

# Passus S.A.



Price target: PLN 51.40

Update

Rating: BUY

**Passus' (PAS) Q2/22 results were strong, both y-o-y and compared to the previous quarter. In Jan-Jun 2022, revenues were up 4.7% y-o-y to PLN 25.3m, but due to the weak Q1/22 EBIT was just PLN 239k. This year, Passus started using IFRS, which under certain conditions require the use of the percentage of completion method for the recognition of project-related revenues and costs. Moreover, in contrast to Q1/21 there was no large project this year. While H2 usually accounts for c. 2/3 of annual revenues, we do not believe anymore that our previous profit estimates for 2022E are still achievable and have lowered them accordingly. While peer-group-based fair value is much higher than in our last report (PLN 78.17 vs. PLN 59.83), our 12-months PT (80% DCF, 20% peer group) goes down from previously PLN 58.80 to PLN 51.40 per share due to a much higher WACC (17.3% vs. 14.1% before). As we believe that the cybersecurity market and share of own products (Sycope brand) will continue to grow in the long run, we continue to rate Passus a BUY.**

**In H1/22, Passus' revenues reached PLN 25.3m and were 4.7% above last year.** In Q2/22, they equalled PLN 16.2m (+125.9% y-o-y). Especially due to a much higher share of CoGS y-o-y (81.7% vs. 66% in H1/21), EBIT in Jan-Jun declined by 94.5% to PLN 239k and net income by 93.3% to PLN 194k. In H1/22, operating and free cash flow reached PLN -2m (H1/21: PLN -1.3m) and PLN -3.6m (PLN -2.6m) respectively. At the end of June, the company had a net gearing of -31.1% compared to -27.3% as of 31/03/2022 and 0.8% at the end of H1/21. However, management estimates the value of the planned investments in the next three years at c. PLN 40m.

**Due to the results so far in 2022 we believe that our previous profit estimates were too optimistic.** For 2022E, we now forecast an EBIT of PLN 2.9m (-66.2%; 4% margin; prev. PLN 8m) and net income of PLN 2.1m (-65%; prev. PLN 5.2m). Regarding the new 3-year contract for the delivery of the ManagedEngine solution with a public sector client worth PLN 36.5m gross, management mentioned that c. half of it will already be booked in H2/22E. With unchanged revenues, we believe that in 2023E the EBIT margin will double to 8% and operating income will grow to PLN 7m.

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net sales	38.67	42.95	62.63	73.12	87.49	102.73
EBITDA	2.45	5.56	11.85	5.42	9.62	16.01
EBIT	2.00	3.50	8.64	2.92	7.00	13.25
Net income	0.79	1.97	6.11	2.14	5.01	9.92
EPS	0.41	1.03	3.19	1.12	2.62	5.18
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	10.15%	21.85%	47.18%	8.22%	13.00%	21.54%
Net gearing	-74.09%	-29.32%	-61.00%	-86.31%	-77.27%	-72.62%
EV/Sales	1.54x	1.39x	0.95x	0.82x	0.68x	0.58x
EV/EBITDA	24.36x	10.73x	5.04x	11.00x	6.20x	3.73x
P/E	80.45x	32.07x	10.35x	29.58x	12.61x	6.37x

## Company profile

Passus, an integration and engineering company, is the Polish leader in the area of network monitoring and application performance analysis. In Poland, the company has >400 largest local and international companies and institutions as clients. In the coming years, it plans to expand in CEE/SEE and Western Europe.

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Website	www.passus.com
Sector	IT
Country	Poland
ISIN	PLPSSUS00018
Reuters	PAS.WA
Bloomberg	PAS.PW

## Share information

Last price	32.10
No of shares (m)	1.92
Market cap. (PLNm)	61.50
Market cap. (EURm)	12.93
52-week range	PLN 57 / PLN 24.10
Avg. volume (3-months)	415

## Performance

4-weeks	16.30%
13-weeks	-18.94%
26-weeks	-31.70%
52-weeks	-40.00%
YTD	-38.86%

## Shareholder structure

Pawel Misiurewicz*	37.14%
Tadeusz Dudek**	20.01%
Dariusz Kopyt***	6.91%
Michal Czernikow***	6.01%
Free Float	29.93%

\* Head of Supervisory Board

\*\* CEO

\*\*\* Members of the Board

## Financial calendar

Q3/22 report	November 10, 2022
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## Analyst

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## H1/22 results

### Revenues and Profitability

Between January and June 2022, Passus generated total sales of PLN 25.3m, which were 4.7% above H1/21. According to management, approx. 11% (H1/21: 8%) of revenues stemmed from abroad and public clients had a share of c. 40%. Chaos Gears, the 62.5%-subsidiary that provides AWS cloud services mainly to international clients, grew by >50% y-o-y.

