

Wyld Networks

Mangold Insight – Commissioned Research - Update – 2023-12-18

Exciting phase for the satellite network operator

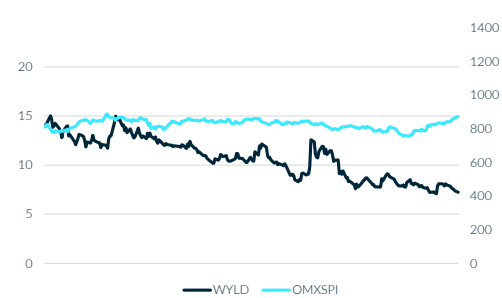
Virtual satellite network operator Wyld Networks ("Wyld") has started to deliver modules, which is expected to generate substantial revenue growth in the coming quarters. Contracts have also been signed during and after the quarter, which may result in further increased revenue. Wyld Fusion was also released as a separate product, and is expected to contribute to its recurring revenue.

Started delivery and strong cash show potential

Wyld had a cash position of about SEK 33 million at the end of the third quarter. Mangold believes that it makes the company well capitalized to be able to scale up production and delivery in the fourth quarter. The company has issued warrants of series TO4 and TO5 with subscriptions in 2024. Mangold estimates that Wyld will raise approximately SEK 61 million through outstanding warrants programs. Wyld is expected to reach profitability by 2025, with expected strong growth and successful TO4 and TO5. We assume full dilution.

Continued large upside

Mangold has marginally adjusted the estimate of income and costs, which leads to a slightly lower price target. Mangold continues to see Wyld undervalued, lowering the price target to SEK 17.00 (18.00) per share over 12 months, an upside of over 100 percent. In order to meet the price target, Wyld needs to deliver volume in the fourth quarter of 2023 and become profitable by 2025. Triggers are new contracts and the order book begins to be translated into revenue.



Price Performance %	1m	3m	12m
WYLD	5,7	-2,3	-46,7
OMXSPI	8,8	10,2	14,5

Information

Price target	Buy 17,00
Risk	High
Price (SEK)	7,65
Market Cap (MSEK)	131,0
Shares (Million)	17,1*
Free float	70%
Ticker	WYLD
Next report	2024-03-27
Website	wyldnetworks.com
Analyst	Pontus Ericsson

*Excl. TO4 & TO5

Main Shareholders	Shares	Capital
Tern PLC	3,9	22,8%
Swann Jonathan	1,2	7,0%
Nordnet Pension	1,2	6,9%
UBS Switzerland	0,9	5,2%
Philip Andersson	0,9	5,1%
BNP Paribas	0,6	3,4%
Avanza Pension	0,5	3,2%
Wardhaman Family	0,3	2,0%
Total	17,1	100%

*Ownership structure 27 September 2023

Key Data (MSEK)	2022	2023E	2024E	2025E	2026E
Revenue (MSEK)	5,4	15,9	91,1	154,0	210,6
EBIT (MSEK)	-37,9	-37,2	-5,5	13,6	36,3
Profit before tax (MSEK)	-39,1	-38,3	-6,0	13,6	36,3
EPS (kr)	-2,3	-2,2	-0,3	0,6	1,7
EV/S	117,9	13,7	1,6	0,9	0,6
EV/EBITDA	neg	neg	neg	9,1	3,5
EV/EBIT	neg	neg	neg	9,6	3,6
P/E	neg	neg	neg	14,0	5,3

Investment case

Connecting the world

Mangold repeats Buy of Wyld Networks with a revised price target of SEK 17.00 (18.00) per share over a 12-month period. This represents an upside of more than 100 percent. This reduction is mainly due to increased cost estimates moving forward.

Price target SEK 17.00 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 a great potential to sell the solution to companies operating in this coverage-free zone. Wyld's products can potentially be used in a variety of sectors, including agriculture, energy, the environment, shipping, and logistics. The products await the results of the patent application and the company has registered its trademarks. It strengthens the company's 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 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 strong underlying demand for these technologies is expected to contribute positively to Wyld's growth.

