Ailleron (TP 30,0 PLN)

1Q23 results: continuation of solid growth dynamics, above our targets

We view Aileron's 1Q23 results themselves positively, pointing out that they ranked well above our forecast. The company maintained its high year-on-year earnings growth at the consolidated level. However, this is largely due to the still visible positive effect of the consolidation (Virtual Mind, Code Factory, Cloudworks) that has been taking place since March '22. 1Q23 is the first period when the group's result is not burdened by the result of HotelTech, sold at the end of '22. FinTech still remains loss-making at the operating level, but managed to significantly reduce its loss in Q1 (1.0m loss vs. 3.4m loss in Q1 2022), but this does not change the fact that there is still an unresolved contract executed in Corporate Banking for Bank Pekao S.A, which the market perceives negatively, as does the slowdown in growth dynamics in 2023 announced by the company's representatives.

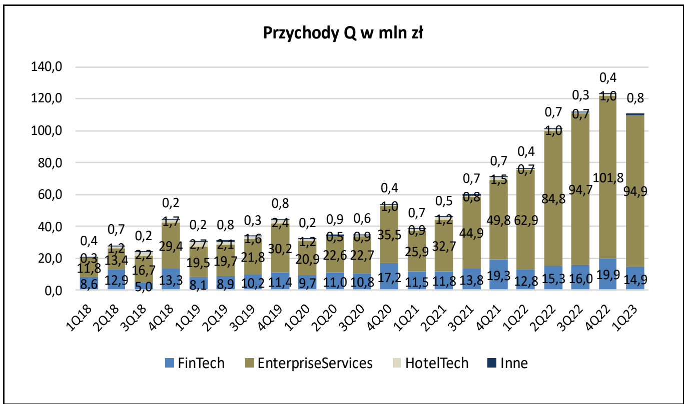
Selected financial data (mln PLN)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	y/y	1Q23F	1Q vs. for.	2022	2023F	y/y
Revenues	**71,4**	**76,7**	**101,7**	**111,7**	**123,1**	**110,6**	44%	**105,2**	**5%**	**410,1**	**461,7**	13%
gross profit on sales	27,6	22,3	24,3	36,8	29,0	26,9	20%	22,0		115,3	101,8	55%
profitability	*38,7%*	*29,1%*	*23,9%*	*33,0%*	*23,5%*	*24,3%*		*20,9%*		*28,1%*	*22,1%*	
selling costs	-7,8	-5,2	-6,9	-6,8	-0,9	-5,6	8%	-3,2		-19,7	-11,8	50%
management costs	-7,7	-7,4	-10,4	-14,7	-9,0	-9,3	26%	-9,5		-41,4	-40,7	66%
other operating income	0,1	0,0	0,1	0,3	0,1	0,5		0,1		0,4	0,4	46%
other operating expenses	0,0	-0,4	-0,1	-0,1	-3,2	-0,6		-0,2		-4,0	-1,3	
EBIT	**12,3**	**9,4**	**7,0**	**15,5**	**16,0**	**11,9**	27%	**9,2**	**30%**	**50,6**	**48,5**	47%
EBITDA	**14,4**	**12,2**	**10,2**	**18,8**	**19,5**	**15,6**	28%	**12,4**	**26%**	**63,5**	**61,8**	48%
financial revenues and costs	0,2	-3,2	3,8	1,5	-1,6	-0,5		-1,0		-0,3	-3,9	
gross profit	12,5	6,2	10,8	17,0	14,4	11,4	85%	8,2		50,3	44,6	37%
tax	3,5	2,2	2,3	4,7	0,1	3,3	50%	2,2		9,8	12,1	13%
Net profit (loss)	**9,0**	**4,0**	**8,5**	**12,3**	**14,3**	**8,1**	104%	**6,0**	**35%**	**38,5**	**32,6**	50%
Net profit of parent company	**4,5**	**-0,7**	**3,0**	**5,6**	**5,5**	**2,8**		**2,5**	**15%**	**13,2**	**13,4**	18%

