

# LAIQON AG

Germany | Financial Services | MCap EUR 88.8m

2 September 2024

UPDATE



## Weak H1 results; Est./PT down; Rating down to HOLD

### What's it all about?

LAIQON AG's H1 2024 results were disappointing, with sales growth below expectations. The company reported a 7% year-over-year decline in revenue to EUR 14.8m, primarily due to divesting parts of its legacy business. Adjusted for this, revenue would be approximately EUR 16.3m, indicating a 17% growth, yet still below the anticipated >25%. Assets under Management (AuM) increased from EUR 6bn in H1 2023 to EUR 6.5bn, but sequential growth was modest at 1.6%, adding only EUR 0.1 bn in Q2. The EBITDA loss widened to EUR 2.9m, with earnings per share falling to a loss of EUR 0.20. Consequently, the equity ratio declined to 40.9%. We downgrade the stock from "BUY" to "HOLD" with a new price target of EUR 4.50.

**HOLD** (BUY)

|               |                  |
|---------------|------------------|
| Target price  | EUR 4.50 (10.00) |
| Current price | EUR 4.87         |
| Up/downside   | -7.6%            |



MAIN AUTHOR

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Germany | Financial Services | MCap EUR 88.8m | EV EUR 119.2m

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## Weak H1 results; Est./PT down; Rating down to HOLD

**H1 sales growth below expectations** LAIQON AG released disappointing H1 24 results, falling short of market expectations and our expectations. The company reported a 7% yoy decline in revenue in H1 24 to EUR 14.8m. However, this decrease was largely attributed to the divestment of major portions of the legacy business. Adjusting for this effect and accounting for non-period revenue accruals, LAIQON claims an adjusted revenue of approximately EUR 16.3m. This would represent a revenue growth of about 17%, which still fell short of our expectations which had anticipated growth of >25%.

**Sequentially stagnating AuM development** Assets under Management (AuM) grew from EUR 6bn in H1 2023 to EUR 6.5bn, marking an increase of around 8%. On a sequential basis however, AuMs grew by only EUR 0.1bn in Q2, representing a modest sequential increase of just 1.6%, which also fell short of expectations. On a positive note, LAIQON was able to collect performance fees of EUR 1m, contributing favorably to H1 revenue development.

**EBITDA loss widened** In terms of earnings the company's bottom line showed increased losses after six months. The reported EBITDA loss widened by nearly EUR 1m to EUR 2.9m. Earnings per share deteriorated to a loss of EUR 0.20, compared to a loss of EUR 0.16 in H1 2023 reflecting negative operating leverage but also significantly higher financing costs, i.e. EUR 2.4m in H1 24 vs. EUR 1m in the previous year's period. Consequently, LAIQON's balance sheet ratios further weakened, with the equity ratio declining to 40.9% from 44% a year ago. The company's net debt remained broadly stable at EUR 31m, with liquid assets of EUR 4m at hand.

**Conclusion:** In our view, H1 results came in disappointing, missing market and our expectations. Although LAIQON was able to show growth on an unadjusted basis, we would have expected a stronger increase in AuM in Q2. In addition, there seem to be limited progress in improving the company's cost base. Consequently, we are no longer expecting LAIQON to be EBITDA break even this year, which is why we downwards adjust our estimates. With new estimates and with still relatively high net debt, we believe our BUY recommendation is no longer viable. As such, we downgrade to HOLD with new PT of EUR 4.50 (old EUR 10.00)

| LAIQON AG             | 2021   | 2022   | 2023   | 2024E     | 2025E | 2026E |
|-----------------------|--------|--------|--------|-----------|-------|-------|
| Sales                 | 26.1   | 21.6   | 30.7   | 30.4      | 35.0  | 39.2  |
| <i>Growth yoy</i>     | -5.8%  | -17.4% | 42.5%  | 33.0%     | 24.0% | 15.0% |
| EBITDA                | 4.6    | -9.9   | -4.7   | -4.7      | 0.4   | 9.4   |
| EBIT                  | 0.7    | -14.7  | -11.1  | -10.9     | -5.5  | 3.9   |
| Net profit            | 5.2    | -10.2  | -12.3  | -10.6     | -6.1  | 2.1   |
| Net debt (net cash)   | -8.4   | 7.6    | 30.4   | 34.3      | 37.3  | 33.5  |
| Net debt/EBITDA       | -1.8x  | -0.8x  | -6.5x  | 5.6x      | 3.3x  | 2.4x  |
| EPS reported          | 0.39   | -0.67  | -0.70  | -0.58     | -0.33 | 0.11  |
| DPS                   | 0.00   | 0.00   | 0.00   | 0.00      | 0.00  | 0.00  |
| <i>Dividend yield</i> | 0.0%   | 0.0%   | 0.0%   | 0.0%      | 0.0%  | 0.0%  |
| Gross profit margin   | 89.7%  | 83.0%  | 80.7%  | 89.0%     | 90.0% | 90.0% |
| EBITDA margin         | 17.6%  | -46.1% | -15.3% | 15.0%     | 22.5% | 23.5% |
| EBIT margin           | 2.6%   | -67.9% | -36.0% | -0.2%     | 10.9% | 13.9% |
| ROCE                  | 0.7%   | -12.3% | -8.7%  | -0.1%     | 5.7%  | 9.4%  |
| EV/Sales              | 3.1x   | 4.5x   | 3.9x   | 3.0x      | 2.5x  | 2.1x  |
| EV/EBITDA             | 17.4x  | -9.7x  | -25.4x | 20.1x     | 11.1x | 8.9x  |
| EV/EBIT               | 119.7x | -6.6x  | -10.8x | -1,638.8x | 22.9x | 15.1x |
| PER                   | 12.6x  | -7.3x  | -6.9x  | -58.5x    | 25.7x | 15.6x |

Source: Company data, mwb research



Source: Company data, mwb research

**High/low 52 weeks** 8.70 / 4.21  
**Price/Book Ratio** 1.5x

**Ticker / Symbols**

ISIN DE000A12UP29  
WKN A12UP2  
Bloomberg LQAG:GR

**Changes in estimates**

|              |     | Sales  | EBIT   | EPS    |
|--------------|-----|--------|--------|--------|
| <b>2024E</b> | old | 40.9   | -0.1   | -0.08  |
|              | Δ   | -25.6% | na%    | na%    |
| <b>2025E</b> | old | 50.7   | 5.5    | 0.19   |
|              | Δ   | -31.0% | na%    | na%    |
| <b>2026E</b> | old | 58.3   | 8.1    | 0.31   |
|              | Δ   | -32.8% | -51.9% | -64.1% |

**Key share data**

Number of shares: (in m pcs) 18.24  
Book value per share: (in EUR) 3.18  
Ø trading vol.: (12 months) 9,411

**Major shareholders**

DEWB 17.0%  
SPSW investors 8.0%  
Plate Family Office (CEO) 9.0%  
Free Float 58.0%

