

123fahrschule SE

Germany | Technology | MCap EUR 14.2m

22 May 2024

UPDATE



Investor call with confirming news; Solid start to the year; BUY

What's it all about?

123fahrschule (123fs) informed on the latest events in a very informative investor call. The topics were 1) the acquisition of FOERST GmbH, 2) the potential of new business models with driving simulators and 3) the current developments in the FY 2024. For the use of simulators in training, the regulatory change will have to be awaited (expected this year). However, the sale of simulators in Germany and international sales will have an impact on the figures from closing (expected July 1, 2024) in H2 24, which is why we are adjusting our estimates only slightly. We see the acquisition of FOERST as strategically important rather than a major contributor to revenues and earnings in 2024 and 2025. 123fs remains practically the only beneficiary of the liberalization and digitalization of the driving school market, which is why we see significant growth potential and reiterate our BUY rating with an increased price target of EUR 6.80 (old EUR 6.60).

BUY (BUY)

Target price	EUR 6.80 (6.60)
Current price	EUR 2.92
Up/downside	132.9%



MAIN AUTHOR

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Investor call with confirming news; Solid start to the year; BUY

123fahrschule (123fs) informed on the latest events in a very informative investor call. It dealt with 1) the acquisition of FOERST GmbH, 2) the potential of new business models with driving simulators and 3) the current developments in the FY 2024.

123fahrschule could become a software provider in the SaaS model. FOERST is a pioneer in the development and distribution of driving simulators and offers a functional and future-oriented key technology for 123fs. The purchase price will be paid in shares until the end of 2026, which conserves the financial resources of 123fs and at the same time is a strong signal from the sellers. FOERST is owner-managed, and they are obviously convinced of a common future, as all employees remain on board. With this acquired technology, we identified four positive effects for 123fs:

- Driver students can train on the simulators in a timely manner, giving them a better start to their practical driving training (e.g. in the car). This increases safety, improves pass rates and reduces costs for students.
- 123fs will significantly reduce its cost base in the area of practical driving lessons when the amendment comes into force. Some of the cost benefits can be passed on and this could make 123fs more attractive as a potential price leader.
- The simulators enable a new business model where 123fs becomes an IT and software provider for third parties with hardware sales and in the SaaS model. Recurring revenue and higher margins make sales much more attractive.
- Driving students from other (smaller) schools could use the 123fs simulators for a fee or in separate facilities (e.g. in shopping malls) and train their skills.

Background to regulatory changes. In the future, it is expected that driving simulators will play a much greater role in driver training in Germany. With the current amendment to the learner driver training regulations (Fahrerschülerausbildungsordnung), which is expected by the end of 2024, the usage for simulators instead of practical training (in cars) could become possible in 2025.

- continued -

123fahrschule SE	2021	2022	2023	2024E	2025E	2026E
Sales	7.8	16.7	20.6	24.6	27.8	33.1
<i>Growth yoy</i>	81.8%	114.8%	23.7%	19.2%	13.3%	18.8%
EBITDA	-3.8	-2.7	-0.9	0.5	2.1	3.3
EBIT	-5.7	-5.6	-4.3	-3.1	-1.6	-0.5
Net profit	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Net debt (net cash)	-3.1	1.8	1.7	4.3	4.2	2.8
Net debt/EBITDA	0.8x	-0.7x	-1.9x	8.7x	2.0x	0.9x
EPS reported	-1.85	-1.39	-0.80	-0.56	-0.30	-0.10
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	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	-48.9%	-16.0%	-4.3%	2.0%	7.5%	10.0%
EBIT margin	-73.9%	-33.8%	-20.9%	-12.4%	-5.7%	-1.5%
ROCE	-35.5%	-28.9%	-22.3%	-17.2%	-9.4%	-3.0%
EV/Sales	1.4x	1.0x	0.8x	0.8x	0.7x	0.5x
EV/EBITDA	-2.9x	-6.0x	-17.9x	37.7x	8.8x	5.2x
EV/EBIT	-1.9x	-2.9x	-3.7x	-6.1x	-11.7x	-34.2x
PER	-1.6x	-2.1x	-3.6x	-5.2x	-9.8x	-28.9x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 7.44 / 1.26
Price/Book Ratio 0.9x

Ticker / Symbols

ISIN DE000A2P4HL9
WKN A2P4HL
Bloomberg 123F:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	24.3	-3.1	-0.56
	Δ	1.0%	na%	na%
2025E	old	27.3	-1.6	-0.30
	Δ	1.8%	na%	na%
2026E	old	32.6	-0.5	-0.11
	Δ	1.5%	na%	na%

Key share data

Number of shares: (in m pcs) 4.88
Book value per share: (in EUR) 3.37
Ø trading vol.: (12 months) 2,546

Major shareholders

venturecapital.de 13.8%
Delphi 12.8%
KlickVentures 7.0%
Free Float 53.7%

Company description

123fahrschule SE is the disruptive player of driving license training and education in Germany. The company's goal is the modernization as well as the digitization of products, services, and processes in order to provide a high-quality training for private and professional customers nationwide. In addition, 123fahrschule is aiming the consolidation of the highly fragmented market.

A good start to 2024. 2024 is and will remain a transitional year until the change in driver education comes into effect. This is expected in 2025. In the first four months, 123fs was able to develop its business positively, which is also expected for H1 and the full year as well. All months were EBITDA and cash positive. According to CEO Polenske, the driving schools are running at over 100% capacity and students are registering on waiting lists. This should increase the negotiating room for 123fs. Price reductions are unlikely at this time. The training of driving instructors through the subsidiary Fahrerwerk is also going well. The company estimates that it already has a 10% market share, which is likely to increase in the next years. As a reminder, driving instructors are the bottleneck in this market. Last year, only around 1000 drivers were trained, over 100 of them by 123fs. This means that the company has ideal access to its own skilled workers.

