

Wyld Networks

Mangold Insight – Commissioned research - Update - 28 March 2022

Foundations in place for commercialisation

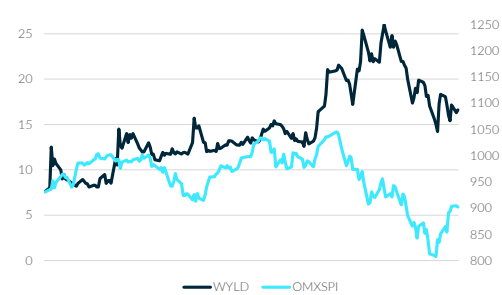
The virtual satellite network operator IoT Wyld Networks ended 2021 strongly with several new collaboration agreements. Wyld reported higher income than estimated for 2021, and is well on its way to reaching the sales estimate for 2022. The company received orders of MSEK 17,0 and MSEK 11,3 (excluding data revenue) in the agricultural and forestry sectors. Mangold assesses that the orders will generate 40 percent of the sales estimate for 2022 and shows Wyld's ability to generate high sales growth going forward.

Consortium formed

Together with Eutelsat, Senet and TrakAssure, Wyld has formed a consortium relating to IoT infrastructure. In doing so, Wyld is expanding its offers to include tracking of assets within supply chains, a market characterised by high growth. Wyld has also expanded its partner network ahead of commercial launches with companies from the agricultural sector, forestry, IoT and terrestrial networks. Overall, Mangold believes that there are good prerequisites for a successful global commercialisation of Wyld Connect.

Increased upside in the stock

Mangold has valued Wyld Networks with a DCF model. The price target is raised from SEK 25.25 to SEK 33.00 per share, corresponding to an upside of over 90 percent. The increase is based on the large incoming orders and the expanded partnerships. In order for the price target to be realised, Wyld will need to report a profit in 2024, and increase sales going forward.



Price trend %	1m	3m	IPO
WYLD	-25.5	35.2	133.4
OMXSPI	-8.2	-14.4	-8.5

Information

Rec. price/Price target	Buy 33.00
Risk	High
Price (SEK)	17.00
Market value (MSEK)	140.5
No. of shares (million)	15.1*
Free float	22%
Ticker	WYLD
Next report	31 May 2022
Website	wyldnetworks.com
Analyst	Pontus Ericsson

*includes TO

Ownership structure	No. shares	Capital
Tern PLC	4 855 579	58.7%
Wardhaman Family	1 179 108	14.3%
Alastair Williamson	134 919	1.6%
Movitz Hessel	130 000	1.6%
Martin David	100 000	1.2%
Eugene Myers	96 768	1.2%
Avanza Pension	92 657	1.1%
Tuvedalen	79 162	1.0%
Total	8 267 308	100%

Key ratios (MSEK)	2021	2022E	2023E	2024E	2025E
Net revenue (MSEK)	2.5	14.6	43.8	109.5	153.4
EBIT (MSEK)	-9.8	-18.0	-8.2	25.8	48.5
Profit before tax (MSEK)	-10.5	-18.4	-8.6	25.4	48.2
EPS (SEK)	-1.3	-2.2	-1.0	2.4	4.6
EV/Sales	59.4	10.1	3.4	1.3	1.0
EV/EBITDA	neg	neg	neg	5.8	3.1
EV/EBIT	neg	neg	neg	5.7	3.0
P/E	neg	neg	neg	7.4	3.9

Investment case

Connecting the world

Mangold reiterates the Buy Recommendation of Wyld Networks, with a price target of SEK 33.00 per share. This corresponds to an upside of over 90 percent over a 12 -month period. Mangold's assessment is that Wyld Networks will be able to achieve a net revenue of MSEK 14.6 in 2022, driven by the launch of Wyld Connect, to then move towards market growth of 40 percent (CAGR) up to 2025.

