

Research

CEE | Equity Research

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Ailleron

All Options Remain Open

We are updating our model following the quarterly results and raising the target price from 27 PLN to 29 PLN. In mid-February, the company announced the initiation of a strategic review of its Software Mind stake. During the last conference, management indicated that various options are possible regarding the potential sale of the entire stake or part of it. It is also unclear what decision shareholders will make regarding the distribution of funds from a potential sale—whether they will be fully or partially paid out as dividends or allocated to the development of the fintech business. At the same time, the group continues to see strong potential for further acquisitions, and we believe that in the absence of a satisfactory valuation for its stake, Ailleron will not be under pressure to sell at any cost.

4Q24 Results. Revenue reached a record high of 165 million PLN, with approximately 32 million PLN contributed by the recent major acquisition in the U.S. EBIT in Software Mind improved by 67% year-over-year, while for the entire group, it tripled to 19 million PLN. The fintech segment generated a profit of 4 million PLN compared to a loss of 2 million PLN a year earlier. Net profit increased from 3 million PLN to 11 million PLN, though this line benefited from exchange rate differences.

Global Market Situation and Potential Software Mind Sale. Forecasts from major global players in the sector, announced in February, surprised investors negatively. The stock prices of Epam, Globant, and Endava fell by -11%, -30%, and -22%, respectively, since the beginning of the year, indicating a slower-than-expected recovery in the global professional IT services market. This could impact the valuation of Software Mind in a sale process. When estimating potential proceeds from the sale, we take into account the net debt assigned to SM of approximately 100 million PLN and minority interests at the Software Mind level (in 2023 and 2022, minority interests' profit in SM amounted to 4 million PLN each year). These adjustments reduce the equity value attributable to Ailleron (50% of SM's equity). Another key aspect for Ailleron shareholders is the potential capital gains tax from selling Software Mind. In Ailleron S.A.'s balance sheet, SM shares are valued at 31 million PLN, while the market value attributed to these shares is close to 300 million PLN based on the group's current stock market valuation. Assuming the tax value is similar to the book value, the potential tax liability would be nearly 5 PLN per Ailleron share. However, we expect the company to take advantage of the holding relief, as was successfully done in the recent sale of subsidiaries by Fabrity, which fully recovered previously paid tax.

Post-Earnings Conference Summary. The year 2025 is expected to be better than the previous one for the group, with fintech projected to achieve positive operating profitability. Management also emphasized significant acquisition opportunities. Despite net debt approaching annual EBITDA, the group has financial capacity for acquisitions of up to 300 million PLN.

Valuation and Forecasts. We base our new target price of 29 PLN (previously 27 PLN) on a DCF model, where the valuation increased by 5% compared to previous estimates. A comparative valuation against a group of international entities suggests a share value of 44 PLN, including 39 PLN based on the P/E ratio. Despite the decline in peer group stock prices, Ailleron continues to trade at a significant discount.

We have increased our revenue and net profit forecasts for 2025 by 4%, partly due to the inclusion of results from Core3, acquired in December. The P/E ratio for our updated projections for 2025-2026 remains attractive at 11.6x and 9.5x, respectively.

PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	410	453	560	652	726	782
EBITDA	61	50	84	104	117	125
EBIT	48	36	69	87	99	107
Net profit	13	4	24	27	32	36
EPS (PLN)	1.07	0.29	1.95	2.15	2.63	2.95
P/E (x)	23.3	87.5	12.8	11.6	9.5	8.5
EV/EBITDA (x)	11.0	14.4	9.3	7.4	6.3	5.6
P/BV (x)	4.6	3.7	3.0	2.5	2.1	1.8
DY (%)	1.3%	4.0%	0.0%	2.0%	2.0%	4.0%

Source: Company, Trigon DM

Ailleron

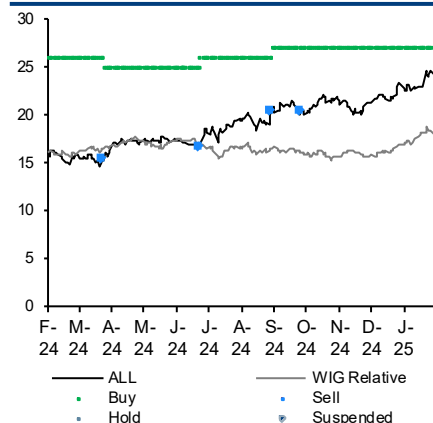
Buy

 TP: 29 PLN
 Upside: +16%

FACT SHEET

Ticker	ALL
Sector	IT
Price (PLN)	25.0
52w k Range (PLN)	14 / 22
Number of shares (m)	12.4
Market Cap (mPLN)	309
Free-float	40%
Avg Vol 3M (mPLN)	0.2
Price performance	1M 3M 1Y
	5.5% 20.0% 3.8%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATIONS

	DATE	TP
Buy	12.10.2024	27
Buy	22.10.2024	27
Buy	25.09.2024	27
Buy	19.07.2024	26
Buy	19.04.2024	25
Buy	11.12.2023	26

SHAREHOLDERS

	Stake %
Rafał Styczeń	23.9%
Dariusz Orłowski	23.3%
Esaliens TFI	7.3%
Grzegorz Młynarczyk	5.7%

INVESTOR CALENDAR

4Q'24 Earnings	26.02.2025
1Q'25 Earnings	28.05.2025
2Q'25 Earnings	29.09.2025

ANALYST

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DCF valuation

DCF Valuation Assumptions:

- 1) Risk-free rate: Set at 5.50% during the detailed forecast period, based on 10-year bonds, and 5.0% in terminal value (TV);
- 2) Market premium: 6.5%, following the methodology for smaller companies listed on the SWIG80 index;
- 3) Unlevered beta: 1.0x, with a residual growth rate of 2.5%, which is 2.5 percentage points lower than the risk-free rate in TV;
- 4) Incentive program: Included in cash flows within the DCF model.

ALL: DCF valuation

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
Sales	651.5	726.1	782.1	834.3	882.2	917.4	952.9	981.5	1,010.9	
EBITDA	103.8	117.2	125.3	132.3	138.4	143.5	149.4	154.3	159.0	
EBIT	86.7	99.5	106.6	112.5	117.6	121.5	126.3	130.1	134.0	
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	20%	
NOPAT	70.2	80.6	86.4	91.1	95.3	98.4	102.3	105.4	107.5	
Amortization	17.1	17.7	18.6	19.8	20.8	22.0	23.1	24.2	25.0	
Capex	-11.0	-12.9	-14.4	-15.4	-16.5	-17.3	-18.2	-19.1	-19.7	
Leased assets capex	-7.4	-7.4	-7.6	-7.7	-7.9	-8.1	-8.2	-8.4	-8.6	
Net WC investments	-8.8	-8.5	-6.4	-6.0	-5.5	-4.0	-4.1	-3.3	-3.3	
M&A, other adjustments	-16.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	43.6	69.4	76.6	81.8	86.2	91.0	94.9	98.9	100.8	104.7
WACC (%)	11.7%	11.9%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	11.5%
PV FCF sum	424									
FCF growth ratio in TV	2.5%									
Discounted TV	423									
Net debt, other adj.	529									
Equity value (mln PLN)*	317									
Dividend paid out	0.0									
Number of shares (mln)	12.4									
1 share value (PLN)	25.68									
12m TP	28.7									

Source: Trigon DM

				WACC		
				TV		
		9.5%	10.5%	11.5%	12.5%	13.5%
	1.5%	30.7	28.5	26.7	25.3	24.0
	2.0%	32.2	29.6	27.6	26.0	24.7
g	2.5%	33.8	30.9	28.7	26.9	25.4
	3.0%	35.7	32.4	29.8	27.8	26.2
	3.5%	38.0	34.1	31.1	28.9	27.0

Peer group valuation

Software house sector peer group

Company	MC [m EUR]	EV/EBITDA			P/E		
		2024E	2025E	2026E	2024E	2025E	2026E
GLOBANT SA	6,275	12.7	11.0	9.1	21.4	18.4	15.6
ENDAVA PLC- SPON ADR	1,467	10.8	9.1	7.3	16.9	13.7	11.2
EPAM SYSTEMS INC	11,315	12.7	11.1	9.8	19.5	16.8	14.7
GRID DYNAMICS HOLDINGS INC	1,684	22.1	17.2	12.9	50.4	40.1	28.9
CAPGEMINI SE	28,015	8.9	8.4	7.9	14.0	13.0	11.9
COGNIZANT TECH SOLUTIONS-A	40,097	10.8	10.2	9.3	17.0	15.8	14.6
KAINOS GROUP PLC	1,137	12.7	11.8	10.3	19.2	18.3	15.8
NAGARRO SE	1,192	9.0	8.1	7.8	16.0	13.7	12.0
INNOFACTOR OYJ	61	6.8	6.1	6.1	12.1	10.0	-
IT LINK SA	43	5.5	5.2	-	9.3	8.5	-
Median: foreign peers		10.8	9.7	9.1	17.0	14.7	14.6
AILLERON		7.7	6.3	5.5	11.6	9.5	8.5
Valuation per share		48.9	50.0	50.5	36.5	38.7	43.2
Average valuation for multipliers		49.8			39.5		