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

Same level of order book

The order book remains at the same level as the previous analysis. However, Wyld has entered into contracts with scores of companies that do not specify contract value or quantity. Mangold estimates that Wyld will be able to generate substantial revenue through these agreements. Wyld has also introduced Wyld Fusion as a separate product, which is expected to drive revenue.

Many new contracts with great potential

WYLD NETWORKS - ORDER BOOK

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

Source: Mangold Insight

Wyld Fusion launched under license

Wyld has launched the Wyld Fusion platform as a SaaS offering for combined satellite and ground-based IoT network management. The software as a service can be licensed independently of Wyld Connect, providing an additional revenue stream for Wyld. According to Wyld, Fusion is the only platform for managing IoT networks that supports multiple satellite operators in combination with terrestrial networks, sensors, and multi-vendor devices.

Wyld Fusion is also released via SaaS model

Delivers to ESA

Wyld has in October delivered LoRaWAN satellite-to-satellite connectivity, for a European Space Agency (ESA)-sponsored program. The program is implemented with Eutelsat and Thales and Wyld's IoT module has been built into low-orbit satellites to provide radio connectivity. Through satellite-to-satellite connection, the control of LEO satellites will be improved and will lead to reduced cost of control.

Delivers satellite-to-satellite connectivity to ESA

Saudi Arabian agreement signed

Wyld has signed agreements for the monitoring of infrastructure assets in Saudi Arabia along with Brinja and Vracity. Brinja offers building surveillance technology and Vracity offers advanced digital twin technology. The combination of the companies' products will allow them to detect and analyze different parts of the infrastructure regarding weather conditions, structural integrity, cracks, vibrations and other deviations. The collected data enables customers to make informed decisions regarding planning and maintenance programs. This combination of technologies has a wide range of applications and can be applied in most sectors.

Deal in Saudi Arabia together with Brinja and Vracity

Wyld Networks – Update cont.

Agricultural agreements in Australia

Wyld signed agreements with PLF Australia in late October to monitor water, soil, livestock, crops, and weather conditions in agriculture. Data collection can increase returns, reduce inputs and improve sustainability.

Agricultural agreements in Australia

Cereal monitoring in Argentina

In November, Wyld signed a deal with the Argentine technology company IOF. The company offers blockchain database solutions for monitoring assets such as cereals. The company has a current project regarding cereal production in Argentina. Most fields in Argentina have no mobile phone coverage, which makes Wyld's solution particularly attractive. The company uses sensor technology that measures temperature, humidity, CO2 and mobility measurements which contributes to added value in silo handling.

Monitoring of cereals

Brazilian Partnership in Service and Maintenance

Wyld has a partnership with the Brazilian company Priner Group, which operates in the service and maintenance sectors. Priner Group is active in industries such as steel, petrochemicals, oil exploration and production, marine, paper and cellulose, mining, sugar and energy. In addition, they are active in infrastructure. Initially, the partnership shall include the control of losses in the delivery of goods to the company's customers.

Partnership with Service and Maintenance Company Priner Group

Wyld Networks – Update cont.

Increased costs marked the quarter

Wyld conducted trials with his customers during the quarter, and started to ship products in October. In the third quarter of 2023, revenue increased to SEK 2.6 (0.9) million, compared to the same period last year. Revenue was approximately 2.0 million lower than our estimate for the quarter. Operating costs amounted to SEK 15.8 (9.5) million compared to the previous year. The increase was primarily driven by one-off capital raising costs and the registration of significant audit fees. Other costs increased to SEK 9.2 (4.2) million during the quarter. On a nine-month basis, other costs increased to SEK 19.1 (14.1) million. Staff costs have increased to SEK 6.6 (5.3) million. On a nine-month basis, personnel costs increased to SEK 18.0 (13.4) million. For the nine-month period, operating costs increased to SEK 37.1 (27.6) million, which corresponds to an increase of 35 percent. Other costs were slightly higher than we had anticipated, while personnel costs were slightly lower than expected. Mangold opts for minor revisions in the form of slightly lower personnel costs and slightly higher other costs.