Our take. For the use of simulators in training, the regulatory change will have to be awaited. The sale of simulators in Germany and international sales will have an impact on the figures from closing (expected July 1, 2024) in H2 24, which is why we are adjusting our estimates slightly. We maintain our initial assumptions of acquired revenues of c. EUR 500k with low profitability (<5% EBITDA). This is why we consider the acquisition to be strategically important rather than being a larger sales and earnings contributor in 2024 and 2025. Therefore, there is no impact on the price target. 123fs remains practically the only beneficiary of the liberalization and digitalization of the driving school market, which is why we reiterate our BUY recommendation with an increased price target of EUR 6.80 (old EUR 6.60).

FOERST simulator – product sample



Source: FOERST GmbH, mwb research

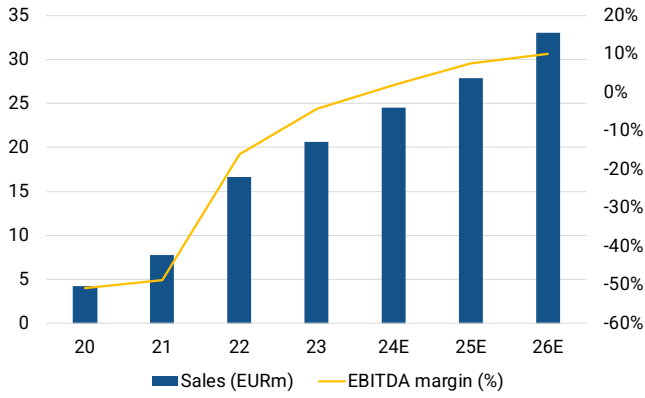
Background information:

123fahreschule SE is the disruptive force in the German driving school market. The company's goal is the modernization as well as the digitization of products, services, and processes. 123fahreschule aims to provide high-quality training for private and business customers nationwide. 123fahrschule operates digitally via its proprietary software and e-learning solutions, while many competitors still rely on premise theory lessons in a classroom. However, it is due to the regulatory framework that despite the digital approach physical sites (classrooms) must be operated regionally.

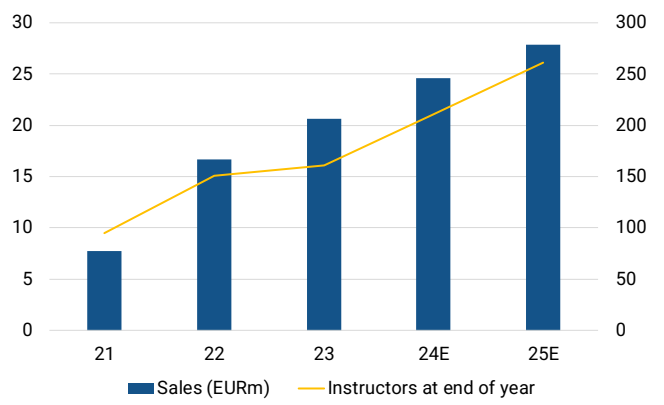
Online theory classes expected from 2025. In Germany, online theory lessons were considered an exception during the pandemic. But, according to the Federal Ministry of Digital Affairs and Transport's, e-learning will be permanently recognized by law in Germany from 01.01.2025. At the moment, driving schools are only allowed to train their students in face-to-face classes. Back in 2016, 123fs set out to revolutionize the German driving school market with digital innovations. This is now expected to take place from 2025 onwards.

