

Ailleron

Weaker global market outlook and USD strengthening imply a slowdown in operating profit growth momentum

1Q25 earnings forecast. #Software Mind. The impact of the number8 acquisition will be visible in year-on-year comparisons for the last time and, in our view, will be the main driver behind the improvement in segment operating profit from PLN 13 million a year ago to around PLN 21 million. In addition, recently acquired Core3 will be consolidated in the results. Assuming continued growth and based on the latest available data, Core3 could contribute approximately PLN 1 million in quarterly EBITDA and PLN 6 million in revenue. #FinTech. A relatively easy base from last year, when the segment posted a PLN 2.6 million operating loss, should be surpassed without much difficulty, though we still do not expect a positive EBIT. We forecast a PLN -0.3 million EBIT for FinTech. #Group, debt. Overall, we project a 104% increase in operating profit to PLN 21 million. However, this will likely be the last quarter of such significant growth this year due to the consolidation of number8 from 2Q24 onward and more challenging FX dynamics, particularly the weakening of the USD since April. We remind that debt will increase in the first half of the year (bonuses and earn-outs tied to acquisitions, minority buyout in Virtual Mind).).

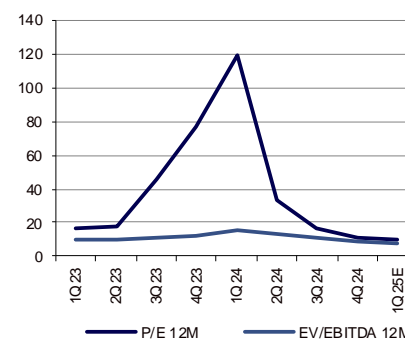
Valuation and forecasts. The strong USD appreciation negatively affects Software Mind's margins. Moreover, sharp declines among global peers in recent months suggest a deterioration in sector outlook, as demand recovery is not progressing at the pace the market had previously anticipated. These factors lead us to lower our 2025 operating profit forecast by 6%, and by 4% for 2026–2027, and revise our target price down to PLN 26. Our peer-based valuation—which we do not use in setting the target price—has dropped from PLN 47 to PLN 29, due to year-to-date stock price declines among global benchmark companies: -35% Epam, -42% Endava, -49% Globant, -10% Nagarro. Since we started covering Ailleron, these peers have never traded at such low valuation multiples (low-teens P/E). Against this backdrop, the timing for selling Software Mind shares seems less than ideal. Considering the company's impressive growth over the past two years, we believe investors would not react negatively to a potential decision to delay the sale—especially if Software Mind stays within the group with continued growth prospects through acquisitions.

PLNm	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25E	y/y	q/q
Revenues	110.6	115.7	114.4	126.2	106.7	142.8	145.5	164.7	151.9	42%	-8%
EBITDA	15.6	13.7	10.7	10.1	13.8	24.1	22.8	22.9	20.8	50%	-9%
EBIT	11.9	9.8	7.9	6.0	10.2	20.0	19.1	19.2	20.8	104%	8%
Net profit	2.8	1.8	-3.9	2.8	1.6	7.8	3.8	10.9	5.9	278%	-46%
P/E12M trailing	16.2	17.4	45.1	76.8	119.4	32.9	17.0	11.3	9.5		
EV/EBITDA 12M trailing	9.4	9.4	10.6	12.4	15.8	13.0	10.6	8.8	8.0		
revenues growth y/y	44%	14%	2%	2%	-3%	23%	27%	31%	42%		
EBITDA margin	14.1%	11.8%	9.3%	8.0%	13.0%	16.9%	15.7%	13.9%	13.7%		
EBIT margin	10.8%	8.5%	6.9%	4.8%	9.6%	14.0%	13.1%	11.7%	13.7%		
Net profit margin	2.6%	1.6%	-	2.2%	1.5%	5.5%	2.6%	6.6%	3.9%		

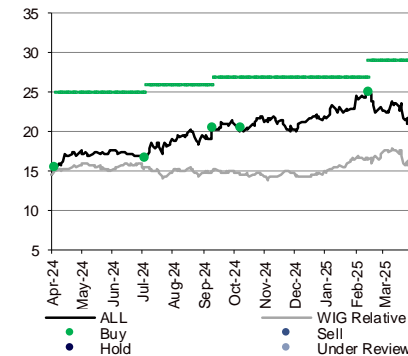
1Q25 Earnings
28.05.2025

FACT SHEET	RECOMMENDATIONS	Date	Valuation
Ticker	ALL	Buy	28.02.2025 29
Sector	TMT	Buy	12.10.2024 27
Price (PLN)	22.0	Buy	22.10.2024 27
52W range (PLN)	11,45 / 20	Buy	25.09.2024 27
Shares outstanding (m)	12.4	Buy	19.07.2024 26
Market Cap (PLNm)	271	Buy	19.04.2024 25
S&P Global ESG Scores	0	Buy	11.12.2023 26
3M Avg. Vol. (PLNm)	0.06	Buy	23.10.2023 28
Price perf.	1M -7.0% 3M -4.5% 1Y -20.3%		

P/E 12M vs EV/EBITDA 12M



ALL RELATIVE SHARE PRICE vs WIG



PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	410	453	560	639	712	767
EBITDA	61	50	84	97	112	120
EBIT	48	36	69	80	94	101
Net profit	13	4	24	25	31	35
EPS (PLN)	1.07	0.3	1.9	2.0	2.5	2.8
DPS (PLN)	0.3	1.0	0.0	0.0	0.5	1.0
P/E (x)	20.5	76.8	11.3	10.8	8.7	7.7
EV/EBITDA (x)	4.5	12.6	8.3	7.1	5.9	5.3
P/BV (x)	4.0	3.2	2.6	2.1	1.8	1.5
DY (%)	1.5%	4.6%	0.0%	0.0%	2.3%	4.6%

