing number of its call centre subcontractors using the same software. This way, the principal can monitor and guide outbound sales activities and tender subcontractors easily with LeadDesk. This also provides principals with a strong incentive for activating the subcontractors in their ecosystem to transitioning to using the LeadDesk software. According to our view, this ecosystem emerging around LeadDesk is a clear competitive advantage for the company in the Finnish market and one that helps build a moat around the business model.

Product development

Approximately 20% of the LeadDesk's employees work in product development and we estimate that product development expenses account for some 15% of total revenue (2019).

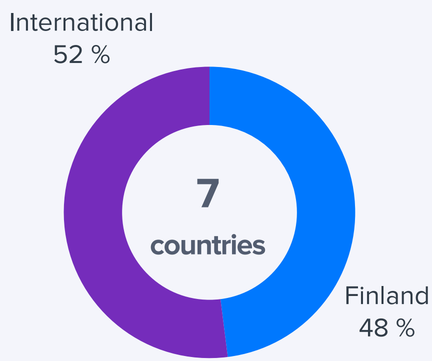
The company's product is mature, competitive and easily replicable to new markets, so we do not estimate the company to have a significant need to accelerate product development investments in the near future, which is positive from an investor's point of view.

Product development is comprised of normal operational minor development, strategic product development to strengthen the competitiveness of the software and tactical product development aiming for new sales in a specific segment or market area, for example.

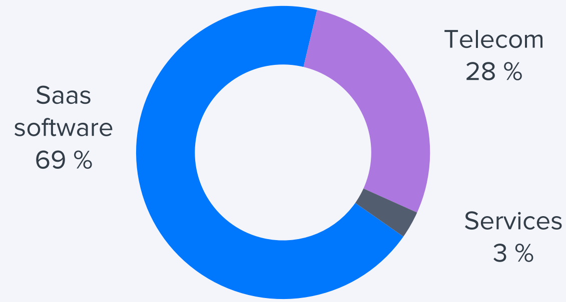
LeadDesk revenue split

Revenue from continuing operations 2019 10.7 MEUR

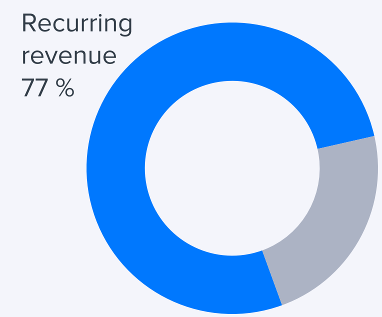
By geography 2019



By revenue type 2019



Recurring revenue 2019 *



* Recurring revenue from LeadDesk cloud services (ARR, 12/2019)

Customer base (LeadDesk cloud services)

Revenue types

SaaS software revenue (recurring)
SaaS software revenue consists of the licence fees for LeadDesk software solutions provided as continuous cloud services.

Telecom services (recurring revenue)
Telecom services revenue consists of usage charges for VoIP traffic through LeadDesk's server network.

Consulting services (non-recurring)
Services that support the deployment and integration of LeadDesk's software solutions

Source: LeadDesk, Inderes

Company description and business model 4/5

Scalability

LeadDesk's SaaS/cloud-based business model is very scalable, as is typical of the software business. This means that when revenue and customer volumes increase to a certain level, the unit costs of almost all cost items begin to decrease in proportion to revenue and accelerate the growth in earnings to outgrow revenue.

Early in the lifecycle of SaaS companies, and especially in the phase of rapid growth, however, the scalability is not yet typically fully reflected in the relative costs and profit development of SaaS companies, which can be attributed to 1) SaaS revenue and cash flow accumulating steadily over time; 2) strong frontloading of investments in growth, service development and maintenance; and 3) existing customer accounts typically growing and expanding slowly over time.

In terms of expense items, the biggest scaling potential of SaaS companies typically relates to sales and marketing expenses and R&D expenditure, but there is also significant potential in the scaling-up of variable operating expenses and administrative expenses. LeadDesk is not significantly different from a typical SaaS company on the whole in terms of scalability.

LeadDesk's materials and services costs have represented approximately 20–30% of the company's revenue in recent years, meaning that the company's sales margin has been approximately 70–80%. According to our estimate, the sales margin on the company's SaaS software revenue has been over 90%, but the sales margin on Telecom services, which depend on external services (telecom operators), has been in the range of 30–50%.

According to our estimate, LeadDesk's sales margin might still have slight scaling potential, with the unit costs of cloud server capacity and telecom services decreasing as volumes grow.

LeadDesk's R&D expenditure has represented approximately 10–20% of the company's total revenue in recent years. LeadDesk currently has a relatively mature product with a commercial track record that can be replicated and expanded internationally. Also, costs relating to product updates scale up strongly with growth in the customer volume, as the SaaS model allows distributing the costs in a predictable manner among all customers. We estimate that R&D expenditure can be kept at approximately 10–20% of total revenue in the next couple of years as well. In the long term, we expect that the company will be able to scale these expenses to approximately 5–10% of total revenue.

In the phase of rapid growth, a limiting factor with regard to the scalability of LeadDesk's business has been, and will remain in the medium term, the coverage of the sales channel and customer acquisition resources; building them will continue to require significant, partly frontloaded investments in e.g. personnel, offices, sales and marketing. We estimate that LeadDesk's sales and marketing expenditure has represented approximately 35–45% of the company's total revenue in recent years and we expect it to remain at a similar level for the next couple of years. In the long term, sales and marketing expenses should also experience significant benefits of scale, with the efficiency of sales gradually increasing, customer support-related services being replicated and the expansion of old customer accounts requiring less sales investments compared to securing new customers. We estimate that in the scale-up phase (2023–), LeadDesk's expenditure on sales could decrease to 25–30% of total revenue.

Visibility and continuity of earnings

The accrual of continuous software services (SaaS) and cloud revenue typically follows growth in sales investments with a slight delay, but due to the visibility of continuous agreements lasting typically for around a year (approx. 80% of total revenue), we consider the recovery of sales investments to only involve minor risks in the case of LeadDesk.

LeadDesk's solutions concern customers' business critical operations, which raises the threshold of discontinuing the use of the service or switching service providers.

In LeadDesk's business model, continuity is partly also provided by the increase in the number of principals using several call centres, which increases the network benefits received by the principals, and growth in the benefits of industry-specific added value services increasing with the increase in the number of customers.

Company description and business model 5/5

SaaS model

LeadDesk is a pure SaaS company

The transition to the cloud era has caused a new deal in several areas of the software industry, and LeadDesk's segment is no exception. In LeadDesk's market, it took until the 2010s for the telecom infrastructure and technology to evolve sufficiently to allow the start of the sector's transformation into the cloud.

LeadDesk is a "cloud-native" company that does not suffer from the burden of on-premise technology, which is an important asset. The transition to the SaaS model has been painful to many software companies due to the changes it requires in areas such as culture, customer and software provider processes as well as technology and revenue recognition.

The SaaS model differs significantly from the conventional single licence model in software sales through the 1) business model (e.g. recurring vs. one-off revenue), 2) software delivery and hosting model (cloud vs local infrastructure), and 3) the company's operational model (e.g. scalability). SaaS companies thereby differ from conventional software companies in terms of their profit, cash flow, and risk profile.

Due to the growth prospects and other benefits of the SaaS model, SaaS companies are typically priced, depending on the development phase, using very different valuation factors compared to conventional software vendors whose business is commonly in a "maintenance mode" generating a strong cash flow.

Popularity of the SaaS model is growing strongly

The share of SaaS-based software solutions has grown strongly in all software segments in recent years. Gartner, for example, estimates that the SaaS software market will grow globally by an average of approximately 15% per year by 2022 and exceed the market growth of conventional single licence software solutions, which is estimated to be only a few per cent. The growth of the SaaS market is driven by the easier deployment of cloud services, increase in the supply and the benefits offered by the SaaS model to the customer and software provider. In LeadDesk's market, the development of the efficiency of the communication infrastructure has been a key facilitating factor for cloud transformation, as high operational reliability and ability to scale up to high volumes are required of the software.

Benefits of the SaaS model from the customer's point of view

- Compared to conventional software solutions, typically lower threshold and cost of deployment, as the software can be deployed using a browser without major start-up investments and integration projects.
- More stable, foreseeable costs of using the software, flexible based on business volume.
- Continuous development and maintenance: SaaS software is maintained and updated centrally by the software provider, which decreases the customer's costs relating to system maintenance and support. The software is always up to date and updated.
- More flexible remote and mobile use.

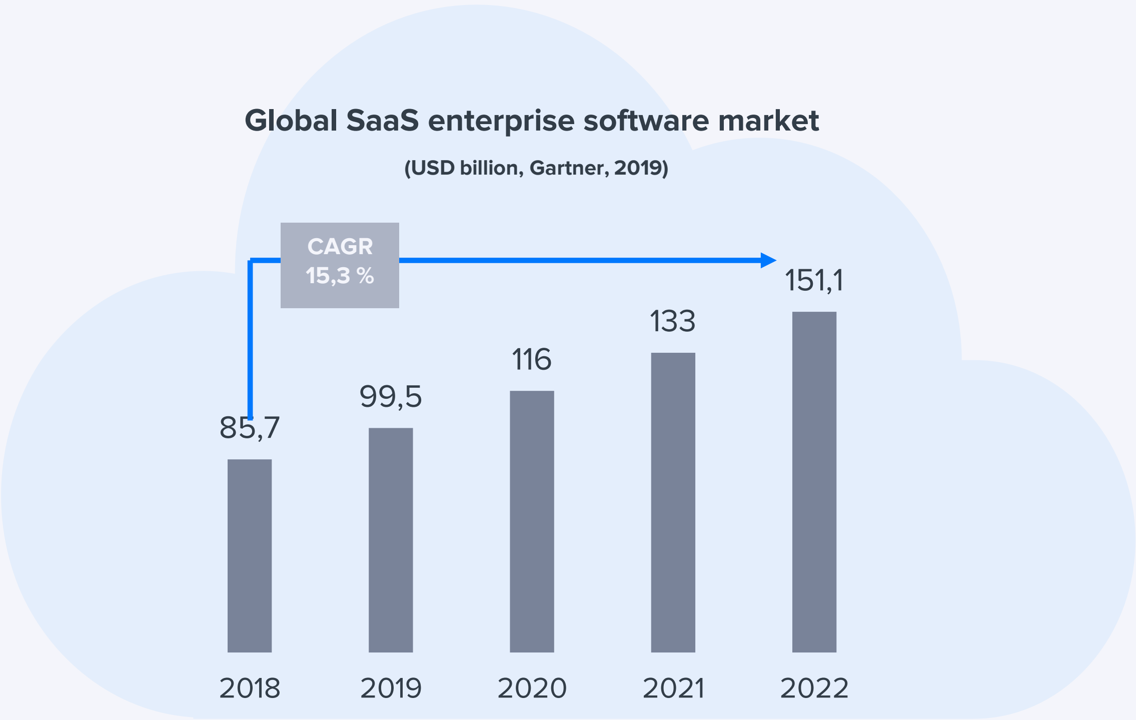
Benefits of the SaaS model to the software provider

- The higher share of the value chain of the software solution and auxiliary services typically increases the life cycle value of the customer account higher than with a conventional software solution.
- Monthly fees provide continuity and predictability to revenue and cash flow.
- The cost structure is scaled with the increase in the value of customer accounts and number of customers.
- Possibility to sell new functionalities to the existing customer base cost-efficiently.
- Product development cycles and software production are accelerated, decreasing the risk of customer attrition, as a change in the software generation does not result in a point of discontinuity in the customer account.

