

Wyld Networks

Mangold Insight – Commissioned Research – Update – 2023-10-11

Long-awaited delivery started

Virtual satellite network operator Wyld Networks ("Wyld") has started to deliver modules which will generate significant cash flows moving forward. The order book of SEK 91.5 million is starting to be converted into revenue which is a huge step forward for Wyld. Mangold believes that the most relevant aspect is how quickly Wyld can deliver the pre-ordered modules and terminals. In the second quarter, revenue was lower than expected while costs developed at an expected rate. An agreement with SpaceX on possible areas of collaboration further demonstrate the potential of Wyld's offer.

Capital injections gives stable footing for expansion

The company is estimated to be well capitalized to reach profitability (EBIT) in 2024. Wyld had about SEK 19 million in cash by the end of the quarter and received R&D grant of SEK 6.3 million in August from the UK government. Moreover, Wyld did a directed issue of shares of SEK 15 million, took a loan of SEK 15 million and issued free-of-charge warrants of series TO4 and TO5. The warrants can at most generate SEK 89,2 million with a total dilution of 33,8 percent.

Lower price target due to dilution

Mangold has lowered revenue estimates for 2023 and 2024 but increased it in the longer term. The reason is that data revenues are expected to scale at a faster pace than previous estimated. Mangold still believes that the company is undervalued but lowers the price target to SEK 18,00 (27,00) per share over 12 months. In order to meet the price target, Wyld needs to deliver in significant volume in the fourth quarter of 2023 and become profitable (EBIT) on a full-year basis in 2024. Mangold assumes full dilution in the valuation.



Price Performance %	1m	3m	12m
WYLD	7,2	-12,5	-22,0
OMXSPI	-0,4	-3,3	14,3

Information

Price target	Buy 18,00
Risk	High
Price (SEK)	8,87
Market Cap (MSEK)	151,9
Shares (Million)	17,1*
Free float	42%
Ticker	WYLD
Next report	2023-11-30
Website	wyldnetworks.com
Analyst	Pontus Ericsson
*Excl. TO4 & TO5	

Main Shareholders	Shares	Capital
Tern Plc	4,2	27,2%
Jonathan Swann	0,9	5,7%
Philip Andersson	0,8	5,2%
UBS Switzerland	0,8	5,2%
Avanza Pension	0,6	3,9%
BNP Paribas	0,6	3,6%
Movitz Ljungberg	0,4	2,6%
Wardhaman Family	0,3	2,2%
Total	15,5	100%

*Ownership structure 28 July 2023

Key Data (MSEK)	2022	2023E	2024E	2025E	2026E
Revenue (MSEK)	5,4	20,9	96,3	159,2	215,8
EBIT (MSEK)	-37,9	-33,8	0,4	19,6	42,5
Profit before tax (MSEK)	-39,1	-34,9	-0,1	19,6	42,5
EPS (SEK)	-2,3	-2,0	0,0	0,9	2,0
EV/S	117,9	9,0	1,5	0,9	0,6
EV/EBITDA	neg	neg	240,3	6,5	3,0
EV/EBIT	neg	neg	352,6	6,7	3,1
P/E	neg	neg	neg	9,8	4,5

Investment case

Connecting the world

Mangold reiterate Buy of Wyld Networks with a lowered price target of SEK 18,00 (27.00) per share. This represents an upside of more than 100 percent over 12 months. The lowered price target is mostly due to dilution from the directed issue of shares and the expected dilution from warrants.. To achieve the target price, Wyld needs to turn orders into revenue in the fourth quarter of 2023 and achieve profitability (EBIT) in 2024.

Price target SEK 18.00 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 IoT device 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, environment, shipping, 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 (Low Earth Orbiting)-satellites is expected to contribute to an attractive price for customers.

