

# Passus S.A.



Price target: PLN 37.90

Update

Rating: BUY

In our view, Passus (PAS) delivered disappointing results for Q3/22. While revenues in Jul-Sep 2022 increased by 18.7% y-o-y to PLN 12.4m, EBIT (PLN 259k vs. PLN 2m in Q3/21) and net income (PLN 83k vs. PLN 1.5m) were much lower, which stemmed from high investments in the company's Sycope product as well as the sales and technical team. However, since January 2022 the company, which in 2019-2021 generated an average ROCE of 22.5%, has signed new contracts worth PLN >70m (thereof: PLN 53.6m in Q3 alone) and its 62.5% subsidiary Chaos Gears S.A., which offers cloud solutions in the Amazon Web Services (AWS) technology, continues to grow at >30%. Following the weak Q3 and high economic uncertainty due to the Ukraine-Russia war we have decided to lower our estimates again, which together with a lower peer-group-based fair value (PLN 62.43 vs. PLN 78.17 before) and higher WACC (18.3% vs. 17.3%) results in a new 12-months PT (80% DCF, 20% peer group) of PLN 37.90 (previously: PLN 51.40). As we continue to strongly believe in the long-term prospects of Passus' own products and Chaos Gears, we continue to rate the stock a BUY.

In 9M/22, Passus' revenues reached PLN 37.7m (+1.6% y-o-y), EBIT PLN 498k (-93.7%) and net income PLN 277k (-95.4%). The reason was a much higher share of CoGS y-o-y (81.8% vs. 63.1%). In H1/22, operating and free cash flow reached PLN -548k (9M/21: PLN 4.6m) and PLN -3.9m (PLN 2.6m) respectively. At the end of September, the company had a net gearing of -27.9% compared to -37.2% as of 30/09/2021.

Due to disappointing results in Q3/22 we have again lowered our estimates for full-year 2022E. For this year, we now forecast revenues of PLN 64m (previously: PLN 73.1m), an EBIT of PLN 1.9m (PLN 2.9m) and net income of PLN 1.2m (PLN 2.1m). We expect that c. PLN 18m of revenues in H2/22 will stem from the contract worth PLN 36.5m gross for the delivery of the ManagedEngine solution to a public sector client that was announced on August 22. In 2023E, we now forecast that sales will reach PLN 75.6m (PLN 87.5m), EBIT PLN 6m (PLN 7m) and net income PLN 4.2m (PLN 5m).

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net sales	38.67	42.95	62.63	64.00	75.55	87.82
EBITDA	2.45	5.56	11.85	4.75	9.02	14.45
EBIT	2.00	3.50	8.64	1.92	6.04	11.33
Net income	0.79	1.97	6.11	1.47	4.34	8.45
EPS	0.41	1.03	3.19	0.71	2.12	4.11
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	10.15%	21.85%	47.18%	8.80%	22.18%	32.53%
Net gearing	-74.09%	-29.32%	-61.00%	-75.41%	-54.57%	-51.21%
EV/Sales	1.60x	1.44x	0.99x	0.96x	0.82x	0.70x
EV/EBITDA	25.20x	11.10x	5.21x	13.00x	6.85x	4.27x
P/E	77.52x	30.90x	9.97x	44.52x	15.03x	7.73x

## Company profile

Passus, an integration and engineering company, is the Polish leader in the area of network monitoring and application performance analysis. In Poland, the company has >400 largest local and international companies and institutions as clients. In the coming years, it plans to expand in CEE/SEE and Western Europe.

Date of publication	18 Nov 2022 / 6:30 am
Website	www.passus.com
Sector	IT
Country	Poland
ISIN	PLPSSUS00018
Reuters	PAS.WA
Bloomberg	PAS PW

## Share information

Last price	31.80
No of shares (m)	2.05
Market cap. (PLNm)	65.28
Market cap. (EURm)	13.88
52-week range	PLN 57 / PLN 24.10
Avg. volume (3-months)	214

## Performance

4-weeks	5.30%
13-weeks	6.00%
26-weeks	-19.49%
52-weeks	-37.03%
YTD	-39.43%

## Shareholder structure

Pawel Misiurewicz*	34.67%
Tadeusz Dudek**	19.81%
Dariusz Kopyt***	6.45%
Michal Czernikow***	6.18%
Free Float	32.89%

\* Head of Supervisory Board

\*\* CEO

\*\*\* Members of the Board

## Financial calendar

Annual Report 2022 (exp.)	March 3, 2023
---------------------------	---------------

## Analyst

Adrian Kowollik  
a.kowollik@eastvalueresearch.com

## 9M/22 results

### Revenues and Profitability

Between January and September 2022, Passus generated total sales of PLN 37.7m, which corresponds to a 1.6% increase y-o-y. Q3/22 sales declined by PLN 3.8m q-o-q due to the postponement of the realization of some projects to next quarters, however at the same time the company signed new contracts with a record value of PLN 53.6m. The 62.5%-subsidiary Chaos Gears S.A., which focuses on implementation of cloud solutions in the Amazon Web Services (AWS) technology, increased its revenues by 35% y-o-y to PLN 7.3m in 9M/22.