Investment case in six charts

Expected sales growth and EBITDA margin

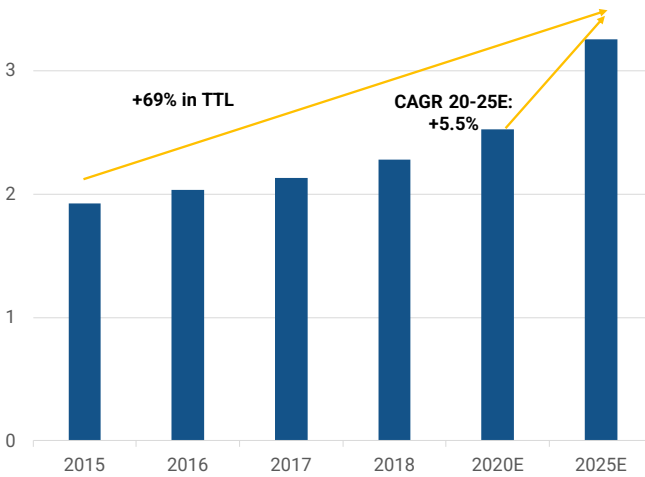


Increasing number of instructors drives top-line

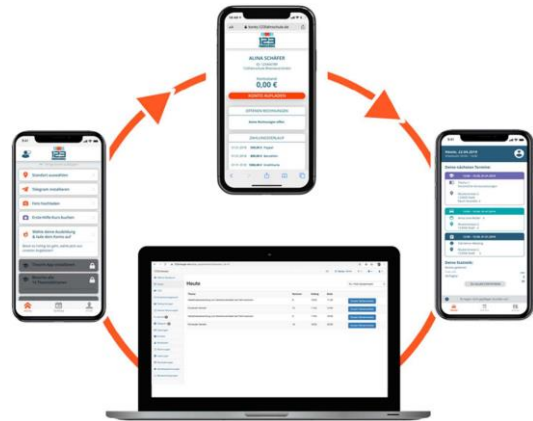


Total market growth 2015-2025E

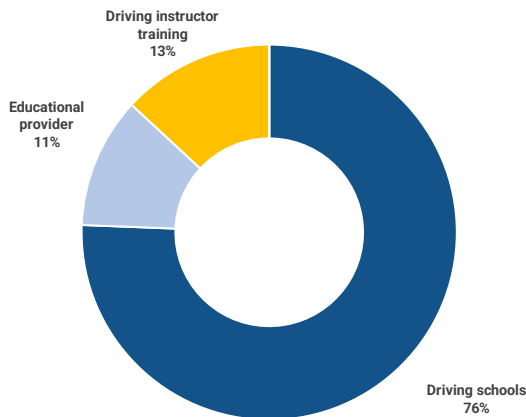
in EUR bn



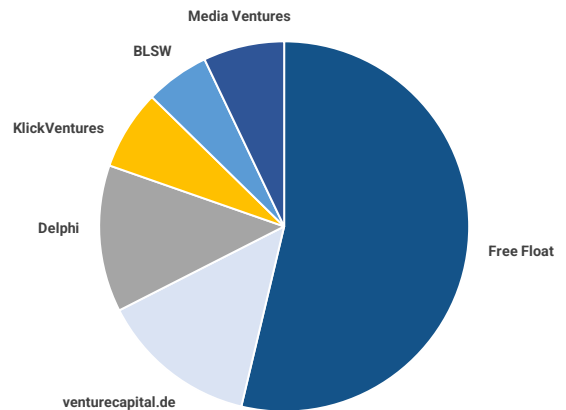
Completely digital interaction via own ecosystem



Sales by segment



Major Shareholders



Source: Company data, mwb research

SWOT analysis

Strengths

- Scalable B2C business model
- First mover advantage in a roll-up business model
- Experienced management team
- Knowledge and learnings of customer behaviour can be adopted & scaled
- Diversified revenue streams (B2C business) across Germany
- Agility and flexibility due to a lean organisational structure
- Favourable purchase multiples visible in low goodwill despite several M&A transactions (HGB)
- Own education of driving instructors solves skilled worker bottleneck

Weaknesses

- Steady need of technical innovation / development and hence IT costs
- Constant implementation of changed regulations regarding software and continued education of instructors necessary
- International expansion unlikely due to the heterogenous regulatory environment across Europe

Opportunities

- German driving school market in transition: consolidation & digitization
- Highly fragmented market offers attractive M&A opportunities
- Covid-19 could serve as catalyst for increasing online penetration
- Roll-up model provides above-average growth opportunities in a stable growing market

Threats

- Overall high market rivalry due to broad competitions – fragmented market
- Copycats: Digital players could adopt the business model
- Easing of regulatory framework needed for faster expansion
- Return of pandemic related barriers e.g., no driving exams or bottleneck of exam dates

Valuation

DCF Model

The DCF model results in a **fair value of EUR 6.80 per share**:

Top-line growth: We expect 123fahrschule SE to grow revenues at a CAGR of 10.0% between 2024E and 2031E. The long-term growth rate is set at 1.5%.

ROCE. Returns on capital are developing from -17.2% in 2024E to 20.7% in 2031E.

WACC. Starting point is a historical equity beta of 1.54. Unlevering and correcting for mean reversion yields an asset beta of 1.21. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 22.0%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30.0% and target debt/equity of 2.5 this results in a long-term WACC of 8.8%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	-2.7	-1.4	-0.4	-0.1	1.9	2.2	2.3	4.5	
Depreciation & amortization	3.5	3.7	3.8	3.9	3.8	3.9	4.0	1.6	
Change in working capital	-1.0	0.2	0.1	0.2	0.4	0.6	0.8	0.2	
Chg. in long-term provisions	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0	
Capex	-2.5	-2.4	-2.1	-3.0	-3.0	-2.8	-2.8	-2.9	
Cash flow	-2.5	0.1	1.4	1.1	3.2	4.0	4.3	3.4	47.7
Present value	-2.4	0.1	1.1	0.8	2.1	2.4	2.4	1.7	25.1
WACC	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	8.8%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	33.3	Planning horizon avg. revenue growth (2024E-2031E)	10.0%
Mid-year adj. total present value	34.8	Terminal value growth (2031E - infinity)	1.5%
Net debt / cash at start of year	1.7	Terminal year ROCE	20.7%
Financial assets	0.1	Terminal year WACC	8.8%
Provisions and off b/s debt	na		
Equity value	33.1	Terminal WACC derived from	
No. of shares outstanding	4.9	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	30.0%
		Equity beta	1.54
		Unlevered beta (industry or company)	1.21
		Target debt / equity	2.5
		Relevered beta	3.33
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	22.0%

Discounted cash flow / share	6.80
upside/(downside)	132.8%

Share price	2.92
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Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	0.5%	1.0%	1.5%	2.0%	2.5%		
2.0%	4.5	4.7	4.9	5.2	5.4	2024E-2027E	-1.2%
1.0%	5.2	5.5	5.7	6.1	6.4	2028E-2031E	25.7%
0.0%	6.1	6.4	6.8	7.2	7.7	terminal value	75.5%
-1.0%	7.2	7.7	8.2	8.8	9.5		
-2.0%	8.7	9.3	10.1	11.0	12.2		