85 percent of the earth's surface has no network connection

Rapidly growing market

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 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

Order backlog

Wyld's order book amounts to approximately SEK 91.5 million. The number of orders for terminals amounts to approximately 3,0 thousand units and modules to 226,5 thousand units. Mangold is positive that the order book continues to grow and is expected to generate significant revenue moving forward. An important catalyst for the share is that the company has started to turn orders into revenue which will be seen in the Q4-report. Mangold believes 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

	Order book
Terminals (M)	0,003
Modules (M)	0,2265
Wyld Connect (MSEK)	77,1
Data (MSEK)	14,4
Total order book (MSEK)	91,5

Source: Mangold Insight

Agreement with SpaceX

In August, Wyld signed a deal with satellite/space company SpaceX, regarding potential areas of cooperation. The companies will initially explore the potential of remote access in Central, North and South America. SpaceX offers broadband through Starlink as well as IoT connectivity via Swarm. The agreement is seen as positive since SpaceX is one of the largest companies in the space and satellite industry, which indicates the potential that the company sees in Wyld.

The deal indicates the potential of Wyld's offer

British program can give boost in Asia

Wyld has received a seat in the UK Asia Pacific Tech Growth Program, a UK government-backed initiative, driven by Intralink. The aim is to increase UK technology exports in Asia by supporting the market engagement of UK technology companies. The initiative may facilitate Wyld's establishment in Asia, which may lead to increased revenue.

The program can contribute to successful establishment in Asia

New deal in Australia

Wyld signed an agreement with Novecom in September regarding delivery of IoT-data through Wyld Connect in Australia. Initially, Wyld's technology will be used in a large scale project for water surveillance on the countryside. The deal is the first after Wyld's investment in sales resources in the APAC (Asia-Pacific) region which bodes well for the continued expansion in the region.

New deal in APAC

Wyld Networks – Update

Agreement with ConocoPhillips

Wyld signed an agreement with one of the largest energy companies in the world (Market cap of USD 150 billion), ConocoPhillips. Initially, Wyld Connect will be used for surveillance of well heads and asset tracking in the Bakken reservoir in North America. In the US there are over 1 million well heads which shows the potential of the pilot project. Using a combination of LEO satellites and the Wyld Connect solution; ConocoPhillips believes there will be a significant reduction in manual monitoring along with an increase in automation when it comes to the elimination of unnecessary wellsite visits and collecting invaluable data. The agreement is of significance as it is with one of the largest oil- and gas companies in the world, where Wyld's products can be implemented globally.

Agreement with one of the largest oil- and gas companies

Concludes agreement with Peruvian IoT corporation

Wyld has signed a contract with the Peruvian company Energy Automation Technologies (EAT). The company will integrate Wyld Connect into its IoT products in order to connect electricity, gas and waterworks in remote locations in South America.

Contract with IoT company with electricity, gas and water utilities in South America

Digitalisation in the maritime sector

Wyld signed an agreement with Pontos, a French technology company within the maritime sector. The company has a fishing fleet of 25 000 ships in Latin America and the Caribbean. Wyld will help the company with data collection regarding temperature, moisture and ocean depth readings. Mangold views the cooperation as favourable as it provides potential for growth moving forward.

Connection for fishing fleet of 25 000 ships

Wyld Networks – Update cont.

Lower than expected revenue in the quarter

In the second quarter of 2023, revenue was lower than expected at SEK 1.3 (5.9) million. The reason for this was that the SEK 4.3 million in research grants were not recorded as other revenue in the period. Other costs decreased to SEK 5.7 (6.0) million during the quarter. On a half-yearly basis, other costs remain at the same level of SEK 9.9 (9.9) million. Mangold believes Wyld can keep costs in check. Personnel costs have increased to SEK 11.4 (8.2) million, corresponding to an increase of 39 percent. Mangold has already taken into account that personnel costs will increase. Total operating costs increased to SEK 21.3 (18.1) million, which corresponds to an increase of 18 percent. As a result, costs are increasing at a lower rate than revenue, which is expected to continue.