Due to the planned move to the Main Market of the Warsaw Stock Exchange this year, which was however postponed at the beginning of August, Passus started to prepare its financial reports according to IFRS standards, which under certain circumstances require the use of the percentage-of-completion method. Because of that, in Q1/22 sales declined 46.4% y-o-y to PLN 9.1m. However, in Q2/22 they went up by 125.9% y-o-y PLN 16.2m. The reasons were both newly acquired IT security projects and optional orders related to NPM/APM contracts from previous years.

In H1/22, Passus' R&D activity focused on (1) a new tool for the analysis of websites in almost real-time and (2) the proprietary product Sycope, which is a modular tool for monitoring of network security and bandwidth and the analysis of network traffic with the protocols NetFlow and IPFIX, among others. Regarding the work on (1): between January and June 2022, the company completed the sub-systems for licenses, the definition of rules and alerts as well as a prototype of a communication layer that allows the integration with Secure Web Gateway systems. When it comes to (2): Passus completed the system of entitlements for certain functions and objects, initiated the work on a module for the analysis of efficiency and security of industrial networks and extended the reporting system with wizards.

in PLNm	H1/22	H1/21	change y-o-y
<b>Net sales</b>	<b>25.31</b>	<b>24.18</b>	4.7%
<b>EBITDA</b>	<b>1.42</b>	<b>6.18</b>	-77.0%
<i>EBITDA margin</i>	<i>5.6%</i>	<i>25.6%</i>	
<b>EBIT</b>	<b>0.24</b>	<b>4.36</b>	-94.5%
<i>EBIT margin</i>	<i>0.9%</i>	<i>18.0%</i>	
<b>Net income</b>	<b>0.19</b>	<b>2.89</b>	-93.3%
<i>Net margin</i>	<i>0.8%</i>	<i>11.9%</i>	

Source: Company information, East Value Research GmbH

In H1/22, EBIT went down from PLN 4.4m last year to PLN 239k, which resulted from a much higher share of CoGS (81.7% vs. 66% in H1/21) and personnel expenses (10.8% vs. 8%). At the end of June 2022, Passus had 67 employees compared to 64 at the end of the previous quarter. According to management, employee fluctuation equals c. 5%, thus is much lower than at other IT companies.

When it comes to net income, between January and June 2022 it declined by 93.3% y-o-y to PLN 194k. The reason was a tax refund of PLN 184k vs. a tax expense of PLN 1m in H1/21. We believe that the company's subsidiary Chaos Gears S.A. generated a net profit of PLN 619k, which led to minorities of PLN 232k (H1/21: PLN 306k).

During the call on August 25 management mentioned that the investments in sales and personnel, which lowered the margins in H1/22, could already show positive effects in the second half of 2022E.

### **Balance sheet and Cash flow**

At the end of June 2022, Passus had consolidated equity excl. minorities worth PLN 14m, which corresponds to an equity ratio of 31.9%. Interest-bearing debt equalled PLN 1.6m (30/06/2021: PLN 2.5m), while fixed assets amounted to PLN 2.1m (PLN 1.3m) and intangible assets (especially software) to PLN 5.5m (PLN 3.1m).

Liabilities related to contracts (PLN 17.4m compared to PLN 17.3m in H1/21) reflect sales that Passus expects to report from already signed and invoiced contracts within 36 months. The costs of acquisition and realization of respective contracts with clients are shown under other short-term assets (PLN 16.3m vs. PLN 13.1m). In our view, the ratio of both positions shows that Passus generates lower margins on contracts this year than in 2021.

Between January and June 2022, Passus generated an operating cash flow of PLN -2m compared to PLN -1.3m in H1/21. The reason for the decline was a significantly lower EBIT and depreciation & amortization y-o-y. Cash flow from investing equalled PLN -1.6m (H1/21: PLN -1.3m) due to investments in own products. Cash flow from financing amounted to PLN -222k (PLN -198k) and also included PLN 462k that were spent on the acquisition of treasury shares. Between January and June 2022, Passus' cash position declined by PLN 3.8m to PLN 6.4m.

## Changes to our forecasts

### Revenues and Profitability

Although Passus has announced new contracts worth PLN >50m since January 2022, after H1/22 we do not believe anymore that our previous EBIT and net income estimates for full-year 2022E are achievable. Also, due to the Ukraine war and the difficult situation on the Warsaw Stock Exchange Passus has withdrawn its prospectus and postponed its plans related to a capital increase of 500k new shares (c. PLN 18m). With PLN 6.4m of cash as of 30/06/2022, Passus will have to raise fresh equity or debt in the coming quarters in order to realize its planned investments, which management estimate at c. PLN 40m over the next three years. In the coming quarters, Passus plans an expansion in Europe through representative offices and the extension of its proprietary product Sycope by additional modules (e.g. for monitoring of IoT, device and AWS cloud data).

