

Wyld Networks

Mangold Insight – Commissioned Research – Update – 2023-06-09

Scaling up for bulk delivery

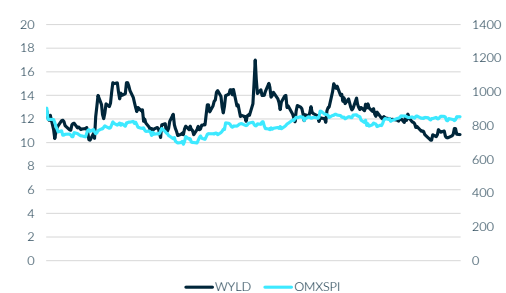
The virtual satellite network operator Wyld Networks ("Wyld") has replenished its order book which now totals approximately SEK 91.5 million, of which SEK 14.4 million relates to data revenue. In the first quarter of 2023, revenue was lower than expected of SEK 1.3 (4.0) million, which led to a revision of the full-year estimate. Mangold continues to estimate that the company will start delivering orders in volume during the third quarter of 2023. The company's costs are increasing at an expected pace and estimates remain unchanged for 2023.

Well subscribed TO3

The company is estimated to be well capitalized to reach profitability in 2024. TO3 warrants were subscribed at 97.1 percent, which is seen as high given the prevailing market climate. In total, approximately SEK 16.1 million was raised before issue costs. Mangold estimates that the cash will be sufficient for the expected profitability in 2024, given that the revenues start to scale significantly in the second half of 2023. The company had approximately SEK 10.0 million in cash at the end of the first quarter, which together with the issue and the R&D aid corresponds to approximately SEK 30 million.

Adjusted price target

Mangold has lowered the revenue estimate and EBIT margin for 2023. Mangold continues to see that the company is undervalued but lowers the target price to SEK 27.00 (29.00) per share over a 12 months period. In order to reach the target price, Wyld needs to deliver in significant volume in the second half of 2023.



Price performance %	1m	3m	12m
WYLD	-3,6	-22,3	-18,8
OMXSPI	0,6	-0,3	2,1

Information

Rec/Price target (SEK)	Buy 27,00
Risk	High
Price (SEK)	10,30
Market cap (MSEK)	160,1
Number of shares (M)	15,5
Free float	31%
Ticker	WYLD
Next Report	2023-08-29
Website	wyldnetworks.com
Analyst	Pontus Ericsson

Ownership structure	Shares (M)	Capital
Tern PLC	5,5	41,2%
Wardhaman Family	1,1	8,2%
UBS Switzerland	0,6	4,2%
Philip Andersson	0,5	3,5%
Avanza Pension	0,3	2,6%
Jonathan Swann	0,3	2,6%
BNP Paribas	0,3	2,2%
David Martin	0,2	1,8%
Total	13,3	100%

*As of 30th december 2022

Key figures (MSEK)	2022	2023E	2024E	2025E	2026E
Revenue (MSEK)	5,4	30,4	108,5	151,9	200,5
EBIT (MSEK)	-37,9	-29,9	2,5	21,9	46,4
Profit before tax (MSEK)	-39,1	-29,9	2,5	21,9	46,4
EPS (SEK)	-2,5	-1,9	0,1	1,1	2,4
EV/Sales	125,3	4,6	1,3	0,9	0,7
EV/EBITDA	neg	neg	49,7	6,2	3,0
EV/EBIT	neg	neg	56,5	6,4	3,0
P/E	neg	neg	81,4	9,2	4,4

Investment case

Connecting the world

Mangold repeats Buy of Wyld Networks with a reduced target price of SEK 27.00 (29.00) per share. This represents an upside of more than 150 percent over 12 months. To meet the target price, Wyld needs to turn orders into revenue in the second half of 2023 and achieve profitability in 2024.