**Company description**

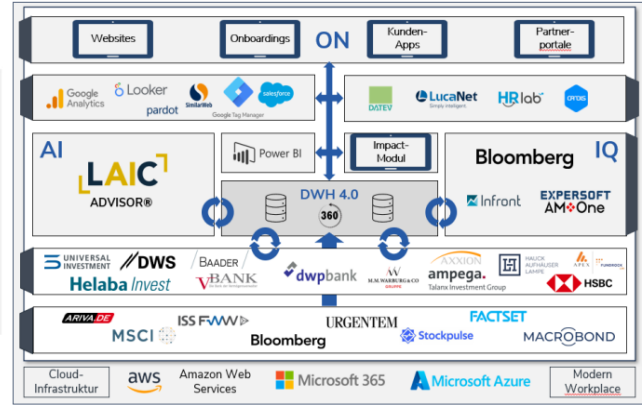
LAIQON is an independent asset and wealth manager with focus on actively managed non-benchmark funds as well as digitizing wealth management via its LAIC Advisor

# Investment case in six charts

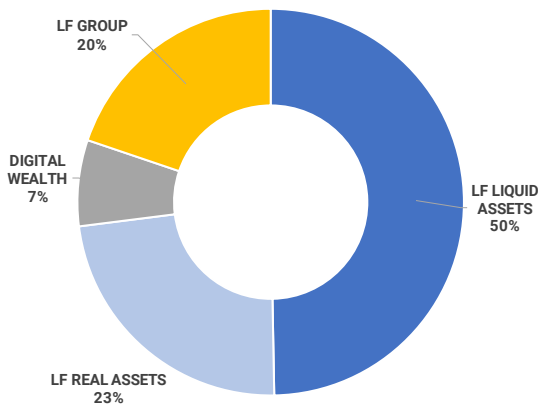
## LAIQON in a nutshell



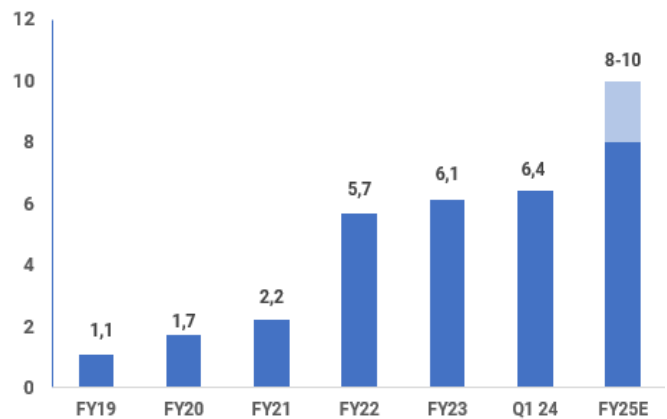
## Digital Asset Platform 4.0



## Segmental breakdown in %



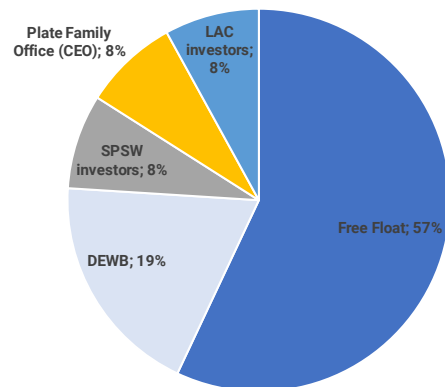
## Assets under Management - Development and guidance



## Platform Strategy - Wealth Experience - UX

|                          |   |
|--------------------------|---|
| <b>Clients</b>           | <ul style="list-style-type: none"> <li>Focus on Evolving Customer Needs</li> <li>Focus is on the Client's Wealth Goals</li> <li>Dynamic Customer Segmentation Without Standards</li> <li>Permanent Availability of Modern Reporting Structures</li> <li>Service Excellence Centre and Contact Management</li> </ul> |
| <b>Wealth Solutions</b>  | <ul style="list-style-type: none"> <li>Maximum Transparency in Asset Management</li> <li>Client-Specific Risk-Reward Profiles</li> <li>Product Portfolio Individualised in Article 8/9</li> <li>Focus on Personal Sustainability Preferences</li> <li>Fully Individualised Risk Management</li> </ul>               |
| <b>Wealth Products</b>   | <ul style="list-style-type: none"> <li>Positioning as a Full-Service Provider</li> <li>Clear Defined and Scalable Strategies</li> <li>Product Portfolio consisting of Article 8/9 Solutions</li> <li>Optimised Investment Decisions Through Data and AI</li> <li>Forward-Looking Digital Solutions</li> </ul>       |
| <b>Platform Strategy</b> | <ul style="list-style-type: none"> <li>DAP 4.0 Supports All Functions and Areas</li> <li>Digitally Supported Touch Points</li> <li>Data and KPI-Driven Marketing</li> <li>Digital Optimisation and Automation Potential</li> </ul>  |

## Major Shareholders



Source: Company data, mwb research

# SWOT analysis

## Strengths

- Among the largest independent asset and wealth management firms in Germany
- Broad product offering due to platform model
- Strategic management with innovative vision
- Proportion of fixed revenues on the rise
- Scalable business model
- AuM Growth above Industry

## Weaknesses

- Some funds have fallen more than market in the 2022 downturn
- High personal costs in a market downturn
- Relative high cost-income ratio
- Premium to peer group

## Opportunities

- Market recovery could lead to fund inflows
- Outperformance of funds could lead to inflows
- Platform model with cross selling opportunities
- Active management could cushion sell-off
- Company should benefit from latest acquisitions

## Threats

- Prolonged bear market could lead to fund outflows
- Underperformance of funds could lead to outflows
- Weak performance would lead to lower performance fees
- Integration of acquired companies could last longer than expected
- Higher interest rates and taxes likely to lead to lower stock returns in the future

# Valuation

## DCF Model

The DCF model results in a **fair value of EUR 4.51 per share**:

**Top-line growth:** We expect LAIQON AG to grow revenues at a CAGR of 6.2% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

**ROCE.** Returns on capital are developing from -0.1% in 2024E to 6.2% in 2031E.

**WACC.** Starting point is a historical equity beta of 1.14. Unlevering and correcting for mean reversion yields an asset beta of 1.15. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 11.5%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 0.5 this results in a long-term WACC of 8.9%.

| DCF (EURm)<br>(except per share data and beta) | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | Terminal value |
|--|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| NOPAT  | -8.7  | -4.3  | 3.1   | 3.2   | 3.3   | 3.5   | 3.7   | 3.8   |                |
| Depreciation & amortization                    | 6.2   | 5.9   | 5.5   | 5.2   | 4.9   | 4.7   | 4.4   | 4.2   |                |
| Change in working capital                      | 3.6   | -2.0  | -2.6  | -0.4  | -0.2  | -0.2  | -0.2  | -0.3  |                |
| Chg. in long-term provisions                   | -6.9  | 0.6   | -0.6  | 1.4   | 0.9   | 0.9   | 0.9   | 0.9   |                |
| Capex  | -0.9  | -0.7  | -0.8  | -0.8  | -0.8  | -0.9  | -0.9  | -0.9  |                |
| Cash flow                                      | -6.7  | -0.6  | 4.6   | 8.5   | 8.0   | 7.9   | 7.9   | 7.8   | 115.7          |
| Present value                                  | -6.5  | -0.5  | 3.8   | 6.4   | 5.6   | 5.0   | 4.6   | 4.2   | 61.9           |
| WACC   | 9.4%  | 9.4%  | 9.1%  | 8.9%  | 8.9%  | 8.9%  | 8.9%  | 8.9%  | 8.9%           |