Source: Bloomberg, Trigon DM

average valuation **44.6**

Risk factors

- 1) Risk of increased competition in the software house market.
- 2) Risk of losing clients.
- 3) Risk of losing key employees.
- 4) Risk of unsuccessful acquisitions
- 5) Risk of clients failing to meet payment deadlines.
- 6) Risk of claims from Pekao in relation to contract termination.
- 7) Currency risk (especially the strengthening of the PLN against USD and EUR).

Income statement

	2022	2023	2024	2025E	2026E	2027E
Revenues	410	453	560	652	726	782
Revenues FinTech	64	74	79	85	92	98
Revenues Software Mind	344	377	478	564	632	682
Revenues other	5	3	2	2	2	2
EBIT FinTech	-1	-7	-2	3	4	4
EBIT Software Mind	56	49	70	85	96	103
EBIT other	-2	0	0	0	0	0
EBITDA	61	50	84	104	117	125
adj. EBITDA	61	50	84	104	117	125
D&A	-13	-14	-15	-17	-18	-19
EBIT	48	36	69	87	99	107
Net financial costs	0	-4	-1	-13	-11	-8
EBT	48	32	67	74	88	98
Income tax	-9	-11	-12	-14	-17	-19
Minority interest	-25	-17	-31	-33	-39	-43
Net profit	13	4	24	27	32	36
adj. Net profit	18	16	26	27	32	36

EBITDA margin (%)	14.9%	11.0%	15.0%	15.9%	16.1%	16.0%
adj. EBITDA margin (%)	14.9%	11.0%	15.0%	15.9%	16.1%	16.0%
EBIT margin (%)	11.7%	7.9%	12.2%	13.3%	13.7%	13.6%
adj. Net profit margin (%)	4.3%	3.5%	4.6%	4.1%	4.5%	4.7%

change in revenue y/y	93%	10%	24%	16%	11%	8%
change in gross profit y/y	64%	-3%	40%	21%	13%	7%
change in adj. EBITDA y/y	71%	-18%	67%	24%	13%	7%
change in EBIT y/y	76%	-26%	92%	27%	15%	7%
change in adj. net profit y/y	139%	-10%	59%	4%	22%	12%

	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Revenues	114	126	107	143	146	165
Revenues FinTech	20	24	16	17	18	29
Revenues Software Mind	94	101	90	126	127	135
Revenues other	0	1	1	1	1	1
EBIT FinTech	-1	-2	-3	-1	-3	4
EBIT Software Mind	12	9	13	21	21	15
EBIT other	-3	-1	0	0	1	0
EBITDA	11	10	14	24	23	23
adj. EBITDA	11	10	14	24	23	23
D&A	-3	-4	-4	-4	-4	-4
EBIT	8	6	10	20	19	19
Net financial costs	-8	5	0	-2	-7	8
EBT	0	11	10	18	12	27
Income tax	-2	-4	-3	-1	-3	-6
Minority interest	-2	-4	-6	-9	-6	-10
Net profit	-4	3	2	8	4	11
adj. Net profit	2	5	3	8	4	11

EBITDA adj. margin	9.3%	8.0%	13.0%	16.9%	15.7%	13.9%
EBIT margin	6.9%	4.8%	9.6%	14.0%	13.1%	11.7%
net profit adj. margin	1.7%	3.6%	2.5%	5.6%	2.6%	6.7%

change in revenue y/y	2%	2%	-3%	23%	27%	31%
change in adj. EBITDA y/y	-43%	-49%	-11%	77%	114%	126%
change in EBIT y/y	-49%	-63%	-14%	104%	143%	219%
change in adj. Net profit y/y	-69%	-47%	-4%	19%	100%	143%

Źródło: Spółka, Trigon DM

Balance Sheet (PLNm)