SaaS model from the investor's point of view

- High growth potential arising from the transformation of the software market to the SaaS model and expansion of customer accounts.
- The profitability potential of SaaS companies is high in the long term due to their scalability.
- High profit continuity and good predictability lower the risk profile of cash flows.
- Front-loaded costs compared to revenue accumulated steadily over time impair the profitability and cash flow of SaaS companies in the phase of strong growth.

Drivers of the popularity of the SaaS model



Customer

- Rapid and more cost-efficient deployment
- Steady and foreseeable expenses
- The solution is scalable as needed
- No separate system maintenance and updating expenses
- Continuously updated and upgraded software

➢ **Low total cost of ownership (TCO)**

Investor

- High growth potential as software transitions to the cloud
- Steady and foreseeable cash flows
- Scalability allows high profitability
- In the growth phase, profitability and cash flow are weak in proportion to revenue due to the frontloaded expenses

➢ **Higher valuation levels**

Software vendor

- Recurring and foreseeable revenue and cash flow
- Low threshold to buy and faster sales cycles
- Deeper, longer and more valuable customer relationships
- More cost-efficient operational model
- Scalable cost structure
- Cost-efficient and rapid product development and update cycle

➢ **High lifecycle value of the customer account and scalability**

Source: Inderes, Gartner

Strategy 1/2

In the phase of profitable growth

LeadDesk has progressed in its strategy to a phase of profitable and steadier growth, as the company has reached a mature development stage with respect to its product and technology, and the company has also managed to scale up and reach profitability with the considerable sales investments made in the international markets in 2015–2016.

The transition of the strategic focus from growth to profitability and cash flow has brought a stronger culture and mindset of efficiency to the company and underscored the scalability of the business model. Moreover, the strengthened operational development and successful international expansion has increased the company's credibility with large accounts and the public sector, which critically evaluate their software vendor choices from the perspectives of quality and continuity.

LeadDesk's advanced internationalisation (over 50% of total revenue) also means that investors no longer need to bear a high risk regarding the success of uncertain investments in internationalisation. The company's growth and the strengthening of its balance sheet through the IPO and restructuring moves also make it even better prepared to carry out strategic acquisitions.

Internationalisation

LeadDesk's customers are typically fairly small local operators that value proximity with the software vendor. With this in mind, internationalisation requires local presence close to the customers. The software must always be adapted to the local legislation, language and local practices. In practice, however, the core product scales well across national boundaries, and the software does not require significant country-specific localisation.

LeadDesk already has solid experience from entering six new international markets, which has provided the company with experience with an eye to the future and its competitive position. The company aims to enter new markets starting from smaller and less complex customers (typically contact centres engaging in outbound sales), as the sales cycles are shorter among them due to the result-oriented decision-makers. After this, the company pursues more demanding larger customers and the inbound side of things, where the complexity is higher. The chosen sales strategy makes it faster to open up a new market, and the success of the company's growth is not as dependent on customers' long decision-making cycles and software deployment projects.

According to our estimate, entering a new country costs LeadDesk EUR 0.5–1 million in expenses, depending on the aggressiveness of the chosen strategy. Our view is that the company has become profitable in a new market within two years at the fastest.

In a new market, the company faces strong competition mainly from small local operators, which often represent a somewhat outdated software generation and find it increasingly difficult to compete against modern cloud-based solutions.

The cornerstones of growth

The cornerstones of LeadDesk's growth strategy are 1) growth in the company's existing markets; 2) strong organic growth; 3) expanding the service offering; and 4) acquisitions that boost growth.

LeadDesk currently operates locally in 7 markets and we estimate that there is further room for expansion in each of these markets through 1) growth in market share in the core target group; 2) expansion into new customer segments (e.g. large corporations, customer service organisations and the public sector); and 3) growth in the use of cloud services. Thus far, LeadDesk has primarily offered its product to small and medium-sized organisations. This means that the company has plenty of untapped growth potential in large accounts and the public sector in particular. Among LeadDesk's markets, the transition to cloud solutions has progressed the farthest in Finland, but there is significant potential in this respect in the other operating countries as well.

As for expanding the service offering, the company has enhanced its portfolio particularly with respect to integrations and user environments aimed at customer service functions, which creates potential for the expansion of existing customer accounts and the faster ramp-up of accounts. The company has also introduced credit card payments, which enables the deployment of the service by customers in countries where LeadDesk does not have a local subsidiary.

We estimate that, in the markets that are in a more mature development phase (Finland and the other Nordic countries), the company can grow organically at an annual rate of 5–10% in the next few years, while in the less mature markets (Central and Southern Europe), annual organic growth will exceed 20% at the company's current level of growth investments.

Strategy 2/2

Mergers and acquisitions

Mergers and acquisitions are a central element of LeadDesk's growth strategy, although the company has thus far only made two relatively small acquisitions/transactions. The pursued acquisitions can be categorised as customer acquisition and technology acquisition. The company surveys potential targets for acquisitions both in and outside Finland. The fragmented market comprised of small local operators provides the company with good opportunities for promoting market consolidation, also by using its own shares as a means of payment in acquisitions.

If the acquisition concerns a competitor using old software, LeadDesk primarily seeks faster customer acquisition with the acquisition, replacing the technology of the acquired company with LeadDesk. In such cases, the valuations of the acquisitions should be very moderate. When merely acquiring customers, the risks of acquisitions are also increased, as replacing the acquisition's technology can be challenging and lead to losses of customers and specialists. Focusing on small-scale acquisitions mitigates these risks.

LeadDesk also surveys potential acquisitions through which the company could supplement its portfolio with new features or software. In this case, acquisitions partly substitute for in-house product development.

What to keep in mind regarding LeadDesk's strategy

According to our estimate, the essential things to keep in mind with regard to LeadDesk's strategy from an investor's point of view in the next couple of years include:

- **Combination of growth and profitability.** This is the key indicator with regard to the progress of the company's strategy and creation of shareholder value. As a rule, the growth % and EBIT % combined being approximately 25–35% can be considered to be a good level.

- **Success in acquisitions.** The company aims to accelerate its growth through acquisitions, but the company has a limited track record of the functioning of this expansion strategy. The fragmented and transforming nature of the market is, however, likely to present good opportunities for value creation in the long term.

- **Opening up new markets and international growth.** As LeadDesk's growth has slowed down substantially in Finland in the past few years, continued strong growth will require successes particularly on the international front. We expect that LeadDesk will aim to grow the current market by increasing its growth investments as well as enter new countries in the next couple of years, and we estimate that this will slightly dilute the scalability of the company's profitability in the medium term.

Financial targets

LeadDesk has not published specific financial targets. The company's current goal is to maintain strong growth in comparable total revenue and continue to engage in profitable business. The company has also indicated it aims to pay out dividends in the medium term.

LeadDesk's strategy

Inderes' assessment of the phases of the company's strategy

	2015	2016	2017	2018	2019	2020e	2021e
Revenue *	MEUR 5.8	MEUR 7.3	MEUR 8.4 / +15% p.a.	MEUR 9.4 / +12% p.a.	MEUR 10.7 / +14% p.a.	↗	↗
EBIT (adj.)	MEUR -1.5 / -25%	MEUR -2.8 / -38%	MEUR -0.8 / -9.2%	MEUR 0.8 / 7.0%	MEUR 0.7 / 5.5%	→	→
Key investments/expenses	Entering new markets	Entering new markets	Ramp-up of new markets	Ramp-up of new markets	IPO, organic growth and new markets	Organic growth and acquisitions	Organic growth, acquisitions and new markets
Financing of investments	2015 private equity	2015 private equity	2015 private equity	Operating cash flow	IPO, own share & oper. cash flow	IPO, own share & oper. cash flow	IPO, own share & oper. cash flow

* 2018–2019 total revenue from continuing operations

2014 - 2016

Large growth investments with private equity funding

- Entering the Norwegian, German, Dutch and Danish markets
- MEUR 5.5 in financing in 2015
- Profit clearly negative due to selected growth investments
- Investments begin to bear fruit

2017 - 2019

Transformation into a growth company financed by cash flow, IPO and focus on the SaaS model

- Cooling down investments in growth, focus on efficiency and profitability
- The volume of international operations has reached the break-even point, except for Spain (Inderes' assessment)
- Result becomes profitable
- Listing on First North
- Selling a majority stake in the Leadventure Oy business and focusing on SaaS

2020–

Continuing strong growth while maintaining positive profitability

- Leveraging the IPO and the resources gained from the divestment in the growth strategy
- Acquisitions using own equity and assets
- Entering new markets in Europe
- Pursuing an optimal combination of growth and profitability
- Focus of growth on the international markets

Source: Inderes, LeadDesk

Markets

Contact centre software market

The global market for cloud-based contact centre software is estimated to be valued at approximately USD 6.7 billion, growing annually by 24% in 2017–2022 (DMG Consulting). LeadDesk operates in the European contact centre software market, focusing primarily on small and medium-sized organisation customers, which considerably limits the company's market.

LeadDesk's markets within Europe are typically very local and country-specific, which makes it more difficult to define LeadDesk's target market in detail. Outbound call centre employees are estimated to number about a million in Europe (source: ECCB). This way, LeadDesk's potential target market in outbound sales (assuming a 100% cloud penetration) can be estimated to be roughly EUR 900 million per year (assuming an average price of EUR 75 per user per month). Compared to inbound and customer service solutions, the market potential is manifold. According to a survey by Altitude Software, the European contact centre industry had a total of 3.7 million employees (2013), and the number is estimated to increase by 4.4% annually.

The market is transitioning to cloud-based solutions

It could be said that the transition of contact centre software to the cloud era began at the time of LeadDesk's establishment at the beginning of the 2010s. Following the start of the transformation, the growth in on-premise solutions (5%) has been clearly slower than that in cloud solutions (28%) in 2010–2016 (DMG Consulting). The global penetration of cloud-based solutions has increased from 3% in 2010 to over 18% last year. It has been estimated that by 2022, only 31% of all workstations have transitioned to cloud-based solutions (DMG Consulting). Therefore, in the big picture, the transition of the industry to cloud solutions is still in its infancy. In outbound sales contact centres, the cloud penetration is probably considerably higher than the average on account of market dynamics.

As cloud solutions develop further, they can be estimated to continue to conquer the market as the competitiveness of conventional on-premise solutions weakens. The popularity of cloud solutions is driven by their flexibility, better user experience and lower threshold and costs of deployment. Moreover, on-premise solutions are about to remain in a maintenance state among software vendors, with the industry's investments focusing on the cloud. Going forward, contact centre operators will increasingly pursue competitiveness by using these solutions with e.g. applications utilising analytics and artificial intelligence, which is facilitated by the cloud transition.

The deployment of cloud-based contact centre software increases the fastest in small organisations for which a cloud-based system is often the best solution possible due to the low costs and simplicity of deployment. This way, the sales cycles in LeadDesk's primary target group are quite fast and the company positions in the fastest-growing segment in the market.

Market cyclicity

LeadDesk's business model, based on continuous agreements, provides the company with an important buffer against cyclicity. Moreover, the progress of the cloud transformation of the market will function as a significant market-driving counterforce against the weakening of the economy. However, the economic downturn caused by the COVID-19 pandemic is likely to be reflected in slower new customer acquisition and higher customer attrition as small contact centre operators are likely to exit the market.