Lower revenue than expected

WYLD NETWORKS - H1 23

(TSEK)	Q2 22	Q2 23	H1 22	H1 23
Revenues	1 038	1 333	1 984	2 664
Growth		28%		34%
Gross profit	417	995	1 269	1 862
Gross margin	40%	75%	64%	70%
Operational costs	10 200	11 397	18 051	21 269
Change (%)		12%		18%
Depreciation	81	117	149	228
EBIT	-9 864	-10 520	-16 931	-19 635

Source: Mangold Insight

Capital is expected to be sufficient until profitability

At the end of the second quarter, the company had approximately SEK 19 million in cash. In August, Wyld received a payment from the British government for R&D activities of SEK 6.3 million. Together with the SEK 4.3 million for R&D Wyld received in April, the company has received SEK 10.9 million in aid for R&D. In the end of August, Wyld did a directed issue of shares of SEK 15 million and took up a loan of SEK 15 million. Furthermore, Wyld issue free-of-charge warrants of series TO4 and TO5 with subscription period in 2024. Wyld can at most generate SEK 89,1 million before issuing costs. Mangold assumes that the proceeds from the warrants will be SEK 73,0 million. Mangold thus considers that the company is well capitalized to achieve the expected profitability (EBIT) in 2024 as current and recurring revenues will start to be generated at the end of the third quarter. Mangold is the financial advisor in the transactions. Investments are reduced from SEK 2 million to SEK 400 thousand during 2023, given that investments for the first half of the year amounted to only SEK 135 thousand. Moving forward Mangold increase the estimated investments given the need for product development with, for example 5G NB-IoT compability.

Cash is expected to last until profitability

Wyld Networks – Estimates

Estimates for 2023

The revenue estimate for 2023 is reduced to SEK 20.9 (30.4) million. This revision is due to lower revenue in the second quarter of 2023. As the modules has started to be delivered we believe that revenue will grow significantly in the fourth quarter. Mangold estimates that Wyld will deliver 37,8 thousand modules during the year. The majority of expected revenues in the third quarter are expected to be the cash disbursement by the UK Government of R&D activities. The payments are made to SMEs and we expect that they will receive at least the same amount in 2024 and 2025 given that it has consistently increased annually.

2023 revenue estimate decreased

WYLD NETWORKS- GROWTH ESTIMATES

(TSEK)	Q1	Q2	Q3E	Q4E	2023E
Revenues	1 332	5 900	9 000	14 120	30 352
Revenue (new estimate)	1 332	1 333	4 636	13 574	20 875
Quarterly growth		0%	248%	193%	

Source: Mangold Insight

Adjusted estimates

Mangold adjust revenue for 2023 and 2024 given a slightly slower roll-out than expected. However, we adjust revenue upwardly in 2025 to 2027 given an expected higher delivery of modules. Mangold estimates that data revenue will exceed revenue from the delivery of devices in May 2024. We assume that Wyld will have delivered a total of 174,1 thousand modules by the end of 2024. Wyld is expected to generate nearly SEK 100 million by the time 76,8 percent of the current order book is delivered, the majority of which is recurring data revenue. We choose to adjust the gross margin in the coming years but also increase the estimate for personnel and other costs. Mangold maintains that Wyld can make a profit (EBIT) in 2024. Mangold estimates that Wyld will have delivered a total of about 583,000 modules by the end of 2027, which is only 157 percent more than what has already been ordered.

Long-term revenue is adjusted up and EBIT margin down

WYLD NETWORKS - ESTIMATES

(TSEK)	2023E	2024E	2025E	2026E	2027E
Revenues	30 352	108 475	151 865	200 461	236 544
Revenue (new)	20 875	96 342	159 218	215 825	278 701
Growth (%)	283%	362%	65%	36%	29%
EBIT	-29 938	2 476	21 884	46 358	63 442
EBIT (new)	-33 772	373	19 568	42 453	71 580
EBIT margin	-99%	2%	14%	23%	27%
EBIT margin (new)	-231%	0%	13%	20%	26%

Source: Mangold Insight

Wyld Networks – Valuation

Undervalued share

Mangold reiterate Buy with a reduced price target of SEK 18,00 (27,00) per share. The fair value is SEK 18,04 per share. The lowered price target is mostly due to dilution from the directed issue of shares and the expected dilution from warrants. In order to achieve the price target, Wyld needs to turn orders into revenue in the end of 2023 and reach profit (EBIT) in 2024.