In the third quarter of 2022, Passus worked on the following R&D projects:

- i. A system for the intelligent real-time classification of online content in Polish, which is co-financed by the EU. So far, PLN 1.45m have been spent on this project, thereof PLN 640k in Q3/22.
- ii. The Sycope system for security and performance management of IT infrastructure. On version 2.1, Passus spent PLN 1.3m in 2022, thereof PLN 810k in Q3. The work was completed at the end of October 2022.
- iii. At Chaos Gears, products/services for defending data and apps in the cloud against cyberattacks and on development & maintenance of advanced systems for data analysis and visualization.

In the last quarters, the Passus Group continued its international expansion with a focus on the EU and selected central and southern European countries. Between July and September, the company signed two distribution contracts: (1) with Entec Solutions a.s., which is a rather small distributor according to our research, for sales of the Sycope system in Czechia and Slovakia, and (2) with Softprom for DACH, Poland, Czechia, Slovakia, Bulgaria, Romania, Armenia, Azerbaijan, Georgia, Kazakhstan, Kirgizstan, Moldova, Ukraine, Uzbekistan, Tadjikistan, and Turkmenistan. The Austrian IT distributor Softprom, which was founded in 1999, offers 1,200 products of 94 providers and operates in >33 countries.

in PLNm	9M/22	9M/21	change y-o-y
<b>Net sales</b>	<b>37.68</b>	<b>37.07</b>	1.6%
<b>EBITDA</b>	<b>2.45</b>	<b>10.10</b>	-75.7%
<i>EBITDA margin</i>	<i>6.5%</i>	<i>27.2%</i>	
<b>EBIT</b>	<b>0.50</b>	<b>7.96</b>	-93.7%
<i>EBIT margin</i>	<i>1.3%</i>	<i>21.5%</i>	
<b>Net income</b>	<b>0.28</b>	<b>6.08</b>	-95.4%
<i>Net margin</i>	<i>0.7%</i>	<i>16.4%</i>	

Source: Company information, East Value Research GmbH

In 9M/22, Passus sold less high-margin proprietary products (Sycope system) than last year, but at the same time invested a lot in its sales and technical team. Consequently, the company's EBIT went down by 93.7% y-o-y to PLN 498k. The share of CoGS (81.8% vs. 63.1% in 9M/21) and other operating expenses (2.9% vs. 0.8%) in total sales significantly increased y-o-y. At the end of September 2022, Passus had 102 employees compared to 67 at the end of the previous quarter.

In Jan-Sep 2022, the Group's net income equalled PLN 277k (9M/21: PLN 6.1m), thereof PLN 1.1m Chaos Gears S.A. (62.5% shareholding) and PLN 593k Wisenet sp. z o.o. (100%)

### **Balance sheet and Cash flow**

At the end of September 2022, Passus had consolidated equity excl. minorities worth PLN 14.3m, which corresponds to an equity ratio of 31%. While interest-bearing debt equalled PLN 2.2m (30/09/2021: PLN 2.1m) and was mainly short-term, fixed assets amounted to PLN 2.5m (PLN 1.2m) and intangible assets (especially software) to PLN 7.3m (PLN 3.5m).

Liabilities related to contracts (PLN 18.4m compared to PLN 15.7m in 9M/21; PLN 17.4m at the end of H1/22) reflect sales that Passus expects to report from already signed and invoiced contracts within 36 months. The costs of acquisition and realization of respective contracts with clients are shown under other short-term assets (PLN 12.1m vs. PLN 13.3m; PLN 16.3m at the end of H1/22). In our view, it is positive that they declined q-o-q.

Between January and September 2022, Passus generated an operating cash flow of PLN -548k compared to PLN 4.6m in 9M/21. The reason was a significantly lower EBIT y-o-y. Cash flow from investing equalled PLN -3.4m (9M/21: PLN -2m) due to investments in own products. Cash flow from financing amounted to PLN -82k (PLN -626k). Between January and September 2022, Passus' cash position declined by PLN 4m to PLN 6.2m.

## Changes to our forecasts

### Revenues and Profitability

While its Q3 results disappointed, Passus has announced new contracts worth PLN >70m since January 2022. However, we do not believe anymore that our previous 2022E results are realistic. We now assume revenues of PLN 64m (+2.2% y-o-y; previously: PLN 73.1m), an EBIT of PLN 1.9m (-77.8%; PLN 2.9m) and net income of PLN 1.5m (-76%; PLN 2.1m). Given the company's strong backlog and excellent prospects for cybersecurity solutions, we remain optimistic for the coming years. However, investors should be aware that in order to conduct its planned investments in international sales and product development Passus will soon have to raise either additional debt – which has become expensive in Poland in the last months – or fresh equity.

Below are our updated estimates for Passus' business segments:

*Integration of third-party products:* The integration of third-party products covers especially the operations of Passus S.A., Wisenet Sp. z.o.o (100% subsidiary) and Chaos Gears S.A. (62.5%), which integrate solutions of third-party providers of APM/NPM and Amazon Web Services. We now believe that this year the segment's revenues will equal PLN 44.6m (+1% y-o-y; previously: PLN 47.2m) and grow on average by 6.5% (7.2%) by 2030E. In our view, the segment's sales will continue to be driven by the fully consolidated subsidiary Chaos Gears, which experienced strong demand for its services.

