

Heeros

Extensive report

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✓ Inderes corporate customer

This report is a summary translation of the report “Kasvu-uran etsintää kannattavuuskäänteen jäljiltä” published on 06/30/2021 at 10:45 pm

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Seeking growth path after profitability turnaround

Heeros is a SaaS software company that primarily operates in Finland and whose modular product family covers all key financial administration processes of SMEs. The growth potential of the financial administration software market combined with a scalable business model offer a considerable long-term potential. Despite the fast profitability turnaround, the company needs to show stronger signs of growth picking up to reach its ambitious goals. We reiterate our accumulate recommendation and revise our target price to EUR 7.5 (previously EUR 8.0).

Heeros modular SaaS product covers key financial administration processes

Heeros digitizes the financial administration of SMEs with modular SaaS software. The company's product was originally developed around purchase invoice management, which is still a strength of the product. These days the product family covers all key financial administration processes, and the customer can choose the product modules they desire from Heeros' product family. The company offers its software both to accounting firms and directly to companies. Heeros' income flows are nearly purely continuous (2020: 95% of revenue) and since its establishment the company has offered its product as a browser-based SaaS model.

Financial administration software market has good growth outlook which Heeros tries to utilize as a challenger

The financial administration software market has clear growth trends as the degree of digitalization and automation is low, especially in smaller companies. In the competitive landscape, Heeros is profiled as a pure software producer that does not compete with accounting firms. The lion's share of the market (around 2/3 of the market) is dominated by two large players (Finago/Accountor and Visma). Heeros tries to rise from the position of challenger and a manifold lower market share (some 5%) towards these competitors.

Historically growth has been sticky and it picking up rests on the new strategy that is in its initial stages

With a scalable business model, Heeros has considerable long-term earnings potential if it is successful in growth. The company has previously faced challenges in finding a working growth recipe and to grow internationally, and the company has not previously reached its growth targets. Heeros' current management has, however, made a clear profitability improvement, which gives some confidence in the future. The strategic objectives of the current management's new strategy are, however, ambitious and the company still has to prove that growth is picking up. We estimate that the sum of Heeros' growth and profitability (EBITDA %) will be 30% in line with the guidance in 2021 (2020 adjusted: 23%) and grow more conservatively than the strategic objective (50%) towards 37% in 2023. Materialization of our estimate requires especially that turnover growth picks up from the current level (Q1'21: -1%).

Valuation is still attractive considering the outlook for the next few years

Expectation of growth and subsequent improving profitability is in our view the key drivers of Heeros' valuation. There are clear drivers for growth in the next few years as new sales (Tikon disappearing) and transaction income recover, which means Heeros' valuation can be examined with a bit more confidence. The 13x adjusted EV/EBIT multiple we estimate for 2023 is quite reasonable for a scalable SaaS company focusing on continuous revenue. The downward drivers for valuation are relatively limited because Heeros has stabilized its cash flow and profitability successfully. Considerably higher valuation would still require stronger proof from Heeros of finding a working growth recipe.

Recommendation

Accumulate

(previous Accumulate)

EUR 7.50

(previous EUR 8.00)

Share price:

6.46



Key indicators

	2020	2021e	2022e	2023e
Revenue	8.8	9.4	10.2	11.3
growth %	2%	7%	9%	11%
EBITDA	1.4	2.1	2.7	3.1
EBITDA-%	16%	23%	26%	27%
EBIT adjusted	0.7	0.9	1.4	1.9
EBIT-% (adjusted)	7.7%	9.6%	14.0%	16.6%
Net profit	0.0	0.8	1.4	1.8
EPS (adjusted)	0.13	0.18	0.32	0.40
P/E (adjusted)	56.4	36.0	20.3	16.1
EV/EBIT (adjusted)	51.4	32.1	18.9	13.2
EV/EBITDA	24.3	13.4	10.2	8.1
EV/Sales	4.0	3.1	2.6	2.2

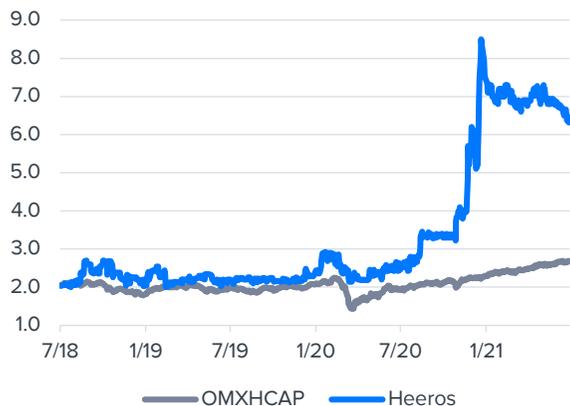
Source: Inderes

Guidance

(Unchanged)

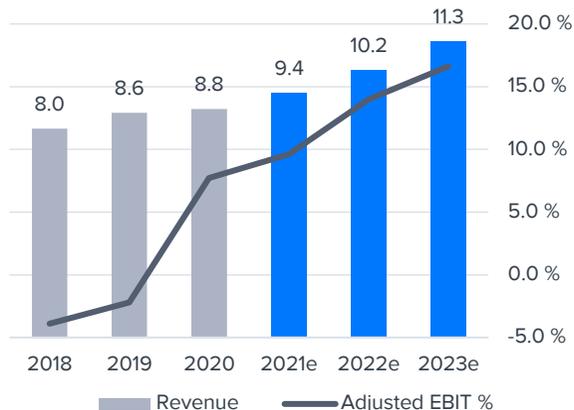
Heeros is expecting to increase the combined EBITDA margin (EBITDA, % of revenue) and revenue growth percentage (Rule of 40) to 30% level for the 2021 financial period.

Share price



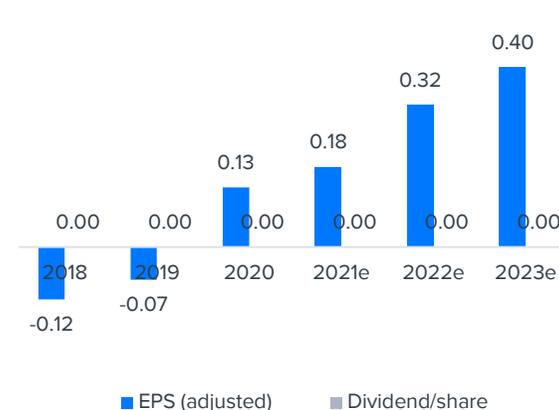
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Good growth outlook on markets as financial administration becomes digitized and moving to cloud-based solutions
- Extensive existing clientele with a lot of additional sales potential
- Scalable business model enables profitability strengthening with growth
- The product is quite mature and requires relatively less R&D investments that support scalability

Risk factors

- Competitively the company is in a challenger's position and the consolidation of the accounting business may change the competitive landscape and shrink the market
- Smaller resources and lower investing ability relative to the main competitors
- Targeted growth may materialize as weaker than expected

Valuation

- Revenue-based valuation is justifiably high due to the scalable business model that focuses on continuous income
- After the profitability turnaround, the valuation is also supported by earnings-based multiples
- Growth outlooks direct valuation and changes in them or the valuation level of the sector can have a considerable effect on valuation

Heeros in brief

Heeros is a software company specialized in electronic financial administration solutions operating primarily in Finland but that is internationalizing. The company delivers the solutions as modular and with the SaaS service model, which means the customer can select only the functionalities they need.

2000

Year of establishment

2016

IPO

EUR 8.8 million (+12% vs. 2019)

Revenue 2020

+11% 2015-2020

Annual average revenue growth

EUR 1.4 / 0.2 million (16% / 2% of revenue)

EBITDA / operating profit 2020

80 employees

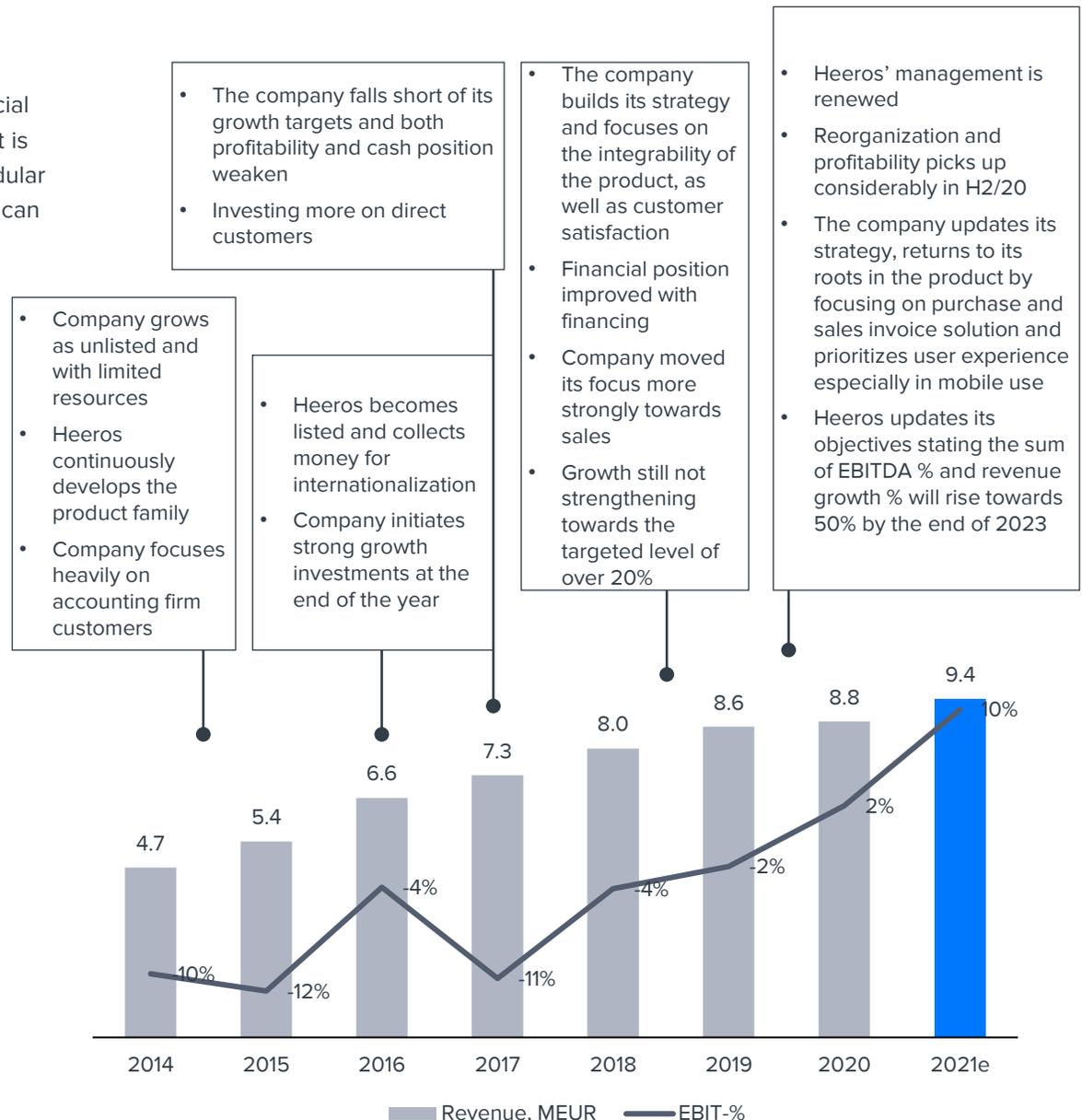
at the end of 2020

15 countries,

where customers are being served

~15,000 customers

at the end of 2020



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Company description and business model 1/4

Heeros digitizes the financial administration of SMEs with modular SaaS software

Heeros is a software company established in 2020 that develops and markets a digital financial management turnkey solution. The solution the company offers as a cloud service (SaaS) covers all basic processes of digital financial management. Heeros currently mainly operates in Finland where it is one of the 5 largest suppliers of financial management software solutions on the rather fragmented market within the SME segment. Heeros has also invested for several years in the Dutch and Swedish markets but despite the investments international revenue is still low.