Price target SEK 33.00 per share

Wide areas of application

Wyld Network's two products, Wyld Connect and Wyld Fusion, work together to create a comprehensive satellite IoT solution. The business solution uses satellites to offer global coverage. Since 85 percent of the earth's surface is not covered by ground-based connection, there is great potential to sell the solution to companies operating in this coverage-free zone. Wyld's products could be used in a variety of sectors, such as agriculture, energy, the environment, shipping, retail, events, factories, hospitals, and more. The products are pending the outcome of the patent application, and the company has registered its trademarks, which strengthens the position for commercialisation. The company's use of free unlicensed frequency bands and cheaper LEO satellites is expected to contribute to an attractive price for customers.

85 percent of the Earth's surface lacks terrestrial connection

Rapidly growing markets

The market for IoT connections has an estimated annual growth rate (CAGR) of 40.0 percent between 2018 and 2025, according to the journal Rethink Technology Research. Mangold believes that the strong underlying demand for these technologies is expected to make a positive contribution to Wyld's growth journey.

CAGR of 40 percent

Large launch partners

The company's launch partners have a total market capitalisation of over USD 400 billion. Mangold believes that Wyld can partake in its partners' networks and thereby receive income through the commercialisation of Wyld Connect. Two of these companies, Eutelsat and Bayer Crop Science, have purchased solutions before launch, which indicates confidence in Wyld's products and services. The purpose of the launch partners is that they will be allowed to test the product before launch, with the hope that they will become paying customers when it is commercialised. The consortium of Eutel, TrakAssure, Senet and Wyld is expected to contribute to Wyld establishing its products and services globally.

Launch among giants

Financing secured

Wyld's IPO was heavily oversubscribed at the initial listing in early July, which provided the company with MSEK 25, before issue costs. Previous shareholders also paid in MSEK 29 during the first quarter of 2021. Mangold believes that the capital injection gives the company good prerequisites to launch Wyld Connect. Subscription warrants have also been issued, which is expected to raise a total of MSEK 104.6, before issue costs, in 2022 and 2023.

Strongly oversubscribed IPO

Wyld Networks – Update

Consortium formed

Wyld has entered into a partnership with Eutelsat Communications, TrakAssure and Senet to form the Multimodal IoT Infrastructure Consortium ("MMIIC"). The purpose is to combine Senet's terrestrial LoRaWAN network with Wyld's and Eutelsat's satellite-based LoRaWAN network capacity to provide coverage over the entire Earth's surface. Senet's network is the largest in the United States and the company operates in 80 countries. Pilot tests for the collaboration have begun, and the plan is for the network to be commercially available during September 2022. Initially, the consortium will be focused on tracking assets globally within supply chains, especially within transport and logistics. The asset tracking market is expected to grow from USD 10 billion to USD 33 billion between 2020 and 2025, according to market research firm Juniper Research. This corresponds to an annual average growth rate of approximately 27 percent (CAGR). The consortium consequently opens up for sales in a completely unexploited market for Wyld, which strengthens Mangold's assessment that they will achieve our estimates. Wyld has attracted several new launch partners during the fourth quarter, which are presented below.

Opens up for global tracking within supply chains

Market growth of 27 percent

WYLD NETWORKS - NEW LAUNCH PARTNERS WYLD SATELLITE IOT SERVICE

Company	Industry
American Towers	Terrestrial network
Senet	Terrestrial network
TrakAssure	IoT/logistics
Navigator Group	IoT/agriculture/forestry/services of general interest
Constanta De Inovação	IoT/Smart cities
Axceta	IoT
Overbury Enterprises & Glas Data	Agriculture
Snow Acres	Agriculture
Agrology	Agriculture
Hazera Seeds	Agriculture
Treivia	Forestry

Source: Mangold Insight

Large order in the agricultural sector

Wyld has received a purchase order from a South African company operating in the agricultural sector. The purchase terms apply to Wyld Connect's IoT modules, which are to be delivered over a four-year period starting in april. The total value corresponds to MSEK 17,0. Mangold believes that the order is an important step on the path to achieving the sales estimates, and proof that Wyld can generate high income going forward.