Trends in the contact centre market

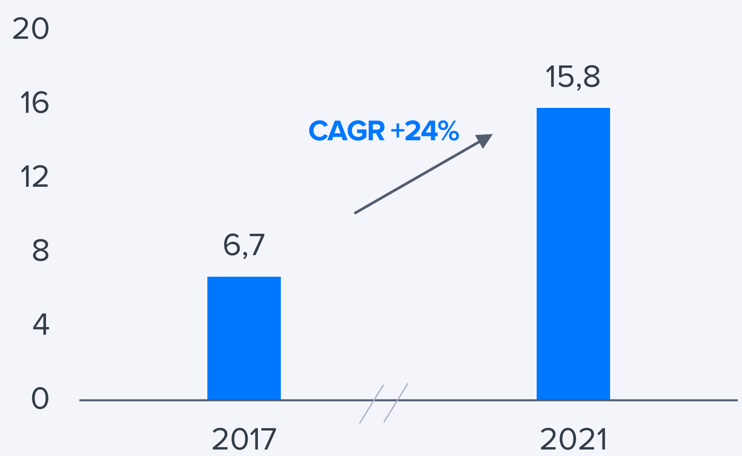
The outlook of the contact centre industry is relatively stable as a whole according to various estimates, but with new, more efficient cloud-based software solutions and technologies that party substitute for human contact (self-service portals, chatbots, automation), the total number of workstations in the industry is turning to a slight decline.

The telesales segment has a relatively poor reputation due to the poor customer experience, among other things. Contact centre software aims to enhance the customer experience and efficiency of sales, so software products contribute to solving this problem. One of the long-term risks of the industry (in outbound sales) is tightening legislation concerning telesales and the growing use of automated customer service channels.

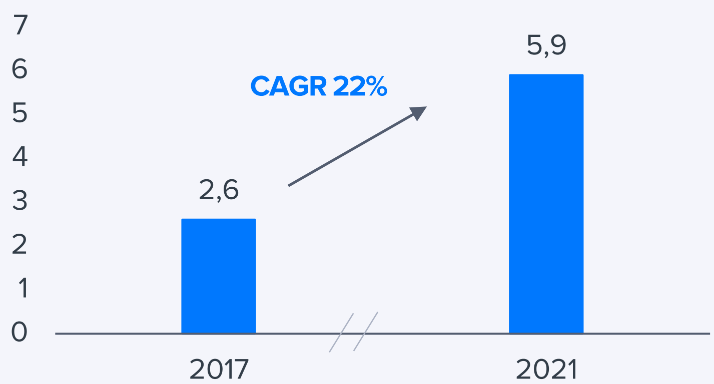
We estimate that automation and artificial intelligence do not threaten the human contact offered by contact centre services, at least in the near future, but they play an important role in enhancing the efficiency of contact centre operations and developing the customer experience.

Markets

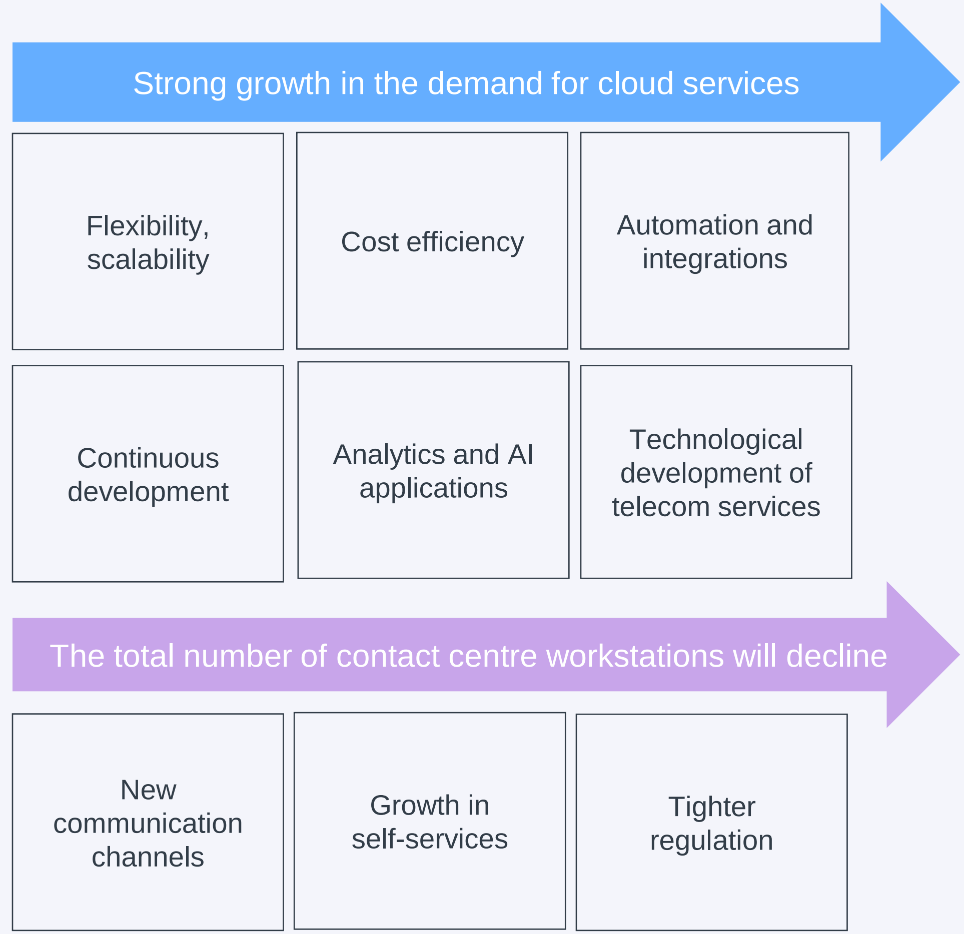
The global market for cloud-based contact centre software



Global number of cloud-based contact centre workstations



Market trends



Source: Inderes, Marketsandmarkets, DMG Consulting

Competition 1/2

Competition

Competitors

LeadDesk currently divides its competitive landscape into two main groups: 1) global cloud service companies and 2) local software companies.

LeadDesk's current main competitors are primarily locally operating software companies, such as Loxysoft in Sweden, 4com in Germany and CCL in the Netherlands. In addition, there are a number of other small local software companies in small customer accounts competing indirectly with LeadDesk, such as the Finnish company Provad.

The competition from large global players comes mainly from major U.S. cloud service providers. Of these, Genesys PureCloud is the primary one that currently operates in LeadDesk's target market. The other large players in the industry, such as 8x8, Cisco and Avaya, typically operate in different markets than LeadDesk (USA, UK, large organisations and complex custom solutions) and in a substantially higher price category.

Several "ecosystem-dependent" companies have also emerged in the industry in recent years, offering software services highly integrated with a specific service (e.g. Salesforce, ServiceNow, Amazon). Ecosystem-dependent companies, such as NewVoiceMedia (Vonage), TalkDesk and Five9, are strong competitors at the global level according to LeadDesk, and they compete in a similar market with LeadDesk, but often in different geographical market areas.

One of LeadDesk's competitors — the French company Vocalcom — is, similarly to LeadDesk, a software company that operates multi-nationally and serves SMEs, and it has previously been a strong competitor for LeadDesk in Central and Eastern Europe. With more than 20 years in the industry, Vocalcom has gained a strong market position in many markets in Western Europe. It is our understanding that the company has also succeeded in transforming into a provider of cloud services. Nevertheless, according to LeadDesk's management, Vocalcom is currently a competitor that LeadDesk rarely encounters in competing for new accounts.

Market position

In terms of revenue, LeadDesk is globally a very small player in the CCaaS (call centre software as a service) market. The company does, however, say it is the market leader in cloud-based CCaaS solutions in the Nordic countries. We estimate that this is largely due to the significant market share achieved by the company in the Finnish market. According to our estimate, LeadDesk's market position is also fairly good in Sweden, Norway and Denmark. In Germany and the Netherlands, the company's revenue is still quite low relative to the market size (approximately 3–6 larger than Finland) despite the company having operated in these markets for several years and having strong references. LeadDesk's reference customer accounts include the debt collection company Intrum Justitia, the temporary staffing agency Manpower, the energy company Fjordkraft and the fundraising consultant 4DMC.

LeadDesk competition

Global

Local

Source: LeadDesk

Competition 2/2

Competitive factors

According to LeadDesk, its key competitive advantages include:

1) coverage and user experience of the solution,

2) efficient deployment and use,

3) local infrastructure and support and customer services,

4) scalability of the solution to diverse needs and customer sizes,

5) quality, information security and operational reliability, and

6) specialisation in high-volume customer solutions.

Due to the SaaS transformation of the industry and the acceleration of the remote work trend driven by the COVID-19 pandemic, many customers are now more willing to replace their software and make their purchasing decisions more strongly at the level of business units (previously often the IT function), which has provided a competitive advantage to agile companies that purely offer SaaS solutions, such as LeadDesk. According to LeadDesk, this is visible in that the suppliers of earlier-generation products cannot necessarily offer upgrading old on-premises solutions to cloud-based solutions at competitive prices due to the heavy and complicated projects.

According to LeadDesk, the total costs of the company's software solutions are clearly lower than those of larger competitors, as the company's product involves very low deployment and configuration expenses and its deployment takes a relatively short time. However, according to LeadDesk, its software is very comprehensive in terms of its features and coverage, it can be scaled to customer accounts of various sizes and to different industries, and its licence fees are at a medium level of the range.

The company remains small compared to the global market leaders

We consider LeadDesk's key competitive disadvantage to be its relatively poor international awareness, smaller resources and competitiveness in the biggest customer international accounts in particular, caused by the small size and market position of the company. Due to the company's size, LeadDesk's products are not classified in analyses of the industry's products, for example. Compared to the international market, however, LeadDesk has a stronger position in Finland due to its numerous reference customer accounts.

Because of the smaller volume of operations, LeadDesk also cannot invest in product development, sales and marketing in the same way as the biggest competitors, and therefore LeadDesk is not necessarily the most competitive in the biggest and most complex customer accounts or in AI-driven solutions, for example.

According to our view, the company aims to minimise the competitive disadvantage by focusing on customer segments that are not the focus or strength of the largest competitors and by relying on the ease of use and configurability of the product as well as extensive integrations and added value services.

LeadDesk's competitive factors

+ Pure SaaS solution scalable to meet diverse customer needs
+ More extensive and user-friendly solution than those of local software vendors
+ Quality, information security and operational reliability at a high level compared to local companies
+ Clearly lower TCO and faster to deploy than large software vendors
− Clearly smaller R&D and sales resources than bigger competitors
− Relatively poor awareness in the largest market areas of the CCaaS market
− Cannot necessarily offer the service packages or integrations required by the most complex large customer accounts

Historical development and financial position

Development of growth and profitability

LeadDesk's revenue has grown strongly during the past 7 years, as the competitiveness of the company's product has strengthened and the company has successfully expanded into new market areas. LeadDesk's revenue increased from MEUR 1.2 in 2012 to MEUR 12.4 in 2019. On average, the company's revenue increased by 40% in 2012–2019, levelling off to about 12% towards the end of the period. Relatively speaking, the growth has been the strongest in international markets (2014–2019 annual growth 44%) but, in euros, revenue in Finland has also seen strong growth. In Finland, growth in the past few years was almost exclusively supported by the growth of the LeadCloud business, but the company divested that business in late 2019. LeadDesk's growth has been practically almost fully organic, as the company only made two minor acquisitions during the period.

The company's results and profit performance were negative during the most intense phase of internationalisation (2015–2016) with the EBITDA margin in the range of -20–30%). Profitability turned to a clear increase and the company began to make a profit with the efficiency and reorganisation measures carried out in 2017, which in particular decreased the share of personnel expenses of total revenue and reduced expenditure on external services. In addition, the company's sales margin increased significantly due to the scaling up of operations and pricing adjustments. In 2019, the company's adjusted EBITDA margin was approximately +14% (2018: 17%) and the EBIT margin was +6%. (2018: +8%). The operating profit is weighed down by the depreciation of capitalised product development expenses.

The company financed its growth in 2012–2019 mainly through share issues and debt financing. An equity financing round of MEUR 5.5 was carried out in 2015, when the English venture capital company Dawn Capital, which focuses on fintech and software companies, and the venture capital company Tesi owned by the Finnish state became significant shareholders in the company. The company raised additional net funds of approximately MEUR 5.2 in its IPO in 2019.

