

# Wyld Networks

Mangold Insight – Commissioned Research – Update – 2023-04-12

## Massively growing order book

Wyld, after launching its satellite IoT network service, has received a rapidly growing order book. The order intake has amounted to SEK 40.5 million during the first three months of the year. Mangold estimates that more orders are to be expected when it comes to both Wyld Connect and data. The order book totals approximately SEK 76 million, of which SEK 13 million relates to data. Data revenue alone is expected to reach approximately SEK 97.1 million per year when all 223 000 units are operating at a conservative price of 3.50 dollar per unit per month. For 2022, revenues and costs were slightly higher than our estimate. The company will add 5G NB-IoT compatibility which is expected to double the company's addressable market.

## Good cash position is expected to last

The company is estimated to be well capitalized to reach profitability in 2024. Upcoming warrants can raise SEK 35.8 million before issue costs. Mangold estimates that the company will receive about SEK 27.1 million. Mangold Fondkommission is the financial advisor in the transaction. We assume full dilution from the issue.

## Price target maintained

Mangold has adjusted up both revenue and costs in the long term, but also lowered the revenue estimate for 2023. The revenue estimate is reduced in the short term because most contracts run for three to four years, which means that orders will be recognized as revenue throughout the delivery period. The costs were higher than expected, which means that we will increase them moving forward while the inclusion of 5G NB-IoT is expected to increase revenue in the long term. Mangold repeats the price target of SEK 29.00 per share, corresponding to an upside of more than 140 percent.



Price performance %	1m	3m	12m
WYLD	-9,1	-2,3	-30,7
OMXSPI	1,3	1,6	-5,4

## Information

Rec/Price target (SEK)	Buy 29,00
Risk	High
Price (SEK)	11,90
Market cap (MSEK)	158,7
Number of shares (M)	13,3*
Free float	30%
Ticker	WYLD
Next Report	2023-05-31
Website	wyldnetworks.com
Analyst	Pontus Ericsson

\*Does not include TO3

Ownership structure	Shares	Capital
Tern PLC	5 496 487	41,2%
Wardhaman Family	1 179 108	8,8%
Philip Andersson	331 000	2,5%
Swann Jonathan	320 197	2,4%
Avanza Pension	202 632	1,5%
Alastair Williamson	156 737	1,2%
Ylber Rexhepi	88 000	0,7%
Mats Andersson	77 792	0,6%
<b>Totalt</b>	<b>13 337 633</b>	<b>100%</b>

Key figures (MSEK)	2022	2023E	2024E	2025E	2026E
Revenue (MSEK)	5,4	40,2	108,5	151,9	200,5
EBIT (MSEK)	-37,9	-24,4	4,5	25,0	49,7
Profit before tax (MSEK)	-39,1	-24,4	4,5	25,0	49,7
EPS (SEK)	-2,9	-1,8	0,3	1,5	3,0
EV/Sales	124,0	3,4	1,3	0,9	0,7
EV/EBITDA	neg	neg	28,9	5,4	2,8
EV/EBIT	neg	neg	31,0	5,5	2,8
P/E	neg	neg	44,8	8,0	4,0

# Investment case

## Connecting the world

Mangold reiterates Buy of Wyld Networks with a price target of SEK 29.00 per share. This represents an upside of more than 140 percent over 12 months. Mangold estimates that Wyld will report increasing revenue on a quarterly basis in 2023. In order to meet the price target, Wyld needs to turn orders into revenue, increase sales significantly, and achieve profitability by 2024.

*Price target SEK 29.00 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. Wyld'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 USD 400 billion. Mangold estimates that Wyld can tap into their 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*

## Funding secured

Wyld's directed issue of SEK 7.3 million and TO2 raised SEK 19.4 million in the fourth quarter of 2022. At the end of the year, the company had a cash position of approximately SEK 20.3 million. The company also has TO3 outstanding which can raise a maximum of SEK 35.8 million, which means that Mangold estimates that the company is well capitalized to make it profitable in 2024.