Below are our updated estimates for Passus' business segments:

*Integration of third-party products:* The integration of third-party products covers especially the operations of Passus S.A., Wisenet Sp. z.o.o (100% subsidiary) and Chaos Gears S.A. (62.5%), which integrate solutions of third-party providers of APM/NPM and Amazon Web Services. We continue to believe that this year the segment's revenues will equal PLN 47.2m (+7% y-o-y) and grow on average by 7.2% by 2030E.

*Own products:* Own products are mainly provided by the subsidiary Sycope S.A. (100% shareholding) and the Ireland-based subsidiary Sycope Ltd. (100%). Due to management's focus on international sales and distribution contracts e.g. with Nuvias (for Poland, the DACH region and Romania) and Co.Next (for ex-Yugoslavia) we expect that sales of own products (the Sycope modular software, Sycope nDiagram and Sycope Ambience) will be Passus' main growth driver in the coming years. Although in H1/22 growth was lower due to the migration to Sycope 2.0, which apparently c. 50% of clients have already done, management expects that sales of proprietary products will develop much better in the second half of 2022E.

We maintain our view that in 2022E this segment's revenues will grow by 40% to PLN 25.9m and by 2030E at a CAGR of 18.2%.

in PLNm	2022E	2023E	2024E
<b>Integration of third-party products</b>	<b>47.22</b>	<b>51.23</b>	<b>55.59</b>
<i>Share in total sales</i>	<i>64.6%</i>	<i>58.6%</i>	<i>54.1%</i>
<b>Own products</b>	<b>25.90</b>	<b>36.26</b>	<b>47.14</b>
<i>Share in total sales</i>	<i>35.4%</i>	<i>41.4%</i>	<i>45.9%</i>
<b>Total sales</b>	<b>73.12</b>	<b>87.49</b>	<b>102.73</b>
<i>change y-o-y</i>	<i>16.7%</i>	<i>19.7%</i>	<i>17.4%</i>

Source: East Value Research GmbH

	2022E		2023E		2024E	
in PLNm	new	old	new	old	new	old
<b>Net sales</b>	<b>73.12</b>	<b>73.12</b>	<b>87.49</b>	<b>87.49</b>	<b>102.73</b>	<b>102.73</b>
<b>EBITDA</b>	<b>5.42</b>	<b>11.41</b>	<b>9.62</b>	<b>14.03</b>	<b>16.01</b>	<b>16.96</b>
<i>EBITDA margin</i>	<i>7.4%</i>	<i>15.6%</i>	<i>11.0%</i>	<i>16.0%</i>	<i>15.6%</i>	<i>16.5%</i>
<b>EBIT</b>	<b>2.92</b>	<b>8.04</b>	<b>7.00</b>	<b>10.50</b>	<b>13.25</b>	<b>13.25</b>
<i>EBIT margin</i>	<i>4.0%</i>	<i>11.0%</i>	<i>8.0%</i>	<i>12.0%</i>	<i>12.9%</i>	<i>12.9%</i>
<b>Net income</b>	<b>2.14</b>	<b>5.17</b>	<b>5.01</b>	<b>7.04</b>	<b>9.92</b>	<b>9.11</b>
<i>Net margin</i>	<i>2.9%</i>	<i>7.1%</i>	<i>5.7%</i>	<i>8.0%</i>	<i>9.7%</i>	<i>8.9%</i>

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020
<b>Net sales</b>	<b>1.49</b>	<b>5.05</b>	<b>8.40</b>	<b>23.73</b>	<b>38.67</b>	<b>5.35</b>	<b>8.79</b>	<b>6.24</b>	<b>22.57</b>	<b>42.95</b>
<i>change y-o-y</i>	<i>-68.0%</i>	<i>53.6%</i>	<i>33.8%</i>	<i>129.7%</i>	<i>57.6%</i>	<i>259.7%</i>	<i>74.2%</i>	<i>-25.7%</i>	<i>-4.9%</i>	<i>11.1%</i>
<b>EBITDA</b>	<b>-1.87</b>	<b>-0.25</b>	<b>0.69</b>	<b>3.88</b>	<b>2.45</b>	<b>0.62</b>	<b>1.12</b>	<b>0.97</b>	<b>2.85</b>	<b>5.56</b>
<i>EBITDA margin</i>	<i>-125.7%</i>	<i>-4.9%</i>	<i>8.2%</i>	<i>16.3%</i>	<i>6.3%</i>	<i>11.5%</i>	<i>12.8%</i>	<i>15.6%</i>	<i>12.6%</i>	<i>12.9%</i>
<b>EBIT</b>	<b>-2.07</b>	<b>-0.48</b>	<b>0.46</b>	<b>4.09</b>	<b>2.00</b>	<b>0.23</b>	<b>0.59</b>	<b>0.43</b>	<b>2.26</b>	<b>3.50</b>
<i>EBIT margin</i>	<i>-139.2%</i>	<i>-9.4%</i>	<i>5.4%</i>	<i>17.2%</i>	<i>5.2%</i>	<i>4.2%</i>	<i>6.7%</i>	<i>6.8%</i>	<i>10.0%</i>	<i>8.1%</i>
<b>Net income</b>	<b>-1.72</b>	<b>-0.73</b>	<b>0.28</b>	<b>2.96</b>	<b>0.79</b>	<b>0.04</b>	<b>0.34</b>	<b>0.20</b>	<b>1.39</b>	<b>1.97</b>
<i>Net margin</i>	<i>-115.9%</i>	<i>-14.5%</i>	<i>3.3%</i>	<i>12.5%</i>	<i>2.0%</i>	<i>0.7%</i>	<i>3.9%</i>	<i>3.3%</i>	<i>6.2%</i>	<i>4.6%</i>