| DCF per share derived from        |      | DCF avg. growth and earnings assumptions           |       |
|-----------------------------------|------|--|-------|
| Total present value               | 84.5 | Planning horizon avg. revenue growth (2024E-2031E) | 6.2%  |
| Mid-year adj. total present value | 88.2 | Terminal value growth (2031E - infinity)           | 2.0%  |
| Net debt / cash at start of year  | 30.4 | Terminal year ROCE                                 | 6.2%  |
| Financial assets                  | 24.4 | Terminal year WACC                                 | 8.9%  |
| Provisions and off b/s debt       | na   |  |       |
| Equity value                      | 82.3 | Terminal WACC derived from                         |       |
| No. of shares outstanding         | 18.2 | Cost of borrowing (before taxes)                   | 5.0%  |
|                                   |      | Long-term tax rate                                 | 25.0% |
|                                   |      | Equity beta  | 1.14  |
|                                   |      | Unlevered beta (industry or company)               | 1.15  |
|                                   |      | Target debt / equity                               | 0.5   |
|                                   |      | Relevered beta                                     | 1.58  |
|                                   |      | Risk-free rate                                     | 2.0%  |
|                                   |      | Equity risk premium                                | 6.0%  |
|                                   |      | Cost of equity                                     | 11.5% |

|                              |        |
|------------------------------|--------|
| Discounted cash flow / share | 4.51   |
| upside/(downside)            | 106.2% |

|             |      |
|-------------|------|
| Share price | 4.87 |
|-------------|------|

| Sensitivity analysis DCF     |                  |      |      |      |      |                        |       |
|------------------------------|------------------|------|------|------|------|------------------------|-------|
| Change in WACC<br>(%-points) | Long term growth |      |      |      |      | Share of present value |       |
|                              | 1.0%             | 1.5% | 2.0% | 2.5% | 3.0% |                        |       |
| 2.0%                         | 3.0              | 3.1  | 3.3  | 3.4  | 3.6  | 2024E-2027E            | 3.8%  |
| 1.0%                         | 3.5              | 3.6  | 3.8  | 4.0  | 4.3  | 2028E-2031E            | 22.9% |
| 0.0%                         | 4.0              | 4.3  | 4.5  | 4.8  | 5.1  | terminal value         | 73.3% |
| -1.0%                        | 4.8              | 5.1  | 5.4  | 5.9  | 6.4  |                        |       |
| -2.0%                        | 5.8              | 6.2  | 6.8  | 7.4  | 8.3  |                        |       |

Source: mwb research

## FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

**The adjusted Free Cash Flow Yield results in a fair value between EUR -3.75 per share based on 2024E and EUR 5.87 per share on 2028E estimates.**

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

| FCF yield in EURm                  | 2024E         | 2025E        | 2026E        | 2027E         | 2028E         |
|------------------------------------|---------------|--------------|--------------|---------------|---------------|
| <b>EBITDA</b>                      | <b>-4.7</b>   | <b>0.4</b>   | <b>9.4</b>   | <b>9.8</b>    | <b>9.8</b>    |
| - Maintenance capex                | 1.8           | 1.7          | 1.6          | 1.5           | 1.4           |
| - Minorities                       | -1.2          | -0.7         | 0.2          | 0.3           | 0.3           |
| - tax expenses                     | -1.3          | -0.7         | 0.4          | 0.9           | 1.0           |
| <b>= Adjusted FCF</b>              | <b>-4.1</b>   | <b>0.1</b>   | <b>7.2</b>   | <b>7.1</b>    | <b>7.1</b>    |
| <b>Actual Market Cap</b>           | <b>89.7</b>   | <b>89.7</b>  | <b>89.7</b>  | <b>89.7</b>   | <b>89.7</b>   |
| + Net debt (cash)                  | 34.3          | 37.3         | 33.5         | 25.3          | 17.7          |
| + Pension provisions               | 0.0           | 0.0          | 0.0          | 0.0           | 0.0           |
| + Off B/S financing                | 0.0           | 0.0          | 0.0          | 0.0           | 0.0           |
| - Financial assets                 | 24.4          | 24.4         | 24.4         | 24.4          | 24.4          |
| - Acc. dividend payments           | 0.0           | 0.0          | 0.0          | 0.0           | 0.0           |
| <i>EV Reconciliations</i>          | 9.9           | 13.0         | 9.1          | 1.0           | -6.7          |
| <b>= Actual EV'</b>                | <b>99.7</b>   | <b>102.7</b> | <b>98.8</b>  | <b>90.7</b>   | <b>83.0</b>   |
| <b>Adjusted FCF yield</b>          | <b>-4.1%</b>  | <b>0.1%</b>  | <b>7.3%</b>  | <b>7.9%</b>   | <b>8.6%</b>   |
| base hurdle rate                   | 7.0%          | 7.0%         | 7.0%         | 7.0%          | 7.0%          |
| ESG adjustment                     | 0.0%          | 0.0%         | 0.0%         | 0.0%          | 0.0%          |
| adjusted hurdle rate               | 7.0%          | 7.0%         | 7.0%         | 7.0%          | 7.0%          |
| <b>Fair EV</b>                     | <b>-58.4</b>  | <b>0.8</b>   | <b>102.9</b> | <b>101.9</b>  | <b>101.5</b>  |
| - <i>EV Reconciliations</i>        | 9.9           | 13.0         | 9.1          | 1.0           | -6.7          |
| <b>Fair Market Cap</b>             | <b>-68.4</b>  | <b>-12.2</b> | <b>93.7</b>  | <b>100.9</b>  | <b>108.1</b>  |
| No. of shares (million)            | 18.2          | 18.4         | 18.4         | 18.4          | 18.4          |
| <b>Fair value per share in EUR</b> | <b>-3.75</b>  | <b>-0.66</b> | <b>5.09</b>  | <b>5.48</b>   | <b>5.87</b>   |
| <b>Premium (-) / discount (+)</b>  | <b>-21.1%</b> | <b>58.5%</b> | <b>99.1%</b> | <b>142.0%</b> | <b>178.8%</b> |

| Sensitivity analysis FV     |             |             |             |            |            |            |
|-----------------------------|-------------|-------------|-------------|------------|------------|------------|
|                             | 5.0%        | -5.0        | -0.6        | 7.3        | 7.7        | 8.1        |
| <b>Adjusted hurdle rate</b> | 6.0%        | -4.3        | -0.7        | 6.0        | 6.4        | 6.8        |
|                             | <b>7.0%</b> | <b>-3.7</b> | <b>-0.7</b> | <b>5.1</b> | <b>5.5</b> | <b>5.9</b> |
|                             | 8.0%        | -3.3        | -0.7        | 4.4        | 4.8        | 5.2        |
|                             | 9.0%        | -3.0        | -0.7        | 3.8        | 4.3        | 4.6        |

