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### 13.12.2022 - GBC Research Comment - EPTI AB

Company: EPTI AB \*5a, 6a, 11

ISIN: SE0013774668

Reason for the research commentary: Q3 figures

Analysts: Matthias Greiffenberger; Cosmin Filker

Current price: € 0.21 (Xetra 17.11.2022; 17:35)

Target price: € 0.80 (previously: € 0.85)

Rating: Buy

Date (time) of completion: 12.12.2022 (13:50)

Date (time) of first publication: 13.12.2022 10:00)

\*Catalog of possible conflicts of interest from page 5

#### ***Significant growth with strong earnings improvements in the 3rd quarter***

In the third quarter of 2022, EPTI AB increased sales by 134.7% to SEK 53.74 M (PY: SEK 22.90 M). Consequently, sales in the first nine months of 2022 almost quadrupled year-on-year by 286.9% to SEK 155.2 million (PY: SEK 40.11 million). Of the nine-month revenue, SEK 125.69 million was attributable to EPTI Service AB and SEK 48.72 million to EPTI Invest AB.

Total output increased by 51.4% to SEK 57.23 million (PY: SEK 37.79 million) in the third quarter of 2022, which corresponds to an increase of 172.9% to SEK 174.41 million (PY: SEK 63.91 million) on a nine-month basis. EPTI Invest AB accounted for SEK 8.34 million (PY: SEK 18.46 million) of the total operating performance and EPTI Service AB for SEK 48.89 million (PY: SEK 19.34 million). The reason for the decrease in EPTI Invest's total operating performance is due to the lower number of consolidated investments. Thus, the investments are recorded as associated companies and are no longer consolidated.

EBITDA amounted to SEK 4.78 million in the third quarter of 2022 (PY: € 12.41 million). The year-on-year reduction is attributable to highly positive one-off effects from the previous year. In a nine-month view, EBITDA decreased to SEK -6.68 million (PY: SEK 11.75 million). EPTI Service AB contributed EBITDA of € 27.44 million, while the EPTI Invest's EBITDA was SEK -11.00 million and that of the Group's parent company was SEK -23.12 million.

Depreciation and amortization increased to SEK 10.48 million (PY: SEK 3.12 million), of which SEK 9.68 million was attributable to goodwill amortization. The reason for this is the amortization of goodwill acquired as part of the reverse IPO. The non-consolidated companies resulted in negative financial expenses of SEK -4.16 million (PY: SEK 0.92 million). Consequently, the total net result was SEK -73.25 million (PY: SEK 3.36 million).

## DEVELOPMENT & EVALUATION

As of 30.09.2022, NAV of SEK 715.59 million (30.06.2022: SEK 698.81 million) was published. The increase compared to 30.06.2022 is mainly due to the capital increase of Apotekamo.

in SEK million	NAV 31.12.2021	NAV 09/30/2022
Gaming	91.02	84.87
FinTech	51.95	24.73
Marketplace	78.37	105.97
SaaS	190.86	137.74
Services	365.66	351.36
Investable assets	58.33	10.91
<b>Total</b>	<b>836.18</b>	<b>715.59</b>

Sources: EPTI, \*GBC

### EPTI Services

For EPTI Services (formerly EPTI Core), we had determined an EBITDA valuation factor of 20x in the initial research as part of a peer group analysis. The company had originally valued EPTI Services in its own portfolio at 12x. As of June 30, 2022, EPTI has increased their valuation to 12.5x. EPTI Services AB's EBITDA on a 12-month basis as of 09/30/2022 was SEK 28.11M, resulting in a valuation of 351.36 with a valuation factor of 12.5x. Using a valuation factor of 20x on EBITDA, we have determined a value of SEK 562.18 million according to the GBC valuation approach. In our opinion, there are thus hidden reserves of SEK 210.82 million for EPTI Services.