*Own products:* Own products are mainly provided by the subsidiary Sycop S.A. (100% shareholding) and the Ireland-based subsidiary Sycop Ltd. (100%). Due to management's focus on international sales and distribution contracts e.g. with Nuvias (for Poland, the DACH region and Romania), Co.Next (for ex-Yugoslavia), Entec Solutions (Czechia, Slovakia) and Softprom (EU, Serbia, and CIS excl. Russia) we expect that sales of own products (the Sycop modular software, Sycop nDiagram and Sycop Ambience) will be Passus' main growth driver in the coming years. In 9M/22 growth was weaker due to the migration to Sycop 2.0, which apparently only c. 50% of clients have already done.

We now expect that this year the segment's revenues will grow by 5% y-o-y to PLN 19.4m (PLN 25.9m) and by 2030E at a CAGR of 14.5% (18.2%).

in PLNm	2022E	2023E	2024E
<b>Integration of third-party products</b>	<b>44.57</b>	<b>48.36</b>	<b>52.47</b>
<i>Share in total sales</i>	<i>69.6%</i>	<i>64.0%</i>	<i>59.7%</i>
<b>Own products</b>	<b>19.43</b>	<b>27.20</b>	<b>35.35</b>
<i>Share in total sales</i>	<i>30.4%</i>	<i>36.0%</i>	<i>40.3%</i>
<b>Total sales</b>	<b>64.00</b>	<b>75.55</b>	<b>87.82</b>
change y-o-y	2.2%	18.1%	16.2%

Source: East Value Research GmbH

	2022E		2023E		2024E	
in PLNm	new	old	new	old	new	old
<b>Net sales</b>	<b>64.00</b>	<b>73.12</b>	<b>75.55</b>	<b>87.49</b>	<b>87.82</b>	<b>102.73</b>
<b>EBITDA</b>	<b>4.75</b>	<b>5.42</b>	<b>9.02</b>	<b>9.62</b>	<b>14.45</b>	<b>16.01</b>
<i>EBITDA margin</i>	<i>7.4%</i>	<i>7.4%</i>	<i>11.9%</i>	<i>11.0%</i>	<i>16.5%</i>	<i>15.6%</i>
<b>EBIT</b>	<b>1.92</b>	<b>2.92</b>	<b>6.04</b>	<b>7.00</b>	<b>11.33</b>	<b>13.25</b>
<i>EBIT margin</i>	<i>3.0%</i>	<i>4.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>12.9%</i>	<i>12.9%</i>
<b>Net income</b>	<b>1.47</b>	<b>2.14</b>	<b>4.34</b>	<b>5.01</b>	<b>8.45</b>	<b>9.92</b>
<i>Net margin</i>	<i>2.3%</i>	<i>2.9%</i>	<i>5.7%</i>	<i>5.7%</i>	<i>9.6%</i>	<i>9.7%</i>

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020
<b>Net sales</b>	<b>1.49</b>	<b>5.05</b>	<b>8.40</b>	<b>23.73</b>	<b>38.67</b>	<b>5.35</b>	<b>8.79</b>	<b>6.24</b>	<b>22.57</b>	<b>42.95</b>
<i>change y-o-y</i>	<i>-68.0%</i>	<i>53.6%</i>	<i>33.8%</i>	<i>129.7%</i>	<i>57.6%</i>	<i>259.7%</i>	<i>74.2%</i>	<i>-25.7%</i>	<i>-4.9%</i>	<i>11.1%</i>
<b>EBITDA</b>	<b>-1.87</b>	<b>-0.25</b>	<b>0.69</b>	<b>3.88</b>	<b>2.45</b>	<b>0.62</b>	<b>1.12</b>	<b>0.97</b>	<b>2.85</b>	<b>5.56</b>
<i>EBITDA margin</i>	<i>-125.7%</i>	<i>-4.9%</i>	<i>8.2%</i>	<i>16.3%</i>	<i>6.3%</i>	<i>11.5%</i>	<i>12.8%</i>	<i>15.6%</i>	<i>12.6%</i>	<i>12.9%</i>
<b>EBIT</b>	<b>-2.07</b>	<b>-0.48</b>	<b>0.46</b>	<b>4.09</b>	<b>2.00</b>	<b>0.23</b>	<b>0.59</b>	<b>0.43</b>	<b>2.26</b>	<b>3.50</b>
<i>EBIT margin</i>	<i>-139.2%</i>	<i>-9.4%</i>	<i>5.4%</i>	<i>17.2%</i>	<i>5.2%</i>	<i>4.2%</i>	<i>6.7%</i>	<i>6.8%</i>	<i>10.0%</i>	<i>8.1%</i>
<b>Net income</b>	<b>-1.72</b>	<b>-0.73</b>	<b>0.28</b>	<b>2.96</b>	<b>0.79</b>	<b>0.04</b>	<b>0.34</b>	<b>0.20</b>	<b>1.39</b>	<b>1.97</b>
<i>Net margin</i>	<i>-115.9%</i>	<i>-14.5%</i>	<i>3.3%</i>	<i>12.5%</i>	<i>2.0%</i>	<i>0.7%</i>	<i>3.9%</i>	<i>3.3%</i>	<i>6.2%</i>	<i>4.6%</i>