Cost structure

LeadDesk sells and produces its services, apart from telecom services, primarily using in-house resources, so the company's materials and services cost item is relatively low at approximately 20% of total revenue and comprises slightly over 20% of the company's total expenses. Material and service expenses amounted to MEUR 2.7 in 2019.

As is typical of a software and service company, LeadDesk's total costs are primarily comprised of personnel expenses. Personnel expenses amounted to MEUR 4.9 in 2019, representing approximately 39% of total revenue. The company's euro-denominated personnel expenses have remained fairly stable in recent years thanks to improved efficiency, which has significantly decreased their share of total revenue (2016: 63%, 2017: 51% and 2018: 41%).

Other operating expenses are LeadDesk's second-largest cost item. Other operating expenses have grown from approximately MEUR 2.3 to about MEUR 3.2 during the past few years but, relative to total revenue, their share has remained quite stable at about 25%. Other operating expenses consist of rents for business premises, marketing expenses, administrative expenses and accounting expenses, which means that they are quite fixed by nature.

Balance sheet and financial position

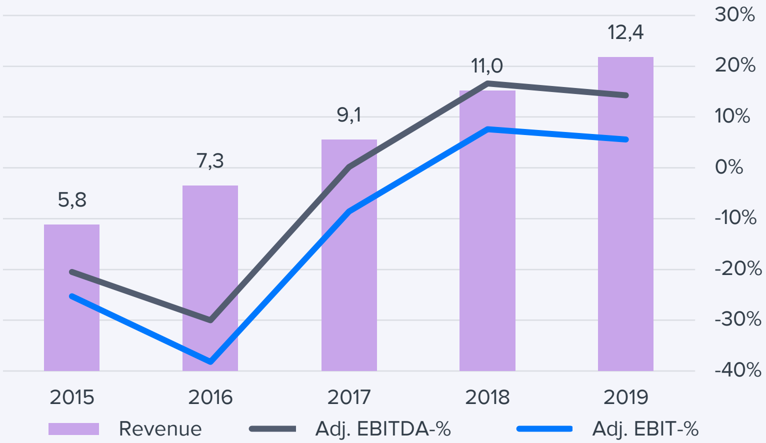
LeadDesk's balance sheet structure is very simple and lightweight. At the end of 2019, the balance sheet total was approximately MEUR 10.5. The assets on the balance sheet were mainly comprised of receivables (MEUR 1.2), cash and cash equivalents (MEUR 5.5), intangible assets — mainly from capitalised product development expenses (MEUR 2.9) as well as MEUR 0.8 in holdings in an associated company.

With regard to equity and liabilities, the company's shareholders' equity primarily comprises retained losses and the reserve for invested non-restricted equity. Their sum — and the company's total shareholders' equity — was MEUR 7.6. The company's non-interest-bearing liabilities stood at approximately MEUR 2.3 and consisted of prepayments, trade payables and accrued expenses. Therefore, the company's net working capital is clearly negative (MEUR -1.0) and partially finances the company's growth.

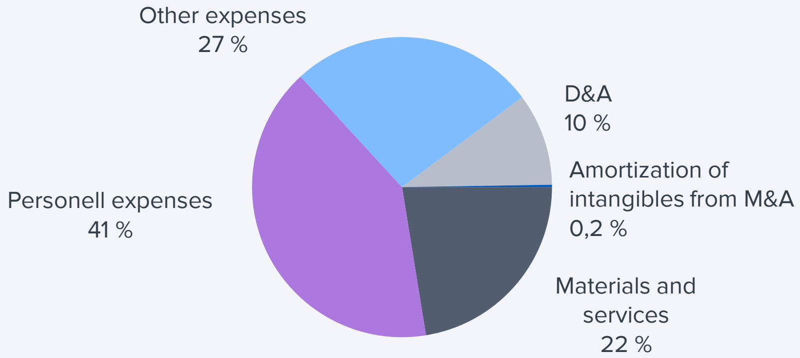
The company's equity ratio was 72% at the end of 2019 and net gearing was -64% (net debt MEUR -4.8). The additional financing raised in the IPO and the cash consideration received as part of the Leadventure Oy transaction (MEUR 1.1) has therefore considerably increased LeadDesk's financial room to manoeuvre, equity ratio and risk-bearing capacity.

Financial position

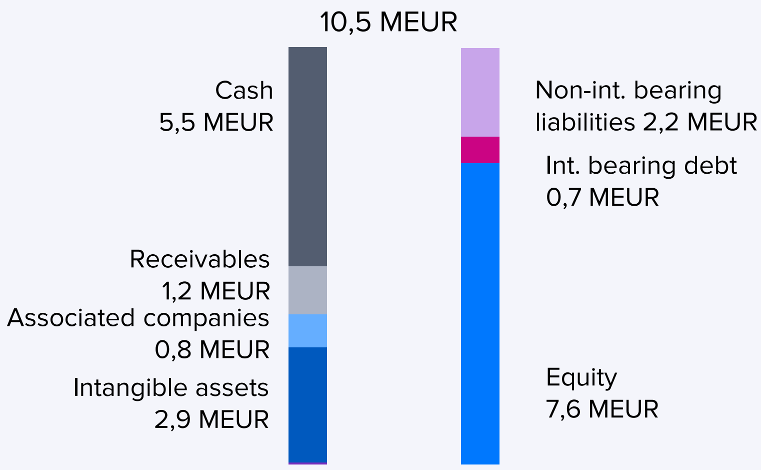
Revenue, EBITDA % and EBIT %



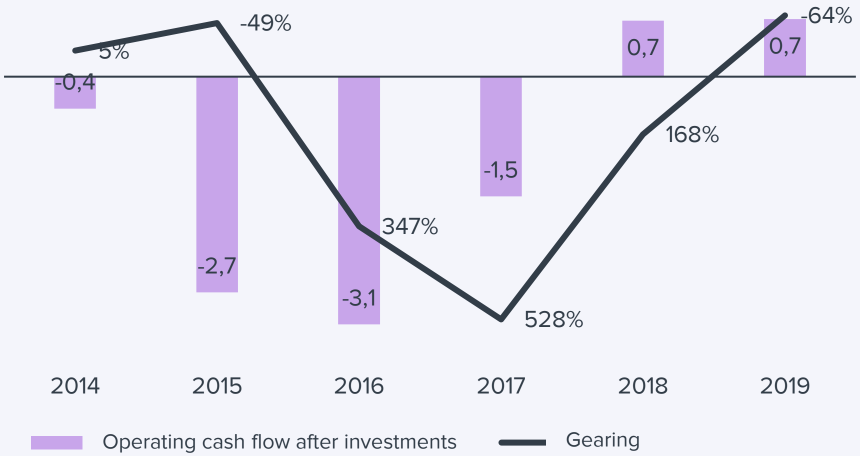
Cost structure 2019



Balance sheet structure 2019



Operating cash flow and gearing %



Source: Inderes, LeadDesk

Estimates 1/3

Estimates

Forecast model

In our forecast model, we assume that the development of revenue from LeadDesk cloud services is primarily driven by the development of SaaS revenue, as growth in other revenue items included in the LeadDesk cloud services (telecom services and consulting services) is, in our estimate, largely tied to the development of SaaS revenue.

Our forecasts of the revenue performance of the aforementioned core businesses are primarily based on:

1. Our estimate of growth in the group's number of personnel, which predicts the development of new sales and revenue.
2. Our estimate of average sales per employee, which specifies the efficiency with which growth investments are converted into revenue.
3. Estimated net growth in existing customer base (expansions, price increases, customer churn).

On the whole, the visibility of LeadDesk's revenue is fairly good in the short term, as the company's revenue is mainly comprised of highly predictable recurring revenue. Forecasting the rate of revenue growth is, on the other hand, more challenging to model, as it is very dependent on the growth investments made by the company and the development of the efficiency of sales. In 2020, the development of revenue will also be affected by the disruptions created in the economy by the COVID-19 pandemic, which are likely to lead to a reduced need for telecom services among LeadDesk's customers, a higher natural rate of customer attrition and stronger sales efforts targeted at new accounts. According to our view, the industry's strong long-term demand growth outlook, the company's solid track record of growth and advanced international expansion provide a good foundation for LeadDesk for continued strong growth in the medium term.

With regard to the areas in which growth will be achieved, our model also includes a built-in assumption that the relative growth of LeadDesk cloud services will primarily come from international operations. In our model, we assume that LeadDesk's revenue from its current six foreign markets will grow, on average, to match the company's revenue from the Finnish market at the end of the forecast period (2028). LeadDesk's cloud service revenue from the Finnish market currently amounts to about MEUR 5.

In our model, LeadDesk's profitability and profit growth are practically defined by the development of EBITDA margin and fixed expenses (personnel and other expenses) relative to revenue. In our model, we estimate that going forward, LeadDesk will be able to maintain its sales margin at the level of approximately 80% seen in 2019. According to our estimate, LeadDesk's sales margin will be largely defined by the development of the sales margin and share of total revenue of the Telecom services business, which involves external purchases. We estimate the sales margin of SaaS revenue to be high (over 90%) and increase slightly over time while the infrastructure expenses scale up.

In our model, we estimate that LeadDesk will continue to invest significantly in growth and the further development of its services in the medium term, and therefore we estimate that the ratio of personnel expenses to total revenue will remain fairly stable, in relative terms, in the next couple of years (approximately 40% of total revenue), while the improvement of profitability will be mainly driven by other operating expenses declining relative to revenue. The EBITDA margin and EBIT margin therefore remain substantially positive and grow gradually over time in our forecast model.

Estimates 2/3

The year 2020: Growth in profit performance affected by the Leadventure divestment and COVID-19

LeadDesk has not issued numerical guidance on revenue or profit for 2020. However, the company has announced that its financial objective is to maintain strong comparable growth and continue to operate profitably.

We expect that the company's reported revenue for 2020 will be on a par with the comparison period, at MEUR 12.3, due to the divestment of the Leadventure business. However, we do expect comparable revenue to grow by 15% (2019: MEUR 10.7). In our forecast, the growth of comparable revenue is particularly supported by the growth of sales to new accounts in the international markets, the acquisition of the SMS business and revenue from ecosystem services supplied to Leadventure.

We estimate that the COVID-19 pandemic will slow down the development of revenue in 2020 to some extent, as the need for telecom services among customers may decline and natural attrition may increase. However, the company has indicated that the development of sales to new accounts is currently strong and that the COVID-19 pandemic has led to growing interest in cloud services such as LeadDesk's product. Growth is also supported by investments in the development of customer service solutions and solutions for public sector entities.

We expect that LeadDesk's comparable EBITDA, adjusted for non-recurring items, will increase by approximately 20% to MEUR 1.8 million in 2020 (2019: MEUR 1.5), while EBIT will grow by about 100% to MEUR 0.75 (2019: MEUR 0.4). In our estimate, the adjusted EBITDA margin is 14.7% (2019: 14.2%) and EBIT margin 6.1% (2019: 3.5%).

Our adjustment to the operating result for 2019 include MEUR 0.2 in personnel expenses related to the IPO and the gain of MEUR 1.7 recognised on the sale of the Leadventure business. We do not currently forecast any non-recurring items for 2020, which means that the reported EBIT would decline substantially year-on-year (2019 EBIT MEUR 2.2 compared to 2020e MEUR 0.7).