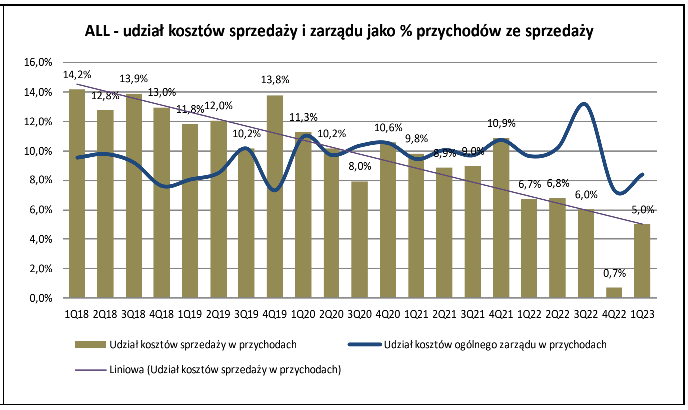
Source: Ailleron, F - Noble Securities forecasts

Revenues for 1Q23:

Consolidated net sales revenue amounted to PLN 110.6 million vs. PLN 76.7 million in the same period last year, an increase of 44% y-o-y. The growth in sales revenue continues to be driven mainly by the rapidly growing Technology Services (l. EnterpriseServices) segment, whose revenue growth rate in 1Q23 was +51% y/y. For the most part, this is still a visible positive effect of the consolidation (Virtual Mind, Code Factory or Cloud) that has been taking place since March '22, but also of organic growth. Technology Services remains the dominant segment in the company's revenues and now accounts for 85.9% of sales. FinTech generated 13.5% of revenues. It is important to note the continued favourable trend in export sales, in 1Q23 they accounted for 79.4% of total sales vs. 75.1% a year ago. Foreign countries are expected to remain the main direction of development for the Company and the Ailleron Group this year and in the years to come.

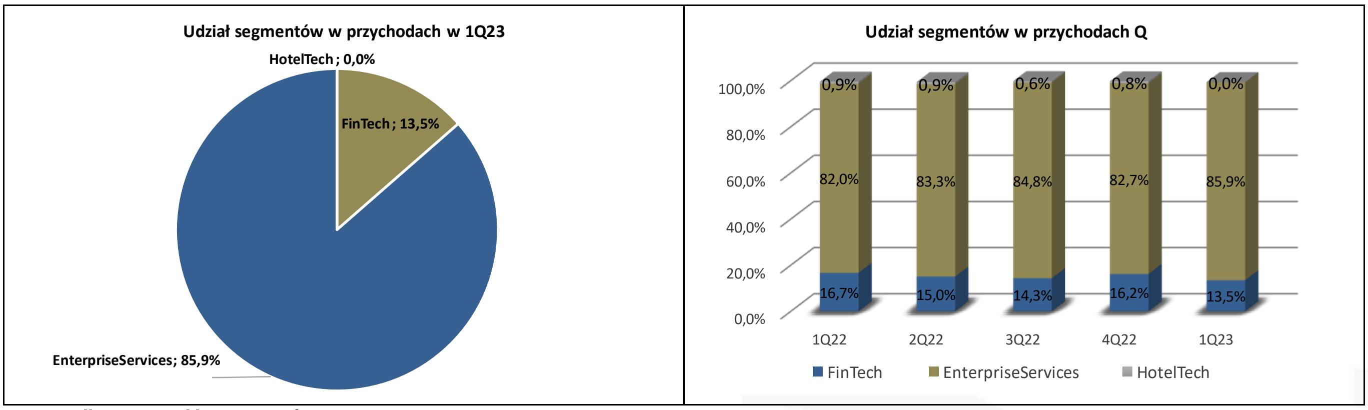
Revenues (mln PLN) and selling and administrative expenses as % of sales revenues