	2022	2023	2024	2025E	2026E	2027E
Non-current Assets	210	226	405	423	425	429
PPE	28	43	42	42	44	46
Intangibles	29	35	34	34	35	37
Goodwill	150	145	326	342	342	342
Trade and other receivables	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Other	3	3	4	4	4	4
Current Assets	209	209	218	242	291	340
Inventories	1	1	0	0	0	0
Receivables	99	82	101	117	131	141
Cash and cash equivalents	89	113	103	111	146	185
Other	21	14	14	14	14	14
Assets	419	436	623	665	716	769
Equity	67	84	104	124	150	174
Issued capital	42	42	42	42	42	42
Other	12	38	37	55	76	96
Net profit	13	4	24	27	32	36
Minority Interests	115	125	159	192	231	274
Non-current Liabilities	159	134	247	227	209	190
Long-term borrowings	84	87	192	173	154	136
Other	76	48	55	55	55	55
Current Liabilities	77	92	113	121	126	130
Short-term borrowings	15	33	37	37	37	37
Payables	33	26	35	43	48	52
Other	29	33	41	41	41	41
Equity and Liabilities	419	436	623	665	716	769
Net working capital	66	56	66	75	83	90
Net debt	9	6	126	99	45	-13
adj. Net debt	7	20	80	66	36	5
Net debt/EBITDA (x)	0.1	0.1	1.5	1.0	0.4	-0.1
Net debt/Equity (x)	0.1	0.1	1.2	0.8	0.3	-0.1
ROE (%)	18%	21%	27%	23%	24%	22%
ROA (%)	5%	4%	5%	4%	5%	5%
Cash conversion cycle (days)	103	103	87	92	94	96
Inventory turnover (days)	-1	-1	0	0	0	0
Receivables turnover (days)	72	73	59	61	62	63
Payables turnover (days)	-32	-32	-28	-31	-32	-33

Cash Flow Statement (PLNm)

	2022	2023	2024	2025E	2026E	2027E
Cash flow from operating activities	46	55	78	68	81	92
Pre-tax profit	13	4	24	27	32	36
D&A	13	14	15	17	18	19
Changes in working capital	-21	10	-10	-9	-9	-6
Change in inventories	0	0	0	0	0	0
Change in receivables	-36	17	-19	-17	-13	-10
Change in payables	14	-7	9	8	5	4
Other	41	27	48	33	39	43
Cash flow from investing activities	-127	-20	-194	-28	-13	-14
CAPEX	-27	-12	-12	-11	-13	-14
Other	-100	-8	-181	-17	0	0
Cash flow from financing activities	59	-12	106	-33	-32	-38
Net borrowings	69	15	116	-19	-19	-18
Share issuance	0	0	0	0	0	1
Dividend/Buy-back	-4	-12	0	-6	-6	-12
Other	-6	-14	-9	-7	-7	-9
Net change in cash	-22	24	-10	7	35	39
Cash opening balance	111	89	113	103	111	146
Cash closing balance	89	113	103	111	146	185

Source: Company, Trigon DM

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**NAGRODY
PSIK**
2023

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares
free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
min/max 52 wks – lowest/highest share price over the previous 52 weeks
average turnover – average volume of share trading over the previous month

EBIT – operating profit
EBITDA – operating profit before depreciation and amortisation
adjusted profit – net profit adjusted for one-off items
CF – cash flow
CAPEX – sum of investment expenditures on fixed assets
OCF – cash generated through a company's operating activities
FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
ROA – rate of return on assets
ROE – rate of return on equity
ROIC – rate of return on invested capital
NWC – net working capital
cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
gross profit margin – ratio of gross profit to net revenue
EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – ratio of operating profit to net revenue
net margin – ratio of net profit to net revenue
EPS – earnings per share
DPS – dividend per share
P/E – ratio of market price to earnings per share
P/BV – ratio of market price to book value per share
EV/EBITDA – ratio of a company's EV to EBITDA
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, ratio of dividends paid to share price
RFR – risk free rate
WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – AILLERON S.A.
BUY – we expect the total return on an investment to reach at least 15%
HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 15%
SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: Dominik Niszcz

Stosowane metody wyceny

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: DCF

The valuation, methodology or underlying assumptions have not changed since the date when this Document was completed and first disseminated.

This Document was not disclosed to the issuer and subsequently amended. This Document has remained unchanged since the day it was completed and first disseminated.

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