Target price SEK 27.00 per share

Broad applications

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 provide global coverage. Since 85% of the earth's surface is not covered by ground-based connection, there is a great potential to sell the solution to companies operating in this coverage-free zone. Wold's products could be used in a variety of sectors such as agriculture, energy, environment, shipping, retail, events, factories, hospitals, and others. The products are awaiting the results of the patent application and the company has registered its brands which strengthens the position for commercialization. The company's use of free unlicensed frequency bands and cheaper LEO satellites is expected to contribute to an attractive price for the customer.

85% of the earth's surface is not connected to the ground

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 Rethink Technology Research. Mangold believes that the strong underlying demand for these technologies is expected to contribute positively to Wyld's growth journey.

CAGR of 40 percent

Collaboration with large companies

The company's launch partners have a total market capitalization of over \$400 billion. Mangold estimates that Wyld can tap into his partner network to earn revenue from the commercialization of Wyld Connect. Two of these companies, Eutelsat and Bayer Crop Science, have purchased solutions before launch, which suggests confidence in Wyld's products and services. Launch partners aim to allow them to test the product before launch with the hope that they will become paying customers when commercialized. The consortium of Eutel, TrakAssure, Senet, and Wyld is expected to contribute to Wyld's ability to establish its products and services globally.

Launch among giants

Wyld Networks – Update cont.

Backlog

Wyld's order book amounts to approximately SEK 91.5 million. The number of orders for terminals amounts to approximately 3.0 thousand and 226.5 thousand modules. Mangold is positive that the order book continues to grow and is expected to generate significant revenue in the future. An important catalyst for the share is that the company will start to turn orders into revenue in the second half of 2023. Mangold sees that the company will receive more orders during the year given the performance so far and the significant demand that exists for Wyld's products and services.

Total order book of SEK 91.5 million

WYLD NETWORKS - ORDERBOOK

	Orderbook
Wyld Connect (MSEK)	77,1
Data (MSEK)	14,4
Total orderbook (MSEK)	91,5
Terminals (T)	3,0
Modules (T)	226,5

Source: Mangold Insight

New orders in the oil and gas sector

Wyld has received a new order of approximately SEK 9.1 million from Simple Control Systems in the United States in the oil and gas sector. The order is for 2,500 Wyld Connect modules, 1,500 terminals and one year of data. The company has 25 years of experience in SCADA, IoT and IIoT solutions. The order is to be delivered in 2023. The company shall use level sensors in oil and water tanks.

New order in the energy sector of approximately SEK 9.1 million

Collaboration started on 5G capabilities

Wyld is working with satellite operator OQ Technologies to provide 5G NB-IoT connectivity. Thus, Wyld could support 83 percent of LPWAN connections for IoT. The addressable market will increase from \$670 million to \$1.3 billion by 2026. OQ Technology is the world's first satellite telecom operator for global IoT connectivity with 3GPP standardized 5G protocol. The company has 3 satellites in orbit and will add another seven to the constellation by the end of 2023. Mangold sees the initiative as positive, given that the addressable market is almost doubled.

Cooperation with the satellite operator OQ Technologies

Wyld Networks – Update cont.

Lower than expected revenue in the quarter

The first quarter's revenue was lower than expected of SEK 1.3 (4.0) million. the company has also communicated that deliveries of larger volumes will be delayed until the second half of 2023. We thus choose to adjust down estimate for 2023 given that the roll-out has been slower than expected. Other costs increased to SEK 4.2 (3.8) million in the first quarter compared to last year. This represents an increase of 10%. Personnel costs increased to SEK 5.6 (4.0) million, corresponding to an increase of approximately 40 percent. Mangold chooses to maintain the cost estimate for 2023. The margin is expected to improve at a slightly lower rate given a slower roll-out of modules than estimated.