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	Q3/22	Q4/22E	2022E
<b>Net sales</b>	<b>17.01</b>	<b>7.17</b>	<b>10.43</b>	<b>28.02</b>	<b>62.63</b>	<b>9.11</b>	<b>16.20</b>	<b>12.38</b>	<b>26.31</b>	<b>64.00</b>
<i>change y-o-y</i>	<i>217.9%</i>	<i>-18.4%</i>	<i>67.1%</i>	<i>24.1%</i>	<i>45.8%</i>	<i>-46.4%</i>	<i>125.9%</i>	<i>18.7%</i>	<i>-6.1%</i>	<i>2.2%</i>
<b>EBITDA</b>	<b>5.59</b>	<b>0.59</b>	<b>2.85</b>	<b>2.82</b>	<b>11.85</b>	<b>0.07</b>	<b>1.35</b>	<b>1.03</b>	<b>2.30</b>	<b>4.75</b>
<i>EBITDA margin</i>	<i>32.9%</i>	<i>8.3%</i>	<i>27.3%</i>	<i>10.1%</i>	<i>18.9%</i>	<i>0.8%</i>	<i>8.3%</i>	<i>8.3%</i>	<i>8.7%</i>	<i>7.4%</i>
<b>EBIT</b>	<b>4.11</b>	<b>0.25</b>	<b>1.98</b>	<b>2.30</b>	<b>8.64</b>	<b>-0.44</b>	<b>0.68</b>	<b>0.26</b>	<b>1.42</b>	<b>1.92</b>
<i>EBIT margin</i>	<i>24.1%</i>	<i>3.5%</i>	<i>19.0%</i>	<i>8.2%</i>	<i>13.8%</i>	<i>-4.9%</i>	<i>4.2%</i>	<i>2.1%</i>	<i>5.4%</i>	<i>3.0%</i>
<b>Net income</b>	<b>3.53</b>	<b>-0.64</b>	<b>1.47</b>	<b>1.76</b>	<b>6.11</b>	<b>-0.07</b>	<b>0.27</b>	<b>0.08</b>	<b>1.19</b>	<b>1.47</b>
<i>Net margin</i>	<i>20.8%</i>	<i>-9.0%</i>	<i>14.0%</i>	<i>6.3%</i>	<i>9.8%</i>	<i>-0.8%</i>	<i>1.6%</i>	<i>0.7%</i>	<i>4.5%</i>	<i>2.3%</i>

Source: Company information, East Value Research GmbH

## CAPEX and Working capital

In 2022E-2024E, we now expect a gross CAPEX of in total PLN 13.8m. Regarding working capital, we forecast that the cash conversion cycle will increase from -27 days in 2021 to 30 days in the long run.

## Valuation

We have valued Passus by using a weighted average of our DCF model (80%) and peer group (20%). Our approach does not account for the capital increase, which was originally planned in H1/22. With lower estimates for 2022E and beyond and higher WACC than in August (18.3% vs. 17.3%), it now derives a 12-months price target for the stock of PLN 37.90 (previously: PLN 51.40), which implies an upside of 19.2% at current level. We reiterate our BUY rating for the stock.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 7.51% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Average 4-year unlevered beta of companies from the Software (System & Application) of 1.5x
- (3) *Equity risk premium (Poland)*: 7.19% (Source: www.damodaran.com)
- (4) *Target equity ratio*: 100%
- (5) *WACC = Equity costs*: 18.3%
- (6) Sales growth in the terminal period: 2%
- (7) Free cash flows and residual values are discounted to November 17, 2022