Heeros offers its solutions directly to companies (around 1/3 of revenue) or through accounting firms that act as partners (around 2/3 of revenue) where an accounting firm can offer financial administration services and act as the user of the software. Already at the beginning the company selected accounting firms as its target group and main sales channel because 95% of Finland's organizations obliged to keep accounting records are their customers. Heeros sought a scalable sales channel from accounting firms through partner sales. The importance of direct customers has, however, become emphasized over time as the growth in the accounting firm channel slows down. In direct customers, Heeros also targets its offering at SMEs.

Around 15,000 companies and corporations use Heeros' software solutions and we do not believe one single customer forms a considerable share of the company's revenue.

Heeros' product family is developed around purchase invoice management

The key idea behind Heeros' solution is to automate companies' and organizations' financial administration processes and routine tasks. The company's main product is a turnkey solution consisting of software modules that are quickly integrable from which the customer can easily select either a solution that covers a single financial administration process or all key solutions needed for an organization's entire financial management. Heeros' software solution is also complemented with an integration module that can create connections to the interfaces of other software solution suppliers' systems, authorities, and most common ERPs.

In addition to software solutions, Heeros offers various services that generate some 5% of the company's revenue. Services include implementation and usage support services like training. Heeros developed its first products in the early 2020s (purchase invoice circulation, optical reading and archiving of scanned invoices). Partly because of this history, management of sales and purchase invoices is still a differentiating factor and spearhead of product development for the company. With the OpenText cooperation, Heeros can serve its customers in terms of sales and purchase invoices also internationally in Europe, which enables uniform digital invoicing solutions for its customers also outside Finland. Heeros serves its customers in over 10 countries even though international revenue in itself is still quite low.

Heeros

Geographical revenue distribution 2020



Finland
>95%*



Netherlands
and Sweden
<5%*

Operating countries, number of personnel Q4/2020



80 employees in total:

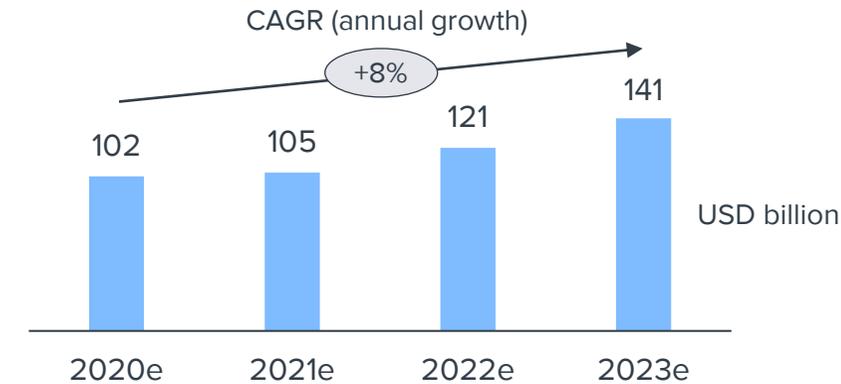
- Finland 74
- The Netherlands 6
- Sweden -

Modules of Heeros' solution

- Purchase & travel invoices
- Heeros purchase invoices
- Sales invoices
- Archiving
- Accounting
- Salaries
- Working hour reporting
- Heeros bank
- eInvoices
- Mobile solutions
- eDocument
- Reporting

Heeros has operated with a SaaS model all its life

The international market for SaaS software is expected to grow clearly in coming years



Source: Gartner

Difference between SaaS model and conventional (On-Premise¹) software delivery model

	SaaS	Conventional
Nature of income	Back-loaded, continuous, predictable	Front-loaded, non-recurring, fluctuating
Software delivery	Via web (as cloud service)	Locally ¹ installed
Manageable software versions	All clients have same version	Several versions for various customers

¹ On-Premise refers to a conventional software business model where the software is installed in the customer's own IT environment

Source: Inderes, Gartner

SaaS model offers clear benefits for all parties

Investor

- High growth potential as software moves to cloud
- Cash flow continuous and predictable
- Scalability enables high profitability
- Profitability and cash flow weak at growth stage compared to profits due to front-loaded costs

➤ Higher valuation levels

Software supplier

- Recurring and predictable income and cash flow
- Low purchase threshold and faster sales cycles
- Deeper, longer, and more valuable customer relationships
- More cost-efficient operative model
- Scalable cost structure
- Cost efficient and fast product development and updating cycle

➤ High value and scalability throughout customer lifespan

Customer

- Fast and more cost-efficient implementation
- Cost generation is stable and predictable
- Solution can be scaled based on needs
- No separate system maintenance and update costs
- Always newest updated software

➤ Low total costs for owning software (TCO)

Company description and business model 2/4

The extent of Heeros' product is to our understanding optimized for SMEs and the company tries to stand out, in addition to sales and purchase invoice management, especially with its mobile user experience.

Heeros' software solution was born as a full-fledged browser-based and modular SaaS software, which is a considerable advantage. The company did not and does not have to shift its business model and technology to the SaaS era, which is often difficult and has often been challenging for competitors leaning on old generation software. For software companies, the shift to the SaaS model is often difficult and financially painful because it requires changes in, e.g., culture, customers and software supplier processes, technology, and revenue recognition.

Solution sales through own sales channel and accounting firm partners

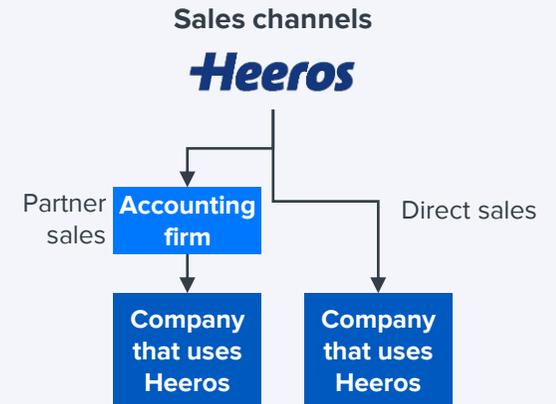
Heeros has two types of customers: direct customers (around 1/3 of revenue) and accounting firm customers (around 2/3 of revenue). Heeros' sales organization sells both to accounting firms and direct customers. The company's new sales and expansion sales (Customer success) to current customers are, however, separated.

In accounting firm customers, Heeros sells its products through accounting firms mainly to smaller companies (4-100 persons) and invoices the accounting firm to the extent that the accounting firm's customers use Heeros' solution. Accounting firms are partnership sales for the company. The accounting firm makes its own agreement with the end customer so the accounting firm can resell Heeros' software with the desired margin to its own customers.

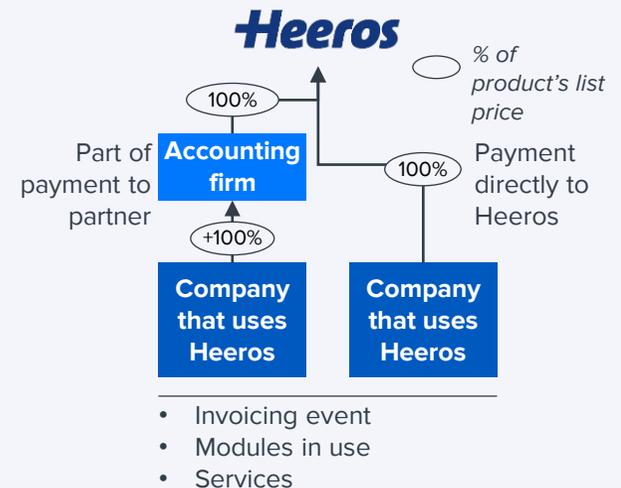
Implementation for accounting firm customers has been made fast just like for direct customers as Heeros already has connections to the most common software used by accounting firms. Heeros also offers accounting firms training as part of the implementation project. The value of accounting firm customers for Heeros can initially only be a few hundred euros per month but as the accounting firm expands the use of Heeros' software among its clientele invoicing increases to over EUR 10,000 per month for the best customers. Due to the annual cycle of accounting firms, the best sales window is in Q2 and Q4.

In addition to software, accounting firm partners offer customers financial administration services. Heeros does not offer similar services, so it does not compete with accounting firms even though it does offer software also directly to end customers. In accounting firms, the company's target customer group is especially small and medium-sized accounting firms. With the availability of software these accounting firms do not have the need nor the opportunity due to their size to make own considerable investments into digitizing their customers' financial administration as larger players have (e.g. Talenom).

Previously Heeros' sales has focused more heavily on accounting firm sales as it offers the company a scalable channel to the end customers. The company's business model is built so that accounting firms can independently acquire new customers as Heeros' software users and expand the usage of the solution among the customers. Now the focus of sales has shifted more strongly to direct customers where the company has seen stronger new sales potential than in the stably growing accounting firm market.



Income flow from products and services



Company description and business model 3/4

In direct customers, Heeros sells the solution directly to customer companies that is typically a medium-sized company (100-250 persons). Direct customer relationships typically start with an implementation project that lasts a few days and that is billable work for Heeros. Implementation is highly productized, which means customers can be taken into production quickly (normally within 1-2 months depending on the customer's processes). Quick implementation is important as Heeros' SaaS and transaction income start accruing only when the customer is in production.