Lower revenue than expected

WYLD NETWORKS - QUARTERLY PERFORMANCE

(TSEK)	Q1 22	Q1 23	Diff
Revenue	946	1 332	41%
Gross profit	852	868	2%
Gross margin	90%	65%	
Other expenses	3 833	4 232	10%
Personnel costs	4 018	5 634	40%
Depreciation	68	111	63%
EBIT	-7 067	-9 115	29%
EBIT margin	-747%	-684%	-8%

Source: Mangold Insight

High issue underwriting

TO3 was subscribed at 97.1 percent which means that the company received SEK 16.1 million before issue costs. The subscription price was SEK 7.31 per share. The number of shares increased by approximately 2.2 million, corresponding to a dilution of approximately 14.2 percent. Mangold welcomes the fact that the subscription rate was so high in the current market climate. However, the capital injection was significantly lower than our estimate of 27.1 million which was due to the share price being significantly lower than we expected. The company will start delivering in larger volumes during the second half of 2023, which Mangold sees as necessary to avoid having to raise new capital. The company's net cash at the end of the quarter is estimated to amount to approximately SEK 30 million. This corresponds to SEK 10 million in cash, SEK 16.1 million through warrants and SEK 4.3 million from R&D aid. Mangold thus considers that the company is well capitalized to achieve its expected profitability in 2024.

High underwriting rate in prevailing market climate

Wyld Networks – Estimates

Estimate for 2023

The revenue estimate for 2023 is reduced to SEK 30.4 (40.2) million. This revision is due to the fact that revenues were significantly lower than expected in the first quarter of 2023. Wyld has communicated that volume orders will be delivered in the second half of 2023, which means that we scaled down estimates for the second quarter but also in the second half of the year given lower expected data revenue. The majority of the expected revenue in the second quarter consists of a cash payment of SEK 4.3 million for R&D activities, which was booked as revenue in previous years.

2023 revenue estimate decreased

WYLD NETWORKS- GROWTH ESTIMATES

(TSEK)	Q1E	Q2E	Q3E	Q4E	2023E	2023E (Previous estimate)
Sales	1 332	5 900	9 000	14 120	30 352	40 176
Quarterly growth		343%	53%	57%		

Source: Mangold Insight

Adjusted EBIT margin

Mangold is adjusting down revenue for 2023 and anticipating slightly lower margins in the future. Mangold maintains that the company can make a profit in 2024.

EBIT margin adjusted down

WYLD NETWORKS - ESTIMATE REVISIONS

(TSEK)	2023E	2024E	2025E	2026E	2027E
Revenue	40 176	108 475	151 865	200 462	236 545
Revenue (new)	30 352	108 475	151 865	200 461	236 544
Growth (%)	2 620%	257%	40%	32%	18%
EBIT	-24 436	4 461	25 050	49 701	66 992
EBIT (new)	-29 938	2 476	21 884	46 358	63 442
EBIT margin	-61%	4%	16%	25%	28%
EBIT margin (new)	-99%	2%	14%	23%	27%

Source: Mangold Insight

Wyld Networks – Valuation

Undervalued share

The fair value is SEK 27,30 per share which means that Mangold adjusts the target price to SEK 27.00 (29.00) per share. To achieve the price target Wyld has to convert orders into revenues during the second half of 2023.

Price target SEK 27.00

WYLD NETWORKS - DCF

(TSEK)	2023E	2024E	2025E	2026E	2027E
EBIT	-29 938	2 476	21 884	46 358	63 442
Free cash flow	-31 574	3 847	17 923	37 531	50 838
Terminal value					564 871
Assumptions	Req. Return	Growth	Tax		
	12%	3%	21%		
Fair value					
Enterprise value	404 110				
Equity value (Tkr)	424 442				
Fair value per share (SEK)	27,30				

Source: Mangold Insight

Sensitivity analysis

Mangold has conducted a sensitivity analysis to test the outcome of the model given different yield requirements and sales levels. If Wyld achieves 90 percent of the estimated sales, the fair value drops to SEK 16.55 per share. If the sale increases by 10 percent instead, the justified value increases to SEK 40.12 per share. The sales level is the factor that most affects the target price. In summary, the model shows a range between SEK 14.53 and SEK 45.84 per share. The model displays the top side in all tested cases.