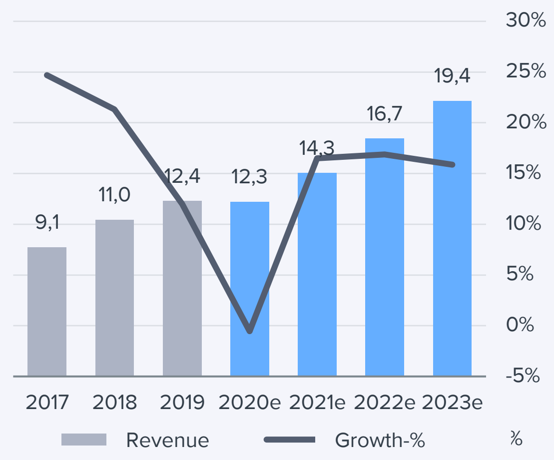
We expect that net financing expenses will decline in 2020 to approximately MEUR -0.1 (2019: MEUR -1.4), as the result for 2019 was weighed down by non-recurring costs related to the IPO and financing. We predict net income to amount to MEUR 0.7, which would be 5.5% of total revenue, or EUR 0.14 per share (2019 adj. EUR 0.05 per share and reported EUR 0.17 per share).

The years 2021–2023: International operations as the primary engine of growth

In 2021–2023, we expect the revenue growth of LeadDesk cloud services to continue to be strong, especially as regards the international markets (>20%). In Finland, we predict that LeadDesk's organic growth will be less than 5%. According to our forecast, the share of Finnish operations of LeadDesk's total revenue will decrease to approximately 30% in 2023 (2019: 48%).

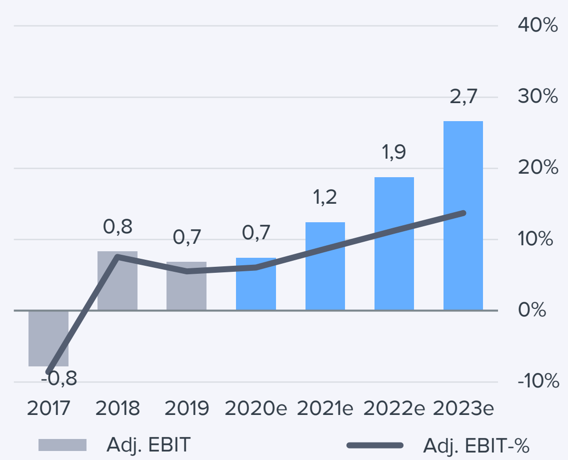
We expect that LeadDesk's revenue will increase by 16% on average in 2021–2023, reaching MEUR 19.8. Our revenue growth estimates are +17% for 2021, +17% for 2022 and +16% for 2023.

Revenue and growth %



Source: Inderes

Operational performance and profitability



Source: Inderes

Estimates 3/3

In spite of growth investments and entering new markets, we expect LeadDesk's profitability to scale up gradually in 2021–2023, with the EBITDA margin increasing from approximately 14% in 2019 to around 20% in 2023 and the EBIT margin to increase from 4% to 14%. In our forecast, euro-denominated EBITDA and EBIT will increase to MEUR 3.9 and MEUR 2.7 in 2023, respectively, which translates into growth of 33% in EBITDA and 50% in EBIT on average compared to the forecast for 2020. With the low effective tax rate and financial expenses, we forecast that the annual growth rate of net income will be 50% on average in 2021–2023.

Long-term profit estimates

In our forecast model, revenue growth will slow down gradually after 2023 to approximately 12% on average in 2024–2028, with perpetual growth being 2.5% starting from 2029. In our estimate, growth is slowed down by the slower growth in sales to new customers in existing market areas, tightening competition and presumably increasing customer turnover.

In our forecast, the EBIT margin will settle at approximately 23% starting from 2028. We forecast that profitability will be increased by the scaling of fixed expenses as well as decreasing growth investments relative to revenue. We expect the EBITDA margin to remain steady at 28% in the long term.

Dividend estimates

LeadDesk's official goal is to create value for its shareholders in the medium term by using the company's assets for reaching the growth objectives, but the company sees dividend distribution as an added value-generating option in the medium term.

Our interpretation of the guidance is that the company will not pay out dividends in 2020 but, in our model, we assume the first dividend payouts to take place in spring 2022 based on the company's result in the financial year 2021.

In all, the significance of dividends is minor in the company's investment profile far into the future, as we estimate that the company will best maximise shareholder value through revenue growth.

Earnings per share and dividend

Source: Inderes

Long-term growth and profitability

Revenue growth: CAGR 2024–2031 = +12%
Perpetual revenue growth (2031–) = 2.5%
EBITDA growth: CAGR 2024–2031 = +16%
EBITDA margin / EBIT margin 2031 = 28% / 23%

Estimates summary

Income statement	H1'18	H2'18	2018	H1'19	H2'19	2019	H1'20e	H2'20e	2020e	2021e	2022e	2023e
Revenue	**5.2**	**5.9**	**11.0**	**6.1**	**6.2**	**12.4**	**6.0**	**6.3**	**12.3**	**14.3**	**16.7**	**19.4**
EBITDA	**0.4**	**1.4**	**1.8**	**0.7**	**2.6**	**3.4**	**0.7**	**1.1**	**1.8**	**2.4**	**3.1**	**3.9**
Depreciation and amortization	-0.5	-0.6	-1.1	-0.6	-0.5	-1.1	-0.5	-0.5	-1.1	-1.1	-1.2	-1.3
EBIT excluding non-recurring items	**-0.1**	**0.9**	**0.8**	**0.3**	**0.4**	**0.7**	**0.2**	**0.6**	**0.7**	**1.2**	**1.9**	**2.7**
EBIT	**-0.1**	**0.8**	**0.8**	**0.1**	**2.1**	**2.2**	**0.2**	**0.6**	**0.7**	**1.2**	**1.9**	**2.7**
Group	-0.1	0.8	0.8	0.1	2.1	2.2	0.2	0.6	0.7	1.2	1.9	2.7
Net financial expenses	-0.1	-0.2	-0.3	-1.2	-0.2	-1.4	-0.1	-0.1	-0.1	0.0	0.0	0.0
Profit before tax	**-0.2**	**0.6**	**0.4**	**-1.1**	**1.9**	**0.9**	**0.1**	**0.6**	**0.7**	**1.3**	**2.0**	**2.8**
Taxes	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.4
Net income	**-0.3**	**0.6**	**0.3**	**-1.1**	**1.9**	**0.8**	**0.1**	**0.6**	**0.7**	**1.2**	**1.8**	**2.4**
EPS (adjusted)	**-0.07**	**0.17**	**0.11**	**0.02**	**0.03**	**0.05**	**0.02**	**0.12**	**0.14**	**0.26**	**0.36**	**0.49**
EPS (reported)	**-0.07**	**0.14**	**0.07**	**-0.26**	**0.42**	**0.17**	**0.02**	**0.12**	**0.14**	**0.26**	**0.36**	**0.49**

Key figures	H1'18	H2'18	2018	H1'19	H2'19	2019	H1'20e	H2'20e	2020e	2021e	2022e	2023e
Revenue growth %		-35.4%	21.3%	18.7%	6.1%	12.0%	-2.0%	0.9%	-0.5%	16.5%	16.9%	15.9%
EBITDA %	8.3%	23.9%	16.6%	11.7%	42.3%	27.1%	11.4%	18.0%	14.7%	16.5%	18.3%	20.3%
Adjusted EBIT %	-1.4%	15.5%	7.6%	5.2%	5.9%	5.5%	2.5%	9.5%	6.1%	8.7%	11.2%	13.7%
Net earnings %	-5.8%	10.8%	3.0%	-18.2%	30.0%	6.1%	1.5%	9.2%	5.5%	8.5%	10.5%	12.3%

Source: Inderes

Changes in estimates MEUR/EUR	2020e Old	2020e New	Change %	2021e Old	2021e New	Change %	2022e Old	2022e New	Change %
Revenue	12.2	12.3	1%	14.0	14.3	2%	16.6	16.7	1%
EBITDA	1.7	1.8	8%	2.4	2.4	-3%	3.5	3.1	-13%
EBIT excluding non-recurring items	0.5	0.7	50%	1.4	1.2	-14%	2.5	1.9	-25%
EBIT	0.5	0.7	50%	1.4	1.2	-14%	2.5	1.9	-25%
Profit before tax	0.5	0.7	36%	1.6	1.3	-16%	2.7	2.0	-25%
EPS (excluding non-recurring items)	0.11	0.14	29%	0.32	0.26	-18%	0.48	0.36	-25%
Dividend per share	0.00	0.00		0.00	0.05		0.00	0.10	

Source: Inderes

Investment profile

1. **Strong organic growth potential through market growth and expansion**

2. **Scalable business model based on continuous revenue**

3. **Moderate risk level: Advanced internationalisation, product in a mature development phase and competitive**

4. **Listing and divestment have increased flexibility with regard to acquisitions and organic growth**

5. **Relatively low liquidity of the share, no track record of acquisitions, and the valuation is sensitive to changes in growth expectations**

Potential

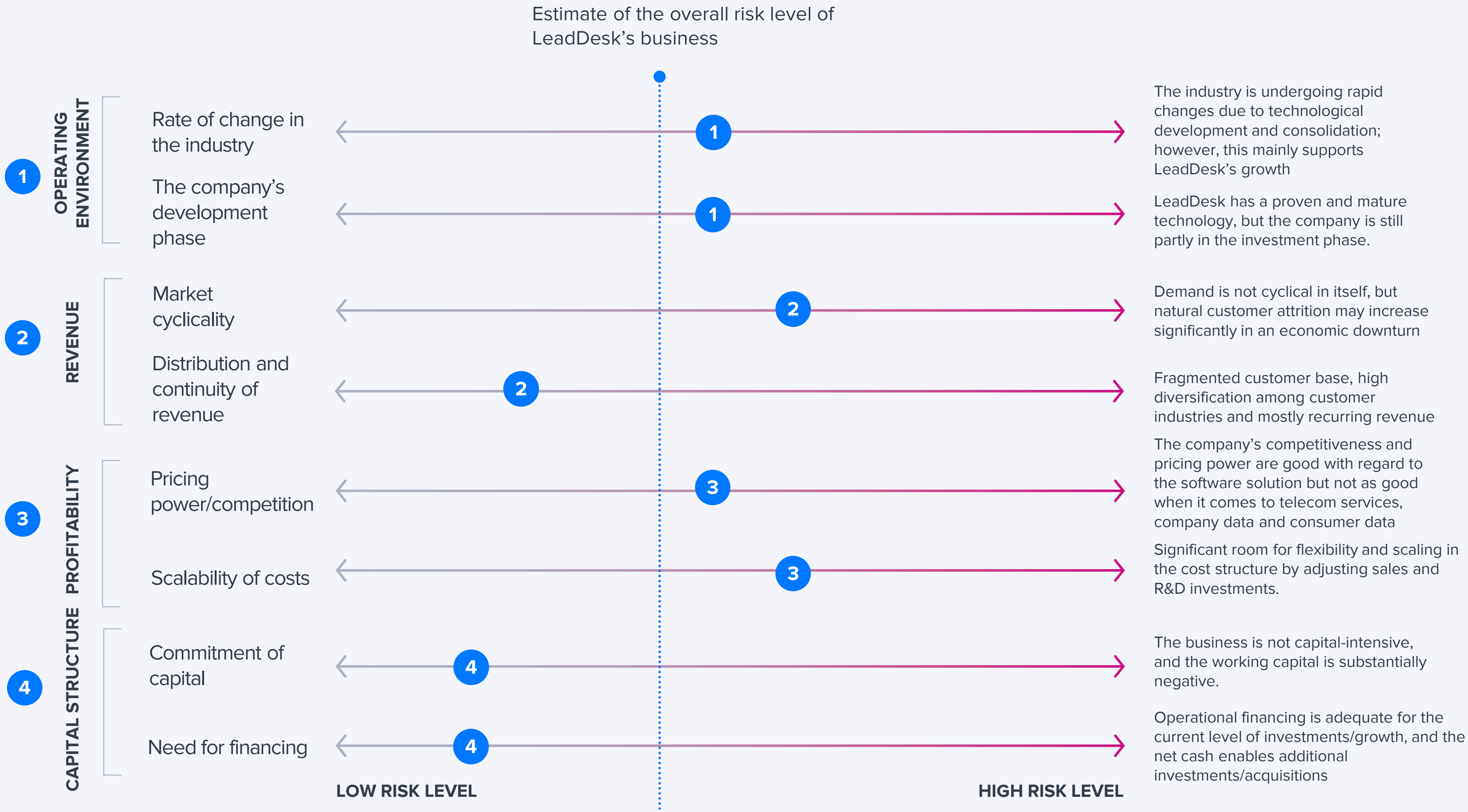
- Strongly growing target markets and significant market potential
- Strong competitiveness compared to smallest and local operators in the target markets
- Scalable business model and cost structure
- Expansion of customer accounts into new solutions and added value services
- New market areas
- Mergers and acquisitions

Risks

- Poor visibility to success in sales
- Changes in the competitive situation
- Technology, information security and regulatory risks
- Mergers and acquisitions and new markets
- Weak liquidity of the share

Source: Inderes

Risk profile of the business model



Source: Inderes

Valuation 1/4

Summary of the valuation

We have examined LeadDesk's valuation from several perspectives using several valuation methods.