Order for MSEK 17

Wyld Networks – Update

Order in the Brazilian forestry sector

Wyld has received a purchase order of MSEK 11,3 from a Brazilian company operating in the forestry sector. The order is for Wyld Connect's IoT modules, which are to be delivered over a three-year period expected to start in 2022.

Order for MSEK 17

Available for order

Wyld's products are available for order from the 23rd of March. It makes it possible for customers to integrate Wyld's technology in IoT-sensors. The customer can then connect instantly as soon as the complete satellite network service is launched in the second half of 2022.

Products ready for order

Collaboration strengthens Wyld's offers

Wyld has entered into a partnership with American Towers in Brazil. The purpose is for them to test and commercialise their satellite-based IoT solution. Wyld's solution will serve as a complement to American Tower's terrestrial network. The company is part of a group with a market value in excess of USD 114 billion, which Mangold believes provides good prerequisites for Wyld to establish its technology in Brazil, and the world.

Collaboration with a major global player

Collaboration in the agricultural sector

Wyld has entered into a partnership with Agrology, which offers data and prediction analysis based on machine learning in the agricultural sector. Agrology uses soil sensors and weather data to streamline farmers' harvests. The models have increased customers' harvests by 20 to 40 percent in 2021, and with Wyld Connect integrated, data collection can take place on a global basis. Glas Data offers a cloud-based solution to make management and decision-making more efficient in the agricultural sector. Through Wyld's collaboration with Glas Data and Overbury Enterprises, information from agricultural holdings will be fed into Glas Data's interface. Another new collaboration is with Snow Acres. The company offers sensor technology for measuring soil moisture, where Wyld will ensure that the data is delivered all over the world. Wyld has established a partnership with Hazera Seeds which develops and produce seeds globally. Hazera intends to test Wyld's solution for their customers in South America, South Africa and Israel.

Increases the harvest by 20 to 40 percent

Wyld Networks – Update cont.

Partnership relating to sustainable forestry

A partnership has been entered into with Treevia, which provides the SmartForest solution. It is a digital platform for automated forestry management. Wyld's IoT technology will be combined with SmartForest in order to create a comprehensive solution for monitoring and managing forest assets across the globe. Treevia monitors 100 000 hectares of forest, and aims to monitor one billion hectares of forest by 2030, corresponding to a quarter of the global forest area. The purpose of data collection is to make forest resources more productive and to improve sustainability aspects.

With a view to monitoring a quarter of the world's forests

Collaboration relating to smart cities & IoT

Axceta offers small and large organisations the opportunity to develop data-driven strategies in order to streamline processes and make sound business decisions. Exceta helps its customers to design, build and operate IoT solutions, where Wyld will provide a global connection to Axceta's AgTech sensors. Constanta De Inovação is funded by the Brazilian government, as well as private players, to deliver IoT projects. Wyld's solution will be used to deliver municipal infrastructure, where the first project includes water meters where the mobile network is limited or inaccessible. The aim is for the water supply to industry, agriculture and households to be reliable. Navigator Group is active in navigation systems, information security, and telematics, but also in IoT sensors and devices. Navigator will test Wyld's solution in forestry, agriculture and services of general interest in Russia, where Wyld will deliver data, regardless of location.

IoT collaborations with most areas of use are crystallising

Wyld Networks – Estimates

Outcome

Wyld exceeded our revenue estimates by a little over 7 percent for the full year 2021. This is attributed to a higher tax credit for R&D. Personnel costs were slightly lower than estimates, while other costs were significantly higher. Other costs include an item of just over six million, which is a one-off item related to the IPO in 2021. As the other costs were higher than expected, the EBIT margin was lower than expected.