Price target SEK 18,00 per share

WYLD NETWORKS - DCF

(TSEK)	2023E	2024E	2025E	2026E	2027E
EBIT	-33 772	373	19 568	42 453	71 580
Free cash flow	-33 132	-6 677	10 760	30 569	52 191
Terminal value					579 896

Assumptions	Req. return	Growth	Tax
	12%	3%	21%

Fair value

Enterprise value	392 905
Equity value (TSEK)	413 237
Fair value per share (SEK)	18,04

Source: Mangold Insight

Sensitivity analysis

Mangold has conducted a sensitivity analysis to test the outcome of the model given different required returns and sales levels. If Wyld achieves 90 percent of the estimated sales, the fair value drops to SEK 13,37 per share. If sales increases by 10 percent instead, the fair value increases to SEK 22,77 per share. The sales level is the factor that most affects the price target. In summary, the model shows a range between SEK 11,68 and SEK 26,18 per share. The model displays upside in all cases.

Valuation range between SEK 11,68 to SEK 26,18 per share

WYLD NETWORKS - SENSITIVITY ANALYSIS

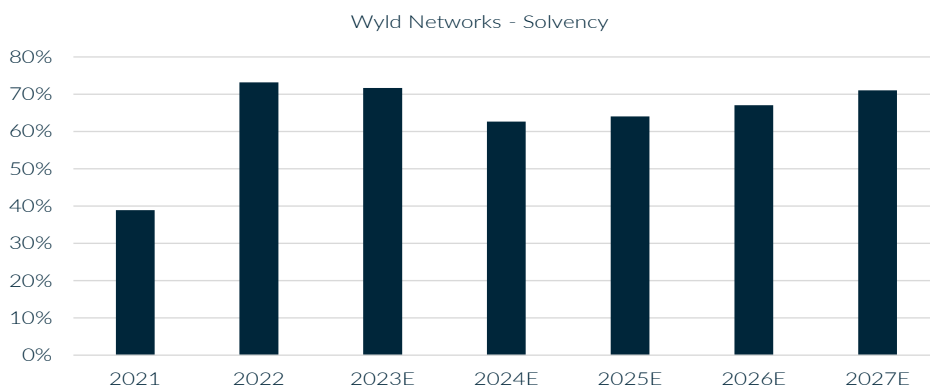
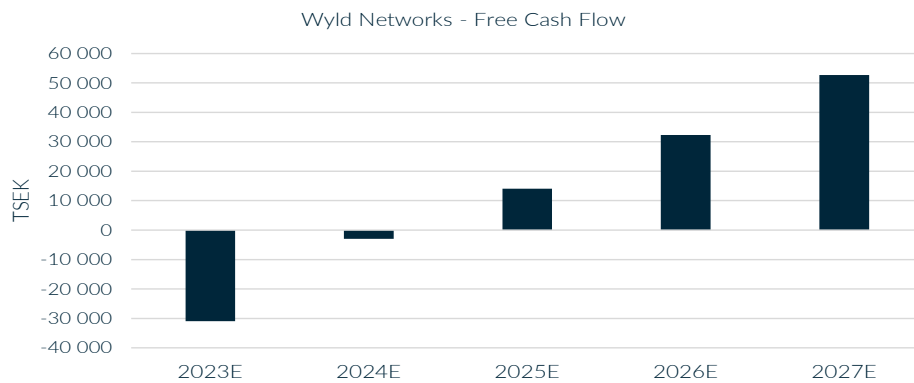
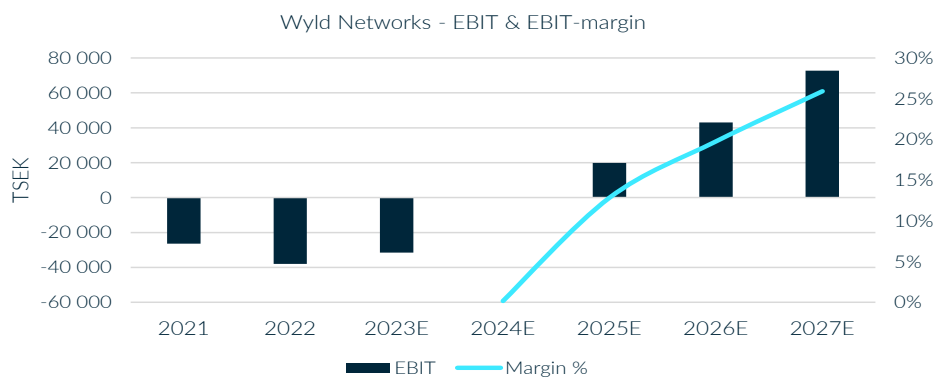
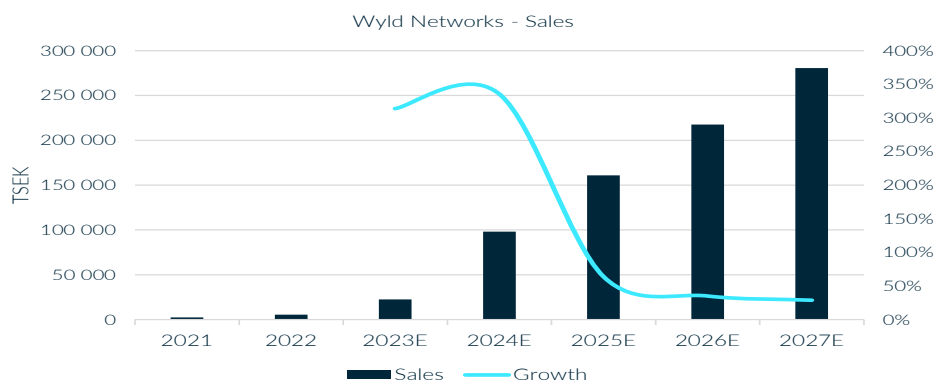
Req. return %	0,9x	Base Sales(x)	1,1x
11	15,50	20,80	26,18
12	13,37	18,04	22,77
13	11,68	15,84	20,06

