



Investment case

Experienced Management team and diversified portfolio. White Pearl Technology Group (WPTG) is a global IT Group operating in 30 different countries. Their current focus is on fast-growing emerging economies in Africa, the Middle East, Asia and to a lesser extent, Latin America. The company provides a wide range of services and products including offerings in AI, cloud and IoT. Apart from operating in various geographies, the Group's current portfolio spans across different industries such as technology, healthcare and real estate. This diversification is, according to us, highly beneficial because it improves the company's ability to mitigate risks associated with too much exposure to a specific industry or country. Since its founding in 2019, the Group has had an impressive financial performance. In less than four years WPTG has been able to reach a revenue of over 180 MSEK in 2022 and at the same time maintaining profitability during all years. The performance in the first half of 2023 has also been great with a 48% increase in revenue and a 36% rise in operating profit compared to the same period last year. In our view, this indicates that the management team has had a strong ability to find good investment opportunities. Since the management team has extensive knowledge of both global markets and investment strategies, it improves the Group's ability to successfully cope with upcoming challenges. Insider ownership is also high (approximately 9%) which enhances their incentives to synchronize their goals with shareholder's objectives.

Strong overall market growth and expansion into developed markets are expected to improve both profitability and revenue. WPTG is operating in the field of digital transformation, a market that is expected to grow significantly in the coming years. According to the research company Grand View Research, the global annual growth rate is estimated to be approximately 27% between 2023 and 2030. The projected growth in the market enhances opportunities to strengthen the Group's position, increase sales and boost profitability. Currently, WPTG is focusing on emerging economies but has advanced plans to expand into developed markets, such as Europe and the US and thus diversify its customer base. Expected growth in Western markets will primarily occur through acquisitions, while continued expansion in emerging economies will likely occur through organic growth. The Group should also be able to enter more developed markets having the advantage of being able to offer services and products from current operations in emerging economies with a lower cost base.

High upside potential. As stated earlier, WPTG's growth has been impressive - having reached revenues of more than 200 MSEK in just under four years and at the same time high profitability has been maintained during these years. In our revenue forecasts, we have not included any income from the expected expansion into Europe and the US, given that the growth plans for us are difficult to gauge. Leaving these plans aside we are looking at a Group that we believe should be able to have revenues of 340 MSEK in 2025 and produce an EBITDA of 48 MSEK. We have based this forecast on a revenue growth of 14% in 2024 and a 16% revenue growth in 2025. This is substantially lower than the level reached in 2023 but also lower than the average historic achievement. However, we believe that WPTG - having reached critical mass in several markets - will be able to increase its EBITDA margin from 9,2% in 2022 to 14,1% in 2025. Based on our forecasts and valuation approach, we arrive at a value of 286 MSEK or 12,4 SEK per share. This represents an upside potential of around 110%, providing a significant margin of safety in case the Group should not develop in the same way as we anticipate. We would also highlight the fact that we have not included any value to the expected expansion into more developed markets.

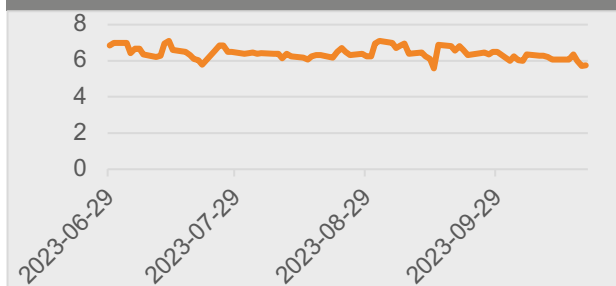
SHORT COMPANY OVERVIEW

Chairman	Sven Otto Littorin
CEO	Marco Marangoni
CFO	Chetan Ottam
Stock market	First North Growth Market

FULL YEAR KEY-RATIOS

Market capitalisation (MSEK)	141			
Net debt (MSEK)	57,7			
Solidity (%)	31			
Number of shares (m)	23,1			
MSEK	2021	2022	2023E	2024E
Net sales	163	183	256	290
Revenue growth (%)	-	12	42	14
EBITDA	17	20	37	42
EBITDA – margin (%)	10	9	14	14
EBIT	16	19	36	41
EBIT – margin (%)	10	9	14	14
Net profit	14	17	28	32
Profit margin (%)	8	7	11	11
EPS	0,6	0,7	1,2	1,4
P/S (x)	0,8	0,6	0,5	0,5
P/EBITDA (x)	8	7	4	3
Net debt/EBITDA (x)	3	3	2	1

STOCK PRICE DEVELOPMENT SINCE FIRST TRADING DAY



Company description

In June 2023 DS Plattformen completed the reverse takeover of WPTG, which was founded in 2019. The Group is a diversified IT company engaged in cloud solutions, AI, IoT, and mobile solutions. It is actively involved in selling its own products and solutions, as well as offerings from other third-party vendors including SAP, Oracle, Microsoft and NetSuite. WPTG's strategy is to continue to expand into new business segments, technologies and geographic locations through a combination of organic growth and acquisitions. Currently, the Group consists of 28 companies in 30 countries. Most of the Group's revenue arrives from emerging economies such as Ethiopia and Egypt. The biggest revenue streams are services implementation and support and maintenance annuity, accounting for 40% and 34% of the revenue, respectively. This is followed by hardware sales, subscription revenue and software license revenue. The Group's headquarter is situated in Stockholm and the company stock is listed on the First North Growth Market.