## DCF model

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Net sales</b>	<b>64.00</b>	<b>75.55</b>	<b>87.82</b>	<b>96.70</b>	<b>106.51</b>	<b>117.36</b>	<b>124.48</b>	<b>132.06</b>	<b>140.12</b>
(y-o-y change)	2.2%	18.1%	16.2%	10.1%	10.1%	10.2%	6.1%	6.1%	6.1%
<b>Operating profit</b>	<b>1.92</b>	<b>6.04</b>	<b>11.33</b>	<b>13.34</b>	<b>14.59</b>	<b>15.96</b>	<b>16.81</b>	<b>17.70</b>	<b>18.64</b>
(operating margin)	3.0%	8.0%	12.9%	13.8%	13.7%	13.6%	13.5%	13.4%	13.3%
<b>NOPLAT</b>	<b>1.82</b>	<b>4.90</b>	<b>9.18</b>	<b>10.81</b>	<b>11.82</b>	<b>12.93</b>	<b>13.61</b>	<b>14.33</b>	<b>15.09</b>
+ Depreciation & amortisation	2.83	2.97	3.12	3.28	3.44	3.61	3.79	3.98	4.18
= Net operating cash flow	4.65	7.87	12.30	14.09	15.26	16.54	17.40	18.32	19.28
- Total investments (Capex and WC)	-2.34	-9.08	-8.70	-6.92	-7.37	-7.87	-7.02	-7.38	-8.66
Capital expenditures	-6.56	-3.97	-3.22	-3.38	-3.54	-3.71	-3.89	-4.08	-4.28
Working capital	4.21	-5.11	-5.48	-3.54	-3.83	-4.16	-3.13	-3.30	-4.38
= Free cash flow (FCF)	2.31	-1.22	3.60	7.17	7.89	8.67	10.38	10.94	10.61
<b>PV of FCF's</b>	<b>2.26</b>	<b>-1.01</b>	<b>2.52</b>	<b>4.24</b>	<b>3.95</b>	<b>3.67</b>	<b>3.71</b>	<b>3.31</b>	<b>2.71</b>
PV of FCFs in explicit period	25.36								
PV of FCFs in terminal period	22.18								
<b>Enterprise value (EV)</b>	<b>47.54</b>								
+ Net cash / - net debt (30 September 2022)	3.98								
+ Investments / - Minorities	-1.35								
<b>Shareholder value</b>	<b>50.17</b>								
<b>Number of shares outstanding (m)</b>	<b>2.05</b>								
		<b>Terminal EBIT margin</b>							
<b>WACC</b>	<b>18.3%</b>		<b>10.3%</b>	<b>11.3%</b>	<b>12.3%</b>	<b>13.3%</b>	<b>14.3%</b>	<b>15.3%</b>	<b>16.3%</b>
Cost of equity	18.3%	<b>14.3%</b>	35.69	37.52	39.36	41.19	43.02	44.86	46.69
Pre-tax cost of debt	9.0%	<b>15.3%</b>	32.62	34.20	35.78	37.37	38.95	40.53	42.11
Normal tax rate	19.0%	<b>17.3%</b>	30.01	31.38	32.75	34.12	35.49	36.86	38.23
After-tax cost of debt	7.3%	<b>18.3%</b>	27.75	28.94	30.13	31.33	32.52	33.72	34.91
Share of equity	100.0%		25.77	26.82	27.87	<b>28.91</b>	29.96	31.01	32.05
Share of debt	0.0%		<b>19.3%</b>	24.04	24.96	25.88	26.81	27.73	28.65
<b>Fair value per share in PLN</b>	<b>24.44</b>		<b>20.3%</b>	22.51	23.33	24.14	24.95	25.77	26.58
<b>Fair value per share in PLN (in 12 months)</b>	<b>28.91</b>		<b>21.3%</b>	21.15	21.87	22.59	23.31	24.03	24.76

Source: East Value Research GmbH

## Peer Group Analysis

We have used two peer groups: One with listed providers of network security and application performance management solutions and one with privately-held companies.

Listed peers:

- (1) *Atende S.A.*: Atende, which is based in Warsaw/Poland, specializes in the integration of ICT e.g. in next-generation computer networks and data centers. It also offers leading solutions in the area of cybersecurity. An increasingly important part of its business is cloud computing and managed services. In 2021, Atende generated total revenues of PLN 205.3m and a negative ROCE. The company's current market capitalisation is PLN 89.8m.
- (2) *Comp S.A.*: The Warsaw-based Comp is Polish market leader in the area of IT security and No 1 in Poland and Hungary in the area of fiscal devices. A new product is an online platform called M/Platform, which is being connected to Comp's online cash registers and allows traditional retailers to offer the same promotions as large retail chains and improve working capital management. In 2021, Comp generated revenues of PLN 820.9m at a ROCE of 7.2%. Currently, its market cap is PLN 180.9m.
- (3) *Sevenet S.A.*: Sevenet, which is headquartered in Gdansk/Poland, provides IT solutions for companies and institutions primarily in Poland. Among others, it offers data security solutions consisting of firewall hardware, intrusion prevention systems (IPS) and network add-on control systems, authentication servers, spam protection, and Internet traffic control. In 2021/2022, Sevenet generated revenues of PLN 93.7m and a ROCE of 3%. Currently, its market cap is PLN 20m.
- (4) *Netscout Systems Inc.*: Netscout, which is based in Westford/US, provides APM/NPM systems worldwide. Its main products include nGeniusONE, a management software that enables customers to predict, preempt, and resolve network and service delivery problems, as well as facilitate the optimization and capacity planning of their network infrastructures; nGeniusPULSE, an active testing tool that enables enterprises to identify infrastructure performance issues and determine application availability, reliability, and performance; nGenius Business Analytics solution, which enables service providers to analyze their network traffic; and Arbor, a brand of cybersecurity solutions to protect clients' networks against attacks. In 2021/2022, Netscout generated revenues of USD 855.6m at a ROCE of 1.4%. Currently, its market capitalisation equals USD 2.6bn.
- (5) *New Relic Inc.*: New Relic, which is headquartered in San Francisco/US, provides a cloud platform that makes every aspect of modern software and infrastructure observable. Thus, it helps companies to find and fix problems faster, build high-performing DevOps teams, and speed up transformation projects. Its platform has APM, NPM and DevOps functionality, among others. In 2021/2022, New Relic generated revenues of USD 785.5m and a negative ROCE. Its current market capitalisation is USD 3.9bn.