*Well capitalized*

# Wyld Networks – Update cont.

## Adding 5G capacity

Wyld plans to add 5G NB-IoT to their satellite IoT service. In addition to the existing Long Range Wide Area Network (LoRaWAN) capacity, the addition of 5G NB-IoT will double Wyld's addressable market. The company will be able to approach 5G operators to convert them into customers. The addressable market is expected to grow from USD 670 million to USD 1.3 billion by 2025. The initiative is viewed positively since LoRaWAN and 5G NB-IoT technologies represent 83 percent of all LPWAN connections for IoT. Wyld's potential market is therefore significant.

*To double addressable market through 5G NB-IoT*

## Massively growing order book

Wyld launched their satellite IoT network service in December 2022. Since then, the order book has increased to about 76 million. During the first three months of 2023, the order value has increased by SEK 40.5 million, of which SEK 10.5 million relates to data orders. Wyld has over 40 launch partners with the goal of converting as many partners as possible to paying customers. This strategy has worked given the large influx of orders that has taken place. Below are the orders received since the end of December.

*Significantly increased order book*

### WYLD NETWORKS - ORDER INTAKE

Company	Industry	Collaboration Type	Geography	Order Value (MSEK)
Not published	Agriculture	Wyld Connect	Middle East	12.6
Not published	Electronics Manufacturers	Wyld Connect, Data	USA	6.3
Not published	Business Communication and satellite services	Wyld Connect	Middle East	12.5
Not published	Agriculture	Data	South Africa	9.2
<b>New orders</b>				<b>40.5</b>

Source: Mangold Insight

## Total orders

The total order book amounts to approximately SEK 76 million, of which SEK 13 million relates to orders of data. The total number of modules ordered amounts to 223 000, which means an average unit price of approximately SEK 283. Mangold believes that the company will receive significantly more orders in 2023 within both Wyld Connect and the associated data.

*Total order book value of SEK 76 million*

### WYLD NETWORKS - TOTAL ORDERS

(MSEK)	Orders
Wyld Connect	63
Data	13
Order book total	76
Total number of modules	223 000

Source: Mangold Insight

# Wyld Networks – Update cont.

## Outcome 2022

The outcome for the full year 2022 was broadly as expected. The revenues was 20 percent higher than estimated, mainly driven by the fact that the company received a tax credit from the UK government of about SEK 4.2 million. Raw materials, which are used as the cost of goods sold, were in line with the estimate for the period. Both other expenses and personnel costs were 14 and 8 percent higher respectively than our estimate for the full year. Mangold therefore chooses to adjust both other expenses and personnel costs. EBIT was 11 percent lower than Mangold's estimate because the cost base was higher. Mangold believes that the most relevant thing to study is the order book, as this will be translated into revenue.

*Outcome overall as expected*

## WYLD NETWORKS - QUARTERLY PERFORMANCE

(TSEK)	2022E	2022	Diff (%)
Revenues	4 538	5 445	20%
Raw materials	1 351	1 334	-1%
Other expenses	18 792	21 419	14%
Personnel costs	18 743	20 275	8%
Depreciation	124	354	185%
EBIT	-34 104	-37 938	-11%

Source: Mangold Insight

## Expected capital injection in May

Wyld has 2.275 million outstanding warrants of series TO3 with subscription period 17 to 31 May 2023. The company can receive a maximum of SEK 35.8 million before issue costs. The subscription price is 70 percent of the volume weighted average price between 2 and 15 May. Mangold estimates that Wyld will receive approximately SEK 27.1 million before issue costs. The company's cash at the end of the fourth quarter amounted to approximately SEK 20.3 million. Mangold thus considers that the company is well capitalized to achieve its expected profitability in 2024.