In Finland, Heeros' direct sales mainly targets medium-sized organizations whose financial administration has not extensively been outsourced to accounting firms. The biggest customers in direct customers are, for example, Grano and international companies ITAB and Cavotec. The revenue of direct customers that use the turnkey solution is typically in the size class of under EUR 1,000 per month but, for example, the size class of customers that use only the payroll module is just a fraction of this.

Heeros' modularity offers it an important competitive advantage in direct customers as the customer can link only one part of the software to, e.g., its ERP system. Heeros' price is also competitive for a customer that processes large volumes of transactions.

Heeros' income flows are nearly purely continuous

The income flow in Heeros' business model is mainly divided into two groups: continuous revenue and services. Heeros offers its products as easily implementable SaaS solutions, so the share of services is quite low and continuous revenue forms

nearly all of the company's revenue (Q1'21: 94% of revenue). Continuous revenue consists of monthly SaaS license income (Q1'21: 63% of continuous revenue) and transaction income (Q1'21: 37%) that is typically charged monthly from the customer.

The price of SaaS licenses and packages consists of a basic fee and an additional fee determined based on the type and number of modules in use. License income is usually very stable income flow, and its development is primarily directed by growth in the number of customers and selling of product expansions. Licenses are also sold as packages that, in addition to modules, include transactions.

Transaction income is charged from customers based on the number of transactions. For example, purchase and sales invoices, travel expense claims and payment reminders are included in transactions. Transaction income is more variable by nature and, e.g., the weaker financial activity in 2020 caused by the COVID crisis lowered the number of transactions (2020: -8% y-o-y) Heeros is reducing the transaction linkage of revenue by increasingly packaging transactions into license payments, which should in coming years become visible in the stability of revenue and emphasis on SaaS income.

Structure of income flows

Revenue components		% of revenue (Q1'21)	Key revenue drivers
Continuous revenue	SaaS licenses and packages	60%	Number of customers Product module utilization
	Transaction income	34%	Number of customers Financial activity
Service revenue		6%	Number of customers Implementation and product expansions

Source: Heeros

Company description and business model 4/4

Services are also a fraction of Heeros' revenue (2020: 5% of revenue). Services include implementation and use support like training.

As a SaaS company, Heeros' costs and scalability potential mainly comes from personnel

Heeros' business is very scalable thanks to the SaaS model. In practice, as the company's revenue and number of customers grows, the costs of most fixed cost items decrease relative to revenue. Then the growth in high-margin revenue (2020 gross margin: 89%) is reflected strongly in the result row if the company generates growth.

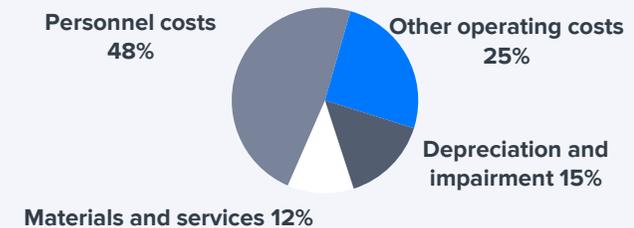
A considerable share of Heeros' costs consists of personnel costs (47% of costs), other operating costs that are partly dependent on personnel (25% of costs), and depreciation and impairment that heavily focus on capitalized product development costs (15%). The company complements its product development with external expertise (e.g. Qvik mobile development), which is included in the capitalization of product development. The Materials and services (12%) cost item also includes, e.g., payments to OpenText e-invoice operator. Scaling of personnel related costs to the company's profitability is key.

Heeros' personnel is divided into product development (40% of personnel), service and customer personnel (36%), sales and marketing (13%), and administration (11%). Heeros has not published exact information on personnel distribution and the personnel distribution is based on our estimate from publicly available information. Strengthening the competitiveness of Heeros' product is a critical

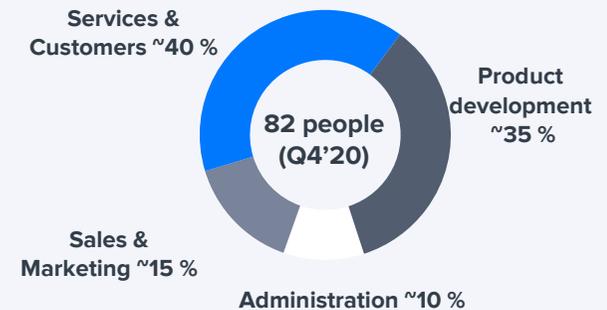
precondition for growth so focusing on product development is logical. In addition, the company has increased its investments in sales and marketing.

In Heeros, we believe the biggest scalability potential in personnel is in R&D costs as the relative share of sales and marketing investments in revenue is lowered by the sales and customer expansion carried out by accounting firms. If an accounting firm customer is well trained, they can independently open up new end customers as users, which would mean that no resources are needed from Heeros for growth. When current customers take new software modules into use, Heeros' income also grows without additional costs for the company.

2020 cost distribution*
% of all costs (excl. financing expenses)



Estimate of personnel distribution,**
% of personnel



Source: Heeros, **LinkedIn (05/2021)

*Personnel costs adjusted for EUR 0.47 million reorganization costs

Investment profile

- 1. Heeros is a SaaS software company that aims at scalable growth**
- 2. Financial administration digitalization and cloud revolution increase Heeros' target market**
- 3. Predictable business model and extensive, established customer base lower risks**
- 4. Challenger position on a market with many competitors and still light track record of growth raise the risk level**
- 5. Share's return relies on scalable growth and is sensitive to changes in the growth rate**

Potential



- Good growth outlook on markets as financial administration becomes digitized and moving to cloud-based solutions
- Extensive existing clientele with a lot of additional sales potential
- Scalable business model enables profitability strengthening with growth
- The product is quite mature and requires relatively less R&D investments that support scalability

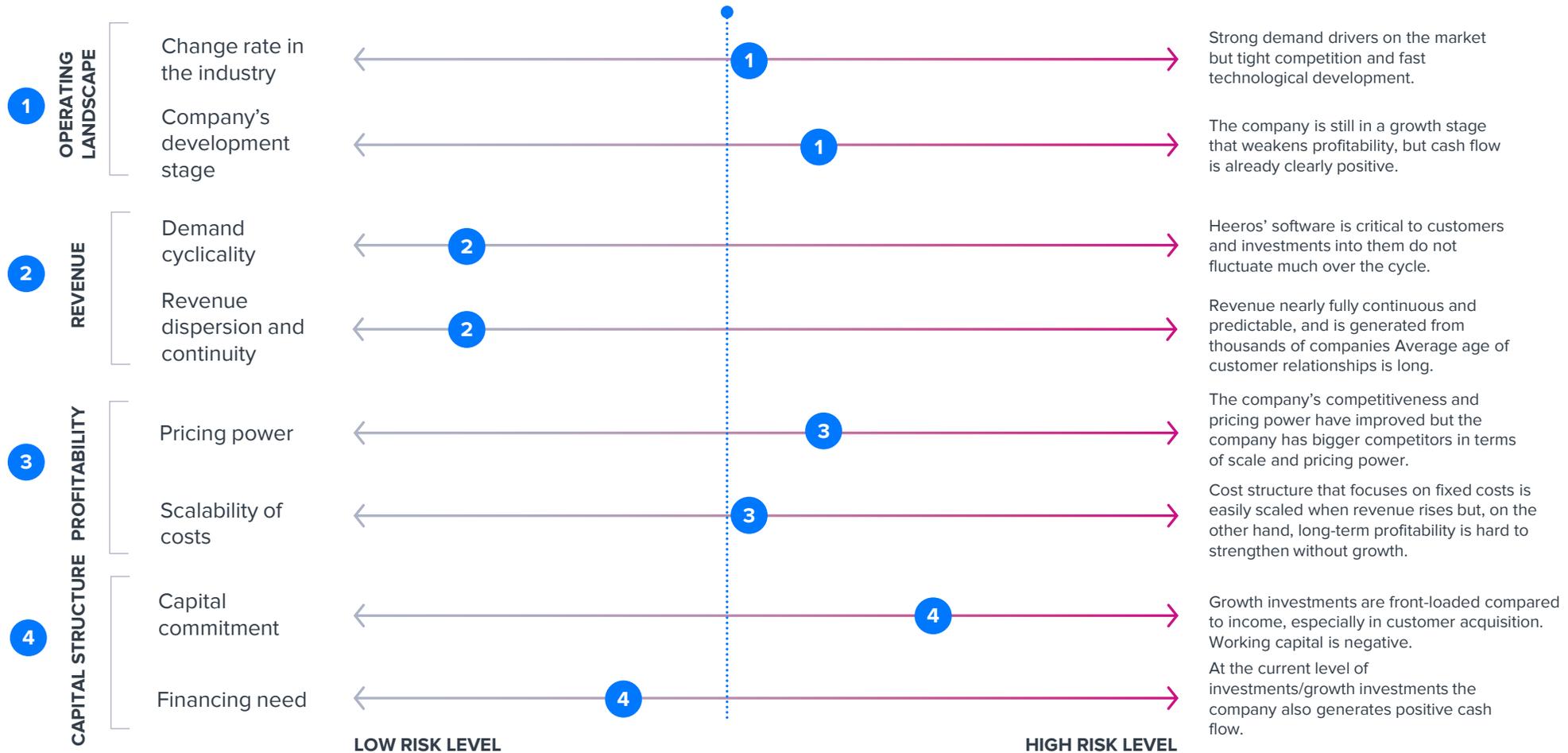
Risks



- Competitively the company is in a challenger's position and the consolidation of the accounting business may change the competitive landscape and shrink the market
- Smaller resources and lower investing ability relative to the main competitors can weaken the competitiveness of the product in the long term
- Valuation is dependent on the growth rate and sensitive to change

Risk profile of the business model

Assessment of Heeros' overall business risk



Markets and competitive landscape 1/4

Financial administration software market has clear growth trends

Heeros mainly operates in Finland on the financial administration software market. The company focuses on the SME (4-250 people) segment. There is no precise information of the size of the market, but Heeros has estimated that its overall market in Finland is around EUR 300 million per year and that SMEs form around one-half of this. The company's estimate of the size and segments of the market are quite realistic in our opinion as they are in line with Statistics Finland's distribution of Finnish companies' personnel and revenue and the data published by Taloushallinto.fi on the market shares of software.

We believe the market for financial administration software is clearly growing as the growth is supported by digitalization related market trends (see right side). In the big picture, the growth of the financial administration software market is based on the fact that its share in the financial administration value chain increases as a result of automation. Routine accounting and financial administration tasks can be automated with software so the share of conventional manual work in the value chain decreases (like filing receipts, recording receipts into an accounting software and mailing invoices).