Higher income & other costs

WYLD NETWORKS - OUTCOME

	2021E	2021	Deviation (%)
Revenue (TSEK)	6 070	6 529	7.6
Personnel costs (TSEK)	13 500	12 577	-6.8
Other costs (TSEK)	14 236	20 043	40.8
EBIT (TSEK)	-23 038	-26 387	-14.5
EBIT margin (%)	-922	-1075	

Source: Mangold Insight

Revised estimates

Mangold believes that Wyld can achieve the set sales estimates based on the first large orders of MSEK 17,0, MSEK 11,3 and the strong players that have been added as partners. Given that deliveries for the agriculture order begins in april and assuming start of deliveries in conjunction with the commercial release for the forestry order, Wyld has achieved 40 percent of the revenue estimate for 2022. Mangold assess that approximately MSEK 4,4 will be generated from units and MSEK 1,4 from data revenue. The assumptions are based on linear deliveries monthly, where approximately 10 500 of 66 600 units will be delivered in 2022. With a data cost of 5 dollars per month per unit, Wyld will generate approximately 3,1 million SEK per month when all units are deployed. The recurring revenue from data will be a contributing factor for the increased profitability moving forward. Personnel costs are expected to be at the same level as in the previous estimate, as the company is expected to need to recruit moving forward. The other costs are revised due to the fact that they were unexpectedly high, excluding one-off items. Given that the subscription warrants are exercised, Wyld does not need to raise any more capital until 2024, when the company is expected to become profitable.

Raising the cost estimates for other costs

WYLD NETWORKS - ESTIMATES

	2021	2022E	2023E	2024E	2025E	2026E	2027E
Net revenue (MSEK)	2.5	14.6	43.8	109.5	153.3	199.3	229.3
Net revenue, previous estimates (MSEK)	2.5	14.6	43.8	109.5	153.3	199.3	
Other costs (MSEK)	20.0	14.2	14.5	14.8	15.1	15.4	15.7
Other costs, previous estimates (MSEK)	14.2	10.4	10.6	10.8	11.1	11.3	
EBIT margin (%)	-1 075%	-123%	-19%	24%	32%	37%	39%
EBIT margin, previous estimates (%)	-922%	-101%	-10%	27%	34%	39%	

Source: Mangold Insight

Wyld Networks – Valuation

Undervalued stock

Mangold uses a DCF model to value the company. A return requirement of 12 percent for Wyld Networks is considered appropriate. This is higher than the recommended return requirement of 10.9 percent in PWC's risk premium study for companies with market capitalisation around MSEK 100. The reason for this is the fact the company still hasn't commercialised its product, which contributes to increased risk. This results in a fair value of SEK 33.00 per share, corresponding to an upside of over XX percent. In order for the share price to be realised, it is necessary for Wyld Networks to commercialise Wyld Connect in 2022, and increase its sales and become profitable by 2024.

Price target SEK 33.00

WYLD NETWORKS - DCF

(TSEK)	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	-18 018	-8 230	25 802	48 521	73 483	89 419
Free cash flow	-18 056	-12 858	11 211	32 201	51 797	66 624
Terminal value						740 268

Assumptions	Return req.	Growth	Tax
	12%	3%	21%

Price target

Enterprise value	492 980
Equity value (TSEK)	495 178
Price target per share (SEK)	33.00

Source: Mangold Insight

Sensitivity analysis

Mangold has carried out a sensitivity analysis to test the model's outcome given different return requirements and sales levels. If Wyld achieves 90 percent of the estimated sales, the price target will fall to SEK 19.89 per share. A similar outcome can be noted if sales increase by 10 percent, as the price target instead rises to SEK 48.64 per share. The sales level is the factor that affects the price target the most. In summary, the model shows a range between SEK 17.27 and SEK 56.08 per share. The model shows an upside in all cases except when the required return rate is set at 13 percent, and sales at 90 percent of estimate.