Valuation range between SEK 14.53 to SEK 45.84 per share

WYLD - SENSITIVITY ANALYSIS

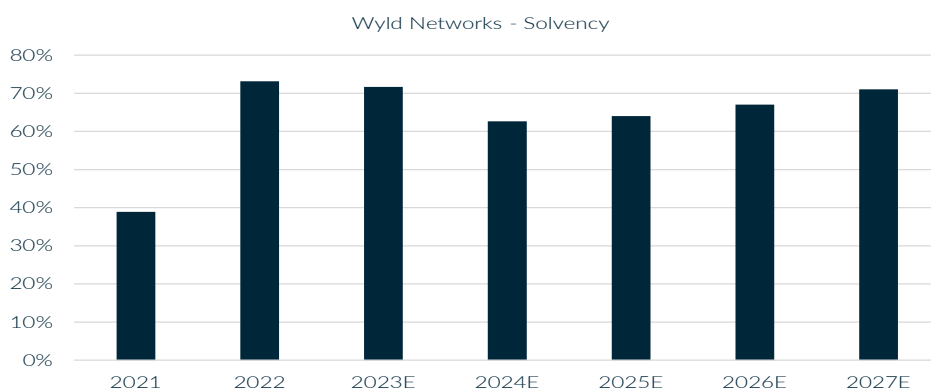
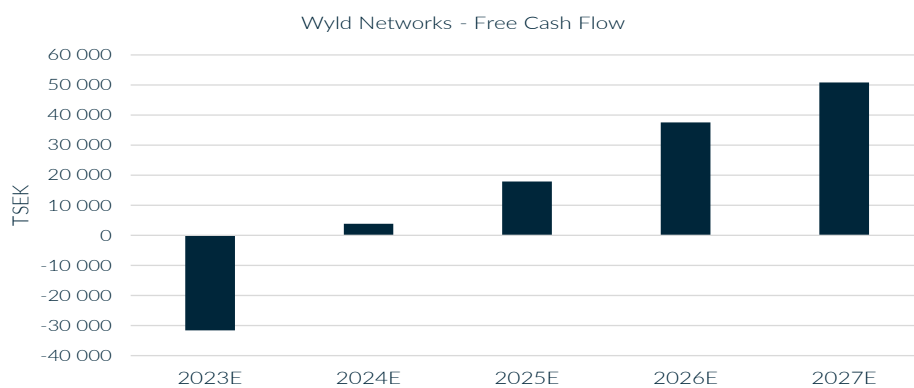
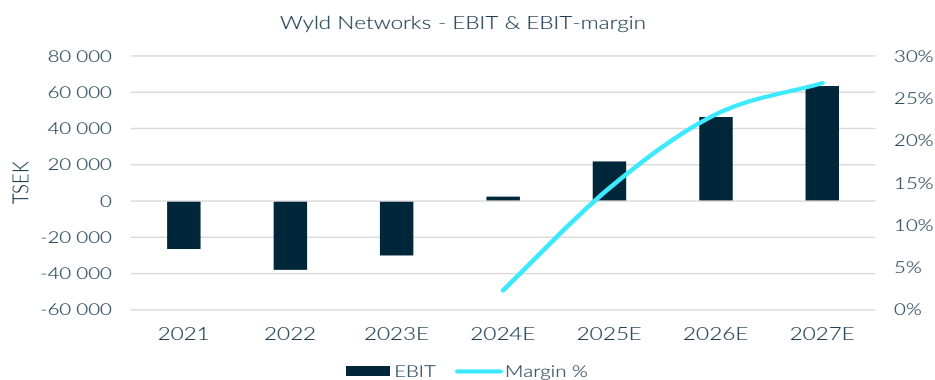
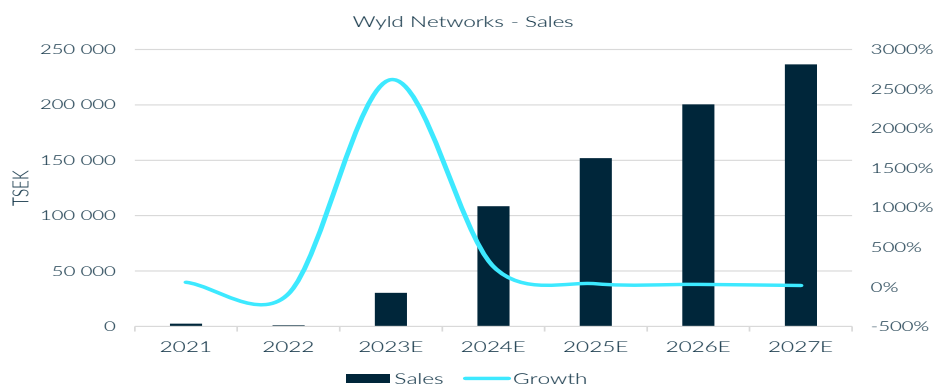
Req. Return %	0,9x	Base Sales(x)	1,1x
11	21,35	33,46	45,84
12	16,55	27,30	40,12
13	14,53	24,13	35,56