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22
<b>Net sales</b>	<b>17.01</b>	<b>7.17</b>	<b>10.43</b>	<b>28.02</b>	<b>62.63</b>	<b>9.11</b>	<b>16.20</b>
<i>change y-o-y</i>	<i>217.9%</i>	<i>-18.4%</i>	<i>67.1%</i>	<i>24.1%</i>	<i>45.8%</i>	<i>-46.4%</i>	<i>125.9%</i>
<b>EBITDA</b>	<b>5.59</b>	<b>0.59</b>	<b>2.85</b>	<b>2.82</b>	<b>11.85</b>	<b>0.07</b>	<b>1.35</b>
<i>EBITDA margin</i>	<i>32.9%</i>	<i>8.3%</i>	<i>27.3%</i>	<i>10.1%</i>	<i>18.9%</i>	<i>0.8%</i>	<i>8.3%</i>
<b>EBIT</b>	<b>4.11</b>	<b>0.25</b>	<b>1.98</b>	<b>2.30</b>	<b>8.64</b>	<b>-0.44</b>	<b>0.68</b>
<i>EBIT margin</i>	<i>24.1%</i>	<i>3.5%</i>	<i>19.0%</i>	<i>8.2%</i>	<i>13.8%</i>	<i>-4.9%</i>	<i>4.2%</i>
<b>Net income</b>	<b>3.53</b>	<b>-0.64</b>	<b>1.47</b>	<b>1.76</b>	<b>6.11</b>	<b>-0.07</b>	<b>0.27</b>
<i>Net margin</i>	<i>20.8%</i>	<i>-9.0%</i>	<i>14.0%</i>	<i>6.3%</i>	<i>9.8%</i>	<i>-0.8%</i>	<i>1.6%</i>

Source: Company information, East Value Research GmbH

### CAPEX and Working capital

In 2022E-2024E, we expect a gross CAPEX of PLN 8.9m in total. Regarding working capital, we forecast that the cash conversion cycle will increase from -27 days in 2021 to 30 days in the long run.

## Valuation

We have valued Passus by using a weighted average of our DCF model (80%) and peer group (20%). Our approach does not account for the capital increase, which was originally planned in H1/22. It now derives a 12-months price target for the stock of PLN 51.40 (previously: PLN 58.80), which implies an upside of 55.8% at current level. We reiterate our BUY rating for the stock.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 6.47% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Average 4-year unlevered beta of companies from the Software (System & Application) of 1.5x
- (3) *Equity risk premium (Poland)*: 7.19% (Source: www.damodaran.com)
- (4) *Target equity ratio*: 100%
- (5) *WACC = Equity costs*: 17.3%
- (6) Sales growth in the terminal period: 2%
- (7) Free cash flows and residual values are discounted to August 26, 2022