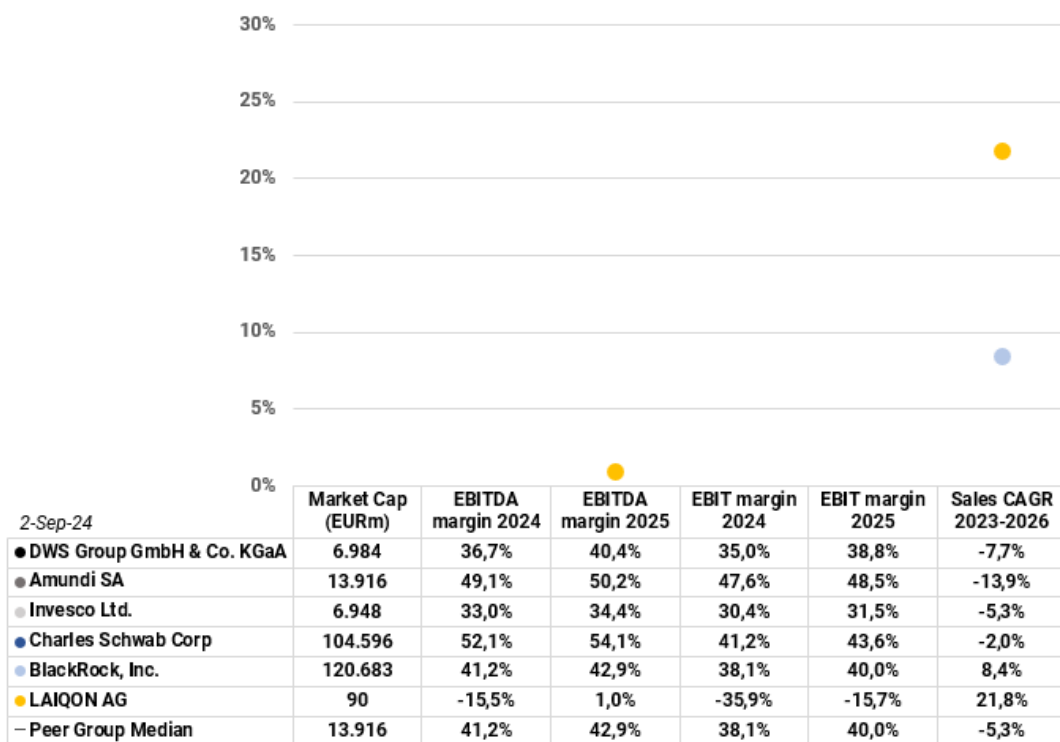
Source: Company data; mwb research

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

## Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **LAIQON AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of LAIQON AG consists of the stocks displayed in the chart below. As of 2 September 2024 the median market cap of the peer group was EUR 13,916.0m, compared to EUR 88.8m for LAIQON AG. In the period under review, the peer group was more profitable than LAIQON AG. The expectations for sales growth are lower for the peer group than for LAIQON AG.

### Peer Group – Key data



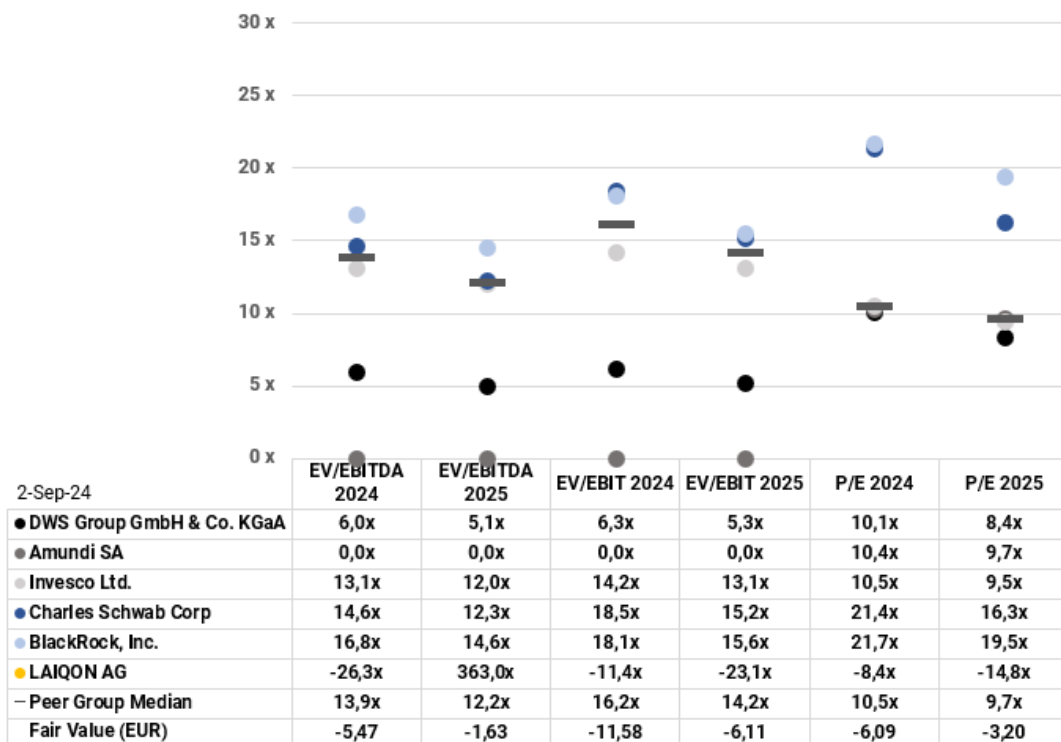
Source: AlphaSense, mwb research



Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

Applying these to LAIQON AG results in a range of fair values from EUR na to EUR -1.63.

### Peer Group – Multiples and valuation



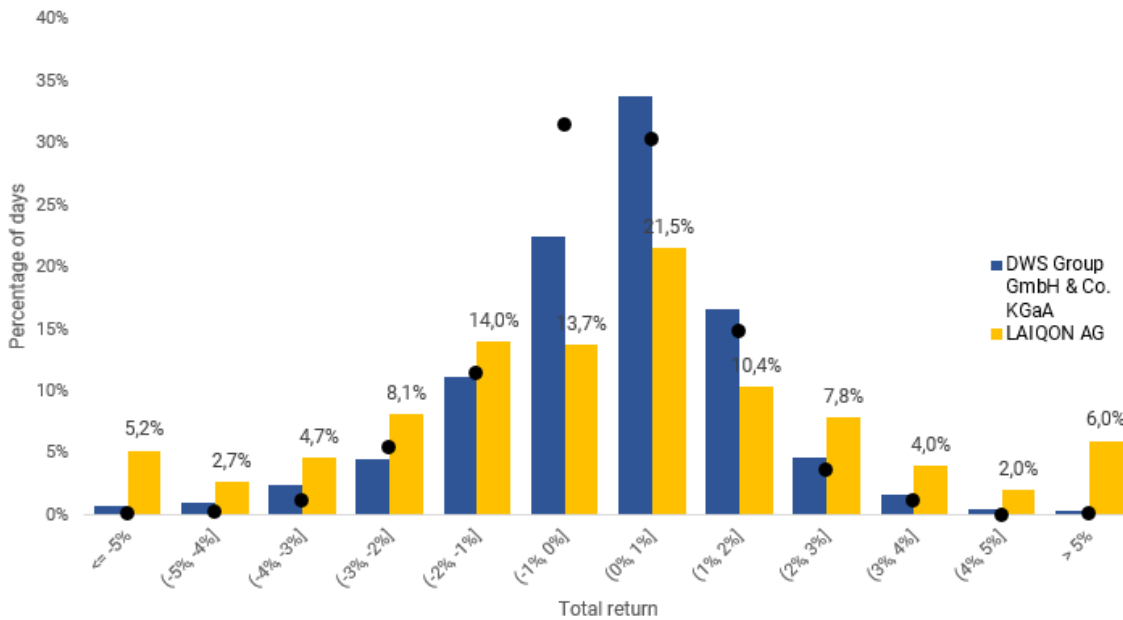
Source: AlphaSense, mwb research



# Risk

The chart displays the **distribution of daily returns of LAIQON AG** over the last 3 years, compared to the same distribution for DWS Group GmbH & Co. KGaA. We have also included the distribution for the index Germany SDAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For LAIQON AG, the worst day during the past 3 years was 24/01/2022 with a share price decline of -14.4%. The best day was 06/05/2022 when the share price increased by 14.9%.