(6) *VIAVI Solutions*: VIAVI Solutions (previously: JDS Uniphase), which is based in Scottsdale/US, provides network testing, monitoring, and assurance solutions to communications service providers, enterprises, network equipment manufacturers, and governments worldwide. One of its products are Network Security and Network Performance Monitoring Tools. VIAVI is also a leader in high performance thin film coatings, providing light management solutions to anti-counterfeiting, consumer and industrial, government and healthcare, among others. In addition, it manufactures and sells optical filters for 3D sensing products that allow facial recognition for mobile devices. In 2021/2022, VIAVI generated revenues of USD 1.3bn and a ROCE of 10%. Currently, its market cap equals USD 2.5bn.

Non-listed peers:

(7) *Riverbed Technology*: The San Francisco-based Riverbed offers a platform that enables organizations to visualize, optimize, accelerate and remediate the performance of any network for any application. According to [channelpartner.de](http://channelpartner.de), Riverbed had to file for bankruptcy according to Chapter 11 in November 2021 following its inability to pay back debt of USD 1.1bn due to the COVID-19 pandemic.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2021	2022E	2021	2022E	2021	2022E	Latest	Last FY	Latest
Atende S.A. (PLN)	0.52x	n.a	38.72x	n.a	n.a	n.a	1.29x	1.33%	22.99%
Comp S.A. (PLN)	0.44x	0.58x	4.57x	6.66x	5.37x	n.a	0.35x	9.51%	34.44%
Sevenet S.A. (PLN)	0.34x	n.a	14.11x	n.a	3.96x	n.a	1.19x	2.43%	72.68%
Netscout Systems Inc. (USD)	2.90x	2.73x	17.04x	11.62x	74.65x	17.83x	1.34x	17.01%	-5.56%
New Relic Inc. (USD)	4.58x	3.93x	n.a	52.71x	n.a	315.39x	12.00x	neg.	-86.87%
VIAVI Solutions Inc. (USD)	2.08x	2.35x	10.30x	11.76x	155.00x	18.08x	3.79x	20.17%	35.04%
<b>Median</b>	<b>1.30x</b>	<b>2.54x</b>	<b>14.11x</b>	<b>11.69x</b>	<b>40.01x</b>	<b>18.08x</b>	<b>1.31x</b>	<b>9.51%</b>	<b>28.71%</b>
Passus S.A. (PLN)	0.99x	0.96x	5.21x	13.00x	9.97x	44.52x	4.57x	18.92%	-24.88%
<b>Premium/Discount</b>	<b>-23.9%</b>	<b>-62.0%</b>	<b>-63.1%</b>	<b>11.2%</b>	<b>-75.1%</b>	<b>146.2%</b>			
<b>Fair value per share Passus (PLN)</b>	<b>62.43</b>								

Source: CapitalIQ, East Value Research GmbH

### Price target calculation

Valuation method	Fair value	Weight
DCF model	24.44	80%
Peer-group-based fair value	62.43	20%
<b>Weighted average (present value)</b>	<b>32.04</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>37.90</b>	

Source: East Value Research GmbH



## Profit and loss statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>38.67</b>	<b>42.95</b>	<b>62.63</b>	<b>64.00</b>	<b>75.55</b>	<b>87.82</b>
Cost of goods sold	-33.31	-35.00	-43.54	-51.84	-58.18	-64.11
<b>Gross profit</b>	<b>5.36</b>	<b>7.96</b>	<b>19.09</b>	<b>12.16</b>	<b>17.38</b>	<b>23.71</b>
Other operating income	0.45	1.19	3.94	0.80	0.82	0.83
Personnel costs	-2.80	-2.63	-8.71	-6.72	-7.93	-9.22
Other operating expenses	-0.56	-0.95	-2.48	-1.49	-1.24	-0.87
<b>EBITDA</b>	<b>2.45</b>	<b>5.56</b>	<b>11.85</b>	<b>4.75</b>	<b>9.02</b>	<b>14.45</b>
Depreciation & amortisation	-0.45	-2.06	-3.20	-2.83	-2.97	-3.12
<b>EBIT</b>	<b>2.00</b>	<b>3.50</b>	<b>8.64</b>	<b>1.92</b>	<b>6.04</b>	<b>11.33</b>
Net financial result	-0.22	-0.49	-0.16	0.15	0.18	0.21
Write-down	-0.21	-0.23	-0.23	0.00	0.00	0.00
<b>EBT</b>	<b>1.58</b>	<b>2.78</b>	<b>8.26</b>	<b>2.07</b>	<b>6.22</b>	<b>11.54</b>
Income taxes	-0.78	-0.62	-1.37	-0.10	-1.18	-2.19
Minorities	-0.01	-0.20	-0.78	-0.50	-0.70	-0.90
<b>Net income / loss</b>	<b>0.79</b>	<b>1.97</b>	<b>6.11</b>	<b>1.47</b>	<b>4.34</b>	<b>8.45</b>
EPS	0.41	1.03	3.19	0.71	2.12	4.11
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-86.13 %	-81.47 %	-69.52 %	-81.00 %	-77.00 %	-73.00 %
Gross profit	13.87 %	18.53 %	30.48 %	19.00 %	23.00 %	27.00 %
Other operating income	1.15 %	2.76 %	6.29 %	1.25 %	1.08 %	0.95 %
Personnel costs	-7.25 %	-6.13 %	-13.90 %	-10.50 %	-10.50 %	-10.50 %
Other operating expenses	-1.44 %	-2.21 %	-3.96 %	-2.33 %	-1.65 %	-1.00 %
EBITDA	6.33 %	12.94 %	18.92 %	7.42 %	11.93 %	16.45 %
Depreciation & amortisation	-1.16 %	-4.80 %	-5.12 %	-4.42 %	-3.93 %	-3.55 %
EBIT	5.18 %	8.14 %	13.80 %	3.00 %	8.00 %	12.90 %
Net financial result	-0.56 %	-1.13 %	-0.25 %	0.23 %	0.24 %	0.24 %
Write-down	-0.53 %	-0.53 %	-0.36 %	0.00 %	0.00 %	0.00 %
EBT	4.08 %	6.48 %	13.18 %	3.23 %	8.24 %	13.14 %
Income taxes	-2.01 %	-1.43 %	-2.19 %	-0.16 %	-1.57 %	-2.50 %
Minorities	-0.03 %	-0.46 %	-1.24 %	-0.78 %	-0.93 %	-1.02 %
Net income / loss	2.03 %	4.59 %	9.76 %	2.29 %	5.75 %	9.62 %