Lower revenue than expected

WYLD NETWORKS - 9M 23

(TSEK)	Q3 22	Q3 23	9M 22	9M 23
Revenues	933	2 582	2 917	5 246
Growth		177%		80%
Gross profit or loss	635	2 115	1 904	3 977
Gross margin	68%	82%	65%	76%
Operational costs	9 505	15 826	27 556	37 095
Change (%)		67%		35%
Depreciation	63	93	212	321
EBIT	-8 933	-13 805	-25 864	-33 439
EBIT margin	-957%	-535%	-887%	-637%

Source: Mangold Insight

The capital is expected to be sufficient until profitability

By the end of the third quarter, Wyld had SEK 33 million in cash. Wyld raised funds of SEK 15 million through a rights issue at the end of August and SEK 15 million through loans. Wyld also issued warrants of series TO4 and TO5 with subscription periods in 2024. Mangold estimates that Wyld will raise about SEK 61 million in the issues. Mangold thus considers that the company is well capitalized to achieve the expected profitability in 2025 as current and recurring revenues will start to be generated in the fourth quarter. Mangold is financial adviser in the transactions. The rate of investment is maintained at the same levels as the previous analysis.

The capital is deemed sufficient until profitability

Wyld Networks – Estimates

Estimate for 2023

The revenue estimate for 2023 is reduced to SEK 15.9 (20.9) million. This revision is due to lower-than-expected revenues in the third quarter. As the modules have started to be delivered, revenue is expected to increase significantly in the fourth quarter, but to a lesser extent than previously estimated.

Reduced revenue estimate in future

WYLD NETWORKS- GROWTH ESTIMATE

(TSEK)	Q1	Q2	Q3	Q4E	2023E
Revenues	1 332	1 333	4 636	13 574	20 875
Revenue new estimate	1 332	1 333	2 582	10 638	15 885
Quarterly growth		0%	94%	312%	

Source: Mangold Insight

Adjusted estimates

Mangold marginally adjusts revenue due to a slightly slower scroll. Mangold estimates that data revenue will exceed revenue from device delivery in June 2024 from earlier May 2024. Mangold also traces that Wyld will have delivered a total of 162.7 thousand modules by the end of 2024, corresponding to 71.8 percent of the current order book. It should be noted that Wyld has entered into most of the contracts where the number of units or the value of the contract is not published. We assume that these agreements, too, will contribute to Wyld's long-term revenue. Wyld Fusion has also been introduced as a separate product, which is expected to drive growth. Mangold expects the company to achieve profitability by 2025.

Slightly lower EBIT margin

WYLD NETWORKS - ESTIMATES

(TSEK)	2023E	2024E	2025E	2026E	2027E
Revenues	20 875	96 342	159 218	215 825	278 701
Revenue (new)	15 885	91 103	153 979	210 586	273 462
Growth (%)	192%	474%	69%	37%	30%
EBIT	-31 561	142	19 861	42 983	72 677
EBIT (new)	-37 153	-5 516	13 638	36 281	65 138
EBIT margin	-231%	0%	13%	20%	26%
EBIT margin (new)	-386%	-7%	9%	17%	24%

Source: Mangold Insight

Wyld Networks – Valuation

Undervalued share

Mangold lowers the price target to SEK 17.00 (18.00) per share. The fair value is SEK 16.85 per share. Reduction is mainly expected to be higher operating costs and slightly lower sales. In order to be achieved, Wyld needs to turn orders into revenue by the end of 2023 and achieve profitability in 2025.