## DCF model

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E				
<b>Net sales</b>	<b>73.12</b>	<b>87.49</b>	<b>102.73</b>	<b>113.34</b>	<b>125.10</b>	<b>138.12</b>	<b>146.70</b>	<b>155.84</b>	<b>165.57</b>				
(y-o-y change)	16.7%	19.7%	17.4%	10.3%	10.4%	10.4%	6.2%	6.2%	6.2%				
<b>Operating profit</b>	<b>2.92</b>	<b>7.00</b>	<b>13.25</b>	<b>15.64</b>	<b>17.14</b>	<b>18.78</b>	<b>19.77</b>	<b>20.81</b>	<b>21.79</b>				
(operating margin)	4.0%	8.0%	12.9%	13.8%	13.7%	13.6%	13.5%	13.4%	13.2%				
<b>NOPLAT</b>	<b>2.63</b>	<b>5.67</b>	<b>10.73</b>	<b>12.67</b>	<b>13.88</b>	<b>15.21</b>	<b>16.02</b>	<b>16.86</b>	<b>17.65</b>				
+ Depreciation & amortisation	2.50	2.63	2.76	2.89	3.04	3.19	3.35	3.52	3.69				
= Net operating cash flow	5.13	8.29	13.49	15.56	16.92	18.41	19.37	20.38	21.34				
- Total investments (Capex and WC)	-2.68	-7.54	-8.11	-6.14	-6.59	-7.09	-6.31	-6.67	-8.11				
Capital expenditures	-3.26	-2.73	-2.86	-3.00	-3.14	-3.29	-3.45	-3.62	-3.79				
Working capital	0.59	-4.81	-5.26	-3.15	-3.45	-3.80	-2.86	-3.05	-4.32				
= Free cash flow (FCF)	2.45	0.76	5.38	9.42	10.33	11.32	13.05	13.71	13.23				
<b>PV of FCF's</b>	<b>2.32</b>	<b>0.61</b>	<b>3.70</b>	<b>5.53</b>	<b>5.17</b>	<b>4.83</b>	<b>4.75</b>	<b>4.26</b>	<b>3.50</b>				
PV of FCFs in explicit period	34.68												
PV of FCFs in terminal period	29.30												
<b>Enterprise value (EV)</b>	<b>63.99</b>												
+ Net cash / - net debt (30 June 2022)	4.73												
+ Investments / - Minorities	-1.18												
<b>Shareholder value</b>	<b>67.54</b>												
<b>Number of shares outstanding (m)</b>	<b>1.92</b>												
						Terminal EBIT margin							
						<b>10.2%</b>	<b>11.2%</b>	<b>12.2%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	
<b>WACC</b>	<b>17.3%</b>					<b>13.3%</b>	51.94	54.57	57.20	59.84	62.47	65.10	67.74
Cost of equity	17.3%					<b>14.3%</b>	47.25	49.50	51.75	54.00	56.24	58.49	60.74
Pre-tax cost of debt	9.0%					<b>15.3%</b>	43.29	45.22	47.16	49.09	51.02	52.95	54.88
Normal tax rate	19.0%					<b>16.3%</b>	39.90	41.57	43.25	44.92	46.59	48.26	49.93
After-tax cost of debt	7.3%					<b>17.3%</b>	36.97	38.43	39.88	41.33	42.79	44.24	45.70
Share of equity	100.0%					<b>18.3%</b>	34.41	35.68	36.96	38.23	39.50	40.77	42.04
Share of debt	0.0%					<b>19.3%</b>	32.16	33.28	34.40	35.51	36.63	37.74	38.86
<b>Fair value per share in PLN</b>	<b>35.25</b>					<b>20.3%</b>	30.17	31.15	32.14	33.12	34.11	35.09	36.07
<b>Fair value per share in PLN (in 12 months)</b>	<b>41.33</b>												

Source: East Value Research GmbH

## Peer Group Analysis

We have used two peer groups: One with listed providers of network security and application performance management solutions and one with privately-held companies.

Listed peers:

- (1) *Atende S.A.*: Atende, which is based in Warsaw/Poland, specializes in the integration of ICT e.g. in next-generation computer networks and data centers. It also offers leading solutions in the area of cybersecurity. An increasingly important part of its business is cloud computing and managed services. In 2021, Atende generated total revenues of PLN 205.3m and a negative ROCE. The company's current market capitalisation is PLN 100.7m.
- (2) *Comp S.A.*: The Warsaw-based Comp is Polish market leader in the area of IT security and No 1 in Poland and Hungary in the area of fiscal devices. A new product is an online platform called M/Platform, which is being connected to Comp's online cash registers and allows traditional retailers to offer the same promotions as large retail chains and improve working capital management. In 2021, Comp generated revenues of PLN 820.9m at a ROCE of 7.2%. Currently, its market cap is PLN 218.3m.
- (3) *Sevenet S.A.*: Sevenet, which is headquartered in Gdansk/Poland, provides IT solutions for companies and institutions primarily in Poland. Among others, it offers data security solutions consisting of firewall hardware, intrusion prevention systems (IPS) and network add-on control systems, authentication servers, spam protection, and Internet traffic control. In 2020/2021, Sevenet generated revenues of PLN 99.5m and a ROCE of 9.1%. Currently, its market cap is PLN 20.5m.
- (4) *Netscout Systems Inc.*: Netscout, which is based in Westford/US, provides APM/NPM systems worldwide. Its main products include nGeniusONE, a management software that enables customers to predict, preempt, and resolve network and service delivery problems, as well as facilitate the optimization and capacity planning of their network infrastructures; nGeniusPULSE, an active testing tool that enables enterprises to identify infrastructure performance issues and determine application availability, reliability, and performance; nGenius Business Analytics solution, which enables service providers to analyze their network traffic; and Arbor, a brand of cybersecurity solutions to protect clients' networks against attacks. In 2020/2021, Netscout generated revenues of USD 831.3m at a ROCE of 1.1%. Currently, its market capitalisation equals USD 2.4bn.
- (5) *New Relic Inc.*: New Relic, which is headquartered in San Francisco/US, provides a cloud platform that makes every aspect of modern software and infrastructure observable. Thus, it helps companies to find and fix problems faster, build high-performing DevOps teams, and speed up transformation projects. Its platform has APM, NPM and DevOps functionality, among others. In 2020/2021, New Relic generated revenues of USD 667.6m and a negative ROCE. Its current market capitalisation is USD 4.4bn.