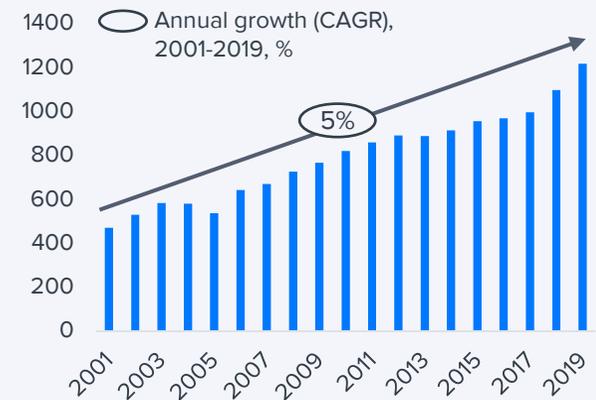
e-invoicing becoming more popular is a key enabler of market growth as when paper invoicing is abandoned more efficiency can be gained from the software. e-invoicing has existed for decades but progressed slower than many expected. We do, however, feel that invoicing becoming electrified is very likely in the long term and, for example, in Europe, several countries have ongoing projects where companies are forced into e-invoicing and official notification.

In big companies, the shift to electronic financial administration solutions has already happened while in Heeros' target group, that is SMEs, the shift is still in its initial stages. The software market is also in a transformation towards cloud-based and continuous agreement delivery models, which means growth is strongest in Heeros' segment of cloud software.

Accounting firms are a key sales channel and software user for Heeros, and their business development is also key in terms of the company's target market. The accounting firm market has been growing for a long time, which we believe is based on both price increases and increased financial activity. In future, the value added services offered by accounting firms and outsourcing are growth drivers in the industry in our opinion.

The growth of accounting firms as a rule also enables a good environment for growth in financial administration software. On the other hand, the accounting business market focusing on larger accounting firms (e.g. Talenom, Accountor, Aallon Group) as a result of consolidation can change the competitive situation for software if accounting firms that prioritize their own or competing software increase their market share and reduce the use of Heeros' software. We believe industry conservativeness partly protects Heeros from this change as there is a lack of accountants in the industry and people do not necessarily want to force accountants that have used a particular software for a long time to start using a new software after an acquisition.

Development of accounting firm market in Finland, 2001-2019, EUR million



Source: Statistics Finland

Key trends of the financial administration software market



Source: Inderes' estimates

Markets and competitive landscape 2/4

It may also be a strategic choice for accounting firms to use several firmware. This means the accounting firm can offer services to customers with software they are already using, and, on the other hand, follow the development of firmware and select those that are developing best.

Heeros has also expanded into the Dutch market. The company has a few customers in Sweden, but the company handles them from Finland. So far, the market for financial administration software for SMEs and accounting firms has been quite country-specific and cross-border competition is low due to, e.g., country-specific operating methods and regulations. International markets are, however, slowly opening, which is affected, e.g., by the Single Euro Payments Area (SEPA) and e-invoicing becoming more common. The degree of digitalization in financial administration in Finland is ahead of many other European countries. For example, in 2020 according to Eurostat 44% of companies in Finland were using cloud-based financial administration software while among EU-27 countries the rate was only 16%. Even though Heeros still has clear room to grow on the domestic market the biggest growth potential can be found on the international markets.

Heeros is profiled purely as a software supplier

Smaller accounting firms do not have the resources of large players (e.g. Accountor, Talenom) to invest in own software, which has created a need for software suppliers. The competitive field for financial administration is quite multifaceted and there is a wide selection of software on the market. There are differences in, e.g., the extent of the software (financial administration, other enterprise software, industry-specific solutions), scope of services

(Software/Accounting firm), target customer groups (micro, SMEs, and large companies) and pricing principles.

In simplified terms, we believe there are three types of players in the competitive field: 1) companies that focus purely on software (e.g. Heeros, Lemonsoft), 2) companies that combine software and accounting firm services, and 3) accounting firm players that have made their own software into a competitive advantage (e.g. Talenom). There are also many precision solutions on the market for certain financial administration areas, but we find the importance of these low in the competitive field and do not discuss these players in more detail.

Due to varying pricing principles (packages, modules, transactions, number of users) comparing software prices is not simple and we do not believe competition on the market is strongly based on pricing. We believe that key competition factors are product features, user experience, quality of customer service and support, and the strategic position of the software supplier. To our understanding, Heeros' pricing is, however, generally competitive and depending on customer needs the company can also be the cheapest option.

Companies that focus purely on software are in our opinion Heeros' key competitors. These companies (e.g. Heeros, Visma, Lemonsoft) have software that cover key financial administration processes which the companies offer to companies and accounting firms.

Key competitive factors on the market

Features of the solution

User experience

Quality of customer service and support

Supplier's strategic position

Pricing competitiveness and suitability for the customer's intended use

Markets and competitive landscape 3/4

The key differentiating factor in the segment focusing purely on software is to avoid creating a competitive position between the software supplier and accounting firm when the software supplier lets accounting firms take on the role of service supplier in the financial administration value chain. In addition to financial administration software, Lemonsoft and Visma also offer other enterprise software (e.g. CRM, ERP), while Heeros focuses on financial administration software and the possibility to integrate its software flexibly into other players' systems.

Hybrid suppliers form another key competitor for Heeros. These players (e.g. Accountor/Finago, Admicom) sell software to accounting firms but also compete with them with their own accounting firm services. From an accounting firm's viewpoint the use of the software does not to our understanding enable considerable differentiation in the competition against the software supplier's own accounting firm services. On the other hand, this software (Finago & Admicom) is according to our estimate quite popular in their segments when especially smaller accounting firms can see a strong software as more important than the position of the software supplier in the competitive field. We believe this competitive approach to be more of a contention for medium-sized accounting firms (e.g. Aallon Group, Rantalainen) that challenge larger players.

In addition, there are players on the market for whom the financial administration software is developed internally (e.g. Administer, Talenom) but the software is not offered to other accounting firms. We do not feel these companies form a direct competition for Heeros but if their market share among accounting

firms would grow it would eat away on Heeros' target market.

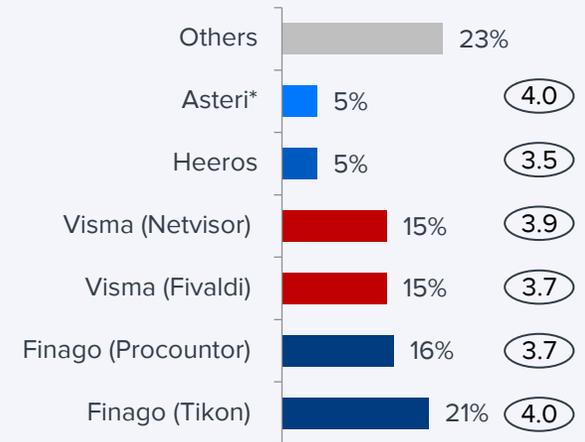
The markets for financial administration software are still very local and so far, no significant international players have been formed. We believe there are many reasons for this. Internationalization is limited, for example, by country-specific legislation and operating methods of accounting firms. Making bank, invoicing operator, and authority connections as well as system integrations require local presence and local expertise of software suppliers. Software and their support material must be tailored into the local language and to correspond with local practices. In addition, local customer support and training are an important competitive factor. Even though the core of the software is scalable across country borders scaling it for international markets is not easy. There has been expansion abroad in some software parts like purchase invoices (e.g. Basware).

Heeros is in a challenger position on the market

Measured by the number of customers Accountor's Finago and Visma are the supreme leaders on the market and form some 2/3 of the market (see table on right). Heeros is clearly in a challenger position on the market. Clear changes occur in the market in the short term when the market leader Finago's older Tikon software is removed from use after 2021 financial statements. Finago is likely to try to move its customer to the more modern Procountor product. We believe switching the software offers accounting firms a natural moment to assess the software of another supplier, which brings challengers like Heeros the opportunity to increase their market share.

Market shares of accounting software, 12/2019, % of customers

○ Overall grade of accounting software, scale 1-5, 12/2019, n=2.066



Source: Taloushallintoliitto

*To our understanding Asteri serves clearly smaller customers than Heeros and is clearly smaller than Heeros based on revenue

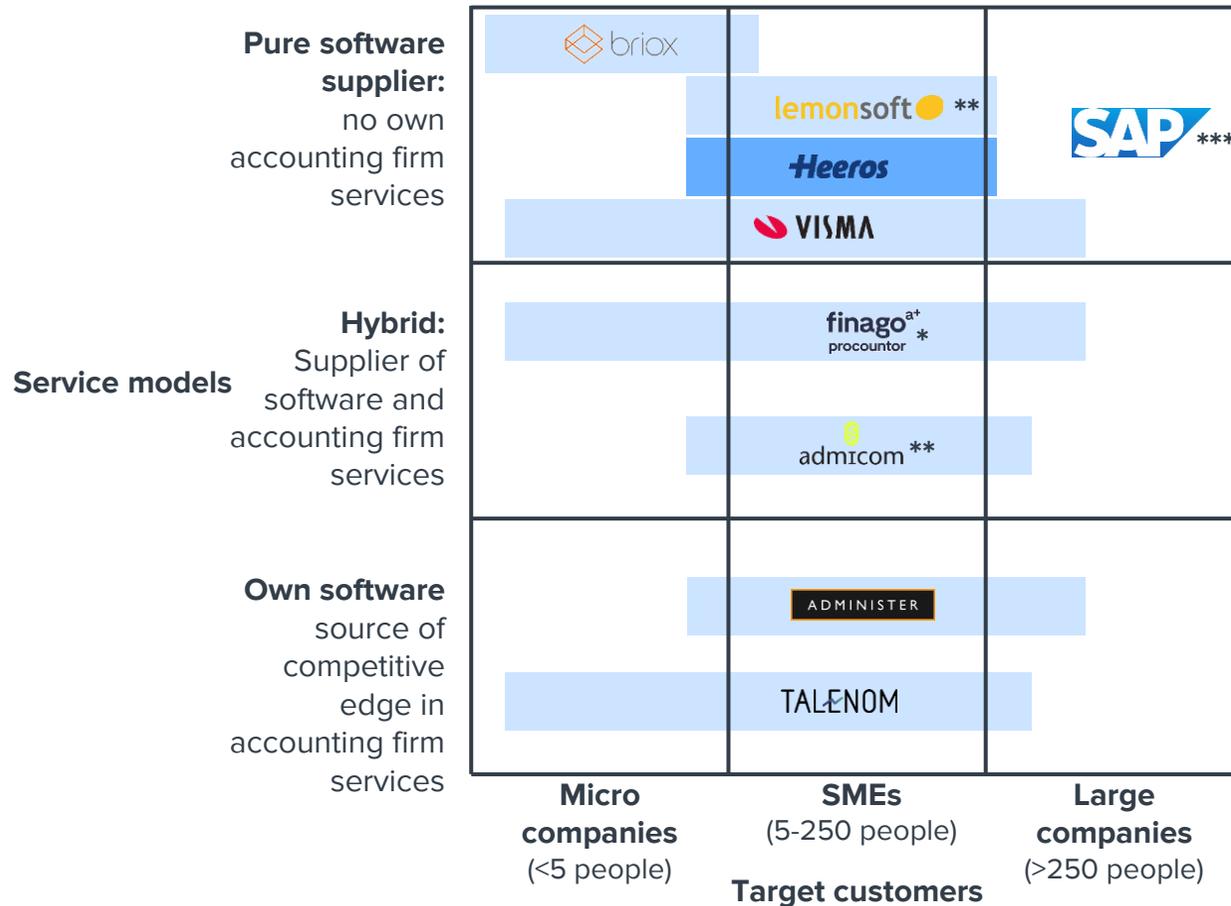
NB!