Source: Mangold Insight

Wyld Networks – SWOT



Wyld Networks – Appendix



Wyld Networks – Income statement & Balance sheet

Income Statement (TSEK)	2021	2022	2023E	2024E	2025E	2026E	2027E
Net turnover	2 455	1 116	30 352	108 475	151 865	200 461	236 544
Operating income	4 074	4 329	0	0	0	0	0
Cost of sales	0	-1 334	-13 355	-47 729	-66 820	-88 203	-104 080
Gross profit	6 529	4 111	16 997	60 746	85 044	112 258	132 465
Gross margin	100%	76%	56%	56%	56%	56%	56%
Personnel costs	-12 577	-20 275	-24 938	-35 651	-39 929	-42 165	-44 779
Other expenses	-20 043	-21 419	-21 847	-22 284	-22 730	-23 185	-23 648
Depreciation	-295	-354	-149	-334	-501	-551	-596
Operating result	-26 387	-37 938	-29 938	2 476	21 884	46 358	63 442
Operating margin	-404%	-697%	-99%	2%	14%	23%	27%
Net interest income	-560	-1 141	0	0	0	0	0
Result before tax	-26 947	-39 079	-29 938	2 476	21 884	46 358	63 442
Taxes	0	0	0	-510	-4 508	-9 550	-13 069
Net profit	-26 947	-39 079	-29 938	1 966	17 376	36 808	50 373

Source: Mangold Insight

Balance Sheet (TSEK)	2021	2022	2023E	2024E	2025E	2026E	2027E
Assets							
Cash and bank	18 171	20 332	4 903	8 750	26 673	64 204	115 042
Trade receivables	6 732	11 089	10 810	32 691	45 767	60 413	71 287
Inventory	0	0	0	0	0	0	0
Fixed assets	1 240	1 493	3 344	5 009	5 508	5 958	6 362
Total assets	26 144	32 914	19 056	46 450	77 949	130 574	192 691
Liabilities							
Current liabilities	3 974	9 943	9 879	35 306	49 429	65 246	76 990
Non-current liabilities	12 000	0	0	0	0	0	0
Total Liabilities	15 973	9 943	9 879	35 306	49 429	65 246	76 990
Equity							
Restricted equity	690	1 113	17 257	17 257	17 257	17 257	17 257
Unrestricted equity	9 480	21 858	-8 079	-6 113	11 263	48 071	98 444
Total equity	10 170	22 971	9 178	11 144	28 520	65 328	115 701
Liabilities and equity	26 143	32 914	19 057	46 450	77 949	130 574	192 691

Source: Mangold Insight

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Mangold analyzed Wyld Networks by 4 april, 2023.

Mangold's analysts don't own shares in Wyld Networks.

Mangold does not own shares in Wyld Networks such as own inventory.

Mangold owns shares in Wyld Networks through an assignment as a liquidity provider.

Mangold has performed services for the Company and has received compensation from the Company based on this.

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Recommendation structure:

Mangold Insight grades stock recommendations over a 12-month term using the following structure:

Buy - An upside in the share of at least 20 percent

Increase - An upside in the stock of 10-20 percent

Neutral - An upside and downside in the stock of 0 to 10 percent

Decrease - A downside of the stock of 10-20 percent

Sell - A minimum of 20 percent downside of the stock