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 -2.74 per share based on 2024E and EUR 10.22 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
EBITDA	0.5	2.1	3.3	3.8	6.0
- Maintenance capex	1.5	2.5	2.1	2.2	2.3
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	-0.4	-0.2	-0.1	-0.0	0.3
= Adjusted FCF	-0.6	-0.2	1.3	1.6	3.4
Actual Market Cap	14.2	14.2	14.2	14.2	14.2
+ Net debt (cash)	4.3	4.2	2.8	1.8	-1.3
+ 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	0.0	0.0	0.0	0.0	0.0
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
<i>EV Reconciliations</i>	4.3	4.2	2.8	1.8	-1.3
= Actual EV'	18.5	18.5	17.1	16.0	12.9
Adjusted FCF yield	-3.4%	-1.2%	7.5%	10.1%	26.3%
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%
Fair EV	-9.1	-3.1	18.2	23.2	48.5
- <i>EV Reconciliations</i>	4.3	4.2	2.8	1.8	-1.3
Fair Market Cap	-13.3	-7.3	15.4	21.4	49.8
No. of shares (million)	4.9	4.9	4.9	4.9	4.9
Fair value per share in EUR	-2.74	-1.50	3.16	4.39	10.22
Premium (-) / discount (+)	-193.7%	-151.3%	8.1%	50.2%	250.1%

Sensitivity analysis FV						
Adjusted hurdle rate	5.0%	-3.5	-1.7	4.7	6.3	14.2
	6.0%	-3.0	-1.6	3.8	5.2	11.9
	7.0%	-2.7	-1.5	3.2	4.4	10.2
	8.0%	-2.5	-1.4	2.7	3.8	9.0
	9.0%	-2.3	-1.4	2.3	3.3	8.0

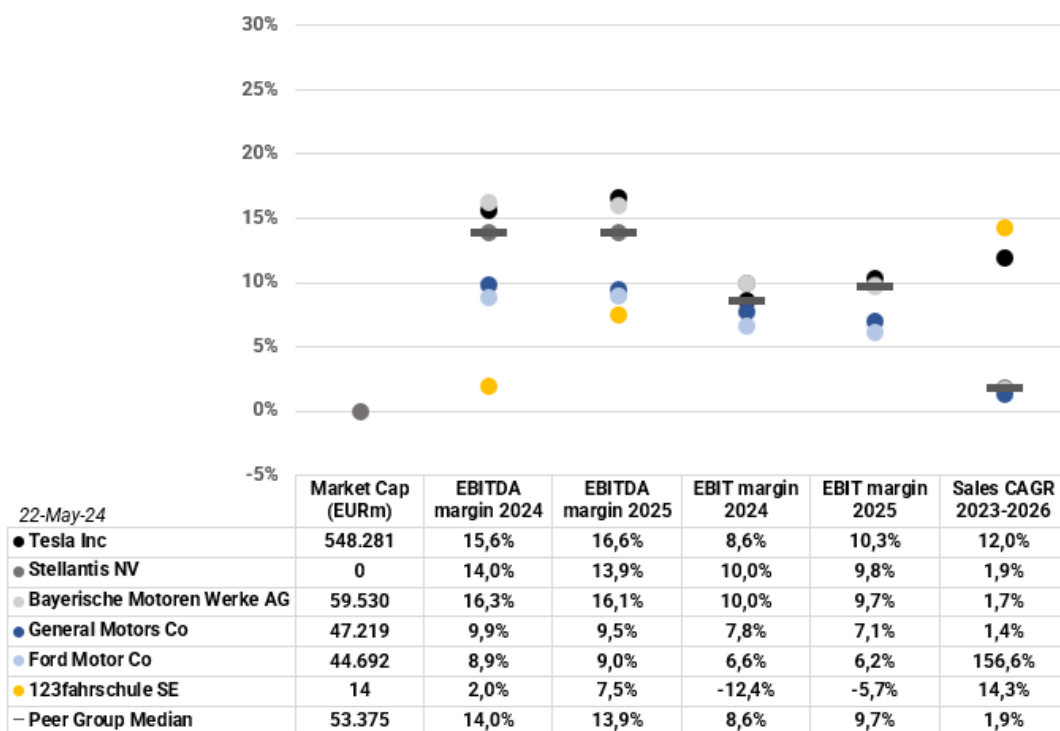
Source: Company data; mwb research

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 **123fahrschule SE** 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 123fahrschule SE consists of the stocks displayed in the chart below. As of 22 May 2024 the median market cap of the peer group was EUR 53,374.5m, compared to EUR 14.2m for 123fahrschule SE. In the period under review, the peer group was more profitable than 123fahrschule SE. The expectations for sales growth are lower for the peer group than for 123fahrschule SE.

