

# TERN PLC

## SOFTWARE AND COMPUTER SERVICES

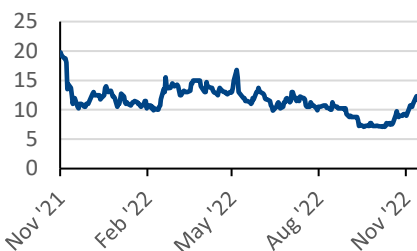
8 December 2022

### TERN.L

11.8p

Market Cap: £41.4m

#### SHARE PRICE (p)



12m high/low 18.0p/7.1p

Source: LSE Data (priced as at prior close)

#### KEY DATA

Net (Debt)/Cash	£0.3m (at 30/06/22)
Enterprise value	£41.1m
Index/market	AIM
Next news	Trading Update Jan 23
Shares in Issue (m)	352.1
Chairman	Ian Ritchie
Chief Executive	Albert E Sisto
CFO	Sarah Payne

#### COMPANY DESCRIPTION

Tern predominantly invests in software companies, with proven technology, based in the UK but with global ambition.

[www.ternplc.com](http://www.ternplc.com)

TERN PLC IS A RESEARCH CLIENT OF PROGRESSIVE

#### ANALYSTS

##### Gareth Evans

+44 (0) 20 7781 5301

[gevans@progressive-research.com](mailto:gevans@progressive-research.com)



##### Tessa Starmer

+44 (0) 20 7781 5303

[tstarmer@progressive-research.com](mailto:tstarmer@progressive-research.com)



[www.progressive-research.com](http://www.progressive-research.com)

## Fundraise and commercial traction

Tern has successfully raised £1.5m (gross) through an issue of 15m subscription shares at 10p per share, a 15% discount to the closing price on 7 December. The net proceeds are intended to protect Tern's commercial position by supporting further growth and investment in its current portfolio companies. Tern will also repay its £400k short term loan facility which will release call options on 320,455 Wyld shares. We see this fundraise as a sensible move, as the group continues to mature its position and offering. Recent newsflow from both Device Authority (DA) and Wyld further support our view that Tern's portfolio is at an inflexion point, gaining significant commercial traction. This includes DA announcing two significant contracts, following on from the recent release of KeyScaler 7.0 and Wyld Networks officially launching its satellite IoT network service on 8<sup>th</sup> December 2022, providing 100% global connectivity for the IoT.

- **Pivotal year for Device Authority** following the strategic investment from Venafi in December 2021. DA is making rapid progress in growing its revenue base. This includes a new contract with a tier one automotive supply chain customer, valued at US\$1.2m over five years, and another contract secured with one of Europe's main energy providers, valued at approximately US\$500k over three years.
- **Commercial launch of Wyld satellite IoT network.** This service was launched on 8th December 2022 and provides 100% global connectivity, with established agreements with over forty launch partners. The group has a SEK 34m purchase order backlog for its IoT module and data service.
- **Positive Q3 results for Wyld.** Following its listing last year on NASDAQ First North, Wyld reported FY22 Q3 results on November 30th which highlighted the signing of new launch partners, and a commercial agreement with Lacuna Space to increase satellite connectivity.
- **Revolutionary product launch of Device Authority's KeyScaler 7.0.** This includes features such as KeyScaler Edge, which is in line with Microsoft's strategy of bringing cloud capabilities to remote or offline settings and also a new Authorization Service Connector to support the new Software Bill of Materials (SBOM).

Tern's model hybrid VC model is delivering, with portfolio companies benefitting from the acceleration of business digital transformation. We view this fundraising as a positive development, underpinning Tern's focus on creating shareholder value and protecting its position in portfolio companies as they gain commercial traction and further strategic interest.

FYE DEC (€M)	2017	2018	2019	2020	2021
Revenue	0.1	0.1	0.1	0.2	0.1
Adj EBITDA	0.0	0.0	0.0	0.0	0.0
Fully Adj PBT	-1.7	-0.3	-0.8	0.8	4.6
Fully Adj EPS (p)	-1.4	-0.1	-0.3	0.3	1.3
Net asset value	10.6	16.8	18.9	24.0	32.4
NAV/share (p)	8.5	7.7	7.5	8.3	9.5
PER (x)	N/A	N/A	N/A	42.5x	8.8x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: Tern plc**

Year end: December (£m unless shown)