Price target SEK 17,00 per share

WYLD NETWORKS - DCF

(TSEK)	2023E	2024E	2025E	2026E	2027E
EBIT	-37 153	-5 516	13 638	36 281	65 138
Free cash flow	-36 526	-9 629	7 988	27 403	50 009
Terminal value					555 654
Assumptions	Req. return	Growth	Tax		
	12%	3%	21%		
Fair value					
Enterprise value	365 636				
Equity value (Tkr)	385 968				
Fair value per share (SEK)	16,85				

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 estimate sale, the reasoned value drops to SEK 12.42 per share. If the sale increases by 10 percent instead, the fair value increases to SEK 21.39 per share. The sales level is the factor that most affects the price target. In summary, the model shows a range between SEK 10.80 and SEK 24.68 per share. The model displays the top side in all tested cases.

Valuation range between SEK 10.80 to SEK 24.64 per share

WYLD NETWORKS - SENSITIVITY ANALYSIS

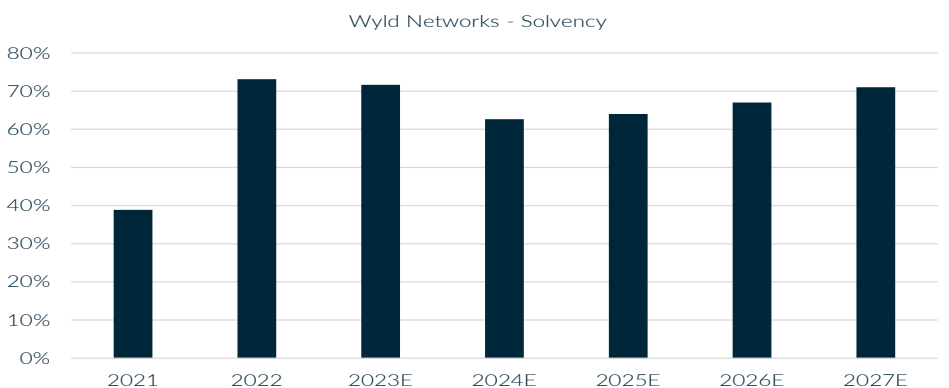
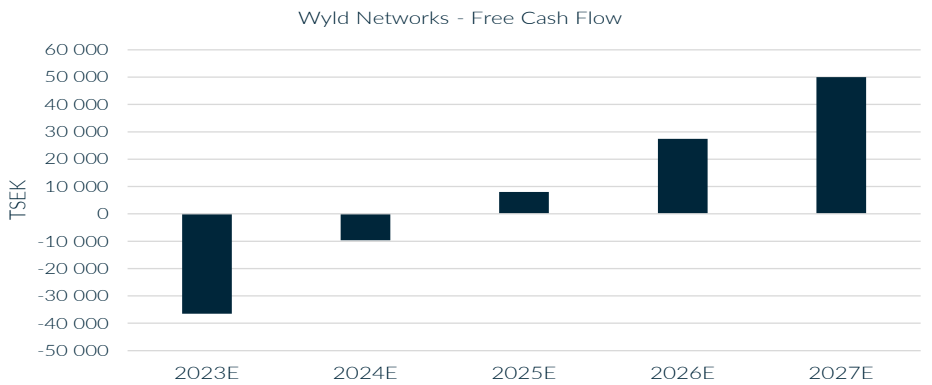
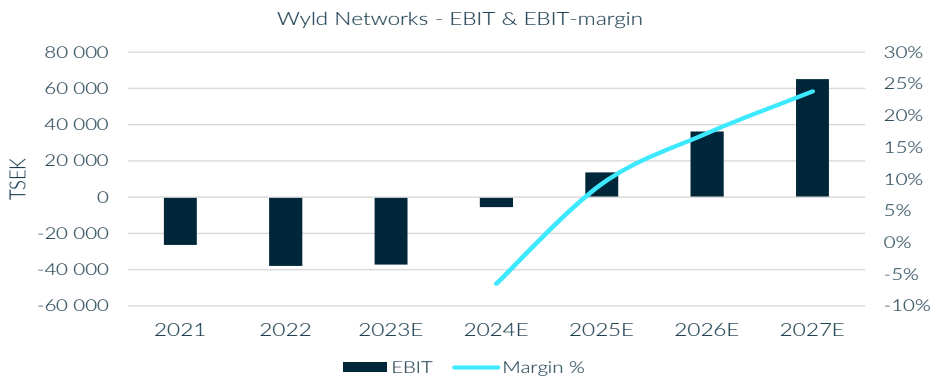
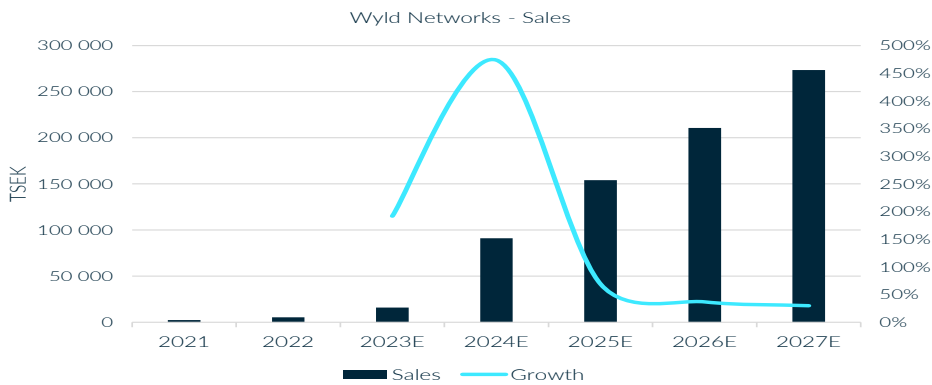
Req. return %	0,9x	Base Sales(x)	1,1x
11	14,45	19,48	24,64
12	12,42	16,85	21,39
13	10,80	14,75	18,80