	EBITDA Multiple	NAV
EPTI Services current rating	12.5x	SEK 351.36 million
<b>GBC valuation approach</b>	<b>20x</b>	<b>SEK 562.18 million</b>
<i>Hidden reserves</i>		<i>SEK 210.82 million</i>

### Apotekamo transaction

In addition, Apotekamo carried out a capital increase with a post-money valuation of approximately SEK 178 million (€ 16.21 million). EPTI continues to hold a stake of approximately 42% in Apotekamo, corresponding to a NAV Of SEK 74.8 M (€ 6.8 M).

	NAV €
GBC valuation from the mean of the 2025e revenue and EBITDA multiple	49.20 million
<b>Valuation after 60% safety discount</b>	<b>19.68 million</b>
K3 NAV valuation 06/30/2022	16.21 million
<b>Hidden reserves</b>	<b>3.47 million</b>
<i>42% Shareholding amount</i>	<i>1.46 million</i>

Our initial estimate in the research report of April 28, 2022 was thus confirmed. At that time, we had calculated a weighted value of € 49.2 million from a sales and EBITDA multiple as part of a peer group analysis and applied a safety discount of 70% due to the young age of the company. Thus, our NAV valuation of Apotekamo was € 14.76 million or SEK 152.19 million. Due to the successful financing round and the increased network effect from new investors, as well as the expansion plans, we reduced the safety discount to 60% in the half-year 2022 research report. Thus, we currently value Apotekamo at € 19.68 million or SEK 211.21 million. A 42% stake thus corresponds to € 8.27 million or SEK 88.71 million. At the time of the last financing round, the value was € 16.21 million (SEK 174 million), which corresponds to hidden reserves of € 3.47 million. With a shareholding of 42%, the hidden reserves are thus € 1.46 million or approximately SEK 15.71 million.

### Outlook M&A

We assume that the company will continue to actively carry out transactions. We could imagine that there will be expansions in the service area to increase operating cash flow. In addition, exits could possibly still be carried out in the current fiscal year.

### Warrants

We have valued the warrants according to Black Scholes at a current price of SEK 2.09, a risk-free return of 1.5% and an expected volatility of 100%. In our opinion, the value of the warrants is SEK 0.002 million. Under the hypothetical assumption that the company will reacquire the warrants at a fair market price, there is a valuation discount in the amount of the warrant valuation.

Warrants	Number in millions	Expiration date	Exercise price
Employees and consultants	0.38	30.06.2023	18.00 SEK
Board of Directors	0.20	30.06.2023	18.00 SEK

Sources: EPTI AB; GBC AG

### Overall rating

According to our revaluation of EPTI Services and Apotekamo as well as the warrants, we have determined a positive valuation discrepancy (hidden reserves) in the amount of SEK 226.52 million. The valuation discrepancy in addition to the NAV of SEK 715.59 million determined as of September 30, 2022, results in a total **NAV according to the GBC valuation approach of SEK 942.12 million (previously: SEK 952.67 million)**.

Valuation in SEK million	K3 Rating	GBC Rating	Hidden reserves
EPTI Services	351.36	562.18	210.82
Apotekamo	73	88.71	15.71
Warrants	-	-0.002	-0.002
<b>Subtotal</b>			<b>226.53</b>

<b>EPTI NAV</b>	<b>715.59</b>	<b>942.12</b>	<b>226.53</b>
<b>NAV per share (SEK)</b>	<b>6.70</b>	<b>8.82</b>	
<b>NAV per share (EUR)</b>	<b>0.61</b>	<b>0.80</b>	

**This corresponds to a NAV per share of SEK 8.82 or € 0.80.**

(1 SEK = 0.091013948 EUR Nov 18, 2022, 13:02 UTC)

**At the current price of € 0.21 (Xetra, 17.11.22 17:35), this means a significant upside potential of 281% and therefore we assign a BUY rating.**

Even if we only consider the NAV on a K3 basis of SEK 715.59 million, this would result in a NAV per share of SEK 6.70 or € 0.61 per share, which also represents an enormous upside potential to the current share price of 190.5%.

## APPENDIX

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