	2017	2018	2019	2020	2021
<b>PROFIT &amp; LOSS</b>					
Revenue	0.1	0.1	0.1	0.2	0.1
Adj EBITDA	0.0	0.0	0.0	0.0	0.0
Adj EBIT	0.0	0.0	0.0	0.6	4.4
Reported PBT	(1.7)	(0.3)	(0.8)	0.8	4.6
Fully Adj PBT	(1.7)	(0.3)	(0.8)	0.8	4.6
NOPAT	(1.7)	(0.3)	(0.8)	0.8	4.6
Reported EPS (p)	(1.4)	(0.1)	(0.3)	0.3	1.3
Fully Adj EPS (p)	(1.4)	(0.1)	(0.3)	0.3	1.3
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	(0.8)	(0.8)	(1.3)	(1.2)	(1.5)
Free Cash flow	(1.6)	(4.3)	(3.8)	(3.1)	(4.0)
FCF per share (p)	(1.3)	(2.0)	(1.5)	(1.0)	(1.2)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	1.1	5.9	2.9	4.2	3.8
Net cash flow	(0.5)	1.6	(0.9)	1.1	(0.2)
Overdrafts / borrowings	(0.2)	0.0	0.0	0.0	0.0
Cash & equivalents	0.3	1.9	1.0	2.1	2.0
Net (Debt)/Cash	0.1	1.9	1.0	2.1	2.0
<b>NAV AND RETURNS</b>					
Net asset value	10.6	16.8	18.9	24.0	32.4
NAV/share (p)	8.5	7.7	7.5	8.3	9.5
Net Tangible Asset Value	0.0	0.0	0.0	0.0	0.0
NTAV/share (p)	0.0	0.0	0.0	0.0	0.0
Average equity	10.9	13.7	17.8	21.5	28.2
Post-tax ROE (%)	(15.5%)	(2.3%)	(4.4%)	3.7%	16.2%
<b>METRICS</b>					
Revenue growth		8.3%	17.6%	21.5%	(57.9%)
Adj EBITDA growth		N/A	N/A	N/A	N/A
Adj EBIT growth		N/A	N/A	N/A	638.0%
Adj PBT growth		(81.5%)	149.8%	(203.0%)	469.5%
Adj EPS growth		(89.6%)	119.2%	(189.2%)	382.8%
Net asset value growth		58.3%	12.9%	26.9%	35.1%
NAV/share growth		(9.2%)	(2.7%)	10.0%	15.7%
<b>VALUATION</b>					
EV/Sales (x)	419.4	387.0	329.2	270.9	643.9
EV/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
EV/NOPAT (x)	N/A	N/A	N/A	51.1	9.0
PER (x)	N/A	N/A	N/A	42.5	8.8
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(10.7%)	(16.9%)	(12.9%)	(8.9%)	(10.0%)

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

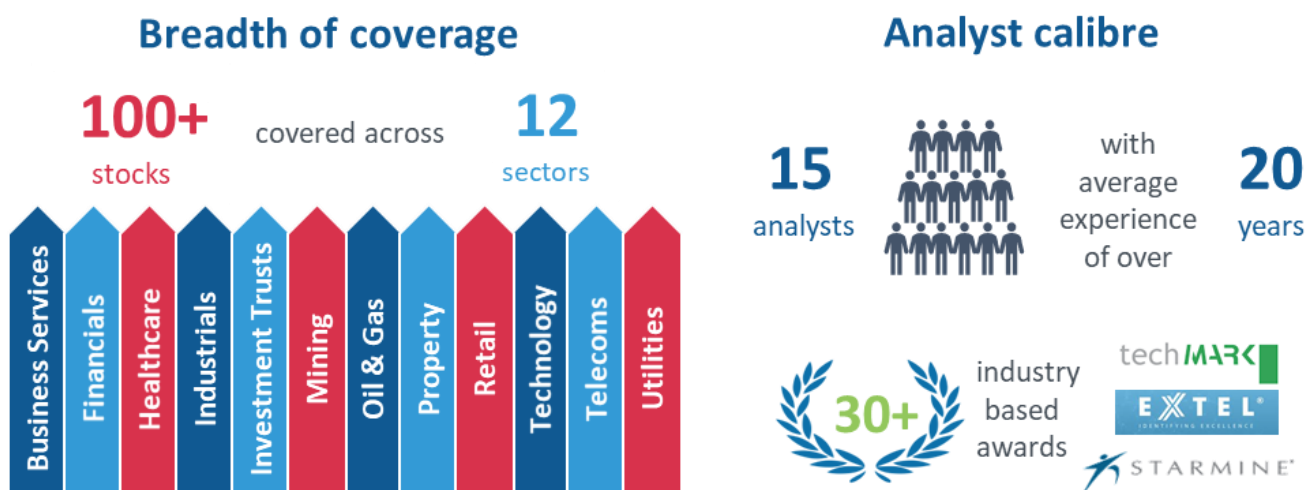
Copyright 2022 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact us at:  
+44 (0) 20 7781 5300  
info@progressive-research.com