*Filled bank to be replenished*

# Wyld Networks – Estimates

## Revised estimate for 2023

The revenue estimate for 2023 is reduced to SEK 40.2 (57.8) million. The result of the revision is that the majority of Wyld Connect's revenues are not paid initially given that the majority of contracts were signed for delivery over three to four years. Mangold expects revenues to be higher compared to the previous estimate in the period 2024 to 2027. The reason is that the integration of 5G NB-IoT is expected to lead to higher revenue, partly because those who ordered Wyld Connect are assessed to order data and partly from orders of launch partners and other customers in need of connection. New orders are expected to remain high due to the above reasons.

*Higher revenue in the long term*

### WYLD NETWORKS- GROWTH ESTIMATES

(TSEK)	Q1E	Q2E	Q3E	Q4E	2023E	2023E (Previous estimate)
Sales	4 000	7 000	12 000	17 176	40 176	57 765
Quarterly growth		75%	71%	43%		

Source: Mangold Insight

## Cost revisions

The cost base is expected to be higher in the coming years given that it was higher than expected in 2022. Estimate revisions are shown below.

*The cost base is expected to be higher*

### WYLD NETWORKS - ESTIMATE REVISIONS

(TSEK)	2023E	2024E	2025E	2026E	2027E
Revenue	57 765	107 443	150 420	195 547	224 879
Revenue (new)	40 176	108 475	151 865	200 462	236 545
Growth (%)	3 500%	170%	40%	32%	18%
EBIT	-8 267	16 578	37 961	61 716	76 720
EBIT (new)	-24 436	4 461	25 050	49 701	66 992
EBIT margin	-14%	15%	25%	32%	34%
EBIT margin (new)	-61%	4%	16%	25%	28%

Source: Mangold Insight

## Investments

Mangold has chosen to upwardly adjust investments by SEK 1 million in 2023 and SEK 1 million in 2024. The increase is intended to increase development costs related to the development of 5G NB-IoT compatibility.

*Higher investments*

# Wyld Networks – Valuation

## Undervalued share

The fair value is SEK 29.28 per share, which means that Mangold repeats the price target of SEK 29.00 per share. In order to achieve the price target, Wyld needs to maintain a high growth rate and achieve profitability by 2024.

Price target SEK 29.00

### WYLD NETWORKS - DCF

(TSEK)	2023E	2024E	2025E	2026E	2027E
EBIT	-24 436	4 461	25 050	49 701	66 992
Free cash flow	-24 172	3 523	20 436	40 185	53 657
Terminal value					596 189
<b>Assumptions</b>	<b>Req. Return</b>	<b>Growth</b>	<b>Tax</b>		
	12%	3%	21%		
<b>Fair value</b>					
Enterprise value	436,781				
Equity value (Tkr)	457,113				
<b>Fair value per share (SEK)</b>	<b>29.28</b>				

Source: Mangold Insight

## Sensitivity analysis

Mangold has conducted a sensitivity analysis to test the outcome of the model given different return requirements and sales levels. If Wyld achieves 90 percent of the estimated sales, the fair value drops to SEK 18.60 per share. If the sales increase by 10 percent instead, the fair value increases to SEK 41.92 per share. The sales level is the factor that most affects the price target. In summary, the model shows a range between SEK 16.40 and SEK 47.81 per share. The model displays upside in all tested cases.