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
Revenue	2 455	1 116	16 259	91 820	154 696	217 572	280 448
Operating income	4 074	4 329	6 269	6 269	6 269	0	0
Cost of sales	0	-1 334	-7 154	-38 564	-61 878	-82 677	-100 961
Gross profit	6 529	4 111	15 374	59 525	99 087	134 895	179 487
Gross margin	100%	76%	68%	61%	62%	62%	64%
Personnel costs	-12 577	-20 275	-24 938	-35 832	-52 921	-62 947	-74 648
Other expenses	-20 043	-21 419	-21 847	-23 377	-25 948	-28 543	-31 683
Depreciation	-295	354	149	174	357	421	479
EBIT	-26 387	-37 938	-31 561	142	19 861	42 983	72 677
EBIT margin	-404%	-697%	-194%	0%	13%	20%	26%
Net interest	-560	-1 141	-360	0	0	0	0
Profit after net financial items	-26 947	-39 079	-31 921	142	19 861	42 983	72 677
Taxes	0	0	0	29	4 091	8 854	14 972
Net profit	-26 947	-39 079	-31 921	112	15 770	34 128	57 706

Balance Sheet (TSEK)	2021	2022	2023E	2024E	2025E	2026E	2027E
Assets							
Cash and bank	18 171	20 332	5 166	2 228	16 321	48 599	101 301
Trade receivables	6 732	11 089	4 009	22 641	38 144	53 648	69 152
Inventory	0	0	0	0	0	0	0
Fixed assets	1 240	1 493	1 744	3 569	4 212	4 791	5 312
Total assets	26 144	32 914	10 919	28 438	58 678	107 038	175 764
Liabilities							
Account payables	3 974	9 943	3 724	21 131	35 601	49 833	60 853
Liabilities	12 000	0	0	0	0	0	0
Total Liabilities	15 973	9 943	3 724	21 131	35 601	49 833	60 853
Equity							
Restricted equity	690	1 113	17 257	17 257	17 257	17 257	17 257
Unrestricted equity	9 480	21 858	-10 062	-9 950	5 820	39 948	97 654
Total equity	10 170	22 971	7 195	7 307	23 077	57 205	114 911
Liabilities and equity	26 143	32 914	10 919	28 439	58 678	107 038	175 765

Källa: Mangold Insight

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Mangold analyzed Wyld Networks on June 9, 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.

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