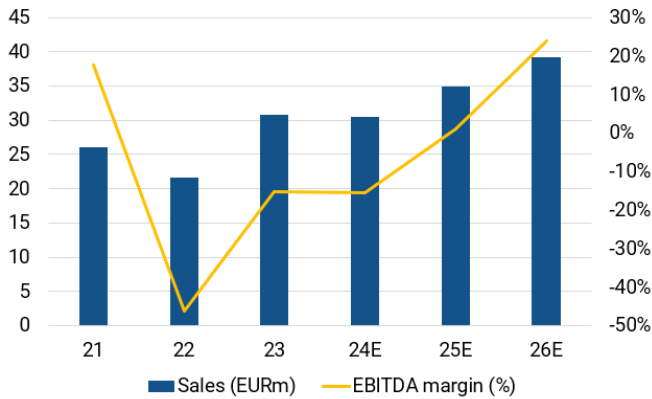
**Risk – Daily Returns Distribution (trailing 3 years)**



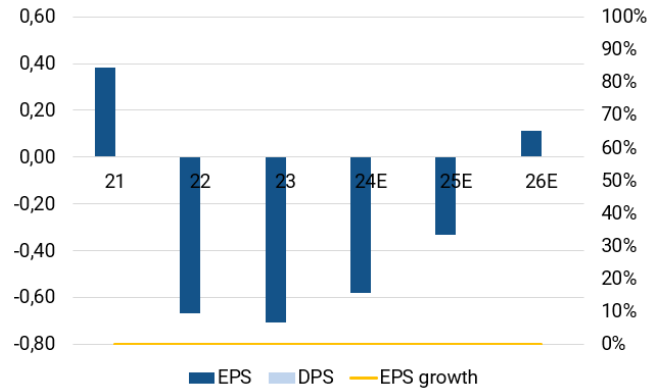
Source: AlphaSense, mwb research

# Financials in six charts

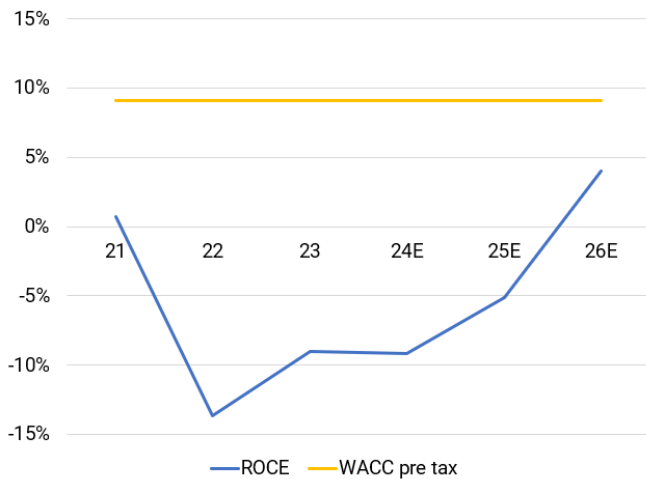
**Sales vs. EBITDA margin development**



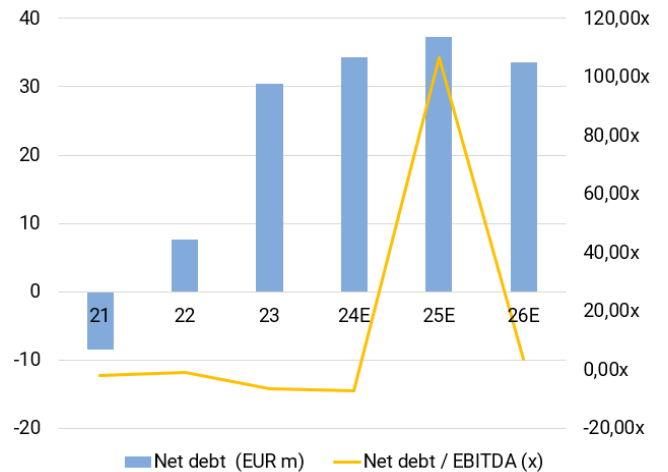
**EPS, DPS in EUR & yoy EPS growth**



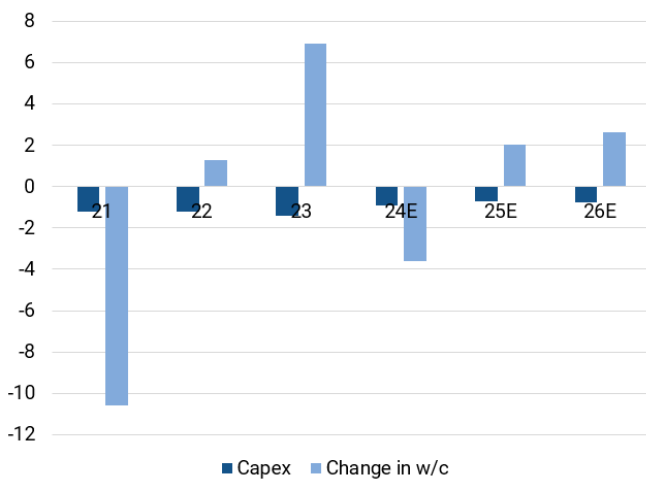
**ROCE vs. WACC (pre tax)**



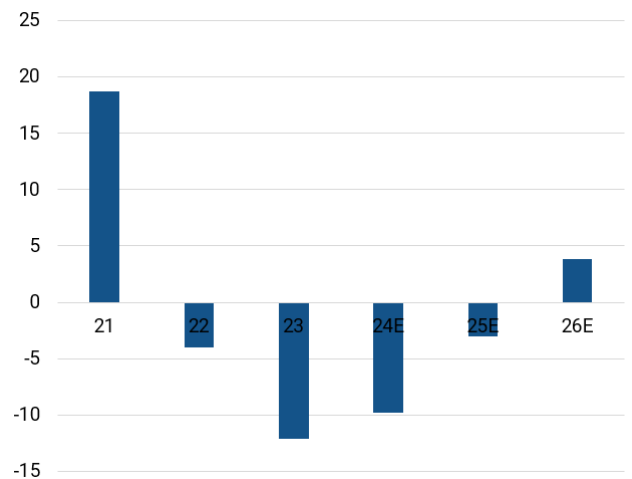
**Net debt and net debt/EBITDA**



**Capex & chgn in w/c requirements in EURm**



**Free Cash Flow in EURm**



Source: Company data; mwb research

# Financials

| Profit and loss (EURm)                             | 2021        | 2022         | 2023         | 2024E        | 2025E        | 2026E       |
|--|-------------|--------------|--------------|--------------|--------------|-------------|
| <b>Net sales</b>                                   | <b>26.1</b> | <b>21.6</b>  | <b>30.7</b>  | <b>30.4</b>  | <b>35.0</b>  | <b>39.2</b> |
| Sales growth                                       | -5.8%       | -17.4%       | 42.5%        | 33.0%        | 24.0%        | 15.0%       |
| Change in finished goods and work-in-process       | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| <b>Total sales</b>                                 | <b>26.1</b> | <b>21.6</b>  | <b>30.7</b>  | <b>30.4</b>  | <b>35.0</b>  | <b>39.2</b> |
| Material expenses                                  | 2.7         | 3.7          | 5.9          | 5.9          | 6.0          | 6.3         |
| <b>Gross profit</b>                                | <b>23.4</b> | <b>17.9</b>  | <b>24.8</b>  | <b>24.5</b>  | <b>29.1</b>  | <b>32.9</b> |
| Other operating income                             | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| Personnel expenses                                 | 11.3        | 17.1         | 20.2         | 19.2         | 19.3         | 14.9        |
| Other operating expenses                           | 7.5         | 10.7         | 9.3          | 10.0         | 9.5          | 8.6         |
| <b>EBITDA</b>                                      | <b>4.6</b>  | <b>-9.9</b>  | <b>-4.7</b>  | <b>-4.7</b>  | <b>0.4</b>   | <b>9.4</b>  |
| Depreciation                                       | 1.6         | 2.0          | 2.5          | 1.8          | 1.7          | 1.6         |
| EBITA  | 3.0         | -11.9        | -7.2         | -6.6         | -1.4         | 7.8         |
| Amortisation of goodwill and intangible assets     | 2.3         | 2.7          | 3.9          | 4.4          | 4.1          | 3.9         |
| <b>EBIT</b>  | <b>0.7</b>  | <b>-14.7</b> | <b>-11.1</b> | <b>-10.9</b> | <b>-5.5</b>  | <b>3.9</b>  |
| Financial result                                   | 5.7         | -1.6         | -8.9         | -2.1         | -2.0         | -1.2        |
| Recurring pretax income from continuing operations | 6.4         | -16.3        | -20.0        | -13.0        | -7.5         | 2.7         |
| Extraordinary income/loss                          | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| Earnings before taxes                              | 6.4         | -16.3        | -20.0        | -13.0        | -7.5         | 2.7         |
| Taxes  | -0.2        | -5.7         | -7.1         | -1.3         | -0.7         | 0.4         |
| Net income from continuing operations              | 6.6         | -10.5        | -12.9        | -11.7        | -6.7         | 2.3         |
| Result from discontinued operations (net of tax)   | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| <b>Net income</b>                                  | <b>6.6</b>  | <b>-10.5</b> | <b>-12.9</b> | <b>-11.7</b> | <b>-6.7</b>  | <b>2.3</b>  |