Source: Ailleron, F - Noble Securities forecasts

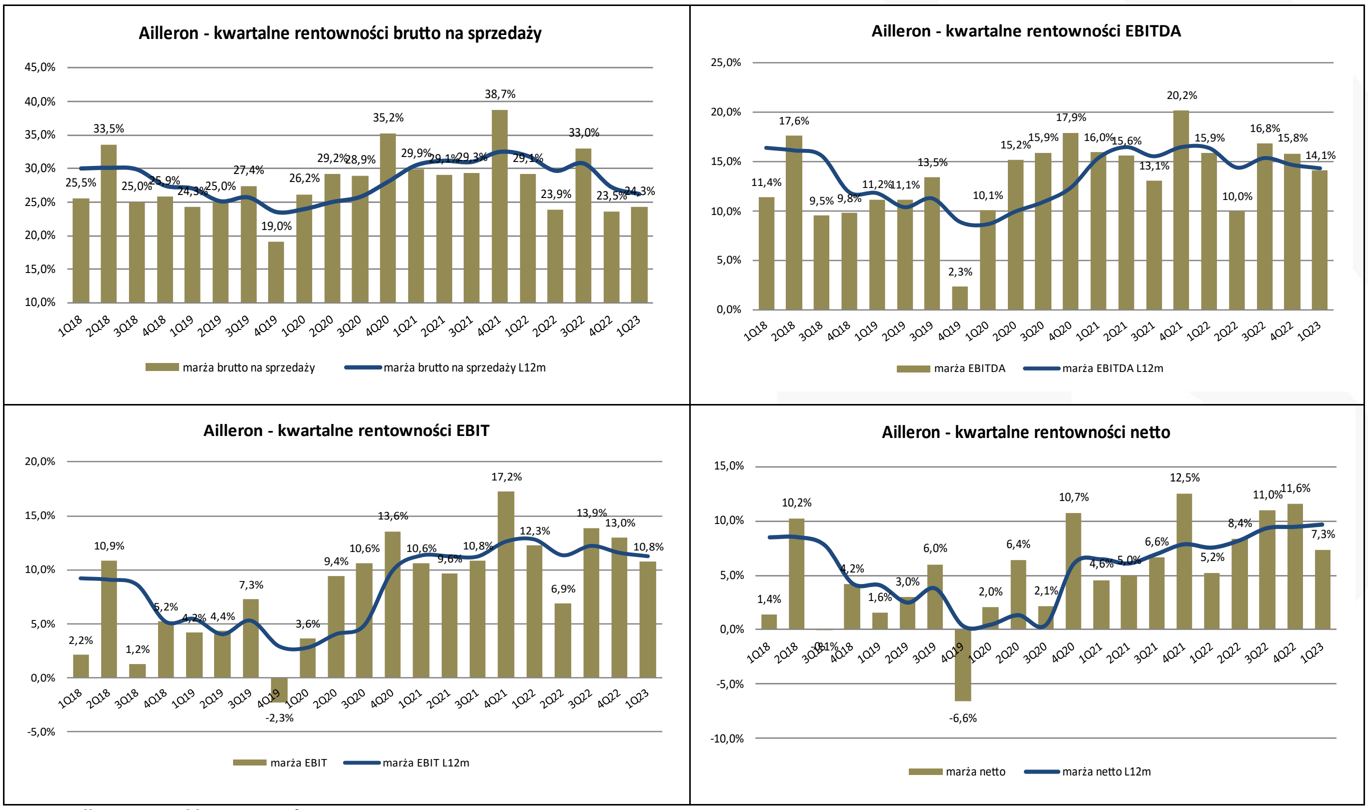
Segment share in revenue



Source: Ailleron, F - Noble Securities forecasts

Operating costs. Since 4Q19, the positive downward trend in cost of sales relative to revenue has continued, the share of w/w now representing 5.0% of sales. As the scale of operations increases, we expect further declines in this parameter in relation to revenue (on average), with the very low level from 4Q22 most likely not being the rule, the expected correction in 1Q23 having occurred. General and administrative expenses in relation to revenue remain below average, which has been oscillating around the average of 10.0% of revenue since 1Q20. This time the parameter for 1Q23 was 8.4% vs. 9.6% a year ago and 7.3% in the previous quarter.

Profitability earned by Ailleron since 1Q18.



Source: Ailleron, F - Noble Securities forecasts

EBIT for 1Q23 +27% y/y; EBITDA +28% y/y.