- Data covers 15 of Taloushallintoliitto's cooperation members and, e.g., Admicom was not included in the comparison. We do, however, feel the data describes the market shares of software used for financial administration by SMEs in Finland relatively well.
- The data only covers Accounting software and no other modules of financial administration software. The competitive position of the products is different in different product modules. The differences are, however, small as a whole and the assessments by users do not seem to strongly correlate with market shares.

Markets and competitive landscape 4/4

Differences in target customer groups and strategic offering choices are visible in the competitive field of financial administration software

The list is not exhaustive and focuses on competitors operating in Finland



Heeros' competitive factors

- + Modular and extensive software solution for financial administration
- + Extensive integration and interfaces to other systems
- + Strong offering for management of purchase and sales invoicing that is also scalable outside Finland
- + Does not compete with accounting firms but acts as pure software supplier
- + Generally competitive modular-based pricing
- The competitiveness of the product has been slightly weaker than for competitors, especially in accounting systems
- The company's relatively small size class limits their investment ability
- With the low market share, the company's recognition is weaker than among competitors especially in direct company customers

*Accountor's software brand.

**Offering also includes vertical solutions and other enterprise solutions, e.g., ERP systems

***Large companies typically use several software in different countries tailored for company needs. One example used in comparison.

Source: Inderes' estimates, company websites

Strategy

The aim of the strategy is strengthening the sum of growth and profitability

In late 2020, Heeros announced a new strategy for 2021-2023 where the company aims for scalable growth. To reach the target the company tries to 1) strengthen its market position in Finland, 2) raise the share of international revenue, and 3) strengthen the user experience to become top of the industry. In its growth, the company can also utilize acquisitions opportunistically, but they play a minor role in the strategy in our opinion.

To be successful in domestic growth it is key for Heeros to expand its current customer relationships and win over new customers. Most of Heeros' customers so far only use one or two of Heeros' modules, so the company has considerable growth potential through expanding their customer relationships. On the other hand, the company's accounting firm partners include many users of other software, which offers the company the chance to grow the market share among the customers of partner accounting firms. A considerable share of accounting firms' end customers do not use any electronic financial administration services or are users of software that is close to the end of its life cycle, so growth does not have to be based purely on taking over market shares from competitors.

The growth potential of international markets is typically higher than on domestic markets as digitalization of financial administration in Finland is primarily ahead of the rest of Europe. Internationalization has for a long time been part of Heeros' strategy and the company started its internationalization in 2013 by opening an office in the Netherlands. The company also had an office in Sweden but currently these customer relationships

are handled from Finland. Previous internationalization investments have in our view been unsuccessful and the company has not created significant international business.

In the renewed strategy, Heeros has said it will increase its international business more selectively and try to avoid openings with weaker risk-return ratios. As an example, the company renewed its OpenText partnership. The renewed partnership where OpenText still acts as Heeros' e-invoice operator is complemented with a strategic sales partnership enabling and expanding offering of Heeros' solutions to the SME segment in Europe. Correspondingly, more extensive cooperation opens better possibilities for current customers to integrate on European markets through Heeros' purchase and sales invoice solutions.

We feel the renewed and selective internationalization is sensible considering the company's resources and we see no large risks in the internationalization investments for the company's profitability. On the other hand, the realistic growth potential of the company's internationalization is also more limited. This is also visible in the company's objective to raise its international revenue to 10% of total revenue when we currently estimate the share is below 5%.

The objective of strengthening the user experience is to improve the competitiveness of the company's solution especially with a mobile solution. Heeros also utilizes outside players (Qvik), which we feel is sensible considering that the company's own core expertise focuses on financial administration processes and their automation.

The targets are ambitious

In its strategy, Heeros tries to strengthen the profile of growth and profitability and has set the target to raise the sum of growth and profitability (EBITDA %) towards 50% by 2023. In our opinion a SaaS software company must always make a strategic choice between growth investments and strengthening profitability. Thus, it is logical in our opinion that the company's guidance is the sum of growth and profitability and not individual components. Heeros does, however, capitalize significant amounts of product development costs, which means that some of the company costs are visible in the income statement only after the EBITDA.

We do, however, find Heeros' targets to be very ambitious. The sum of the company's growth and profitability (EBITDA %) was 23% in 2020 with adjusted figures. Materialization of the objectives requires especially that revenue growth picks up from the current level (Q1'21: -1%). Even though there are clear tools for growth, the company has not yet been successful in turning them to strengthening growth. Turning the growth around is a key factor in the strategy being successful.

Strategy is financed with cash flow

Before the 2020 profitability turnaround, Heeros' profitability was negative for several years due to heavy front-loaded growth investments. In 2020, the company carried out reorganizations and turned its result clearly positive (2020 adjusted EBIT% 8%). We believe the turnaround was based especially on the reorganization and strategic choices. In addition, a considerable share of Heeros' business is continuous, so we feel the turnaround is sustainable and we do not see significant risks in the cash flow-based financing of the strategy in the next few years.

Summary of Heeros' strategy

Target market and Heeros' position

Financial administration software market in Finland, ~2020 **EUR ~300 mn**

Market growth outlook 

Trends behind market development



Electronic invoicing becoming more common 



Increasing degree of digitalization and automation especially in SMEs 



Software becoming cloud-based 



Consolidation of the accounting business market 

Mature, extensive, and modular software for modern financial administration

Heeros

Strategic focus areas

1. Strengthening the market position in Finland
2. Utilizing selected international growth opportunities
3. Differentiation with the best user experience in the industry especially in mobile



Strategy financing with cash flow



towards 50%

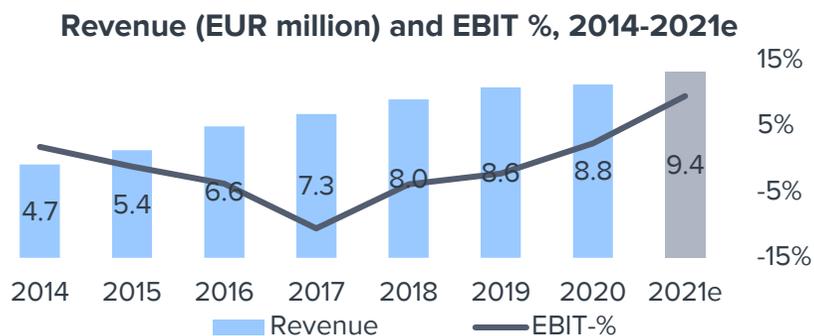
Increasing sum of revenue growth % and EBITDA % in 2023

10%

Share of international revenue of total revenue in 2023

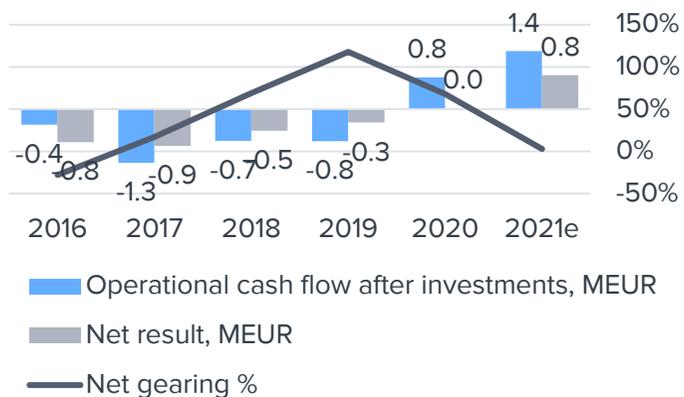
Financial position

Profitability and cash flow have turned positive after growth investments



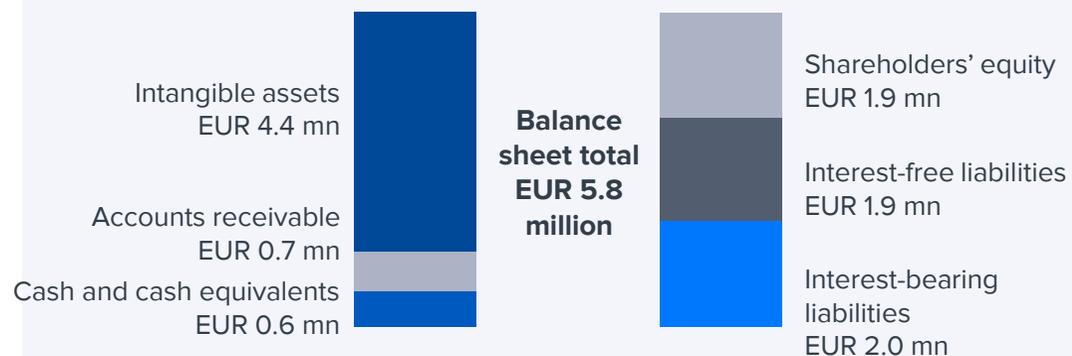
- The sum of Heeros' revenue growth and profitability (EBIT %) has varied between -10% and 20% being 6% on average in 2015-2020.

Operational cash flow after investments, net result, and net gearing (%)



Balance sheet in relatively good shape considering the positive cash flow

Balance sheet structure, December 31, 2020



- Still debt in balance sheet but not in worrying amounts
 - Relatively low cash (EUR 0.6 million)
 - Net gearing is elevated (68%) even though on a declining trend as profitability has turned around
 - The profitability turnaround through fixed costs and continuous income flow from the SaaS model stabilize cash flow so the balance sheet situation does not worry us
 - Net debt relative to EBITDA is low 0.9x
 - We believe the company wants to continue strengthening its balance sheet and we do not expect the company to pay dividend at least in the next few years
 - Intangible assets (EUR 4.4 million) consist of capitalized product development costs. In 2020, capitalization of product development costs (EUR 1.0 million) was lower than depreciation (EUR 1.2 million)

Estimates 1/2

SaaS business model is the basis for our net sales estimates

Heeros' strategy focuses on increasing SaaS business and the continuous revenue it generates. For the time being, Heeros does not report annual recurring revenue, ARR. Therefore, we estimate the company's revenue directly with the help of continuous revenue and the transaction income it contains. In addition, we estimate the company's service revenue as a relatively stable revenue item but the importance in view of the whole is very small.