In our view, LeadDesk's most significant value driver in the medium term is the rate of revenue growth, as it will create the conditions for the gradual scaling up of profitability. LeadDesk has been able to achieve strong growth throughout its history, and the company has a track record of successful internationalisation and expansion into new markets, so we expect the company to be able to maintain growth of approximately 15% in the next couple of years. The company has also proven that it is able to optimise profitability with growth in the scale of operations, so our assumption is that, going forward, revenue growth will also be reflected in strong growth in earnings (annual average EBITDA growth rate of 40% in 2019–2022e). The SaaS model offers significant benefits of scale, and the bigger the company grows in the medium term, the higher the long-term profit potential becomes.

We consider the company's risk profile to be quite moderate on the whole, and according to our view, the biggest risks are associated with the small size of the company, unforeseen changes in the industry, competition or regulation, and technological risks. Even though the company has proven its ability to grow strongly and internationalise, expansion into new markets, and acquisitions in particular, always involve risk-increasing element, which may have a significant effect on the company's value. Another significant risk for the share comes from the relatively high valuation multiples of the industry and the company and the related high growth expectations. Potential fluctuations in the industry's valuation levels or disappointing results could therefore cause significant downward pressure on LeadDesk's forecasts and valuation multiples.

Calculated using various valuation methods, the company's value range (EV) is MEUR 46–86. In our valuation, we put the most weight on the valuation multiples and cash flow calculations of Nordic software companies. As such, our EV estimate for LeadDesk deviates slightly from the average of the aforementioned range. Based on the weighted average of the valuation methods, we estimate LeadDesk's current EV to be approximately MEUR 53 and market capitalisation to be approximately MEUR 59 million, which corresponds to a current value of EUR 11.5 per share using a 10% cost of capital.

The valuation methods we have used are:

1) EV/S-based valuation in proportion to the combination of growth of global SaaS companies and operational profitability (with a 40% discount applied due to the small size). This reflects a scenario in which the stock market takes a very optimistic outlook on the company's growth potential in pricing LeadDesk, and the primary reference of valuation would be global SaaS benchmarks.

2) Valuation in proportion to the earnings-based (EV/EBIT) valuation of Nordic software companies.

Summary of the valuation methods used for LeadDesk

Method/valuation multiple		Multiple 2021e	Forecast 2021e	Weight	Value
Global SaaS companies	EV/S	6.0x	14.3	15%	86
Nordic software companies	EV/EBIT	36.8x	1.2	35%	46
Industry & mergers and acquisitions	EV/S	3.5x	14.3	15%	50
Cash flow statement (DCF)	NPV			35%	48
Weighted value	MEUR				**53**
Net debt 2020e	MEUR				-5.3
Market capitalisation	**MEUR**				**59**
Current value of the share capital per share (10% WACC)	**EUR**				**11.5**

Valuation 2/4

3) Valuation relative to listed industry peers and most recent mergers and acquisitions.

4) Cash flow statement-based (DCF) valuation.

The valuation multiples are challenging but can be justified by strong earnings growth

In our view, LeadDesk's strong growth outlook, scalable business model and strong financial position justify the company's current high valuation multiples. We expect that comparable growth in operating profit for the next few years will be approximately 40% per year. If realised, this would mean substantial value creation for shareholders.

2020e adj. P/E 74x would give the share a rather high PEG of 1.5x with the earnings per share growth for the next 3 years (CAGR EPS, 2019–2023 50%), which, however, can just about be justified for a company that creates value at a strong rate. In the longer term (2023–), profit growth can, however, be expected to stabilise at approximately 20%, and we consider a more sustainable P/E ratio level to then be around 20–25x (2023e P/E 22x), taking into account the company's scalable profitability and strong cash flow. When assessing the P/E and PEG ratios, however, it should be noted that even minor changes in forecasts have substantial effects on the ratios.

At our target price (EUR 11.5), we accept an adjusted P/E ratio of 80x and EV/EBIT ratio of 59x for LeadDesk with the 2020 forecasts, in which we have relatively strong confidence in spite of the uncertainty caused by the COVID-19 pandemic. Following earnings growth, The 2021e adjusted P/E at our target price falls to a more reasonable 44x and EV/EBIT to 37x, but visibility to growth in 2021 is still limited.

We consider LeadDesk's revenue-based valuation (EV/S) to be reasonable (2021e: 3.0x). Taking into account LeadDesk's predicted growth and profitability profile and the recurring nature of its revenue, we believe that an EV/S multiple of 3–4x is acceptable for the company.

Valuation multiples

Valuation level	2019	2020e	2021e
Share price	11.0	10.7	10.7
Number of shares, million	4.43	4.66	4.66
MCAP	51	50	50
EV	45	44	43
P/E (adj.)	>100	74.2	40.9
P/E	64.3	74.2	40.9
P/Cash flow	6.4	61.8	45.9
P/B	6.7	6.1	5.3
P/S	4.1	4.1	3.5
EV/Revenue	3.7	3.6	3.0
EV/EBITDA (adj.)	25.6	24.1	18.0
EV/EBIT (adj.)	65.9	58.6	34.2
Payout ratio (%)	0.0%	0.0%	19.1%
Dividend yield, %	0.0%	0.0%	0.5%

Source: Inderes

Valuation 3/4

Benchmark analysis global SaaS companies (revenue-based)

To our minds, the valuation levels of the extensive benchmark group of global SaaS companies provide a good benchmark for a positive valuation scenario in which LeadDesk's valuation is based on strong growth and profitability increasing to a high level through scaling.

However, we emphasise that LeadDesk's valuation cannot yet be directly compared to the valuations of global SaaS companies, as 1) the scale and benefits of scale of LeadDesk's business are considerably smaller than those of the benchmarks, 2) on average, SaaS licence revenue represents a higher share of total revenue for many of the benchmark companies on average compared to LeadDesk, and 3) the risk level of LeadDesk's share (e.g. liquidity) is considerably higher than its benchmarks. In order to take the difference in scale, development phase and other risks into consideration, we apply a 40% discount to the average valuation multiples of LeadDesk's SaaS benchmarks in the valuation.

In the SaaS benchmark analysis, we consider the key valuation multiple to be revenue-based EV/S, as most listed SaaS companies (and LeadDesk) are still in a phase of strong growth, and their profitability has not yet scaled up to its potential level, or they are loss-making.

In the valuation, we use a valuation based on the correlation of the combination of predicted growth and operational profitability of the benchmark group (2021e revenue growth % + 2021e EBIT margin) and the forward-looking EV/S multiple. In the valuation of the SaaS benchmark group, we emphasise a valuation method combining growth and profitability, as we consider it to take the differences in the scalability and efficiency of the companies into account better than a purely revenue growth-based comparison.

In the calculation, we have assumed LeadDesk's growth parameter to be the estimated revenue growth rate in 2021 (2021e +16%) and the company's adjusted EBIT margin (2021e: +9%).

Based on the average valuation of the SaaS benchmarks, an EV/S multiple of approximately 10x could be accepted for LeadDesk with our estimates, which, calculated with a discount of 40%, results in an acceptable EV/S multiple of 6x for LeadDesk, enterprise value (EV) of approximately MEUR 86 and a current value for the share capital of approximately EUR 18 per share.

Benchmark analysis Nordic software companies (earnings-based)

We also compare LeadDesk's valuation proportioned to total revenue with the valuation multiples of Nordic listed companies offering enterprise software, as they well reflect the growth expectations for Nordic software companies, and these companies are clearly closer to LeadDesk in terms of scale and share risk profile than international SaaS benchmarks. These companies include e.g. Admicom, Basware, Efecte, Heeros, F-Secure and Talenom.

The average EV/EBIT multiple of this group of benchmarks in 2021 is approximately 37x, which indicates the enterprise value (EV) of LeadDesk's business to be approximately MEUR 46 and the current value of the share capital to be approximately EUR 10 per share.

For the sake of comparison, it should be further noted that the median EV/S multiple of Nordic software companies for 2021 is at the level of 4.3x, which corresponds to the upper end of the EV/S range we have accepted for LeadDesk and indicates a valuation of approximately EUR 13 for the LeadDesk share.

Industry benchmarks and significant mergers and acquisitions

LeadDesk's broadly defined competitors include a few listed US benchmark companies (Vonace, RingCentral, 8x8, Five9 and partially Twilio and Zendesk). During recent years, many of the benchmarks relevant to the company's business have also been the target of an acquisition, and valuation multiples are available for four of these acquisitions.

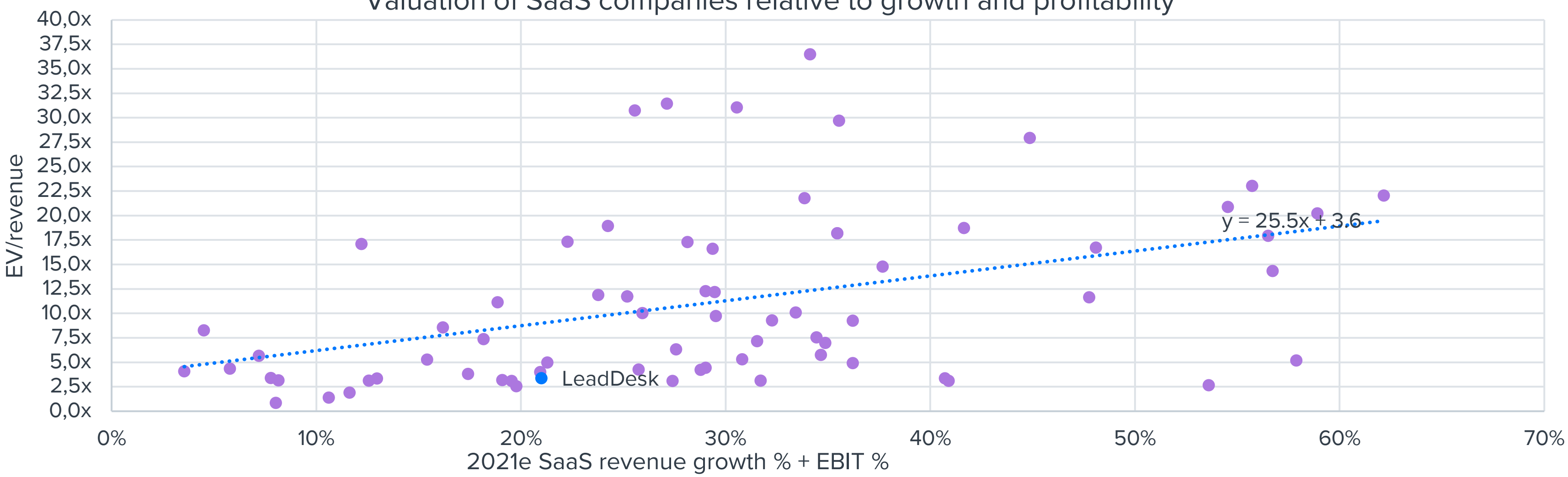
The listed industry benchmarks and targets of acquisitions are significantly larger than LeadDesk in terms of scale, so we also apply a discount of 40% to the valuation multiples of this group of benchmarks in our valuation.