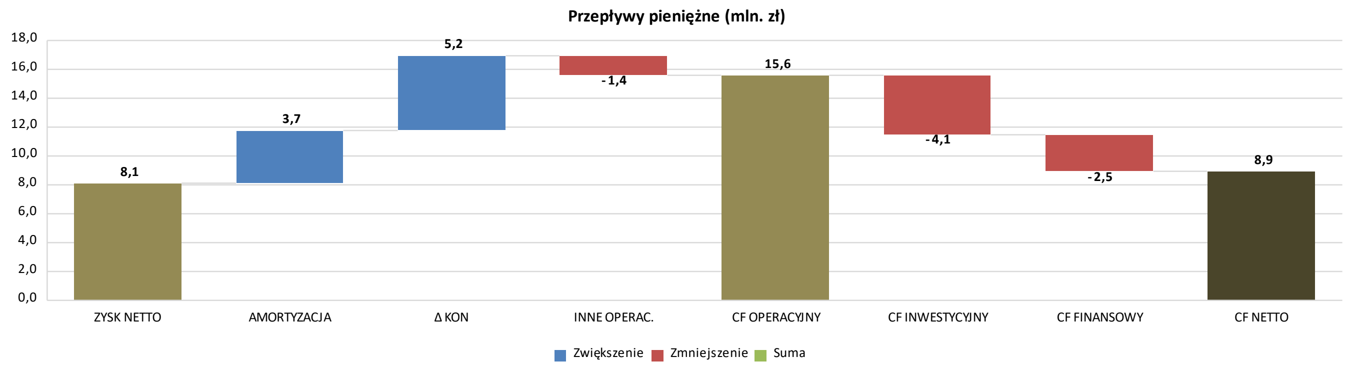
The Group's operating profit amounted to PLN 11.9 million, compared to PLN 9.4 million in Q1 2022, an increase of 27% y-o-y, for which the Enterprise Services segment is mainly responsible (PLN 13.1 million EBIT). Operating profit in the FinTech segment this time adds negatively to the group's results reporting a PLN 1.05m operating loss. Consolidated EBITDA increased year-on-year by 28% to PLN 15.6 million vs. PLN 12.2 million a year ago.

Net profit

at the consolidated level amounted to PLN 8.1 million, compared to PLN 4.0 million the year before. In the case of net profit, this represents an increase of 104% year-on-year. The net result attributable to the parent shareholders due to the negative contribution of FinTech was PLN 2.8 million, which is 15% higher than our forecasts.

At the end of 1Q23, the company had PLN 98.3m in cash, while financial debt stood at PLN 95.5m. This means that net debt in relation to 12Mt. EBITDA was -0.04x vs. 0.22x in 1Q22. The strong balance sheet position and very low net debt makes it possible to sustain the dividend payment for 2022. The company plans to pay PLN 1/share in 2023 (vs. PLN 0.32/share a year ago). The final decision on the matter will be up to the AGM.

Cash flows for 1Q23



Source: Ailleron,

We view Aileron's 1Q23 results themselves positively, pointing out that they ranked well above our forecast. The company maintained its high year-on-year earnings growth at the consolidated level. However, this is largely due to the still visible positive effect of the consolidation (Virtual Mind, Code Factory or Cloudworks) that has been taking place since March '22. 1Q23 is the first period when the group's result is not burdened by the result of HotelTech, sold at the end of '22. FinTech is still in deficit at the operating level, but managed to significantly reduce its loss in Q1 (1.0m loss vs. 3.4m loss in Q1 2022), but this does not change the fact that there is still an unresolved contract executed in Corporate Banking for Bank Pekao S.A.. Through this, FinTech was still burdened by a loss on this contract (PLN 2.2 million) and non-capitalised costs within the development of the LiveBank SaaS product (PLN 0.4 million). Eliminating the negative impact of the aforementioned from the results, the result at the level of the Finetch segment would have been better by PLN 2.6 million and would have reached a positive level of approximately PLN 1.6 million. Representatives of the Management Board during the previous results conference declared the settlement of the ongoing negotiations with the bank within 2 months, assuming a positive solution. According to current information, the documents required by the bank have been provided by the company, which is currently awaiting a decision from the bank's Board of Directors... We assume that Technology Services will remain on a growth path, with the Board Members during the conference once again pointing to a cooling market compared to the last 3 years and lowered expectations due to uncertainty about the macroeconomic situation, meaning that we should expect weaker dynamics in 2023 than in '22 or '21. In 2023, the company is betting on further organic growth for Software Mind, and maintains acquisition plans, for which the aforementioned expected cooling should provide an opportunity.

Last valuation: 30.0 PLN /share as of 18.05.2023. Price on the day of issue: PLN 23.4.

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FINAL REMARKS
Analyst preparing the Report: Dariusz Dadej
Date and time of completion of the Report: 30.05.2023, 14:40 . Date and time of the first dissemination of the Report: 30.05.2023, 14:50.