(6) *VIAVI Solutions*: VIAVI Solutions (previously: JDS Uniphase), which is based in Scottsdale/US, provides network testing, monitoring, and assurance solutions to communications service providers, enterprises, network equipment manufacturers, and governments worldwide. One of its products are Network Security and Network Performance Monitoring Tools. VIAVI is also a leader in high performance thin film coatings, providing light management solutions to anti-counterfeiting, consumer and industrial, government and healthcare, among others. In addition, it manufactures and sells optical filters for 3D sensing products that allow facial recognition for mobile devices. In 2020/2021, VIAVI generated revenues of USD 1.2bn and a ROCE of 8.5%. Currently, its market cap equals USD 3.4bn.

Non-listed peers:

(7) *Riverbed Technology*: The San Francisco-based Riverbed offers a platform that enables organizations to visualize, optimize, accelerate and remediate the performance of any network for any application. According to [channelpartner.de](http://channelpartner.de), Riverbed had to file for bankruptcy according to Chapter 11 in November 2021 following its inability to pay back debt of USD 1.1bn due to the COVID-19 pandemic.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2021	2022E	2021	2022E	2021	2022E	Latest	Last FY	Latest
Atende S.A. (PLN)	0.51x	n.a	38.22x	n.a	n.a	n.a	1.52x	1.33%	5.62%
Comp S.A. (PLN)	0.45x	0.67x	4.69x	6.59x	6.48x	n.a	0.41x	9.51%	27.74%
Sevenet S.A. (PLN)	0.32x	n.a	5.97x	n.a	4.16x	n.a	1.22x	5.32%	66.54%
Netscout Systems Inc. (USD)	2.62x	2.47x	15.41x	n.a	68.60x	16.47x	1.23x	17.01%	-5.89%
New Relic Inc. (USD)	5.14x	4.39x	n.a	50.22x	n.a	718.44x	14.09x	neg.	-101.20%
VIAVI Solutions Inc. (USD)	2.79x	2.75x	13.59x	10.24x	216.00x	15.75x	5.09x	20.53%	27.29%
<b>Median</b>	<b>1.56x</b>	<b>2.61x</b>	<b>13.59x</b>	<b>10.24x</b>	<b>37.54x</b>	<b>16.47x</b>	<b>1.38x</b>	<b>9.51%</b>	<b>16.46%</b>
Passus S.A. (PLN)	0.95x	0.82x	5.04x	11.00x	10.35x	neg	4.50x	18.92%	-25.28%
<b>Premium/Discount</b>	<b>-39.1%</b>	<b>-68.7%</b>	<b>-62.9%</b>	<b>7.4%</b>	<b>-72.4%</b>	<b>n.a</b>			
<b>Fair value per share Passus (PLN)</b>	<b>78.17</b>								

Source: CapitalIQ, East Value Research GmbH

### Price target calculation

Valuation method	Fair value	Weight
DCF model	35.25	80%
Peer-group-based fair value	78.17	20%
<b>Weighted average (present value)</b>	<b>43.84</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>51.40</b>	