Based on the average valuation of the industry benchmarks, an EV/S multiple of approximately 6x could be accepted for LeadDesk, which, calculated with our revenue forecast for 2021 and a discount of 40%, gives LeadDesk an acceptable EV/S multiple of 3.5x, an enterprise value (EV) of approximately MEUR 50 and puts the current value of the share capital at approximately EUR 11 per share.

Valuation of SaaS companies

SaaS companies' FW 12-month EV/S valuation multiple

Valuation of SaaS companies relative to growth and profitability



Valuation 4/4

DCF-model

Based on our current forecasts, LeadDesk's enterprise value in our DCF-model is approximately MEUR 48 and value of equity approximately MEUR 54, or EUR 11.6 per share.

We have reviewed the forecasts in more detail in the chapter on estimates, but we will review our key assumptions again below. We estimate that revenue growth will average 16% in the medium term (2020–2023), subsequently slowing down to approximately 12% on average around the middle of the forecast period (2024–2027) and we use a conservative level of 2.5% as the terminal growth rate. With regard to profitability, we expect the EBIT margin to increase gradually to approximately +23% at the end of the forecast period with scaling (2019: 4%). We assume that net working capital will remain at its current level relative to revenue throughout the forecast period (-8%) and that investments, mainly comprised of the capitalisation of R&D expenses, will increase by about 6% per year on average.

In our DCF-model, the required rate of return for equity is 11%. The weighted average cost of capital (WACC) that takes leverage into account is also 11%, as we expect the company to be debt-free throughout the forecast period. The level of the cost of capital is in line with the levels we have used in the valuation of other small Finnish SaaS benchmarks (Admicom 9%, Heeros 13%, Efecte 12.7%). A key factor increasing the cost of capital of these companies is the small size of the companies, their phase of development and the low liquidity of their shares.

The value emphasising on different time periods is noteworthy in our DCF calculation. As LeadDesk is already clearly profitable in its current phase of development and its cash flows are positive, approximately 40% of its value will be created before the terminal phase (2020–2029). In our calculation, the terminal phase accounts for 60% of the total value of the company, which we believe to be a reasonable level for a company of very strong growth such as LeadDesk.

The most significant uncertainties in our DCF model concern the long-term growth expectation and the company's profitability towards the end of the forecast period. To our minds, however, our assumptions are conservative with regard to both growth and profitability, considering the strong growth outlook of the company's target markets, development phase of the company, current level of profitability and the recurring nature of revenues.

Summary of the DCF

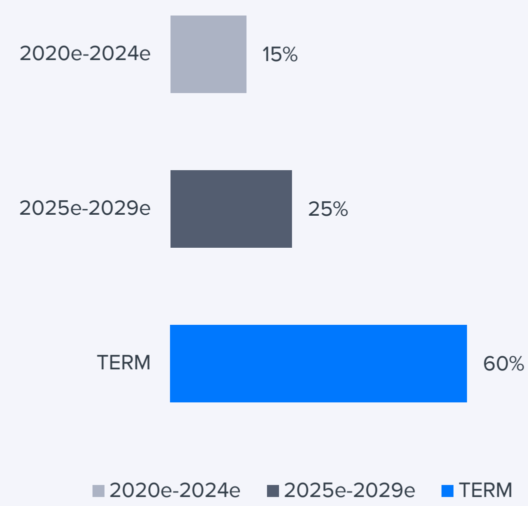
Enterprise value DCF	**48**
Value of equity DCF	**54**
Value of equity DCF per share	**11.6**

Cost of capital (WACC)

Cost of equity	**10.8%**
Average cost of capital (WACC)	**10.8%**

Source: Inderes

Distribution of cash flows



Nordic peer group

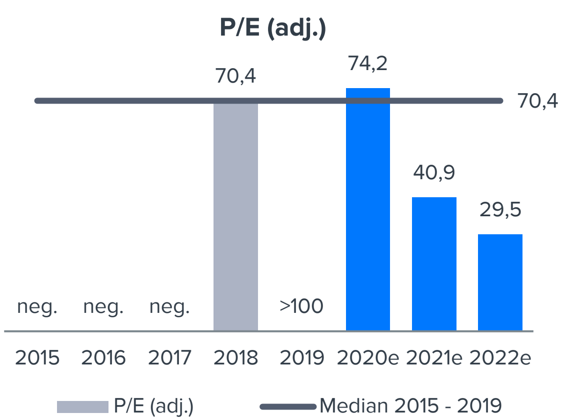
Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT 2020e	 2021e	EV/EBITDA 2020e	 2021e	EV/S 2020e	 2021e
Admicom Oyj	87,0	431	413	51,6	37,6	41,3	31,8	18,0	14,8
Artificial Solutions International AB	6,5	28	43					6,7	4,1
Basware Oyj	30,6	459	505	625,9	67,3	31,2	22,1	3,4	3,1
Briox AB	9,0	32	30					61,2	30,6
Efecte Oyj	4,9	30	26					1,9	1,5
Fortnox AB	272,0	1628	1619	69,2	54,0	57,5	46,3	23,8	18,6
FormPipe Software AB	24,5	130	126	27,0	23,6	13,3	12,2	3,3	3,1
F-Secure Oyj	3,1	497	508	46,1	32,7	19,9	16,2	2,3	2,2
Heeros Oyj	2,4	11	11			10,9	5,5	1,2	1,1
IAR Systems Group AB	132,6	172	175	19,7	14,0	12,7	9,5	4,5	3,8
Lime Technologies AB (publ)	216,5	285	292	47,5	36,8	29,9	25,2	9,1	7,8
Qt Group Oyj	25,50	612	604	90,5	39,7	65,6	33,3	8,4	6,8
Safeture AB	11,05	27	27					9,1	6,9
Simcorp A/S	683,50	3834	3908	36,2	27,2	32,1	24,9	8,6	7,7
Sinch AB (publ)	583,00	3406	3351	59,8	37,8	43,6	29,4	5,0	3,3
SSH Communications Security Oyj	1,59	63	53		105,3	52,7	21,1	3,8	3,2
Talenom Oyj	8,40	365	395	31,2	25,7	17,9	15,0	5,9	5,1
Vitec Software Group AB (publ)	204,00	561	602	37,4	29,2	15,5	13,4	4,9	4,5
LeadDesk (Inderes)	**10,70**	**50**	**44**	**34,2**	**23,0**	**18,0**	**14,1**	**3,6**	**3,0**
Average				**95,2**	**40,8**	**31,7**	**21,9**	**10,1**	**7,1**
Median				**46,8**	**36,8**	**30,5**	**21,6**	**5,4**	**4,3**
Diff-% to median				***-27 %***	***-37 %***	***-41 %***	***-34 %***	***-34 %***	***-31 %***

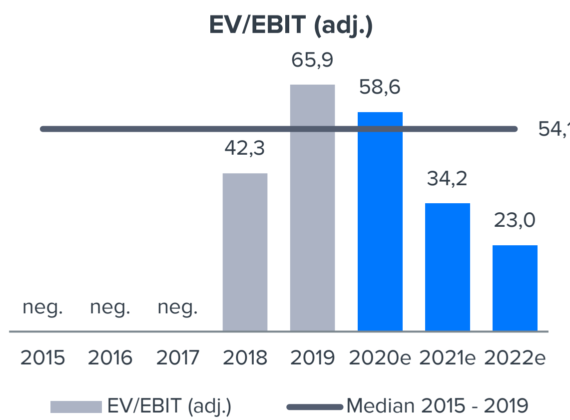
Source: Thomson Reuters / Inderes

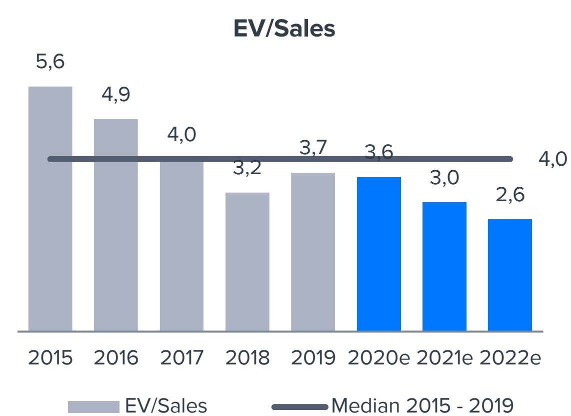
Valuation

Valuation	2015	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Share price	7,50	7,50	7,50	7,50	11,0	**10,7**	**10,7**	**10,7**	**10,7**
Number of shares, millions	4,54	4,54	4,54	4,54	4,43	**4,66**	**4,66**	**4,86**	**4,86**
Market cap	34	34	34	34	51	**50**	**50**	**52**	**52**
EV	32	36	36	35	45	**44**	**43**	**43**	**41**
P/E (adj.)	neg.	neg.	neg.	70,4	>100	**74,2**	**40,9**	**29,5**	**21,8**
P/E	neg.	neg.	neg.	>100	64,3	**74,2**	**40,9**	**29,5**	**21,8**
P/FCF	neg.	neg.	neg.	18,7	6,4	**61,8**	**45,9**	**16,7**	**23,6**
P/B	10,2	77,2	90,5	47,0	6,7	**6,1**	**5,3**	**4,7**	**4,0**
P/S	5,9	4,7	3,7	3,1	4,1	**4,1**	**3,5**	**3,1**	**2,7**
EV/Sales	5,6	4,9	4,0	3,2	3,7	**3,6**	**3,0**	**2,6**	**2,1**
EV/EBITDA	neg.	neg.	>100	19,3	25,6	**24,1**	**18,0**	**14,1**	**10,5**
EV/EBIT (adj.)	neg.	neg.	neg.	42,3	65,9	**58,6**	**34,2**	**23,0**	**15,6**
Payout ratio (%)	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	**0,0 %**	**19,1 %**	**27,6 %**	**30,5 %**
Dividend yield-%	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	**0,0 %**	**0,5 %**	**0,9 %**	**1,4 %**

Source: Inderes







Income statement

Income statement	H1'18	H2'18	2018	H1'19	H2'19	2019	H1'20e	H2'20e	2020e	2021e	2022e	2023e
Revenue	**5,2**	**5,9**	**11,0**	**6,1**	**6,2**	**12,4**	**6,0**	**6,3**	**12,3**	**14,3**	**16,7**	**19,4**
EBITDA	**0,4**	**1,4**	**1,8**	**0,7**	**2,6**	**3,4**	**0,7**	**1,1**	**1,8**	**2,4**	**3,1**	**3,9**
Depreciation	-0,5	-0,6	-1,1	-0,6	-0,5	-1,1	-0,5	-0,5	-1,1	-1,1	-1,2	-1,3
EBIT (excl. NRI)	**-0,1**	**0,9**	**0,8**	**0,3**	**0,4**	**0,7**	**0,2**	**0,6**	**0,7**	**1,2**	**1,9**	**2,7**
EBIT	**-0,1**	**0,8**	**0,8**	**0,1**	**2,1**	**2,2**	**0,2**	**0,6**	**0,7**	**1,2**	**1,9**	**2,7**
Konserni	-0,1	0,8	0,8	0,1	2,1	2,2	0,2	0,6	0,7	1,2	1,9	2,7
Net financial items	-0,1	-0,2	-0,3	-1,2	-0,2	-1,4	-0,1	-0,1	-0,1	0,0	0,0	0,0
PTP	**-0,2**	**0,6**	**0,4**	**-1,1**	**1,9**	**0,9**	**0,1**	**0,6**	**0,7**	**1,3**	**2,0**	**2,8**
Taxes	-0,1	0,0	-0,1	0,0	-0,1	-0,1	0,0	-0,1	-0,1	-0,1	-0,2	-0,4
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
Net earnings	**-0,3**	**0,6**	**0,3**	**-1,1**	**1,9**	**0,8**	**0,1**	**0,6**	**0,7**	**1,2**	**1,8**	**2,4**
EPS (adj.)	**-0,07**	**0,17**	**0,11**	**0,02**	**0,03**	**0,05**	**0,02**	**0,12**	**0,14**	**0,26**	**0,36**	**0,49**
EPS (rep.)	**-0,07**	**0,14**	**0,07**	**-0,26**	**0,42**	**0,17**	**0,02**	**0,12**	**0,14**	**0,26**	**0,36**	**0,49**