## Balance sheet

in PLNm	2019	2020	2021	2022E	2023E	2024E
<b>Assets</b>						
Cash and equivalents	15.54	5.18	10.17	13.29	12.03	15.61
Short-term financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.06	1.75	0.16	0.19	0.21	0.24
Trade accounts and notes receivables	11.37	5.94	24.13	22.91	24.97	26.62
Other current assets	8.09	6.39	8.68	12.80	15.10	17.53
<b>Current assets, total</b>	<b>35.06</b>	<b>19.27</b>	<b>43.15</b>	<b>49.19</b>	<b>52.31</b>	<b>60.00</b>
Property, plant and equipment	0.88	1.26	1.77	2.70	2.70	2.70
Other intangible assets	0.31	7.10	5.16	7.50	8.50	8.60
Goodwill	1.98	1.75	1.53	1.99	1.99	1.99
Long-term financial assets	0.06	0.07	0.01	0.01	0.01	0.01
Deferred tax assets	0.03	0.15	1.27	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>3.26</b>	<b>10.33</b>	<b>9.73</b>	<b>12.19</b>	<b>13.19</b>	<b>13.30</b>
<b>Total assets</b>	<b>38.33</b>	<b>29.59</b>	<b>52.88</b>	<b>61.38</b>	<b>65.50</b>	<b>73.30</b>
<b>Liabilities</b>						
Trade payables	14.30	10.59	20.18	21.76	21.87	21.29
Other short-term liabilities	1.73	1.70	11.13	16.69	15.85	15.06
Short-term financial debt	9.55	1.80	0.28	0.00	0.00	0.00
Provisions	0.01	0.10	0.03	0.04	0.05	0.06
Pension provisions	1.95	2.02	2.14	2.10	2.05	2.01
<b>Current liabilities, total</b>	<b>27.54</b>	<b>16.21</b>	<b>33.76</b>	<b>40.59</b>	<b>39.83</b>	<b>38.42</b>
Long-term financial debt	0.00	0.45	0.18	0.17	0.16	0.15
Other long-term liabilities	2.67	2.46	1.78	1.60	1.44	1.30
Provisions	0.00	0.00	0.00	0.01	0.01	0.02
Deferred tax liabilities	0.02	0.16	0.10	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>2.70</b>	<b>3.08</b>	<b>2.07</b>	<b>1.78</b>	<b>1.61</b>	<b>1.47</b>
<b>Total liabilities</b>	<b>30.24</b>	<b>19.29</b>	<b>35.83</b>	<b>42.36</b>	<b>41.44</b>	<b>39.89</b>
<b>Shareholders equity, total</b>	<b>8.09</b>	<b>9.96</b>	<b>15.94</b>	<b>17.40</b>	<b>21.75</b>	<b>30.19</b>
Minority interests	0.00	0.34	1.12	1.62	2.32	3.22
<b>Total equity and liabilities</b>	<b>38.33</b>	<b>29.59</b>	<b>52.88</b>	<b>61.38</b>	<b>65.50</b>	<b>73.30</b>

## Cash Flow Statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net income / loss	0.79	1.97	6.11	1.47	4.34	8.45
Depreciation	0.45	2.06	3.20	2.83	2.97	3.12
Change of working capital	4.56	-3.32	-3.08	4.21	-5.11	-5.48
Others	2.20	1.03	1.82	-1.17	-0.01	-0.01
<b>Net operating cash flow</b>	<b>7.99</b>	<b>1.75</b>	<b>8.06</b>	<b>7.34</b>	<b>2.19</b>	<b>6.08</b>
<b>Cash flow from investing</b>	<b>-0.15</b>	<b>-3.42</b>	<b>-1.03</b>	<b>-6.56</b>	<b>-3.97</b>	<b>-3.22</b>
Free cash flow	7.84	-1.68	7.02	0.78	-1.78	2.86
<b>Cash flow from financing</b>	<b>5.16</b>	<b>-8.69</b>	<b>-2.02</b>	<b>2.34</b>	<b>0.51</b>	<b>0.73</b>
Change of cash	13.00	-10.36	5.00	3.12	-1.27	3.59
Cash at the beginning of the period	2.54	15.54	5.18	10.17	13.29	12.03
Cash at the end of the period	15.54	5.18	10.17	13.29	12.03	15.61