Peer Group – Key data

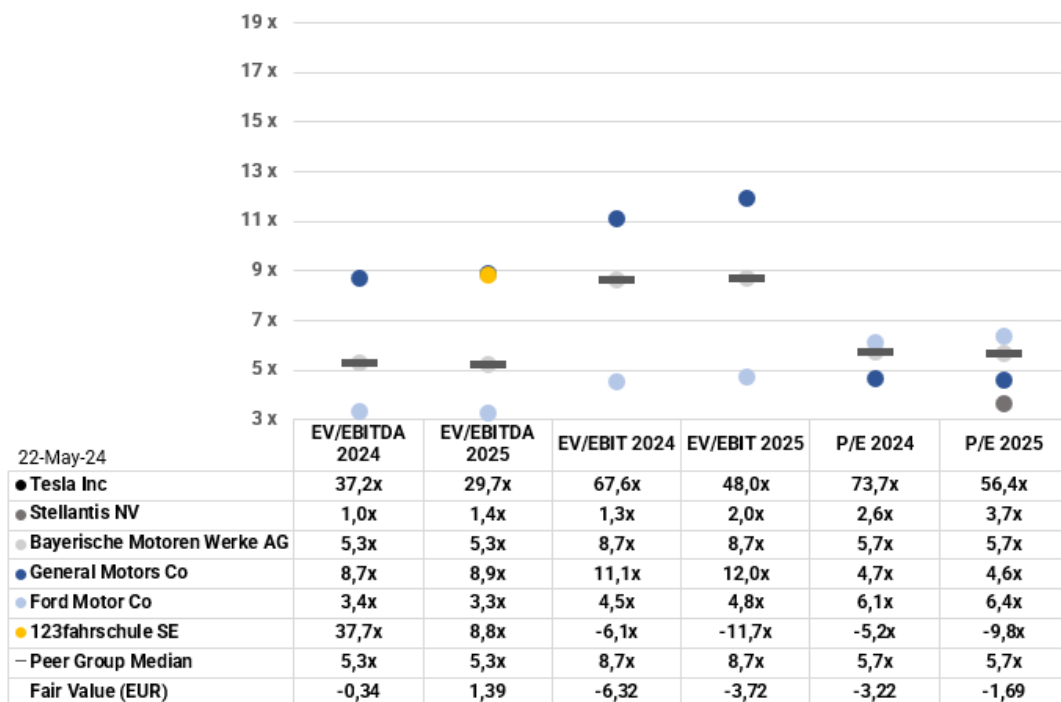


Source: AlphaSense, mwb research

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 123fahrschule SE results in a range of fair values from EUR na to EUR 1.39.

Peer Group – Multiples and valuation

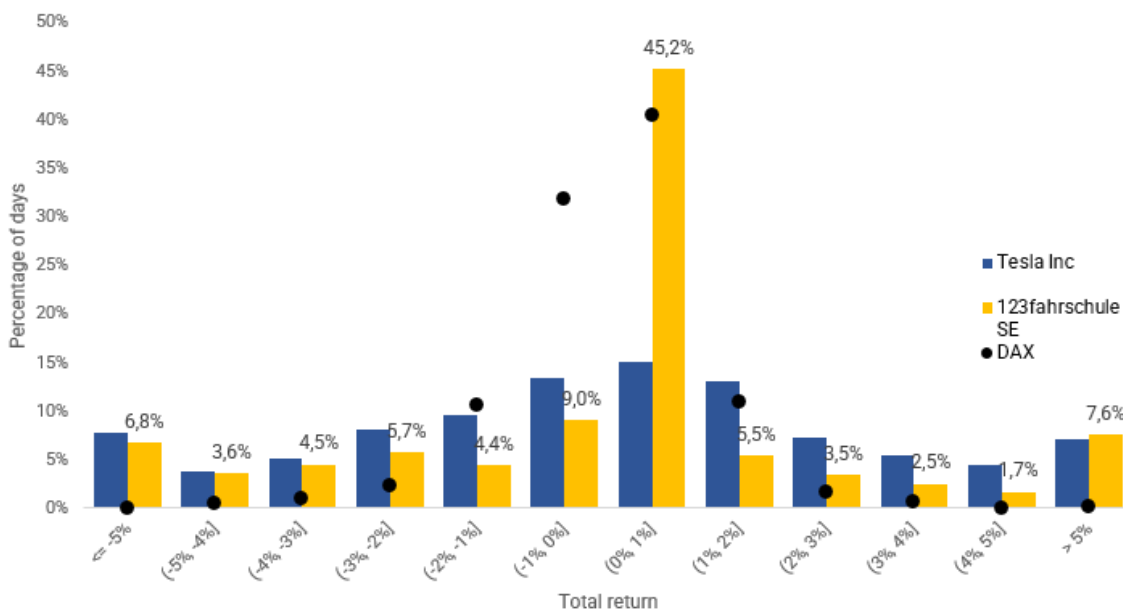


Source: AlphaSense, mwb research

Risk

The chart displays the **distribution of daily returns of 123fahrschule SE** over the last 3 years, compared to the same distribution for Tesla Inc. We have also included the distribution for the index DAX. 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 123fahrschule SE, the worst day during the past 3 years was 26/10/2023 with a share price decline of -27.7%. The best day was 14/11/2023 when the share price increased by 37.0%.

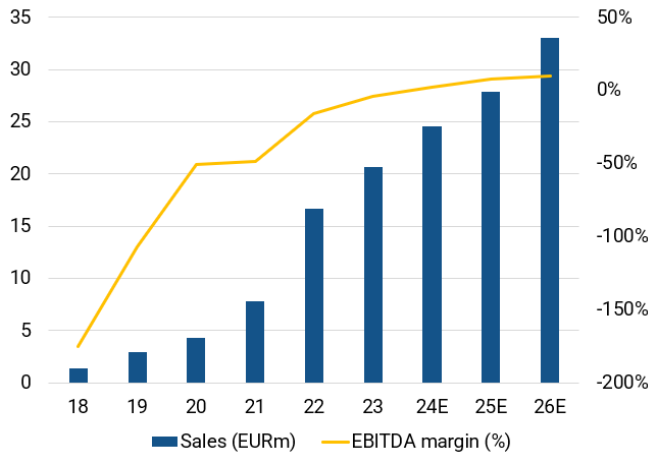
Risk – Daily Returns Distribution (trailing 3 years)