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All recommendations distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Ailleron	nd	30,0	23,4	22,80	32%	18.05.2023	24M	Dariusz Dadej
Sonel	nd	12,9	10,6	10,95	18%	17.05.2023	24M	Michał Sztabler
TIM	nd	41,6	49,2	49,30	-16%	16.05.2023	24M	Michał Sztabler
MO-BRUK	Accumulate	337,2	290,0	278,00	21%	09.05.2023	9M	Dariusz Dadej
Selvita	Accumulate	83,0	74,6	77,00	8%	08.05.2023	9M	Krzysztof Radojewski
XTB	Buy	78,9	35,3	41,22	91%	26.04.2023	9M	Mateusz Chrzanowski
Aplisens	nd	20,3	17,3	20,20	0%	21.04.2023	24M	Michał Sztabler
Bioton	nd	5,3	3,5	3,69	45%	20.04.2023	24M	Krzysztof Radojewski
MCI Capital	nd	36,1	19,5	21,00	72%	20.04.2023	24M	Krzysztof Radojewski
Amica	Accumulate	84,8	79,7	82,70	3%	24.03.2023	9M	Mateusz Chrzanowski
Dino Polska	Reduce	358,6	415,5	425,20	-16%	21.03.2023	9M	Dariusz Dadej
Eurocash	Buy	18,7	13,8	17,10	9%	21.03.2023	9M	Dariusz Dadej
Pepco Group	Accumulate	50,1	43,7	40,24	25%	20.02.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	72,5	52,8	40,36	80%	27.01.2023	9M	Michał Sztabler
Molecure	Buy	20,8	14,7	20,20	3%	05.01.2023	9M	Krzysztof Radojewski
Celon Pharma	Buy	30,9	15,1	14,94	107%	05.01.2023	9M	Krzysztof Radojewski
Captor Therapeutics	Buy	192,0	164,0	163,00	18%	05.01.2023	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	85,4	54,6	58,50	46%	05.01.2023	9M	Krzysztof Radojewski
Forte	Hold	21,3	21,0	25,60	-17%	03.01.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	51,5	38,2	40,36	28%	28.12.2022	9M	Michał Sztabler
Wielton	Hold	6,6	6,7	8,50	-22%	28.12.2022	9M	Michał Sztabler
TIM	nd	37,9	28,2			12.12.2022	24M	Michał Sztabler
Aplisens	nd	18,3	14,4	20,20	-9%	06.12.2022	24M	Michał Sztabler
Apator	Redukuj	12,9	15,0	16,95	-24%	06.12.2022	9M	Michał Sztabler
Sonel	nd	10,2	9,7	10,95	-7%	06.12.2022	24M	Michał Sztabler
MO-BRUK	Buy	371,7	293,0			26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30,5	30,6			20.10.2022	9M	Michał Sztabler
Selvita	Accumulate	97,5	86,0			20.10.2022	9M	Krzysztof Radojewski
Ailleron	nd	17,5	12,0			17.10.2022	24M	Dariusz Dadej
MCI Capital	nd	29,6	16,1			07.10.2022	24M	Krzysztof Radojewski
Bioton	nd	4,7	3,8			06.09.2022	24m	Krzysztof Radojewski
Dino Polska	Reduce	286,8	351,5			10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13,0	12,1			10.08.2022	9M	Dariusz Dadej
Amica	Hold	69,7	71,4			05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4,9	5,5			12.07.2022	9M	Michał Sztabler
Krynicki Recykling	nd	20,9	22,6			04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163,0	116,0			28.06.2022	9M	Krzysztof Radojewski

Celon Pharma	Buy	29,3	14,9	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21,7	13,2	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51,8	23,5	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Sell	74,1	94,4	24.06.2022	9M	Maciej Kietliński
Ten Square Games	Sell	98,6	117,0	24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12,2	14,8	06.06.2022	9M	Michał Sztabler
Aplisens	nd	16,0	14,1	06.06.2022	24M	Michał Sztabler
Sonel	nd	10,2	9,8	06.06.2022	24M	Michał Sztabler
TIM	nd	54,3	31,4	06.06.2022	24M	Michał Sztabler

(1) Date of publication is simultaneously date of first publication,

(2) recommendation is valid for a period of 9 months, unless it is previously updated,

(3) Job position: Krzysztof Radojewski – Senior Analyst, Michał Sztabler – Equity Analyst, Dariusz Dadej - Equity Analyst, Maciej Kietliński - Equity Analyst

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