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	9 616	84 834	147 710	210 586	273 462
Operating income	4 074	4 329	6 269	6 269	6 269		
Cost of sales		-1 334	-4 231	-35 630	-59 084	-80 023	-98 446
Gross profit	6 529	4 111	11 654	55 473	94 895	130 563	175 016
Gross margin	100%	76%	73%	61%	62%	62%	64%
Personnel costs	-12 577	-20 275	-24 026	-34 448	-51 236	-60 963	-72 831
Other expenses	-20 043	-21 419	-24 632	-26 356	-29 255	-32 181	-35 721
Depreciation	-295	354	149	184	766	1 139	1 325
EBIT	-26 387	-37 938	-37 153	-5 516	13 638	36 281	65 138
EBIT margin	-404%	-697%	-386%	-7%	9%	17%	24%
Net interest	-560	-1 141	-1 110	-450	0	0	0
Profit after net financial items	-26 947	-39 079	-38 263	-5 966	13 638	36 281	65 138
Taxes	0	0	0	0	2 809	7 474	13 418
Net profit	-26 947	-39 079	-38 263	-5 966	10 828	28 807	51 720

Source: Mangold Insight

Balance Sheet (TSEK)	2021	2022	2023E	2024E	2025E	2026E	2027E
Assets							
Cash and bank	18 171	20 332	28 840	64 485	72 474	99 876	149 885
Trade receivables	6 732	11 089	2 371	20 918	36 422	51 925	67 429
Inventory	0	0	0	0	0	0	0
Fixed assets	1 240	1 493	1 844	7 659	11 393	13 254	13 429
Total assets	26 144	32 914	33 055	93 063	120 289	165 056	230 743
Liabilities							
Account payables	3 974	9 943	2 202	22 452	38 850	54 810	68 777
Liabilities	12 000	0	15 000	0	0	0	0
Total Liabilities	15 973	9 943	17 202	22 452	38 850	54 810	68 777
Equity							
Restricted equity	690	1 113	32 257	92 981	92 981	92 981	92 981
Unrestricted equity	9 480	21 858	-16 405	-22 371	-11 542	17 265	68 984
Total equity	10 170	22 971	15 852	70 611	81 439	110 246	161 965
Liabilities and equity	26 143	32 914	33 055	93 063	120 289	165 056	230 743

Source: Mangold Insight

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Mangold analyzed Wyld Networks on October 11, 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