Investment scenario

Focus on developing countries creates good opportunities for growth

Most companies in the industry have a strong focus on the American or European market, while WPTG on the other hand focuses on developing countries such as Egypt, India, and Kenya. We believe that this focus is positive, not just because there is less competition in these markets but also due to the fact that growth generally in these countries starts from a lower point and thus offers greater opportunities.

Flexible business model

Currently, White Pearl Technology Group (WPTG) has several different business models, such as subscription services and resale of products and services from third-party vendors. The biggest business segments, accounting for approximately 94% of the revenue stream, are support and maintenance annuity, hardware sales, and services implementation. The smallest segments are subscription- and software license revenue, accounting for 4% and 2% respectively.

Even though the Group has various business segments, the business model is flexible and can be adapted and changed according to customer needs. Furthermore, this model enables customers to avoid upfront costs for expensive licenses within cloud-based subscription services, as they are only required to pay for the portion they utilize. This also simplifies the customer's decision-making process and reduces the risk of long-term and expensive projects. WPTG's flexible approach to the business model creates greater demand among smaller companies, further enhancing the opportunity for improved revenue and profits.

Large global delivery network that enhances the company's competitiveness

The Group has a global delivery network that allows them to minimize costs and at the same time helps increase the implementation process of strategic initiatives from customers. The global delivery network also enables both service delivery and support to be offered close to the customer which improves the response time and the cooperation between the customer and WPTG. Additionally, the network increases the possibility that the Group is able to offer services and products at competitive prices while expanding to developed nations such as Europe and the USA, as prices in developing countries are generally lower compared to prices in the Western world.

Market

The growth in the market for global digital transformation is exceptional. According to the research company, Grand View Research, the global digital transformation market size was estimated to be roughly 730 billion USD in 2022 and is estimated to grow annually on average at approximately 27% per year between 2023 and 2030. Another research company, Modor Intelligence, has a similar outlook with an average growth rate of about 21% between 2023 and 2028. The U.S. market, which by far is the largest market in the world today, is estimated to continue to grow heavily in the near future, with an anticipated growth rate of 23% between 2023 to 2030.

The anticipated growth is attributed to a growing adoption of various technologies such as AI, cyber security, big data analytics and cloud. One additional factor driving the market's expansion is the increasing number of remote workers, as this generates a higher demand for more digital tools.

Financing

Since the founding of WPTG, several financing rounds have been conducted, with most of the Group's previous acquisitions being funded using the capital raised in these rounds. At the end of the second quarter of 2023, the cash balance amounted to approximately 10 MSEK and the company had a solidity level of around 31%.

In the last reported quarter, the Group generated a positive operating cash flow, consistent with most previous years. The only year with a reported negative operating cash flow so far was 2021, primarily due to a significant increase in working capital. Based on current cash flow and our projected forecasts we believe that no further capital injections are needed to continue current operations, despite the relatively low solidity.

Financial outlook and forecast

Between 2020 and 2021, revenues increased from 64 MSEK to 163 MSEK. The strong development can be attributed to several acquisitions completed in 2021 and that the Group had strong organic growth. Improved revenues and a positive capital allocation led to an operating profit of 16,4 (9,2) MSEK in 2021.

In 2022, WPTG continued its strong performance with revenues increasing to 221 MSEK and operating profit rising to 19,3 MSEK. However, it is important to note that due to a reversal of a liability in 2022, the section "other income" substantially increased to 38,6 (0,4) MSEK. In the first half of 2023, revenues continued to show a high increase. Total revenues increased by around 50% compared to the same period the previous year, reaching 117,5 MSEK, with all business segments achieving growth during the period. Operating profit improved in the same period by 36%, rising from around 12,3 MSEK to approximately 16,7 MSEK. However, the operating margin for this half year decreased slightly compared to the same period last year due to a slight increase in operating costs.

For the full year 2023, we forecast revenue growth of 42%, which is driven by continued strong demand for services and products within all business areas. However, we have not assumed that WPTG will be able to achieve the same kind of growth rate in the years to come. Based on more conservative assumptions we arrive at a growth rate of 14% in 2024 and 16% in 2025. We have also not taken account of the expected expansion into Western economies. We believe however that operating margins will be able to increase by 5 percentage points to 13,8% in 2025, from 8,8% in 2022.