| Minority interest                                  | -1.5        | 0.4          | 0.6          | 1.2          | 0.7          | -0.2        |
| Net profit (reported)                              | 5.2         | -10.2        | -12.3        | -10.6        | -6.1         | 2.1         |
| Average number of shares                           | 13.37       | 15.21        | 17.48        | 18.24        | 18.41        | 18.41       |
| <b>EPS reported</b>                                | <b>0.39</b> | <b>-0.67</b> | <b>-0.70</b> | <b>-0.58</b> | <b>-0.33</b> | <b>0.11</b> |

| Profit and loss (common size)                      | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>                                   | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Change in finished goods and work-in-process       | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Total sales</b>                                 | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Material expenses                                  | 10%         | 17%         | 19%         | 19%         | 17%         | 16%         |
| <b>Gross profit</b>                                | <b>90%</b>  | <b>83%</b>  | <b>81%</b>  | <b>81%</b>  | <b>83%</b>  | <b>84%</b>  |
| Other operating income                             | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Personnel expenses                                 | 43%         | 79%         | 66%         | 63%         | 55%         | 38%         |
| Other operating expenses                           | 29%         | 50%         | 30%         | 33%         | 27%         | 22%         |
| <b>EBITDA</b>                                      | <b>18%</b>  | <b>-46%</b> | <b>-15%</b> | <b>-16%</b> | <b>1%</b>   | <b>24%</b>  |
| Depreciation                                       | 6%          | 9%          | 8%          | 6%          | 5%          | 4%          |
| EBITA  | 11%         | -55%        | -23%        | -22%        | -4%         | 20%         |
| Amortisation of goodwill and intangible assets     | 9%          | 13%         | 13%         | 14%         | 12%         | 10%         |
| <b>EBIT</b>  | <b>3%</b>   | <b>-68%</b> | <b>-36%</b> | <b>-36%</b> | <b>-16%</b> | <b>10%</b>  |
| Financial result                                   | 22%         | -8%         | -29%        | -7%         | -6%         | -3%         |
| Recurring pretax income from continuing operations | 25%         | -75%        | -65%        | -43%        | -21%        | 7%          |
| Extraordinary income/loss                          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Earnings before taxes                              | 25%         | -75%        | -65%        | -43%        | -21%        | 7%          |
| Taxes  | -1%         | -27%        | -23%        | -4%         | -2%         | 1%          |
| Net income from continuing operations              | 25%         | -49%        | -42%        | -39%        | -19%        | 6%          |
| Result from discontinued operations (net of tax)   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Net income</b>                                  | <b>25%</b>  | <b>-49%</b> | <b>-42%</b> | <b>-39%</b> | <b>-19%</b> | <b>6%</b>   |
| Minority interest                                  | -6%         | 2%          | 2%          | 4%          | 2%          | -1%         |
| <b>Net profit (reported)</b>                       | <b>20%</b>  | <b>-47%</b> | <b>-40%</b> | <b>-35%</b> | <b>-17%</b> | <b>5%</b>   |