Visibility into Heeros' revenue levels is good in the short term as the company's revenue mainly consists of easily predictable, recurring income. It is, however, more challenging to model the growth rate for revenue because it is highly dependent on the growth investments carried out by the company, the development of the competitiveness of the company's product, timing of deals, and how sales efficiency develops.

In our model, Heeros' profitability and earnings growth are determined especially by the development of fixed costs relative to revenue. Heeros' largest cost item by far is personnel costs (2020: 47% of costs), which we estimate through the number of personnel and unit costs. The second largest cost item, other operating costs (2020: 25% of costs), we also estimate through the number of personnel and unit costs. We expect capitalization of product development costs to decrease relative to revenue as the maturity of the product increases.

Heeros has active option programs covering some 165,000 shares where the subscription period occurs in the next five years. The dilution effect of the options would be low if materialized (around 4% of share capital) so we do not consider them in our estimates.

We rely on Heeros' guidance in our 2021 estimates

Heeros is expecting to increase the sum of the EBITDA margin and revenue growth percentage (Rule of 40) to 30% level for the 2021 financial period. Last year, the company carried out a profitability turnaround and has also signaled signs of sales progressing (H2'20: >1,300 new customers, Q1'21 >800 new customers and customer orders worth EUR 300,000 in ARR). Considering this we find the guidance to be realistic.

We expect Heeros' revenue to grow by 7% and relative EBITDA to rise to 23% in 2021. Growth is supported by the recovery in transaction income we expect in late 2021. In addition, we believe that the competing Tikon software disappearing from the market will increase activity in changing software, which Heeros could benefit from.

Key estimate parameters

- › Growth of continuous revenue
- › Growth of transaction income
- › Growth in personnel
- › Direct unit costs of personnel (Personnel costs)
- › Indirect unit costs of personnel (Other operating expenses)

Estimates 2/2

We estimate a clear improvement in coming years but expect the company not to reach its targets

Heeros' aim is to raise the sum of revenue growth and EBITDA % to 50% by 2023. The company's EBITDA margin has been below 10% level for the past few years but thanks to the reorganization its rose to around 22% when adjusted in 2020. Looking back, annual revenue growth has been around 10% in previous years and in 2020 only 2%. Heeros' clear profitability improvement gave a good indication of the future direction but despite this there is still a long way to the strategic objectives especially in terms of growth picking up.

Reaching Heeros' objectives would require clearly accelerating growth that would be scalable to strengthening profitability. We expect proof from the company that growth strengthens before we find it justified to lean more strongly on the company objectives in our estimates. In our view, the growth in the industry, Tikon software disappearing, and recovering transaction income do, however, give good preconditions for continuous revenue growth in coming years.

Thanks to these factors we expect the sum of Heeros' growth and profitability (EBITDA %) ("Rule of 40") to gradually rise to 37% in 2023 supported by growing revenue, which is below the company objective (sum rising towards 59%). The estimate is based on around 9% annual revenue growth and EBITDA strengthening from 16% to 26%. Even at the current level, our estimate includes a clear risk of the company's growth remaining slower than expected, which means the company's profitability would not scale considerably with growth. So the company's value creation is highly dependent on

growth materializing.

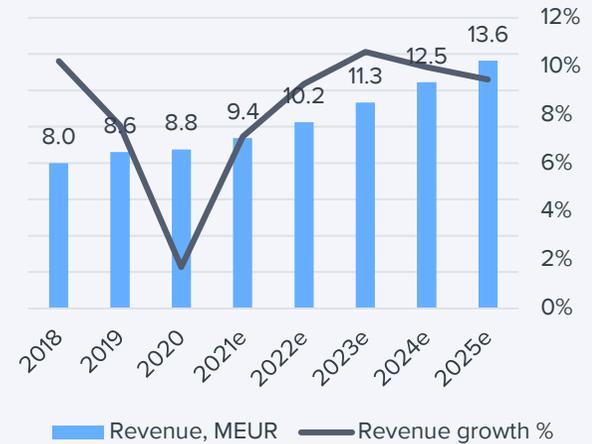
In the long term, we expect growth to slow down gradually

In the next few years, Heeros' growth is supported by a competing software exiting the market and recovering transaction income. After this, growth is more dependent on industry growth trends and the competitiveness of the company's product.

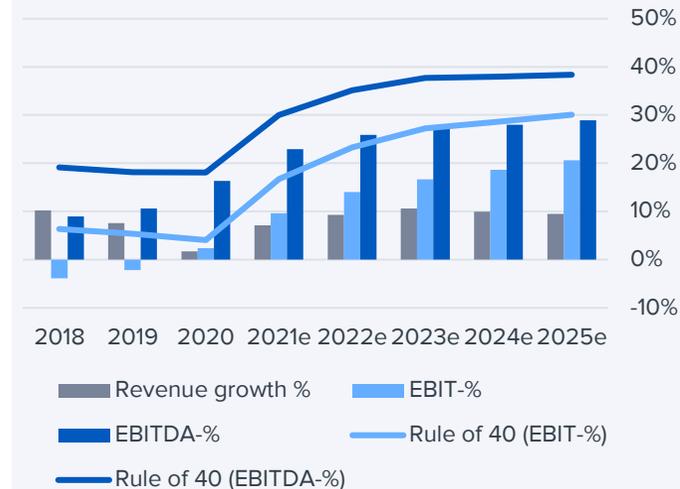
We estimate that Heeros' revenue will grow by 5-10% and on a slowing trend in 2024-2029. In terms of the market we feel Heeros could grow more strongly and into a bigger size class but the company's lack of track record thus far in finding a working growth recipe justify being cautious in our opinion. Due to the strong growth outlook of the industry we use 3% as the terminal growth for revenue. The biggest estimate change in this report is that we lowered our long-term revenue growth expectations slightly (by some one percentage point p.a.) to better account for the uncertainty related to growth.

We estimate Heeros' relative revenue to rise with scalable growth gradually from 18% to 25% in 2024-2029. We expect profitability development to slow down thanks to tightening competition and settle at 25% (EBIT %) in the long term. We estimate that the sum of Heeros' growth and profitability (EBITDA %) will be 36-38% in 2024-2029 and the peak to be seen in 2025.

Revenue and profitability growth, %



Combination of profitability and growth ("Rule of 40")



Income statement

Income statement	2019	H1'20	H2'20	2020	H1'21e	H2'21e	2021e	2022e	2023e	2024e
Revenue	8.6	4.3	4.4	8.8	4.5	4.9	9.4	10.2	11.3	12.5
EBITDA	0.9	0.3	1.1	1.4	0.8	1.4	2.1	2.7	3.1	3.5
Depreciation	-1.1	-0.6	-0.6	-1.2	-0.6	-0.6	-1.2	-1.2	-1.2	-1.2
EBIT (excl. NRI)	-0.2	0.2	0.5	0.7	0.2	0.7	0.9	1.4	1.9	2.3
EBIT	-0.2	-0.3	0.5	0.2	0.2	0.7	0.9	1.4	1.9	2.3
Net financial items	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
PTP	-0.3	-0.3	0.4	0.1	0.1	0.7	0.8	1.4	1.9	2.3
Taxes	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-0.3	-0.3	0.4	0.0	0.1	0.7	0.8	1.4	1.8	2.0
EPS (adj.)	-0.07	0.05	0.09	0.13	0.03	0.15	0.18	0.32	0.40	0.44
EPS (rep.)	-0.07	-0.08	0.08	0.00	0.03	0.15	0.18	0.32	0.40	0.44
Key figures	2019	H1'20	H2'20	2020	H1'21e	H2'21e	2021e	2022e	2023e	2024e
Revenue growth-%	7.5 %	2.3 %	1.1 %	1.7 %	4.0 %	10.2 %	7.1 %	9.3 %	10.6 %	10.0 %
Adjusted EBIT growth-%	-38.9 %	-177.3 %	6437.5 %	-455.8 %	10.5 %	40.0 %	33.3 %	59.0 %	31.5 %	23.3 %
EBITDA-%	10.6 %	7.4 %	25.1 %	16.3 %	17.6 %	27.9 %	22.9 %	25.9 %	27.1 %	28.0 %
Adjusted EBIT-%	-2.2 %	3.5 %	11.8 %	7.7 %	3.8 %	15.0 %	9.6 %	14.0 %	16.6 %	18.7 %
Net earnings-%	-3.7 %	-7.9 %	8.3 %	0.3 %	2.6 %	14.0 %	8.5 %	13.9 %	15.8 %	15.9 %

Source: Inderes

Valuation 1/2

Valuation is driven by growth and profitability development

Heeros' valuation is challenging due to the company's development stage and the earnings logic of the SaaS business model. A lion's share of the value is based on growth expectations and increased profitability.

In determining Heeros' valuation we lean more on a combination of profitability and growth ("Rule of 40"). In the method widely used in the software industry you sum up the net sales growth percentage and relative profitability (EBITDA, operating profit, result or free cash flow depending on the user). A sum exceeding 40% is considered an indicator of "good quality" business operations.

The "Rule of 40" indicator works well for a SaaS company as it takes into consideration the company's balancing between growth investments and profitability. In determining Heeros' valuation level, we use the "Rule of 40" figure calculated with relative EBIT that considers the company's depreciation of capitalized product development costs.

We view Heeros' revenue as a whole in the valuation. Only a fraction (around 5%) of Heeros' revenue is service revenue. The SaaS companies in Heeros' peer group also have service business at varying weights, which is reflected in the profitability and growth of these companies and thus improves the comparability of the companies.

Key indicators are reasonable in general

Heeros' EV/Sales multiples are 3.1x and 2.6x for 2021-2022. These multiples are at an absolute elevated level but justifiable with the long-term growth outlook of the industry and the company, the scalable business model, and the visibility from continuous income.

We have picked primarily Nordic software companies to the peer group that reflect value through Heeros' total revenue, as these reflect the growth expectations of European software companies well. These companies are also clearly closer to Heeros in terms of scale and risk profile than international SaaS peers.

Measured by EV/Sales multiples Heeros is in 2021-2022 valued some 50-60% below the peer group median 8.1x-5.5x. Heeros' estimated combination of growth and profitability (2022e: 23%) is 40% below the median of the peers (2022e: 39%) which justifies the discount. In our view, the justified discount is raised by Heeros' smaller size compared to the peers and the uncertainties related to the company's growth rate. We still feel the discount is too steep as we see the company having pretty good preconditions to reach the growth we estimate for the next few years.