Buy
(Previous: Buy, 29 PLN)

Target Price: 26 PLN
Current Price: 21.95 PLN
Upside: 18%

TRIGON

Valuation / Weight	Obecna		Poprzednia		Zmiana
DCF	26.1	100%	28.7	100%	-9%
Multiples	29.3	0%	46.7	0%	-37%

PLNm	2025E			2026E			2027E		
	Nowa	Stara	Zmiana	Nowa	Stara	Zmiana	Nowa	Stara	Zmiana
Revenues	639	652	-2%	712	726	-2%	767.2	782	-2%
EBITDA	97	104	-6%	112	117	-4%	119.8	125	-4%
EBIT	80	87	-8%	94	99	-5%	101.2	107	-5%
Net profit	25	27	-6%	31	32	-3%	35.1	36	-4%
P/E (x)	10.8	10.2		8.7	8.4		7.7	7.4	
EV/EBITDA (x)	7.1	7.2		5.9	5.9		5.3	5.1	
P/BV (x)	2.1			1.8			1.5		
DY (%)	0.0%			2.3%			4.6%		

Multiples	2023	2024	2025E	2026E	2027E
P/E (x)	76.8	11.3	10.8	8.7	7.7
adj. P/E (x)	17.0	10.6	10.8	8.7	7.7
P/BV (x)	3.2	2.6	2.1	1.8	1.5
EV/EBITDA (x)	12.6	8.3	7.1	5.9	5.3
adj. EV/EBITDA (x)	12.6	8.3	7.1	5.9	5.3
EV/Sales (x)	0.6	0.6	0.6	0.5	0.4

FCFF Yield (%)	5.4%	8.3%	6.6%	8.4%	10.2%
DY (%)	4.6%	0.0%	0.0%	2.3%	4.6%

KPIs	2023	2024	2025E	2026E	2027E
EPS (PLN)	0.3	1.9	2.0	2.5	2.8
adj. EPS (PLN)	1.3	2.1	2.0	2.5	2.8
DPS (PLN)	1.0	0.0	0.0	0.5	1.0
BVPS (PLN)	6.8	8.4	10.4	12.5	14.3

Operational ratios	2023	2024	2025E	2026E	2027E
adj. EBITDA margin (%)	11.0%	15.0%	15.2%	15.7%	15.6%
EBIT margin (%)	7.9%	12.2%	12.5%	13.3%	13.2%
Net profit adj. margin (%)	0.8%	4.3%	3.9%	4.4%	4.6%

ROE (%)	21.2%	27.2%	21.6%	22.2%	21.3%
ROA (%)	0.8%	4.5%	3.9%	4.6%	4.8%
CAPEX/Sales (%)	2.7%	2.2%	1.7%	1.8%	1.9%
CAPEX/D&A (x)	0.8	0.8	0.6	0.7	0.8
Net debt/Equity (x)	0.2	0.8	0.6	0.4	0.1
Net debt/EBITDA (x)	0.4	1.0	0.8	0.5	0.2

Cash conversion cycle (days)	49	40	40	40	40
Inventory turnover (days)	1	0	0	0	0
Receivables turnover (days)	73	59	62	62	63
Payables turnover (days)	24	20	22	23	23

Income Statement (PLNm)	2022	2023	2024	2025E	2026E	2027E
Revenues	410	453	560	639	712	767
Revenues FinTech	64	74	79	85	92	98
Revenues Software Mind	344	377	478	552	618	667
Revenues other	5	3	2	2	2	2
EBIT FinTech	-1	-7	-2	3	4	4
EBIT Software Mind	56	49	70	78	91	98
EBIT other	-2	0	0	0	0	0
EBITDA	61	50	84	97	112	120
adj. EBITDA	61	50	84	97	112	120
D&A	-13	-14	-15	-17	-18	-19
EBIT	48	36	69	80	94	101
Net financial costs	0	-4	-1	-13	-11	-9
EBT	48	32	67	67	83	92
Income tax	-9	-11	-12	-13	-16	-18
Minority interest	-25	-17	-31	-29	-36	-40
Net profit	13	4	24	25	31	35
adj. Net profit	18	16	26	25	31	35

Balance Sheet (PLNm)	2022	2023	2024	2025E	2026E	2027E
Non-current Assets	210	226	405	458	460	464
Current Assets	209	209	218	207	252	296
Inventories	1	1	0	0	0	0
Receivables	99	82	101	115	128	138
Cash and cash equivalents	89	113	103	78	109	144
Assets	419	436	623	665	712	760
Equity	67	84	104	129	154	177
Minority Interests	115	125	159	188	224	264
Non-current Liabilities	159	134	247	227	209	190
Long-term borrowings	84	87	192	173	154	136
Current Liabilities	77	92	113	120	125	129
Short-term borrowings	15	33	37	37	37	37
Payables	33	26	35	42	47	51
Equity and Liabilities	419	436	623	665	712	760
Net debt	9	6	126	132	82	29

Cash Flow Statement (PLNm)	2022	2023	2024	2025E	2026E	2027E
Cash flow from operating activities	46	55	78	64	77	87
Changes in working capital	-21	10	-10	-7	-8	-6
D&A	13	14	15	17	18	19
Cash flow from investing activities	-127	-20	-194	-63	-13	-14
CAPEX	-27	-12	-12	-11	-13	-14
Cash flow from financing activities	59	-12	106	-27	-32	-38
Dividend/Buy-back	-4	-12	0	0	-6	-12
Net change in cash	-22	24	-10	-25	31	34
Cash opening balance	111	89	113	103	78	109
Cash closing balance	89	113	103	78	109	144

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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 Niszc

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.

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