Source: Company data; mwb research

| Balance sheet (EURm)                                      | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Intangible assets (excl. Goodwill)</b>                 | <b>54.8</b>  | <b>90.3</b>  | <b>87.2</b>  | <b>82.9</b>  | <b>78.7</b>  | <b>74.8</b>  |
| Goodwill  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Property, plant and equipment                             | 9.9          | 10.4         | 13.2         | 12.3         | 11.2         | 10.5         |
| Financial assets  | 19.3         | 16.8         | 24.4         | 24.4         | 24.4         | 24.4         |
| <b>FIXED ASSETS</b>                                       | <b>84.0</b>  | <b>117.5</b> | <b>124.8</b> | <b>119.5</b> | <b>114.3</b> | <b>109.6</b> |
| Inventories   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Accounts receivable                                       | 2.3          | 4.2          | 5.9          | 6.7          | 6.7          | 7.5          |
| Other current assets                                      | 4.4          | 6.9          | 5.9          | 5.9          | 5.9          | 5.9          |
| Liquid assets   | 26.2         | 11.2         | 8.0          | 0.7          | -4.3         | -13.5        |
| Deferred taxes  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Deferred charges and prepaid expenses                     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>CURRENT ASSETS</b>                                     | <b>33.0</b>  | <b>22.4</b>  | <b>19.8</b>  | <b>13.2</b>  | <b>8.3</b>   | <b>-0.1</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>117.0</b> | <b>139.8</b> | <b>144.6</b> | <b>132.7</b> | <b>122.6</b> | <b>109.5</b> |
| <b>SHAREHOLDERS EQUITY</b>                                | <b>43.3</b>  | <b>66.6</b>  | <b>55.6</b>  | <b>43.8</b>  | <b>37.1</b>  | <b>39.4</b>  |
| MINORITY INTEREST   | 5.1          | 5.5          | -0.9         | -0.9         | -0.9         | -0.9         |
| Long-term debt  | 10.6         | 16.5         | 36.4         | 35.0         | 33.0         | 20.0         |
| Provisions for pensions and similar obligations           | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other provisions  | 29.3         | 28.3         | 34.3         | 27.4         | 28.0         | 27.4         |
| <b>Non-current liabilities</b>                            | <b>40.0</b>  | <b>44.9</b>  | <b>70.7</b>  | <b>62.4</b>  | <b>61.0</b>  | <b>47.4</b>  |
| short-term liabilities to banks                           | 7.2          | 2.3          | 1.9          | 0.0          | 0.0          | 0.0          |
| Accounts payable  | 3.7          | 4.3          | 3.1          | 6.5          | 4.9          | 3.4          |
| Advance payments received on orders                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other liabilities (incl. from lease and rental contracts) | 5.3          | -1.2         | -4.0         | -3.0         | -3.5         | -3.9         |
| Deferred taxes  | 12.2         | 17.1         | 17.7         | 17.7         | 17.7         | 17.7         |
| Deferred income   | 0.2          | 0.4          | 0.5          | 0.5          | 0.5          | 0.6          |
| <b>Current liabilities</b>                                | <b>28.6</b>  | <b>22.9</b>  | <b>19.2</b>  | <b>21.6</b>  | <b>19.6</b>  | <b>17.8</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>117.0</b> | <b>139.8</b> | <b>144.6</b> | <b>126.9</b> | <b>116.8</b> | <b>103.7</b> |

| Balance sheet (common size)                               | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Intangible assets (excl. Goodwill)</b>                 | <b>47%</b>  | <b>65%</b>  | <b>60%</b>  | <b>62%</b>  | <b>64%</b>  | <b>68%</b>  |
| Goodwill  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Property, plant and equipment                             | 8%          | 7%          | 9%          | 9%          | 9%          | 10%         |
| Financial assets  | 16%         | 12%         | 17%         | 18%         | 20%         | 22%         |
| <b>FIXED ASSETS</b>                                       | <b>72%</b>  | <b>84%</b>  | <b>86%</b>  | <b>90%</b>  | <b>93%</b>  | <b>100%</b> |
| Inventories   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Accounts receivable                                       | 2%          | 3%          | 4%          | 5%          | 5%          | 7%          |
| Other current assets                                      | 4%          | 5%          | 4%          | 4%          | 5%          | 5%          |
| Liquid assets   | 22%         | 8%          | 6%          | 1%          | -4%         | -12%        |
| Deferred taxes  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Deferred charges and prepaid expenses                     | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>CURRENT ASSETS</b>                                     | <b>28%</b>  | <b>16%</b>  | <b>14%</b>  | <b>10%</b>  | <b>7%</b>   | <b>-0%</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| <b>SHAREHOLDERS EQUITY</b>                                | <b>37%</b>  | <b>48%</b>  | <b>38%</b>  | <b>33%</b>  | <b>30%</b>  | <b>36%</b>  |
| MINORITY INTEREST   | 4%          | 4%          | -1%         | -1%         | -1%         | -1%         |
| Long-term debt  | 9%          | 12%         | 25%         | 26%         | 27%         | 18%         |
| Provisions for pensions and similar obligations           | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Other provisions  | 25%         | 20%         | 24%         | 21%         | 23%         | 25%         |
| <b>Non-current liabilities</b>                            | <b>34%</b>  | <b>32%</b>  | <b>49%</b>  | <b>47%</b>  | <b>50%</b>  | <b>43%</b>  |
| short-term liabilities to banks                           | 6%          | 2%          | 1%          | 0%          | 0%          | 0%          |
| Accounts payable  | 3%          | 3%          | 2%          | 5%          | 4%          | 3%          |
| Advance payments received on orders                       | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Other liabilities (incl. from lease and rental contracts) | 5%          | -1%         | -3%         | -2%         | -3%         | -4%         |
| Deferred taxes  | 10%         | 12%         | 12%         | 13%         | 14%         | 16%         |
| Deferred income   | 0%          | 0%          | 0%          | 0%          | 0%          | 1%          |
| <b>Current liabilities</b>                                | <b>24%</b>  | <b>16%</b>  | <b>13%</b>  | <b>16%</b>  | <b>16%</b>  | <b>16%</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>96%</b>  | <b>95%</b>  | <b>95%</b>  |

Source: Company data; mwb research

| Cash flow statement (EURm)                      | 2021        | 2022        | 2023         | 2024E       | 2025E       | 2026E        |
|---|-------------|-------------|--------------|-------------|-------------|--------------|
| Net profit/loss                                 | 6.6         | -10.5       | -12.9        | -11.7       | -6.7        | 2.3          |
| Depreciation of fixed assets (incl. leases)     | 3.9         | 4.7         | 6.4          | 1.8         | 1.7         | 1.6          |
| Amortisation of goodwill                        | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| Amortisation of intangible assets               | 0.0         | 0.0         | 0.0          | 4.4         | 4.1         | 3.9          |
| Others  | -1.2        | 4.3         | 2.7          | -6.9        | 0.6         | -0.6         |
| Cash flow from operations before changes in w/c | 9.3         | -1.5        | -3.8         | -12.4       | -0.3        | 7.2          |
| Increase/decrease in inventory                  | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| Increase/decrease in accounts receivable        | 2.4         | -5.3        | -7.1         | -0.7        | -0.0        | -0.8         |
| Increase/decrease in accounts payable           | 1.8         | -0.9        | -0.2         | 3.4         | -1.6        | -1.5         |
| Increase/decrease in other w/c positions        | 6.3         | 4.9         | 0.4          | 0.9         | -0.4        | -0.4         |
| Increase/decrease in working capital            | 10.6        | -1.3        | -6.9         | 3.6         | -2.0        | -2.6         |
| <b>Cash flow from operating activities</b>      | <b>20.0</b> | <b>-2.8</b> | <b>-10.7</b> | <b>-8.9</b> | <b>-2.3</b> | <b>4.6</b>   |
| CAPEX   | -1.2        | -1.2        | -1.4         | -0.9        | -0.7        | -0.8         |
| Payments for acquisitions                       | 0.0         | -13.6       | 0.0          | 0.0         | 0.0         | 0.0          |
| Financial investments                           | -0.1        | -2.2        | 0.1          | 0.0         | 0.0         | 0.0          |
| Income from asset disposals                     | 0.1         | 8.6         | 0.0          | 0.0         | 0.0         | 0.0          |
| <b>Cash flow from investing activities</b>      | <b>-1.1</b> | <b>-8.5</b> | <b>-1.3</b>  | <b>-0.9</b> | <b>-0.7</b> | <b>-0.8</b>  |
| Cash flow before financing                      | 18.8        | -11.2       | -12.1        | -9.8        | -3.0        | 3.8          |
| Increase/decrease in debt position              | -2.9        | 4.5         | 17.2         | -3.3        | -2.0        | -13.0        |
| Purchase of own shares                          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| Capital measures                                | 0.0         | 12.0        | 0.0          | 5.8         | 0.0         | 0.0          |
| Dividends paid                                  | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| Others  | -6.1        | -11.3       | -8.4         | 0.0         | 0.0         | 0.0          |
| Effects of exchange rate changes on cash        | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| <b>Cash flow from financing activities</b>      | <b>-9.0</b> | <b>5.3</b>  | <b>8.8</b>   | <b>2.5</b>  | <b>-2.0</b> | <b>-13.0</b> |
| Increase/decrease in liquid assets              | 9.8         | -6.0        | -3.2         | -7.3        | -5.0        | -9.2         |
| <b>Liquid assets at end of period</b>           | <b>16.3</b> | <b>10.4</b> | <b>7.1</b>   | <b>-0.2</b> | <b>-5.2</b> | <b>-14.3</b> |