Heeros carried out a turnaround in 2020 with personnel arrangements, which enables examining the company's valuation through earnings-based multiples as well. With our

estimates, Heeros' EV/EBIT multiples are 32x-19x in 2021-2022. If scalable growth continues, the corresponding multiple in 2023 would be 13x, which is very attractive for a growing SaaS company, that is if growth is successful.

Our DCF value indicates an upside

The role of the DCF model in Heeros' valuation is to act as a check point. The company is at the beginning of its strategy period and the risks are still elevated in estimating its business development. The DCF model does, however, provide an indication for the cash flow of the estimated basic scenario.

Our updated DCF model indicates a share value of EUR 7.6. Our terminal assumption is that EBIT is 25.0% and revenue growth 3.0%. In the model, the weight of the terminal period of cash flow value is 55%, which is quite a typical level for a SaaS company. The average cost of capital (WACC) used is 10.4% and the cost of equity is 11.2%.

Valuation 2/2

Considering the scenarios, the current valuation is very attractive but visibility into their materialization is still limited

We use scenarios to support the valuation with which we assess Heeros' valuation in 2025. Here we reflect the annual return expectation that investors expect in the now to the risks they bear. Visibility into Heeros' long-term development is limited due to still limited growth track record, so 2025 is a far-away support point for the company's valuation. The scenarios illustrate the company's potential well if the strategy implementation is successful.

In the basic scenario according to current estimates, Heeros' revenue grows by some 9% p.a. The annual

earnings expectation of the scenario is attractive 16% but the estimate risks are elevated due to company's still limited track record in terms of growth.

In the pessimistic scenario, Heeros' revenue grows on average only by around 4% p.a. Considering market trends this would be an extremely low level and would mean that the company faces considerable problems in sales and maintaining and strengthening the competitiveness of its product. The annual earnings expectation of the scenario is negative -2%, which does, however, emphasize the security continuous revenue generates for investors.

In the optimistic scenario, Heeros' revenue grows on average by around 13% p.a. In this scenario, the

company's strategic target level, i.e., sum of revenue growth % and EBITDA % rising towards 50% in 2023 would be reached in 2025. This scenario would require clearly stronger growth and we do not find this scenario to be very likely at this moment in time. The annual earnings expectation of the scenario would, however, be a very attractive 29%.

In the return expectations indicated by the scenarios we have considered the risks related to the current valuation indicators. SaaS software companies are priced at historically high multiples globally. We believe, that in the longer term, it is justified to expect lower multiples to have a weakening effect on return expectations.

Valuation	2021e	2022e	2023e
Share price	6.46	6.46	6.46
Number of shares, millions	4.46	4.46	4.46
Market cap	29	29	29
EV	29	27	25
P/E (adj.)	36.0	20.3	16.1
P/E	36.0	20.3	16.1
P/FCF	21.0	16.1	13.4
P/B	10.6	6.9	4.9
P/S	3.1	2.8	2.5
EV/Sales	3.1	2.6	2.2
EV/EBITDA	13.4	10.2	8.1
EV/EBIT (adj.)	32.1	18.9	13.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

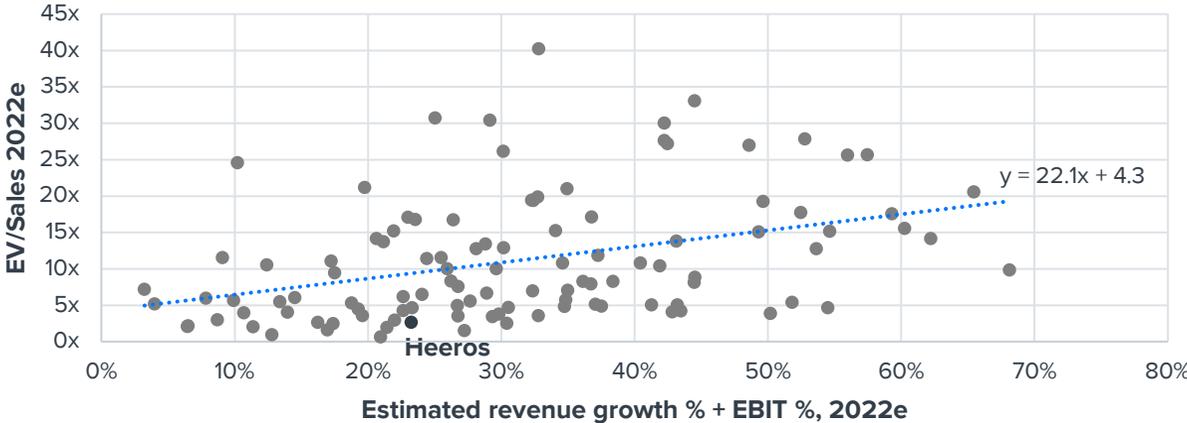
Scenario analysis of valuation

In 2025	Pessimistic	Current estimates	Optimistic
Variable revenue growth %	4%	8%	12%
Variable EBIT %	15%	22%	29%
Variable revenue MEUR	10.7	13.6	16.2
x multiple revenue	2.0	3.5	4.5
x multiple EBIT	13	15	18
("Rule of 40")	19%	30%	41%
= EV (EV/Sales)	21	48	73
= EV (EV/EBIT)	21	45	85
Average (EV)	21	46	79
+Net cash+dividends	5	9	13
=Market cap	26	55	92
Share price 2025 (incl. dividends)	5.9	12.4	20.6
Return	-9%	92%	218%
Annual return (5 years)	-2%	16%	29%

Source: Inderes

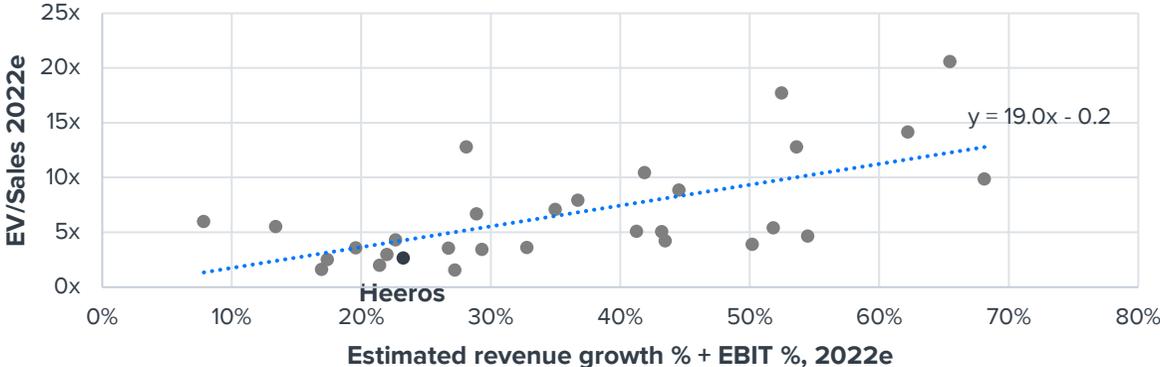
Peer group's net sales ratios relative to growth and profitability

Global SaaS peers' EV/Net sales valuation in 2022 relative to growth and profitability



- Valuation of the international SaaS peer group is historically high
- Especially North American companies deserve higher multiples than European players, e.g. due to a clearly larger domestic market
- Heeros' clear discount compared to international peers is logical considering the company's small size and development stage.

European SaaS peers' EV/Sales valuation in 2022 relative to growth and profitability

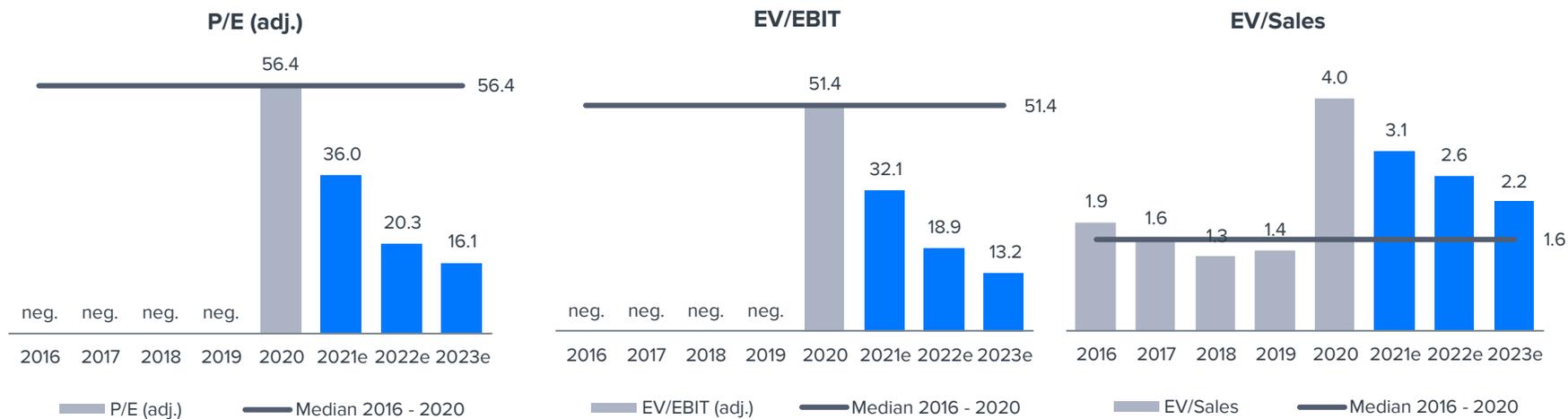


- The valuation of the European SaaS peer group is clearly more moderate than that of the international group
- The European peer group is closer to Heeros in terms of domestic and target markets, even though Heeros mainly operates in Finland.
- Heeros' discount to its European peers is also justified in our opinion due to the company's small size, target market (European medium-sized companies), and development stage

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	3.05	2.52	2.02	2.22	7.50	6.46	6.46	6.46	6.46
Number of shares, millions	3.62	4.35	4.35	4.35	4.42	4.46	4.46	4.46	4.46
Market cap	13	11	8.8	9.8	33	29	29	29	29
EV	12	11	10	12	35	29	27	25	23
P/E (adj.)	neg.	neg.	neg.	neg.	56.4	36.0	20.3	16.1	14.6
P/E	neg.	neg.	neg.	neg.	>100	36.0	20.3	16.1	14.6
P/FCF	5.0	neg.	neg.	neg.	>100	21.0	16.1	13.4	12.3
P/B	3.9	4.4	4.4	5.4	17.4	10.6	6.9	4.9	3.6
P/S	2.0	1.5	1.1	1.1	3.8	3.1	2.8	2.5	2.3
EV/Sales	1.9	1.6	1.3	1.4	4.0	3.1	2.6	2.2	1.8
EV/EBITDA	22.5	58.7	14.2	13.0	24.3	13.4	10.2	8.1	6.5
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	51.4	32.1	18.9	13.2	9.7
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