## Financial ratios

Fiscal year	2019	2020	2021	2022E	2023E	2024E
<b>Profitability and balance sheet quality</b>						
Gross margin	13.87%	18.53%	30.48%	19.00%	23.00%	27.00%
EBITDA margin	6.33%	12.94%	18.92%	7.42%	11.93%	16.45%
EBIT margin	5.18%	8.14%	13.80%	3.00%	8.00%	12.90%
Net margin	2.03%	4.59%	9.76%	2.70%	5.75%	9.62%
Return on equity (ROE)	10.15%	21.85%	47.18%	8.80%	22.18%	32.53%
Return on assets (ROA)	2.62%	8.30%	11.85%	2.14%	6.35%	11.24%
Return on capital employed (ROCE)	9.40%	20.35%	37.70%	8.77%	19.07%	26.31%
Economic Value Added (in PLNm)	-0.96	0.27	3.71	-1.98	0.20	2.80
Net debt (in PLNm)	-5.99	-2.92	-9.72	-13.13	-11.87	-15.46
Net gearing	-74.09%	-29.32%	-61.00%	-75.41%	-54.57%	-51.21%
Equity ratio	21.10%	33.67%	30.14%	28.35%	33.20%	41.19%
Current ratio	1.27	1.19	1.28	1.21	1.31	1.56
Quick ratio	0.98	0.69	1.02	0.89	0.93	1.10
Net interest cover	9.19	7.21	54.34	-12.80	-33.58	-53.95
Net debt/EBITDA	-2.45	-0.53	-0.82	-2.76	-1.32	-1.07
Tangible BVPS	3.19	4.28	7.52	7.51	9.63	13.74
CAPEX/Sales	1.50%	20.96%	2.49%	10.25%	5.26%	3.67%
Working capital/Sales	9.03%	4.20%	2.65%	-3.99%	3.39%	9.15%
Cash Conversion Cycle (in days)	-49	-42	-27	-21	-15	-9
<b>Trading multiples</b>						
EV/Sales	1.60	1.44	0.99	0.96	0.82	0.70
EV/EBITDA	25.20	11.10	5.21	13.00	6.85	4.27
EV/EBIT	30.83	17.65	7.14	32.15	10.21	5.45
P/Tangible BVPS	9.98	7.42	4.23	4.23	3.30	2.31
P/E	77.52	30.90	9.97	44.52	15.03	7.73
P/FCF	8.32	-38.96	9.29	83.70	-36.62	22.86

## Disclaimer

This document (prepared on 17 November 2022) does neither constitute an offer nor a request to buy or sell any securities. It only serves informational purposes. This document only contains a non-binding opinion on the mentioned securities and market conditions at the time of its publication. Due to the general character of its content this document does not replace investment advice. Moreover, in contrast to especially approved prospectuses, it does not provide information, which is necessary for taking investment decisions.

All information, which have been used in this document, and the statements that have been made, are based on sources, which we think are reliable. However, we do not guarantee their correctness or completeness. The expressions of opinion, which it contains, show the author's personal view at a given moment. These opinions can be changed at any time and without further notice.

A liability of the analyst or of the institution, which has mandated him, should be excluded from both direct and indirect damages.

This confidential study has only been made available to a limited number of recipients. A disclosure or distribution to third-parties is only allowed with East Value Research' approval. All valid capital market rules, which relate to the preparation, content as well as distribution of research in different countries, should be applied and respected by both the supplier and recipient.

Distribution in the United Kingdom: In the UK this document shall only be distributed to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves about any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or sent to the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

Declaration according to § 34b WpHG and FinAnV on potential conflicts of interest (As of July 24, 2013): East Value Research has been commissioned to prepare this report by Passus S.A.

Declaration according to § 34b WpHG and FinAnV on additional disclosures (As of July 24, 2013):

It is the sole decision of East Value Research GmbH whether and when a potential update of this research will be made.

Relevant basis and measures of the valuations, which are included in this document:

The valuations, which are the basis for East Value Research` investment recommendations, are based on generally-accepted and widely-used methods of fundamental analysis such as the Discounted-Cash-Flow method, Peer Group comparison, or Sum-of-the-Parts models.

The meaning of investment ratings:

Buy: Based on our analysis, we expect the stock to appreciate and generate a total return of more than 10% over the next twelve months

Add: Based on our analysis, we expect the stock to appreciate and generate a total return between 0% and 10% over the next twelve months

Reduce: Based on our analysis, we expect the stock to cause a negative return between 0% and -10% over the next twelve months

Sell: Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht  
Lurgiallee 12  
60439 Frankfurt