Key figures	H1'18	H2'18	2018	H1'19	H2'19	2019	H1'20e	H2'20e	2020e	2021e	2022e	2023e
Revenue growth-%		-35,4 %	21,3 %	18,7 %	6,1 %	12,0 %	-2,0 %	0,9 %	-0,5 %	16,5 %	16,9 %	15,9 %
Adjusted EBIT growth-%		-216,4 %	-207,0 %	-539,7 %	-59,8 %	-17,9 %	-53,3 %	63,4 %	8,8 %	66,9 %	50,9 %	41,6 %
EBITDA-%	8,3 %	23,9 %	16,6 %	11,7 %	42,3 %	27,1 %	11,4 %	18,0 %	14,7 %	16,5 %	18,3 %	20,3 %
Adjusted EBIT-%	-1,4 %	15,5 %	7,6 %	5,2 %	5,9 %	5,5 %	2,5 %	9,5 %	6,1 %	8,7 %	11,2 %	13,7 %
Net earnings-%	-5,8 %	10,8 %	3,0 %	-18,2 %	30,0 %	6,1 %	1,5 %	9,2 %	5,5 %	8,5 %	10,5 %	12,3 %

Source: Inderes

Balance sheet

Assets	2018	2019	2020e	2021e	2022e
Non-current assets	**3,0**	**3,8**	**3,9**	**4,1**	**4,3**
Goodwill	0,1	0,1	0,0	0,0	0,0
Intangible assets	2,8	2,9	3,0	3,3	3,5
Tangible assets	0,0	0,0	0,0	0,0	0,0
Associated companies	0,0	0,8	0,8	0,8	0,8
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	**2,2**	**6,7**	**7,1**	**8,1**	**9,6**
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	1,3	1,2	1,2	1,4	1,7
Cash and equivalents	0,9	5,5	5,9	6,7	8,0
Balance sheet total	**5,2**	**10,5**	**11,0**	**12,2**	**14,0**

Source: Inderes

Liabilities & equity	2018	2019	2020e	2021e	2022e
Equity	**0,7**	**7,6**	**8,2**	**9,4**	**11,0**
Share capital	0,0	0,1	0,1	0,1	0,1
Retained earnings	-4,9	-4,1	-3,4	-2,2	-0,7
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	5,6	11,6	11,6	11,6	11,6
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	**0,9**	**0,4**	**0,4**	**0,0**	**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
Long term debt	0,9	0,4	0,4	0,0	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	**3,6**	**2,5**	**2,4**	**2,7**	**3,0**
Short term debt	1,2	0,3	0,2	0,2	0,0
Payables	2,4	2,2	2,2	2,6	3,0
Other current liabilities	0,0	0,0	0,0	0,0	0,0
Balance sheet total	**5,2**	**10,5**	**11,0**	**12,2**	**14,0**

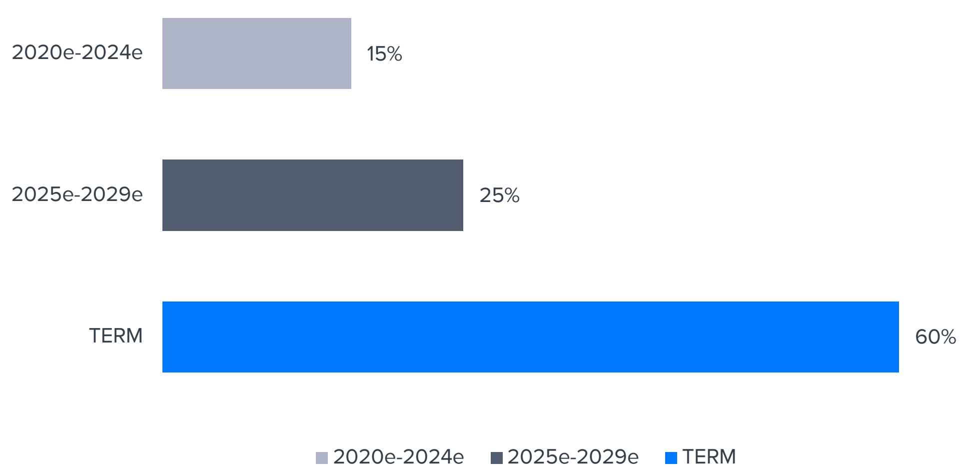
DCF-model

DCF model	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	TERM
EBIT (operating profit)	**2,2**	**0,7**	**1,2**	**1,9**	**2,7**	**3,6**	**4,5**	**5,5**	**6,5**	**7,8**	**8,0**	
+ Depreciation	1,1	1,1	1,1	1,2	1,3	1,4	1,5	1,6	1,6	1,7	1,8	
- Paid taxes	-0,1	0,0	-0,1	-0,2	-0,4	-0,6	-0,8	-1,1	-1,2	-1,5	-1,6	
- Tax, financial expenses	-0,1	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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	-0,1	0,0	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,1	
Operating cash flow	**3,0**	**1,7**	**2,4**	**3,0**	**3,8**	**4,5**	**5,4**	**6,3**	**7,1**	**8,2**	**8,2**	
+ 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	-1,1	-1,2	-1,3	-1,4	-1,6	-1,6	-1,7	-1,7	-1,8	-1,8	-2,0	
Free operating cash flow	**1,9**	**0,5**	**1,1**	**1,6**	**2,2**	**2,9**	**3,7**	**4,5**	**5,3**	**6,4**	**6,2**	
+/- Other	6,0	0,3	0,0	1,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	7,9	0,8	1,1	3,1	2,2	2,9	3,7	4,5	5,3	6,4	6,2	77,1
Discounted FCFF		**0,8**	**0,9**	**2,4**	**1,5**	**1,8**	**2,1**	**2,3**	**2,5**	**2,7**	**2,3**	**29,0**
Sum of FCFF present value		48,3	47,5	46,6	44,2	42,7	40,9	38,8	36,5	34,0	31,4	29,0
Enterprise value DCF		**48,3**										
- Interesting bearing debt		-0,7										
+ Cash and cash equivalents		5,5										
-Minorities		0,0										
-Dividend/capital return		0,0										
Equity value DCF		**53,9**										
Equity value DCF per share		**11,6**										

Wacc	
Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E)	0,0 %
Cost of debt	6,0 %
Equity Beta	1,00
Market risk premium	4,75 %
Liquidity premium	3,00 %
Risk free interest rate	3,0 %
Cost of equity	**10,8 %**
Weighted average cost of capital (WACC)	**10,8 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2017	2018	2019	2020e	2021e
Revenue	9,1	11,0	12,4	**12,3**	**14,3**
EBITDA	0,0	1,8	3,4	**1,8**	**2,4**
EBIT	-0,8	0,8	2,2	**0,7**	**1,2**
PTP	-1,1	0,4	0,9	**0,7**	**1,3**
Net Income	-1,1	1,0	0,8	**0,7**	**1,2**
Extraordinary items	-0,1	-0,1	1,5	**0,0**	**0,0**

Balance sheet	2017	2018	2019	2020e	2021e
Balance sheet total	5,5	5,2	10,5	**11,0**	**12,2**
Equity capital	0,4	0,7	7,6	**8,2**	**9,4**
Goodwill	0,2	0,1	0,1	**0,0**	**0,0**
Net debt	2,0	1,2	-4,8	**-5,3**	**-6,5**

Cash flow	2017	2018	2019	2020e	2021e
EBITDA	0,0	1,8	3,4	**1,8**	**2,4**
Change in working capital	-0,1	0,4	-0,1	**0,0**	**0,2**
Operating cash flow	-0,1	2,2	3,0	**1,7**	**2,4**
CAPEX	-1,2	-1,0	-1,1	**-1,2**	**-1,3**
Free cash flow	-1,2	1,8	7,9	**0,8**	**1,1**

Largest shareholders	% of shares
Olli Sirkiä	23,8 %
Lauri Pukkinen	23,8 %
Dawn Capital	19,6 %
Suomen Teollisuussijoitus	11,6 %
Olli Nokso-Koivisto	6,3 %
Aktia Varainhoito	2,9 %

Source: Inderes

Per share data	2017	2018	2019	2020e	2021e
EPS (reported)	-0,25	0,07	0,17	**0,14**	**0,26**
EPS (adj.)	-0,24	0,11	0,05	**0,14**	**0,26**
OCF / share	-0,02	0,48	0,68	**0,37**	**0,51**
FCF / share	-0,27	0,40	1,79	**0,17**	**0,23**
Book value / share	0,08	0,16	1,70	**1,77**	**2,03**
Dividend / share	0,00	0,00	0,00	**0,00**	**0,05**

Growth and profitability	2017	2018	2019	2020e	2021e
Revenue growth-%	25 %	21 %	12 %	**-1 %**	**17 %**
EBITDA growth-%	-101 %	12152 %	-4 %	**3 %**	**30 %**
EBIT (adj.) growth-%	-72 %	-207 %	-18 %	**9 %**	**67 %**
EPS (adj.) growth-%	-63 %	-145 %	-53 %	**190 %**	**81 %**
EBITDA-%	0,2 %	16,6 %	14,3 %	**14,7 %**	**16,5 %**
EBIT (adj.)-%	-8,6 %	7,6 %	5,5 %	**6,1 %**	**8,7 %**
EBIT-%	-9,2 %	7,0 %	17,9 %	**6,1 %**	**8,7 %**
ROE-%	-278,5 %	60,8 %	18,3 %	**8,5 %**	**13,8 %**
ROI-%	-28,2 %	24,6 %	40,2 %	**10,0 %**	**14,8 %**
Equity ratio	6,8 %	13,9 %	71,8 %	**74,9 %**	**77,6 %**
Gearing	528,8 %	168,2 %	-63,9 %	**-64,7 %**	**-68,9 %**

Valuation multiples	2017	2018	2019	2020e	2021e
EV/S	4,0	3,2	3,7	**3,6**	**3,0**
EV/EBITDA (adj.)	>100	19,3	25,6	**24,1**	**18,0**
EV/EBIT (adj.)	neg.	42,3	65,9	**58,6**	**34,2**
P/E (adj.)	neg.	70,4	>100	**74,2**	**40,9**
P/E	90,5	47,0	6,7	**6,1**	**5,3**
Dividend-%	0,0 %	0,0 %	0,0 %	**0,0 %**	**0,5 %**

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Recommendation	Upside potential*
Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
18.2.2019	Accumulate	8,90 €	7,70 €
16.8.2019	Reduce	10,80 €	11,10 €
5.11.2019	Accumulate	10,80 €	10,10 €
22.1.2020	Reduce	13,10 €	13,80 €
17.2.2020	Reduce	14,00 €	14,30 €
19.3.2020	Accumulate	9,00 €	8,40 €
9.6.2020	Accumulate	11,50 €	10,70 €

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