Source: East Value Research GmbH



## Profit and loss statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>38.67</b>	<b>42.95</b>	<b>62.63</b>	<b>73.12</b>	<b>87.49</b>	<b>102.73</b>
Cost of goods sold	-33.31	-35.00	-43.54	-59.23	-67.37	-74.99
<b>Gross profit</b>	<b>5.36</b>	<b>7.96</b>	<b>19.09</b>	<b>13.89</b>	<b>20.12</b>	<b>27.74</b>
Other operating income	0.45	1.19	3.94	1.10	1.12	1.14
Personnel costs	-2.80	-2.63	-8.71	-8.19	-9.80	-11.51
Other operating expenses	-0.56	-0.95	-2.48	-1.38	-1.82	-1.37
<b>EBITDA</b>	<b>2.45</b>	<b>5.56</b>	<b>11.85</b>	<b>5.42</b>	<b>9.62</b>	<b>16.01</b>
Depreciation & amortisation	-0.45	-2.06	-3.20	-2.50	-2.63	-2.76
<b>EBIT</b>	<b>2.00</b>	<b>3.50</b>	<b>8.64</b>	<b>2.92</b>	<b>7.00</b>	<b>13.25</b>
Net financial result	-0.22	-0.49	-0.16	0.01	0.06	0.11
Write-down	-0.21	-0.23	-0.23	0.00	0.00	0.00
<b>EBT</b>	<b>1.58</b>	<b>2.78</b>	<b>8.26</b>	<b>2.93</b>	<b>7.06</b>	<b>13.36</b>
Income taxes	-0.78	-0.62	-1.37	-0.29	-1.34	-2.54
Minorities	-0.01	-0.20	-0.78	-0.50	-0.70	-0.90
<b>Net income / loss</b>	<b>0.79</b>	<b>1.97</b>	<b>6.11</b>	<b>2.14</b>	<b>5.01</b>	<b>9.92</b>
EPS	0.41	1.03	3.19	1.12	2.62	5.18
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-86.13 %	-81.47 %	-69.52 %	-81.00 %	-77.00 %	-73.00 %
Gross profit	13.87 %	18.53 %	30.48 %	19.00 %	23.00 %	27.00 %
Other operating income	1.15 %	2.76 %	6.29 %	1.50 %	1.28 %	1.11 %
Personnel costs	-7.25 %	-6.13 %	-13.90 %	-11.20 %	-11.20 %	-11.20 %
Other operating expenses	-1.44 %	-2.21 %	-3.96 %	-1.89 %	-2.08 %	-1.33 %
EBITDA	6.33 %	12.94 %	18.92 %	7.42 %	11.00 %	15.58 %
Depreciation & amortisation	-1.16 %	-4.80 %	-5.12 %	-3.42 %	-3.00 %	-2.68 %
EBIT	5.18 %	8.14 %	13.80 %	4.00 %	8.00 %	12.90 %
Net financial result	-0.56 %	-1.13 %	-0.25 %	0.01 %	0.06 %	0.10 %
Write-down	-0.53 %	-0.53 %	-0.36 %	0.00 %	0.00 %	0.00 %
EBT	4.08 %	6.48 %	13.18 %	4.01 %	8.06 %	13.00 %
Income taxes	-2.01 %	-1.43 %	-2.19 %	-0.40 %	-1.53 %	-2.47 %
Minorities	-0.03 %	-0.46 %	-1.24 %	-0.68 %	-0.80 %	-0.88 %
Net income / loss	2.03 %	4.59 %	9.76 %	2.92 %	5.73 %	9.66 %

## Balance sheet

in PLNm	2019	2020	2021	2022E	2023E	2024E
<b>Assets</b>						
Cash and equivalents	15.54	5.18	10.17	31.31	31.91	37.19
Short-term financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.06	1.75	0.16	0.22	0.25	0.28
Trade accounts and notes receivables	11.37	5.94	24.13	26.17	28.92	31.14
Other current assets	8.09	6.39	8.68	10.12	12.09	14.17
<b>Current assets, total</b>	<b>35.06</b>	<b>19.27</b>	<b>43.15</b>	<b>67.81</b>	<b>73.17</b>	<b>82.78</b>
Property, plant and equipment	0.88	1.26	1.77	2.20	2.20	2.20
Other intangible assets	0.31	7.10	5.16	5.50	5.60	5.70
Goodwill	1.98	1.75	1.53	1.53	1.53	1.53
Long-term financial assets	0.06	0.07	0.01	0.01	0.01	0.01
Deferred tax assets	0.03	0.15	1.27	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>3.26</b>	<b>10.33</b>	<b>9.73</b>	<b>9.23</b>	<b>9.33</b>	<b>9.43</b>
<b>Total assets</b>	<b>38.33</b>	<b>29.59</b>	<b>52.88</b>	<b>77.04</b>	<b>82.50</b>	<b>92.22</b>
<b>Liabilities</b>						
Trade payables	14.30	10.59	20.18	24.86	25.33	24.90
Other short-term liabilities	1.73	1.70	11.13	10.57	10.04	9.54
Short-term financial debt	9.55	1.80	0.28	0.00	0.00	0.00
Provisions	0.01	0.10	0.03	0.05	0.06	0.07
Pension provisions	1.95	2.02	2.14	2.10	2.05	2.01
<b>Current liabilities, total</b>	<b>27.54</b>	<b>16.21</b>	<b>33.76</b>	<b>37.57</b>	<b>37.48</b>	<b>36.52</b>
Long-term financial debt	0.00	0.45	0.18	0.17	0.16	0.15
Other long-term liabilities	2.67	2.46	1.78	1.60	1.44	1.30
Provisions	0.00	0.00	0.00	0.01	0.01	0.02
Deferred tax liabilities	0.02	0.16	0.10	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>2.70</b>	<b>3.08</b>	<b>2.07</b>	<b>1.78</b>	<b>1.61</b>	<b>1.47</b>
<b>Total liabilities</b>	<b>30.24</b>	<b>19.29</b>	<b>35.83</b>	<b>39.35</b>	<b>39.09</b>	<b>37.99</b>
<b>Shareholders equity, total</b>	<b>8.09</b>	<b>9.96</b>	<b>15.94</b>	<b>36.08</b>	<b>41.09</b>	<b>51.01</b>
Minority interests	0.00	0.34	1.12	1.62	2.32	3.22
<b>Total equity and liabilities</b>	<b>38.33</b>	<b>29.59</b>	<b>52.88</b>	<b>77.04</b>	<b>82.50</b>	<b>92.22</b>