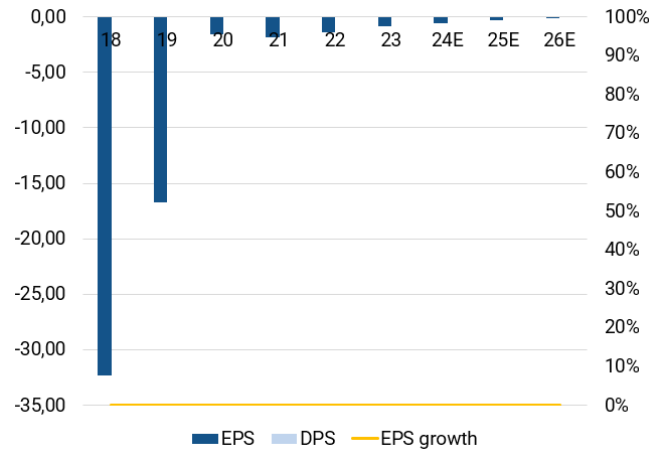
Source: AlphaSense, mwb research

Financials in six charts

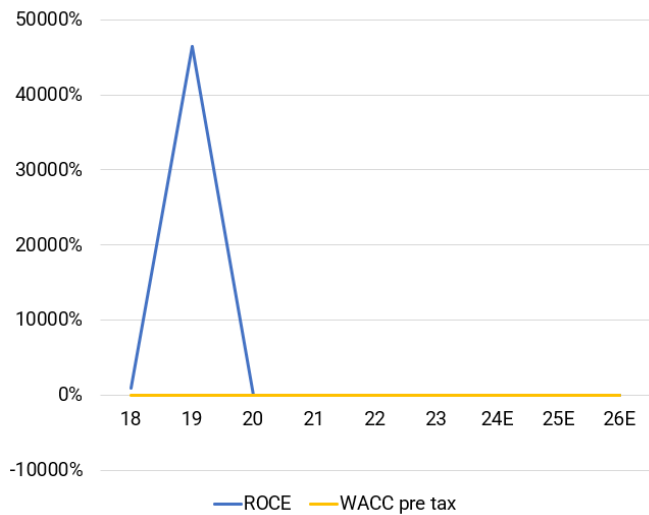
Sales vs. EBITDA margin development



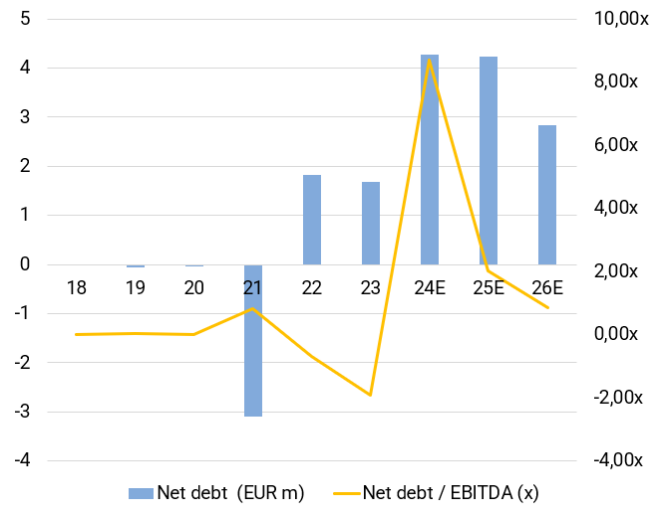
EPS, DPS in EUR & yoy EPS growth



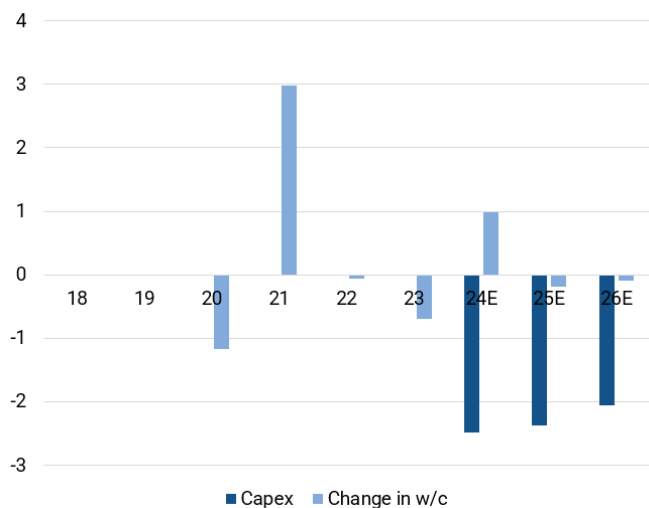
ROCE vs. WACC (pre tax)