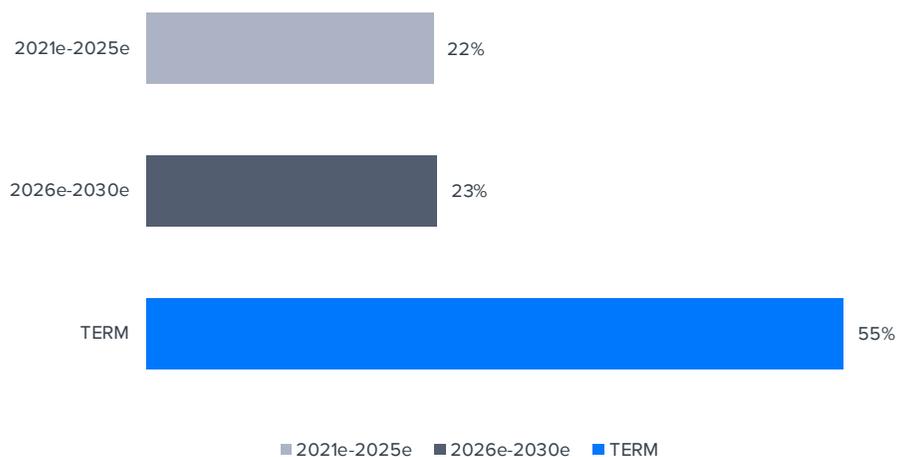
Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Sales		Revenue growth %		EBIT-%		Rule of 40
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2022e
Admicom Oyj	86.00	424	411	41.1	34.2	37.3	29.3	17.1	14.2	9%	21%	42%	41%	62%
Artificial Solutions International AB	7.23	45	64					8.6	5.4	4%	58%	-58%	-7%	52%
Basware Oyj	39.75	575	616	95.7	43.2	28.9	20.8	4.0	3.6	2%	11%	4%	8%	20%
Briox AB	5.82	26	26					43.7	26.2	20%	67%	-367%	-200%	
Carasent ASA	33.10	216	197	80.2	52.7	47.1	35.2	16.6	12.8	70%	29%	21%	24%	54%
Efecte Oyj	15.00	91	86	85.9	85.9	85.9	42.9	5.1	4.3	16%	18%	6%	5%	23%
FormPipe Software AB	27.00	142	140	42.9	25.3	16.1	12.8	3.3	3.0	6%	10%	8%	12%	22%
Fortnox AB	420.80	2529	2500	79.6	57.2	63.5	47.1	26.6	20.6	38%	29%	33%	36%	65%
F-Secure Oyj	4.03	639	627	26.7	23.2	16.8	15.0	2.7	2.5	7%	7%	10%	11%	17%
Irisity AB (publ)	55.40	141	136	105.9	12.3	37.2	10.4	13.5	4.1		227%	13%	34%	261%
Leaddesk Oyj*	21.70	115	110	110.5	55.2	27.6	22.1	4.2	3.5	86%	23%	4%	6%	29%
Lime Technologies AB (publ)	325.60	426	427	44.9	34.9	30.9	25.5	10.6	8.9	21%	19%	24%	25%	45%
Merzell Holding AS	8.10	399	474	130.6	33.8	23.7	14.3	6.5	5.1		28%	5%	15%	43%
Qt Group Oyj	98.70	2475	2459	98.3	68.3	88.9	62.8	22.4	17.7	38%	27%	23%	26%	52%
Safeture AB	10.50	31	28					7.9	5.1	29%	56%	-56%	-14%	41%
Simcorp A/S	787.20	4289	4280	32.3	28.9	29.3	26.6	8.7	7.9	7%	9%	27%	27%	37%
Sinch AB (publ)	144.00	10259	10057	88.9	43.0	71.5	34.6	6.7	4.7	98%	44%	8%	11%	54%
Talend SA	65.53	1794	1769				1975.6	6.4	5.5	16%	16%	-7%	-3%	13%
Talenom Oyj	14.28	624	659	42.2	34.2	23.8	20.4	8.1	7.1	24%	14%	19%	21%	35%
Varonis Systems Inc	58.17	5368	4860	699.3	212.9	301.1	139.4	15.6	12.8	31%	22%	2%	6%	28%
Vitec Software Group AB (publ)	354.00	1046	1122	41.9	34.3	20.5	18.0	7.3	6.7	22%	9%	17%	19%	29%
Heeros (Inderes)	6.46	29	29	32.1	18.9	13.4	10.2	3.1	2.6	7%	9%	10%	14%	23%
Average				108.6	51.7	55.9	141.8	11.7	8.6	29%	35%	-11%	5%	49%
Median				80.2	34.9	30.9	26.0	8.1	5.5	21%	22%	8%	12%	39%
Diff-% to median				-60%	-46%	-57%	-61%	-62%	-52%	-66%	-58%	26%	19%	-40%

Source: Thomson Reuters / Inderes Inderes NB: The market cap Inderes uses does not consider own shares held by the company *LeadDesk's growth estimates adjusted into organic.

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	0.2	0.9	1.4	1.9	2.3	2.8	3.2	3.7	4.0	4.3	4.4	
+ Depreciation	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.0	1.0	0.9	0.9	
- Paid taxes	-0.1	0.0	0.0	-0.1	-0.3	-0.6	-0.6	-0.7	-0.8	-0.9	-0.9	
- Tax, financial expenses	0.0	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	0.4	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	
Operating cash flow	1.8	2.4	2.8	3.1	3.3	3.6	3.8	4.1	4.3	4.5	4.5	
+ 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	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	
Free operating cash flow	0.8	1.4	1.8	2.2	2.3	2.7	2.9	3.2	3.5	3.6	3.5	
+/- Other	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	0.3	1.4	1.8	2.2	2.3	2.7	2.9	3.2	3.5	3.6	3.5	49.2
Discounted FCFF		1.3	1.5	1.7	1.7	1.7	1.7	1.7	1.7	1.5	1.4	19.3
Sum of FCFF present value		35.2	33.9	32.3	30.6	29.0	27.3	25.5	23.8	22.2	20.6	19.3
Enterprise value DCF		35.2										
- Interesting bearing debt		-2.0										
+ Cash and cash equivalents		0.6										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		33.9										
Equity value DCF per share		7.6										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	3.50%
Risk free interest rate	2.0 %
Cost of equity	11.2 %
Weighted average cost of capital (WACC)	10.4 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	4.6	4.4	4.2	3.9	3.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	4.6	4.4	4.1	3.9	3.7
Tangible assets	0.0	0.0	0.0	0.0	0.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	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	1.1	1.4	1.6	2.6	4.8
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	1.0	0.7	0.8	0.9	1.0
Cash and equivalents	0.1	0.6	0.7	1.7	3.9
Balance sheet total	5.8	5.8	5.7	6.5	8.5

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	1.8	1.9	2.7	4.1	5.9
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-2.7	-2.7	-1.9	-0.5	1.3
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	4.4	4.6	4.6	4.6	4.6
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	1.9	1.5	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	1.9	1.5	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	2.1	2.4	2.6	2.4	2.6
Short term debt	0.4	0.5	0.4	0.0	0.0
Payables	1.7	1.9	2.2	2.4	2.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	5.8	5.7	5.7	6.5	8.5

Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	8.0	8.6	8.8	9.4	10.2	EPS (reported)	-0.12	-0.07	0.00	0.18	0.32
EBITDA	0.7	0.9	1.4	2.1	2.7	EPS (adj.)	-0.12	-0.07	0.13	0.18	0.32
EBIT	-0.3	-0.2	0.2	0.9	1.4	OCF / share	0.16	0.11	0.40	0.53	0.62
PTP	-0.5	-0.3	0.1	0.8	1.4	FCF / share	-0.17	-0.17	0.07	0.31	0.40
Net Income	-0.5	-0.3	-0.5	0.8	1.4	Book value / share	0.46	0.41	0.44	0.61	0.93
Extraordinary items	0.0	0.0	-0.5	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	6.2	5.8	5.8	5.7	6.5	Revenue growth-%	10%	8%	2%	7%	9%
Equity capital	2.0	1.8	1.9	2.7	4.1	EBITDA growth-%	269%	28%	57%	50%	23%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-60%	-39%	-456%	33%	59%
Net debt	1.4	2.1	1.3	0.1	-1.7	EPS (adj.) growth-%	-42%	-38%	-283%	35%	77%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	8.9 %	10.6 %	16.3 %	22.9 %	25.9 %
EBITDA	0.7	0.9	1.4	2.1	2.7	EBIT (adj.)-%	-3.9 %	-2.2 %	7.7 %	9.6 %	14.0 %
Change in working capital	0.0	-0.4	0.4	0.2	0.1	EBIT-%	-3.9 %	-2.2 %	2.3 %	9.6 %	14.0 %
Operating cash flow	0.7	0.5	1.8	2.4	2.8	ROE-%	-22.6 %	-16.7 %	1.2 %	34.4 %	41.3 %
CAPEX	-1.4	-1.2	-1.0	-1.0	-1.0	ROI-%	-8.5 %	-4.7 %	5.1 %	24.2 %	37.2 %
Free cash flow	-0.7	-0.8	0.3	1.4	1.8	Equity ratio	32.1%	31.4%	33.3%	47.7%	63.8%
						Gearing	69.1%	117.8%	67.9%	3.0%	-40.9%
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	1.3	1.4	4.0	3.1	2.6						
EV/EBITDA (adj.)	14.2	13.0	24.3	13.4	10.2						
EV/EBIT (adj.)	neg.	neg.	51.4	32.1	18.9						
P/E (adj.)	neg.	neg.	56.4	36.0	20.3						
P/B	4.4	5.4	17.4	10.6	6.9						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
21-08-19	Reduce	2.10 €	2.10 €
02-10-19	Reduce	2.10 €	2.22 €
13-02-20	Reduce	2.50 €	2.62 €
13-08-20	Accumulate	3.10 €	2.90 €
<i>Analyst changes</i>			
30-10-20	Accumulate	4.20 €	3.74 €
09-12-20	Reduce	4.60 €	5.70 €
29-12-20	Reduce	7.00 €	7.95 €
11-02-21	Accumulate	8.00 €	7.20 €
23-04-21	Accumulate	8.00 €	7.06 €
01-07-21	Accumulate	7.50 €	6.46 €



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