Source: Company data; mwb research

| Regional sales split (EURm) | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic                    | 26.1        | 21.6        | 30.7        | 30.4        | 35.0        | 39.2        |
| Europe (ex domestic)        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| The Americas                | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Asia                        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Rest of World               | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Total sales</b>          | <b>26.1</b> | <b>21.6</b> | <b>30.7</b> | <b>30.4</b> | <b>35.0</b> | <b>39.2</b> |

| Regional sales split (common size) | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic                           | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      |
| Europe (ex domestic)               | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
| The Americas                       | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
| Asia                               | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
| Rest of World                      | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
| <b>Total sales</b>                 | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Company data; mwb research

| Ratios                            | 2021   | 2022   | 2023   | 2024E     | 2025E  | 2026E |
|-----------------------------------|--------|--------|--------|-----------|--------|-------|
| <b>Per share data</b>             |        |        |        |           |        |       |
| Earnings per share reported       | 0.39   | -0.67  | -0.70  | -0.08     | 0.19   | 0.31  |
| Cash flow per share               | 1.49   | -0.18  | -0.61  | -0.59     | -0.22  | 0.17  |
| Book value per share              | 3.23   | 4.38   | 3.18   | 2.40      | 2.01   | 2.14  |
| Dividend per share                | 0.00   | 0.00   | 0.00   | 0.00      | 0.00   | 0.00  |
| <b>Valuation</b>                  |        |        |        |           |        |       |
| P/E                               | 12.6x  | -7.3x  | -6.9x  | -58.5x    | 25.7x  | 15.6x |
| P/CF                              | 3.3x   | -26.8x | -7.9x  | -8.3x     | -22.2x | 29.4x |
| P/BV                              | 1.5x   | 1.1x   | 1.5x   | 2.0x      | 2.4x   | 2.3x  |
| Dividend yield (%)                | 0.0%   | 0.0%   | 0.0%   | 0.0%      | 0.0%   | 0.0%  |
| FCF yield (%)                     | 30.6%  | -3.7%  | -12.6% | -12.0%    | -4.5%  | 3.4%  |
| EV/Sales                          | 3.1x   | 4.5x   | 3.9x   | 3.0x      | 2.5x   | 2.1x  |
| EV/EBITDA                         | 17.4x  | -9.7x  | -25.4x | 20.1x     | 11.1x  | 8.9x  |
| EV/EBIT                           | 119.7x | -6.6x  | -10.8x | -1,638.8x | 22.9x  | 15.1x |
| <b>Income statement (EURm)</b>    |        |        |        |           |        |       |
| Sales                             | 26.1   | 21.6   | 30.7   | 30.4      | 35.0   | 39.2  |
| yoy chg in %                      | -5.8%  | -17.4% | 42.5%  | 33.0%     | 24.0%  | 15.0% |
| Gross profit                      | 23.4   | 17.9   | 24.8   | 24.5      | 29.1   | 32.9  |
| Gross margin in %                 | 89.7%  | 83.0%  | 80.7%  | 89.0%     | 90.0%  | 90.0% |
| EBITDA                            | 4.6    | -9.9   | -4.7   | -4.7      | 0.4    | 9.4   |
| EBITDA margin in %                | 17.6%  | -46.1% | -15.3% | 15.0%     | 22.5%  | 23.5% |
| EBIT                              | 0.7    | -14.7  | -11.1  | -10.9     | -5.5   | 3.9   |
| EBIT margin in %                  | 2.6%   | -67.9% | -36.0% | -0.2%     | 10.9%  | 13.9% |
| Net profit                        | 5.2    | -10.2  | -12.3  | -10.6     | -6.1   | 2.1   |
| <b>Cash flow statement (EURm)</b> |        |        |        |           |        |       |
| CF from operations                | 20.0   | -2.8   | -10.7  | -8.9      | -2.3   | 4.6   |
| Capex                             | -1.2   | -1.2   | -1.4   | -0.9      | -0.7   | -0.8  |
| Maintenance Capex                 | 0.0    | 0.0    | 0.0    | 1.8       | 1.7    | 1.6   |
| Free cash flow                    | 18.8   | -4.0   | -12.1  | -9.8      | -3.0   | 3.8   |
| <b>Balance sheet (EURm)</b>       |        |        |        |           |        |       |
| Intangible assets                 | 54.8   | 90.3   | 87.2   | 82.9      | 78.7   | 74.8  |
| Tangible assets                   | 9.9    | 10.4   | 13.2   | 12.3      | 11.2   | 10.5  |
| Shareholders' equity              | 43.3   | 66.6   | 55.6   | 43.8      | 37.1   | 39.4  |
| Pension provisions                | 0.0    | 0.0    | 0.0    | 0.0       | 0.0    | 0.0   |
| Liabilities and provisions        | 47.2   | 47.2   | 72.7   | 62.4      | 61.0   | 47.4  |
| Net financial debt                | -8.4   | 7.6    | 30.4   | 34.3      | 37.3   | 33.5  |
| w/c requirements                  | -1.4   | -0.1   | 2.8    | 0.2       | 1.8    | 4.1   |
| <b>Ratios</b>                     |        |        |        |           |        |       |
| ROE                               | 15.3%  | -15.8% | -23.2% | -3.9%     | 10.4%  | 16.2% |
| ROCE                              | 0.7%   | -12.3% | -8.7%  | -0.1%     | 5.7%   | 9.4%  |
| Net gearing                       | -19.4% | 11.4%  | 54.7%  | 78.3%     | 100.7% | 85.1% |
| Net debt / EBITDA                 | -1.8x  | -0.8x  | -6.5x  | 5.6x      | 3.3x   | 2.4x  |

Source: Company data; mwb research

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