Valuation range between SEK 16.40 to SEK 47.81 per share

### WYLD - SENSITIVITY ANALYSIS

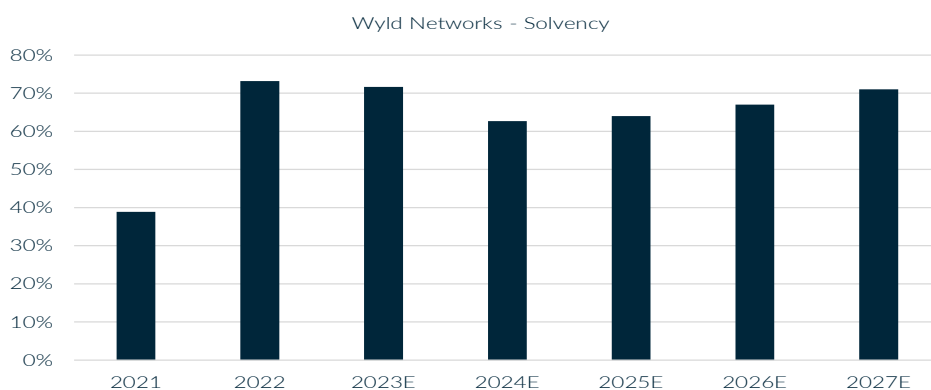
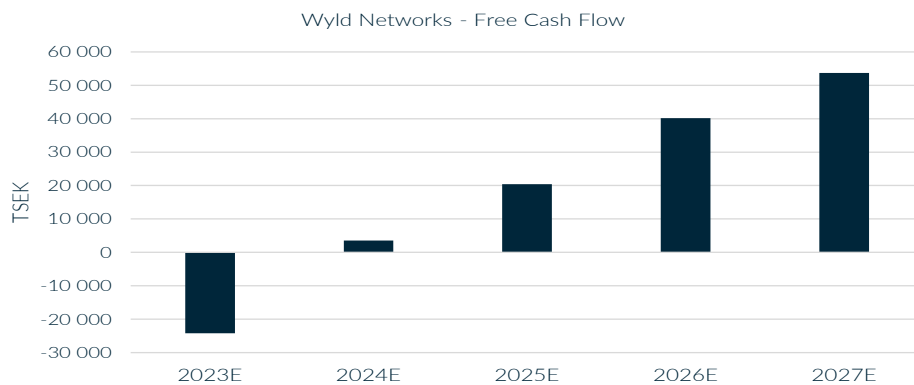
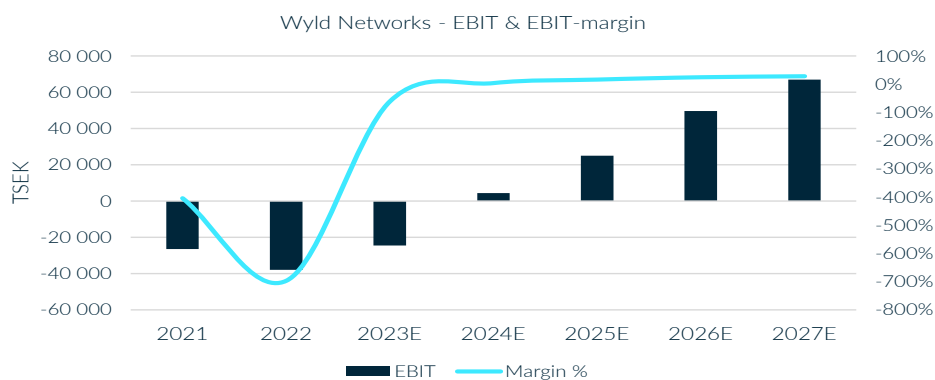
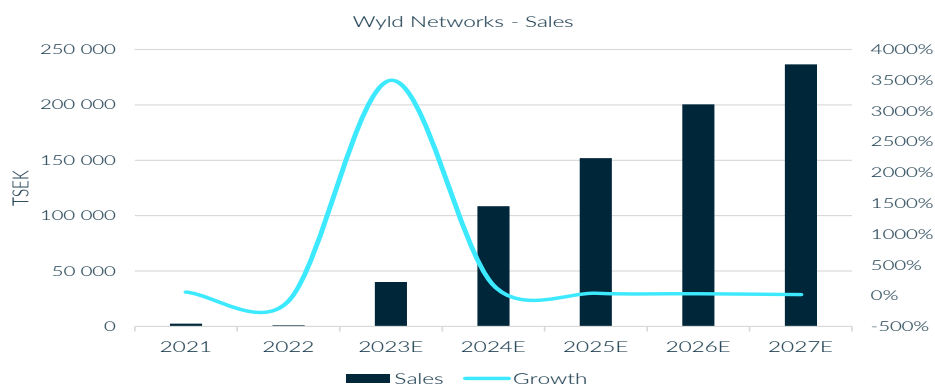
Req. Return %	0,9x	Base Sales(x)	1,1x
11	21,35	33,46	47,81
<b>12</b>	18,60	<b>29,28</b>	41,92
13	16,40	25,94	37,22