MSEK	2021	2022	2023E	2024E	2025E
Revenue	163,0	182,5	255,5	290,3	335,4
Other income	0,4	38,6	2,3	3,5	4,3
Cost of sales	-105,0	-116,1	-167,4	-185,8	-216,3
Gross profit	58,3	105,1	90,5	108,0	123,4
Other operating expenses	-41,2	-84,7	-53,4	-66,3	-75,4
EBITDA	17,1	20,3	37,1	41,7	48,0
Depreciation	-0,8	-1,0	-1,0	-1,1	-1,2
EBIT	16,4	19,3	36,1	40,6	46,8
Financial net	-0,4	0,0	-0,7	-0,8	-0,9
Profit after financial items	16,0	19,4	35,4	39,8	45,9
Taxation	-2,4	-2,8	-7,3	-8,2	-9,4
Profit after tax	13,6	16,6	28,1	31,6	36,4

*The numbers for the fiscal year 2021 is calculated by using the average exchange rate

*In our projections, we have excluded profits attributable to non-controlling interests, given their marginal implications

Valuation

Our valuation of WPTG is largely based on expected future results. We have thus used a discounted rate (WACC) of 11,9% in our discounted cash flow analysis. This results in a fair value for the Group of approximately 286 MSEK, which should be compared to the current market value of 137 MSEK. In the discount rate, we have accounted for the uncertainty in the forecast of free cash flow by including a small-cap premium of 3,0%. Since we have no overview of acquisition plans, we have not factored in any such events.

Valuation WPTG	MSEK
Company value (EV)	343,6
Number of shares	23124038
Company value per share	14,9
Net debt, last reported	57,7
Fair Value	285,8
Fair Value per share	12,4

MSEK	2023E	2024E	2025E
Cash flow forecast			
EBIT	36,1	40,6	46,8
Paid tax (-)	7,3	8,2	9,4
Depreciation (+)	1,0	1,1	1,2
Operating cash flow	29,8	33,5	38,5
CAPEX (-)	3,7	5,9	8,2
ΔWorking capital (-)	7,6	8,3	9,2
Sum	18,5	19,3	21,1
Present value - DCF(10,4%)	16,5	15,4	15,1
Present value forecast	47,0		
Present value of terminal value	296,6		
Valuation	343,6		

Required rate of return	
Risk-free rate	2,30%
Risk premium	6,60%
Small-cap premium	3,00%
WACC	11,90%

Terminal value Assumptions	
Growth rate	4%
EBIT	18%
Depreciation, % of revenue	4%
CAPEX, % of revenue	4%
Working capital, % of revenue	5%
Tax rate	20,60%

Senior Management

The following people are included in the senior management:

Marco Marangoni: Marco has been the CEO (Chief Executive Officer) for WPTG since 2020 and he has long experience of senior management positions in multinational IT company across Europe, the Americas, Africa and the Middle East.

Chetan Ottam: Chetan has been the Chief Financial Officer (CFO) since 2019 and has long experience of senior positions in multiple companies.

Vikas Gupta: Vikas has been the Group's CIO (Chief Investment Officer) since 2022 and has extensive experience in the banking industry. He specializes in mergers and acquisitions, valuations and corporate advisory.

Ashley De Klerk: Ashley has previous experience of senior positions in Metrofile (Pty) Ltd and EOH (Pty) Ltd. He has been the Chief Operating Officer (COO) since 2021.

Board of Directors

The board of directors consists of the following people:

Marco Marangoni: Marco has been a board member since 2020 (see Senior Management above).

Sven Otto Littorin: Sven is the chairman of the board and has been a board member since 2022. He is an experienced entrepreneur and has been the Minister of Employment in Sweden. He has undertaken multiple roles as chairman and board member in corporations like Beowulf Mining plc and Asolega Svenska AB.

Anna Weiner Jiffer: Anna has been a board member since 2022. She has experience in leading business development, product development and entrepreneurship in diverse settings across various sectors. At present, she undertakes numerous responsibilities as a chairman and board member for enterprises like HållbarTillväxt AB and Fortinova AB.

Mark Nycander Ali: Mark is the founder and CEO of ERP Software Technologies. He advises Ozon Rides AB on business strategy and serves on the board of the Swedish School, Ethiopia. His background includes project coordination for IT solutions and financial control roles. He has been a board member since 2021.

Shareholders

The insider ownership in the Group is high due to the fact that everybody in senior management positions or serving on the board of directors owns stock in the company. All in all, they approximately own 9% of both the total amount of stocks and voting rights in the group, where the CFO Chetan Ottam owns the largest stake among them. He holds these shares indirectly through Prosol Project Management Services Co. LLC. In addition Avanza Pension is also a significant shareholder in the group, owning 0,8%.

Stockholders	Capital(%)	Votes(%)
Bendflow Pty Ltd	29,5%	29,2%
Webbleton Holdings Ltd	29,5%	29,2%
Fortuner SA Pty Ltd	6,3%	6,3%
Prosol Project Management Services Co. LLC	5,8%	5,8%
Bo Lindén	2,0%	2,9%
Mark Nycander	1,9%	1,9%
Avanza Pension	0,8%	0,8%
Vikas Gupta	0,6%	0,6%
Andreas Sönke Nissen	0,6%	0,6%
Dividend Sweden AB	0,4%	0,4%
Övriga aktieägare	22,6%	22,4%

In the table above, you find the ten biggest shareholders in WPTG as of 15 October 2023. The data is derived from Modular Finance.

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