Valuation range between SEK 17.27 and 56.08 per share

WYLD NETWORKS - SENSITIVITY ANALYSIS

Return req. %	0.9x	Base sales (x)	1,1x
11	23.18	37.96	56.08
12	19.89	33.00	48.64
13	17.27	28.71	42.71

Source: Mangold Insight

Wyld Networks – SWOT

Strengths

- Large launch partners
- Patented technology
- Technologically competent management

Weaknesses

- Not profitable
- Not commercialised its products

SWOT

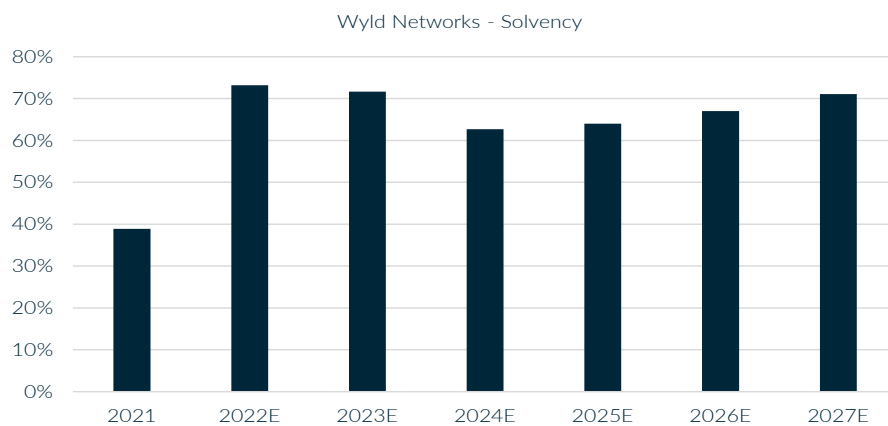
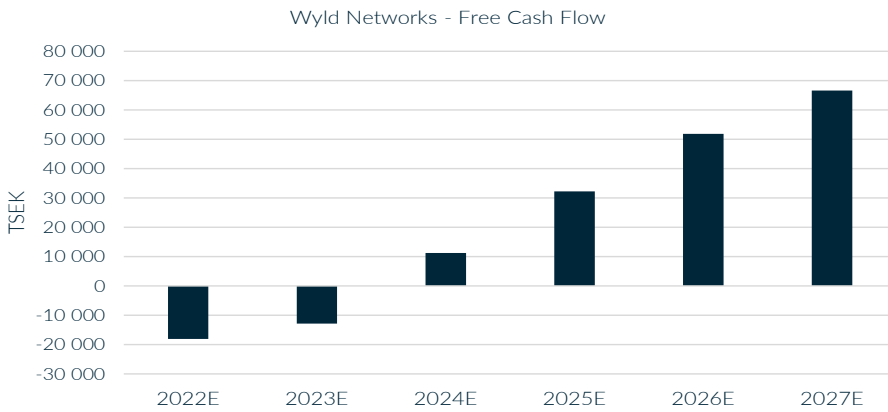
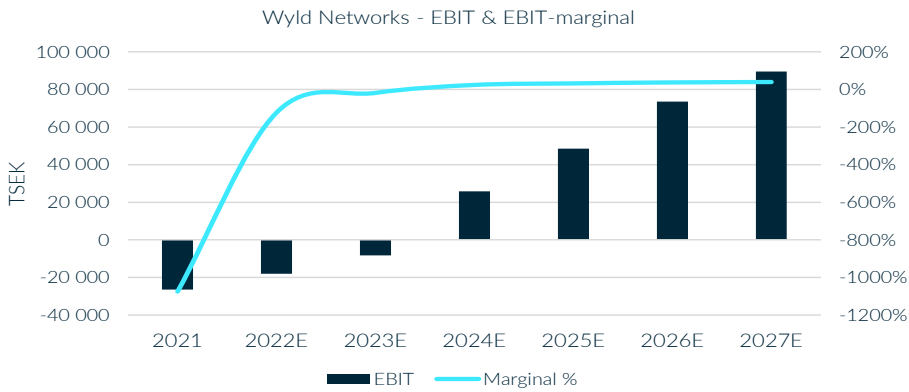
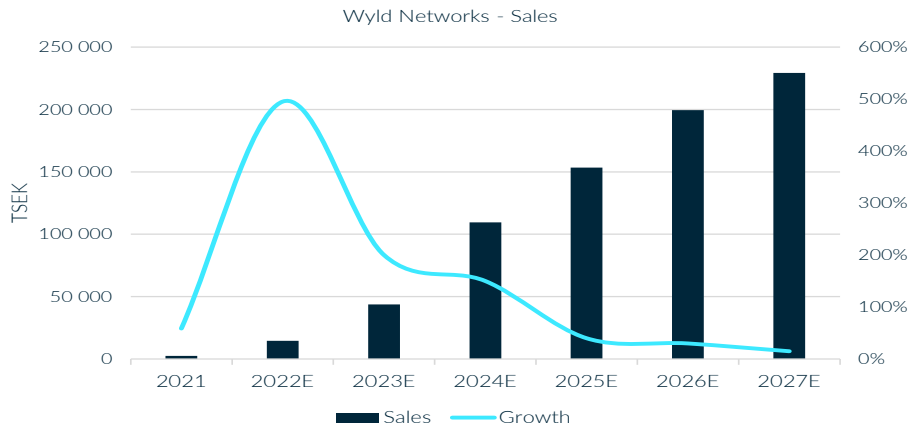
Opportunities