## Cash Flow Statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net income / loss	0.79	1.97	6.11	2.14	5.01	9.92
Depreciation	0.45	2.06	3.20	2.50	2.63	2.76
Change of working capital	4.56	-3.32	-3.08	0.59	-4.81	-5.26
Others	2.20	1.03	1.82	-1.18	-0.01	-0.02
<b>Net operating cash flow</b>	<b>7.99</b>	<b>1.75</b>	<b>8.06</b>	<b>4.04</b>	<b>2.81</b>	<b>7.40</b>
<b>Cash flow from investing</b>	<b>-0.15</b>	<b>-3.42</b>	<b>-1.03</b>	<b>-3.26</b>	<b>-2.73</b>	<b>-2.86</b>
Free cash flow	7.84	-1.68	7.02	0.78	0.09	4.55
<b>Cash flow from financing</b>	<b>5.16</b>	<b>-8.69</b>	<b>-2.02</b>	<b>20.35</b>	<b>0.52</b>	<b>0.74</b>
Change of cash	13.00	-10.36	5.00	21.13	0.60	5.28
Cash at the beginning of the period	2.54	15.54	5.18	10.17	31.31	31.91
Cash at the end of the period	15.54	5.18	10.17	31.31	31.91	37.19

## Financial ratios

Fiscal year	2019	2020	2021	2022E	2023E	2024E
<b>Profitability and balance sheet quality</b>						
Gross margin	13.87%	18.53%	30.48%	19.00%	23.00%	27.00%
EBITDA margin	6.33%	12.94%	18.92%	7.42%	11.00%	15.58%
EBIT margin	5.18%	8.14%	13.80%	4.00%	8.00%	12.90%
Net margin	2.03%	4.59%	9.76%	2.70%	5.73%	9.66%
Return on equity (ROE)	10.15%	21.85%	47.18%	8.22%	13.00%	21.54%
Return on assets (ROA)	2.62%	8.30%	11.85%	2.77%	6.01%	10.64%
Return on capital employed (ROCE)	9.40%	20.35%	37.70%	6.67%	12.59%	19.27%
Economic Value Added (in PLNm)	-0.85	0.41	3.91	-4.18	-2.10	1.13
Net debt (in PLNm)	-5.99	-2.92	-9.72	-31.14	-31.75	-37.04
Net gearing	-74.09%	-29.32%	-61.00%	-86.31%	-77.27%	-72.62%
Equity ratio	21.10%	33.67%	30.14%	46.83%	49.81%	55.32%
Current ratio	1.27	1.19	1.28	1.80	1.95	2.27
Quick ratio	0.98	0.69	1.02	1.53	1.62	1.87
Net interest cover	9.19	7.21	54.34	-487.46	-124.99	-125.01
Net debt/EBITDA	-2.45	-0.53	-0.82	-5.74	-3.30	-2.31
Tangible BVPS	3.19	4.28	7.52	18.03	20.65	25.83
CAPEX/Sales	1.50%	20.96%	2.49%	4.46%	3.12%	2.78%
Working capital/Sales	9.03%	4.20%	2.65%	1.47%	6.73%	10.85%
Cash Conversion Cycle (in days)	-49	-42	-27	-21	-15	-9
<b>Trading multiples</b>						
EV/Sales	1.54	1.39	0.95	0.82	0.68	0.58
EV/EBITDA	24.36	10.73	5.04	11.00	6.20	3.73
EV/EBIT	29.80	17.07	6.90	20.40	8.53	4.50
P/Tangible BVPS	10.36	7.70	4.39	1.83	1.60	1.28
P/E	80.45	32.07	10.35	29.58	12.61	6.37
P/FCF	8.06	-37.74	9.00	81.07	729.65	13.91

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