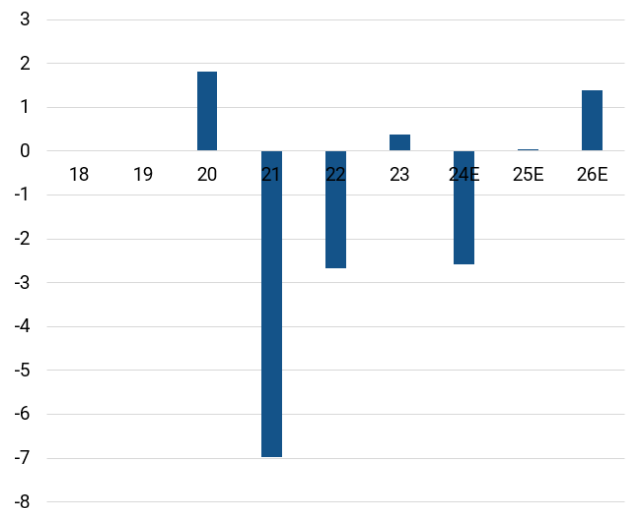
Net debt and net debt/EBITDA



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
Net sales	7.8	16.7	20.6	24.6	27.8	33.1
Sales growth	81.8%	114.8%	23.7%	19.2%	13.3%	18.8%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	7.8	16.7	20.6	24.6	27.8	33.1
Material expenses	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	7.8	16.7	20.6	24.6	27.8	33.1
Other operating income	0.3	1.1	1.2	0.0	0.0	0.0
Personnel expenses	6.2	12.0	13.7	15.5	17.4	20.5
Other operating expenses	5.6	8.4	9.0	8.6	8.4	9.3
EBITDA	-3.8	-2.7	-0.9	0.5	2.1	3.3
Depreciation	0.1	1.0	1.8	1.9	2.0	2.1
EBITA	-3.9	-3.6	-2.7	-1.4	0.1	1.2
Amortisation of goodwill and intangible assets	1.8	2.0	1.6	1.6	1.7	1.7
EBIT	-5.7	-5.6	-4.3	-3.1	-1.6	-0.5
Financial result	-0.0	-0.0	-0.0	-0.1	-0.1	-0.1
Recurring pretax income from continuing operations	-5.7	-5.7	-4.4	-3.1	-1.6	-0.6
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-5.7	-5.7	-4.4	-3.1	-1.6	-0.6
Taxes	-1.3	-1.4	-0.4	-0.4	-0.2	-0.1
Net income from continuing operations	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Average number of shares	2.42	3.11	4.88	4.88	4.88	4.88
EPS reported	-1.85	-1.39	-0.80	-0.56	-0.30	-0.10

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	100%	100%	100%	100%	100%	100%
Material expenses	0%	0%	0%	0%	0%	0%
Gross profit	100%	100%	100%	100%	100%	100%
Other operating income	4%	6%	6%	0%	0%	0%
Personnel expenses	80%	72%	66%	63%	63%	62%
Other operating expenses	73%	50%	44%	35%	30%	28%
EBITDA	-49%	-16%	-4%	2%	8%	10%
Depreciation	2%	6%	9%	8%	7%	6%
EBITA	-51%	-22%	-13%	-6%	0%	4%
Amortisation of goodwill and intangible assets	23%	12%	8%	7%	6%	5%
EBIT	-74%	-34%	-21%	-12%	-6%	-2%
Financial result	-0%	-0%	-0%	-0%	-0%	-0%
Recurring pretax income from continuing operations	-74%	-34%	-21%	-13%	-6%	-2%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-74%	-34%	-21%	-13%	-6%	-2%
Taxes	-16%	-8%	-2%	-2%	-1%	-0%
Net income from continuing operations	-58%	-26%	-19%	-11%	-5%	-1%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	-58%	-26%	-19%	-11%	-5%	-1%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	-58%	-26%	-19%	-11%	-5%	-1%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	1.0	1.7	2.6	2.0	1.0	-0.3
Goodwill	8.2	9.2	8.7	8.7	8.7	8.7
Property, plant and equipment	1.5	4.5	4.3	3.9	3.5	3.1
Financial assets	0.1	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	10.9	15.4	15.6	14.5	13.2	11.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.4	3.5	3.0	4.4	4.6	5.0
Other current assets	1.8	2.3	3.0	3.0	3.0	3.0
Liquid assets	3.2	0.3	0.7	-0.8	-0.2	1.2
Deferred taxes	1.6	3.0	3.5	3.5	3.5	3.5
Deferred charges and prepaid expenses	0.0	0.2	0.4	0.2	0.3	0.3
CURRENT ASSETS	7.0	9.3	10.7	10.4	11.2	13.0
TOTAL ASSETS	17.9	24.8	26.3	24.9	24.4	24.5
SHAREHOLDERS EQUITY	15.8	16.8	16.4	13.7	12.2	11.7
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	1.5	2.0	2.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.3	0.5	0.5	0.6	0.6	0.6
Non-current liabilities	0.3	0.5	0.5	2.1	2.6	2.6
short-term liabilities to banks	0.1	2.2	2.4	2.0	2.0	2.0
Accounts payable	0.1	1.1	0.6	0.7	0.8	0.9
Advance payments received on orders	1.0	1.3	2.1	3.5	3.5	3.6
Other liabilities (incl. from lease and rental contracts)	0.6	2.0	3.3	1.7	1.8	1.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.9	0.8	1.2	1.4	1.7
Current liabilities	1.8	7.5	9.4	9.2	9.6	10.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	17.9	24.8	26.3	24.9	24.4	24.5