- Many potential areas of application
- Rapidly growing markets
- Global customer base

Threats

- Most major competitors are likely to be active in the same branch
- Failed commercialisation

Wyld Networks – Appendix



Wyld Networks - Income statement & balance sheet

Income statement (SEK)	2021	2022E	2023E	2024E	2025E	2026E	2027E
Net revenue	2 455	14 607	43 820	109 549	153 368	199 379	229 286
Operating income	4 074	3 878	0	0	0	0	0
Cost of sold goods	0	-6 427	-19 281	-48 201	-67 482	-87 727	-100 886
Gross profit	6 529	12 057	24 539	61 347	85 886	111 652	128 400
Gross margin	266%	83%	56%	56%	56%	56%	56%
Personnel costs	-12 577	-15 737	-18 058	-20 466	-21 919	-22 358	-22 805
Other expenses	-20 043	-14 214	-14 499	-14 789	-15 084	-15 386	-15 694
Depreciation	-295	-124	-212	-290	-361	-425	-483
Operating result	-26 387	-18 018	-8 230	25 802	48 521	73 483	89 419
Operating margin	-11	-123%	-19%	24%	32%	37%	39%
Net interest	-560	-360	-360	-360	-360	-360	-360
Result after net financial items	-26 947	-18 378	-8 590	25 442	48 161	73 123	89 059
Taxes	0	0	0	5 241	9 921	15 063	18 346
Net profit	-26 947	-18 378	-8 590	20 201	38 240	58 060	70 713

Source: Mangold Insight

Balance sheet (TSEK)	2021	2022E	2023E	2024E	2025E	2026E	2027E
Assets							
Cash & bank balances	18 171	57 256	79 838	90 689	122 531	173 968	240 232
Accounts receivable	6 732	8 004	24 011	60 027	84 037	109 249	125 636
Inventory	0	0	0	0	0	0	0
Fixed assets	1 240	2 116	2 904	3 614	4 253	4 827	5 345
Total assets	26 144	67 376	106 753	154 330	210 821	288 044	371 212
Liabilities							
Accounts payable	3 974	6 084	18 251	45 626	63 877	83 040	95 496
Liabilities	12 000	12 000	12 000	12 000	12 000	12 000	12 000
Total liabilities	15 973	18 084	30 251	57 626	75 877	95 040	107 496
Equity							
Restricted equity	690	58 190	93 990	93 990	93 990	93 990	93 990
Unrestricted equity	9 480	-8 898	-17 488	2 713	40 953	99 013	169 726
Total equity	10 170	49 292	76 502	96 703	134 943	193 003	263 716
Liabilities and equity	26 143	67 375	106 753	154 330	210 820	288 043	371 212

Source: Mangold Insight

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Mangold Insight grades its share recommendations over a 12-month period, according to the following structure:

Buy – An upside in the share of at least 20%

Increase – An upside in the share of 10–20%

Neutral – An upside and downside in the share of 0–10%

Decrease – A downside in the share of 10–20%

Sell – A downside in the share of at least 20%