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	40 176	108 475	151 865	200 462	236 545
Operating income	4 074	4 329	0	0	0	0	0
Cost of sales	0	-1 334	-17 677	-47 729	-66 821	-88 203	-104 080
<b>Gross profit</b>	<b>6 529</b>	<b>4 111</b>	<b>22 499</b>	<b>60 746</b>	<b>85 045</b>	<b>112 259</b>	<b>132 465</b>
Gross margin	100%	76%	56%	56%	56%	56%	56%
Personnel costs	-12 577	-20 275	-24 938	-33 667	-36 764	-38 823	-41 230
Other expenses	-20 043	-21 419	-21 847	-22 284	-22 730	-23 185	-23 648
Depreciation	-295	-354	-149	-334	-501	-551	-596
<b>Operating result</b>	<b>-26 387</b>	<b>-37 938</b>	<b>-24 436</b>	<b>4 461</b>	<b>25 050</b>	<b>49 701</b>	<b>66 992</b>
Operating margin	-404%	-697%	-61%	4%	16%	25%	28%
Net interest income	-560	-1 141	0	0	0	0	0
<b>Result before tax</b>	<b>-26 947</b>	<b>-39 079</b>	<b>-24 436</b>	<b>4 461</b>	<b>25 050</b>	<b>49 701</b>	<b>66 992</b>
Taxes	0	0	0	-919	-5 160	-10 238	-13 800
<b>Net profit</b>	<b>-26 947</b>	<b>-39 079</b>	<b>-24 436</b>	<b>3 542</b>	<b>19 889</b>	<b>39 462</b>	<b>53 191</b>

Source: Mangold Insight

Balance Sheet (TSEK)	2021	2022	2023E	2024E	2025E	2026E	2027E
<b>Assets</b>							
Cash and bank	18 171	20 332	23 233	26 756	47 192	87 377	141 034
Trade receivables	6 732	11 089	12 108	32 691	45 768	60 413	71 288
Inventory	0	0	0	0	0	0	0
Fixed assets	1 240	1 493	3 344	5 009	5 508	5 958	6 362
<b>Total assets</b>	<b>26 144</b>	<b>32 914</b>	<b>38 684</b>	<b>64 456</b>	<b>98 468</b>	<b>153 748</b>	<b>218 683</b>
<b>Liabilities</b>							
Current liabilities	3 974	9 943	13 076	35 306	49 429	65 246	76 991
Non-current liabilities	12 000	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>15 973</b>	<b>9 943</b>	<b>13 076</b>	<b>35 306</b>	<b>49 429</b>	<b>65 246</b>	<b>76 991</b>
<b>Equity</b>							
Restricted equity	690	1 113	28 186	28 186	28 186	28 186	28 186
Unrestricted equity	9 480	21 858	-2 578	964	20 853	60 316	113 507
<b>Total equity</b>	<b>10 170</b>	<b>22 971</b>	<b>25 608</b>	<b>29 150</b>	<b>49 039</b>	<b>88 502</b>	<b>141 693</b>
<b>Liabilities and equity</b>	<b>26 143</b>	<b>32 914</b>	<b>38 684</b>	<b>64 456</b>	<b>98 468</b>	<b>153 748</b>	<b>218 684</b>

Source: Mangold Insight

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Mangold analyzed Wyld Networks by December 23, 2022.

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.

Mangold is under the supervision of the Swedish Financial Supervisory Authority.

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