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	6%	7%	10%	8%	4%	-1%
Goodwill	46%	37%	33%	35%	36%	36%
Property, plant and equipment	9%	18%	16%	16%	15%	13%
Financial assets	1%	0%	0%	0%	0%	0%
FIXED ASSETS	61%	62%	59%	58%	54%	47%
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	2%	14%	11%	18%	19%	20%
Other current assets	10%	9%	11%	12%	12%	12%
Liquid assets	18%	1%	3%	-3%	-1%	5%
Deferred taxes	9%	12%	13%	14%	14%	14%
Deferred charges and prepaid expenses	0%	1%	2%	1%	1%	1%
CURRENT ASSETS	39%	38%	41%	42%	46%	53%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	88%	68%	62%	55%	50%	48%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	0%	6%	8%	8%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	2%	2%	2%	2%	2%	3%
Non-current liabilities	2%	2%	2%	8%	11%	11%
short-term liabilities to banks	0%	9%	9%	8%	8%	8%
Accounts payable	1%	5%	2%	3%	3%	4%
Advance payments received on orders	5%	5%	8%	14%	15%	15%
Other liabilities (incl. from lease and rental contracts)	3%	8%	13%	7%	7%	8%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	4%	3%	5%	6%	7%
Current liabilities	10%	30%	36%	37%	39%	41%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Depreciation of fixed assets (incl. leases)	0.0	0.9	1.8	1.9	2.0	2.1
Amortisation of goodwill	1.8	2.1	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	1.6	1.6	1.7	1.7
Others	-1.3	-1.4	0.2	0.1	0.0	0.1
Cash flow from operations before changes in w/c	-4.0	-2.7	-0.3	0.9	2.2	3.4
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-1.3	-3.7	0.5	-1.4	-0.2	-0.4
Increase/decrease in accounts payable	-1.8	3.6	-0.5	0.1	0.1	0.1
Increase/decrease in other w/c positions	0.1	0.2	0.6	0.3	0.3	0.4
Increase/decrease in working capital	-3.0	0.1	0.7	-1.0	0.2	0.1
Cash flow from operating activities	-7.0	-2.7	0.4	-0.1	2.4	3.4
CAPEX	0.0	0.0	0.0	-2.5	-2.4	-2.1
Payments for acquisitions	-2.2	-5.5	-3.9	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	-2.1	0.2	0.0	0.0	0.0
Cash flow from investing activities	-2.2	-7.6	-3.7	-2.5	-2.4	-2.1
Cash flow before financing	-9.1	-10.2	-3.3	-2.6	0.0	1.4
Increase/decrease in debt position	0.1	2.1	0.3	1.1	0.5	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	12.4	5.4	3.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.2	0.0	0.0	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
Cash flow from financing activities	12.3	7.5	3.8	1.1	0.5	0.0
Increase/decrease in liquid assets	3.1	-2.7	0.4	-1.5	0.5	1.4
Liquid assets at end of period	3.2	0.3	0.7	-0.8	-0.2	1.2

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	7.8	16.7	20.6	24.6	27.8	33.1
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
Total sales	7.8	16.7	20.6	24.6	27.8	33.1

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%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	-1.85	-1.39	-0.80	-0.56	-0.30	-0.10
Cash flow per share	-2.88	-0.86	0.08	-0.33	-0.02	0.28
Book value per share	6.53	5.42	3.37	2.80	2.51	2.41
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-1.6x	-2.1x	-3.6x	-5.2x	-9.8x	-28.9x
P/CF	-1.0x	-3.4x	37.1x	-8.9x	-148.8x	10.5x
P/BV	0.4x	0.5x	0.9x	1.0x	1.2x	1.2x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-98.6%	-29.5%	2.7%	-11.2%	-0.7%	9.5%
EV/Sales	1.4x	1.0x	0.8x	0.8x	0.7x	0.5x
EV/EBITDA	-2.9x	-6.0x	-17.9x	37.7x	8.8x	5.2x
EV/EBIT	-1.9x	-2.9x	-3.7x	-6.1x	-11.7x	-34.2x
Income statement (EURm)						
Sales	7.8	16.7	20.6	24.6	27.8	33.1
yoy chg in %	81.8%	114.8%	23.7%	19.2%	13.3%	18.8%
Gross profit	7.8	16.7	20.6	24.6	27.8	33.1
Gross margin in %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA	-3.8	-2.7	-0.9	0.5	2.1	3.3
EBITDA margin in %	-48.9%	-16.0%	-4.3%	2.0%	7.5%	10.0%
EBIT	-5.7	-5.6	-4.3	-3.1	-1.6	-0.5
EBIT margin in %	-73.9%	-33.8%	-20.9%	-12.4%	-5.7%	-1.5%
Net profit	-4.5	-4.3	-3.9	-2.7	-1.4	-0.5
Cash flow statement (EURm)						
CF from operations	-7.0	-2.7	0.4	-0.1	2.4	3.4
Capex	0.0	0.0	0.0	-2.5	-2.4	-2.1
Maintenance Capex	0.0	0.0	0.0	1.5	2.5	2.1
Free cash flow	-7.0	-2.7	0.4	-2.6	0.0	1.4
Balance sheet (EURm)						
Intangible assets	9.2	10.9	11.3	10.7	9.7	8.4
Tangible assets	1.5	4.5	4.3	3.9	3.5	3.1
Shareholders' equity	15.8	16.8	16.4	13.7	12.2	11.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	0.4	2.6	2.9	4.1	4.6	4.6
Net financial debt	-3.1	1.8	1.7	4.3	4.2	2.8
w/c requirements	-0.7	1.1	0.2	0.1	0.2	0.4
Ratios						
ROE	-28.4%	-25.6%	-23.8%	-20.0%	-11.8%	-4.2%
ROCE	-35.5%	-28.9%	-22.3%	-17.2%	-9.4%	-3.0%
Net gearing	-19.6%	10.9%	10.3%	31.2%	34.6%	24.2%
Net debt / EBITDA	0.8x	-0.7x	-1.9x	8.7x	2.0x	0.9x

Source: Company data; mwb research

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