



greca.

February 2021

Company Assessment and Valuation Report

smegreca



Excellence in Corporate Finance.

an Inspiralia Group company

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Index

1. EXECUTIVE SUMMARY

2. FINANCIAL REPORT

2.1 FINANCIAL STATEMENTS AND FORECASTS

2.1.1 PROFIT AND LOSS

2.1.1.1 P&L STATEMENTS AND FORECASTS

2.1.1.2 P&L COMPARATIVE ANALYSIS

2.1.2 BALANCE SHEET

2.1.2.1 BS STATEMENTS AND FORECASTS

2.1.2.2 BS COMPARATIVE ANALYSIS

2.1.3 CASH-FLOW

2.2 FINANCIAL SUMMARY AND STABILITY LEVEL

3. COMPANY VALUATION

3.1 INTRODUCTION TO VALUATION METHODS

3.2 COMPANY VALUATION DETAILS

3.3 COMPANY VALUATION SUMMARY

3.4 EQUITY VALUE AND STAKE

1. Executive summary

 Company Description	SME manufacturing telecom devices for WAN, WLAN and LAN
 Mission	Develop best quality telecom devices for high end customers
 Vision	Be number one telecom equipment provider in Europe
 Business Sector	Telecom. Equipment
 Business Segment	Other Communications Equipment Manufacturing
 Number of Employees	25
 Year of Foundation	2017
 Location	Madrid, Spain

Company Assessment

Technology Readiness Level (TRL)

		Products/services		
		P1	-	-
Technology readiness level	TRL	TRL9	-	-
Expected percentage of revenues in years	n	100%	-	-
	n+2	100%	-	-

Your TRL scoring

10.00
out of 10.00

Team Readiness Level (Team RL)

Experience	Stable team with recent reinforcement
Network	
Commitment	Based on establishment and follow-up of business objectives by the management team
Knowledge	Average master's degree in industry-related field
Composition	Board representing current shareholders with limited impact on a professional steering committee

Your Team RL scoring

7.00
out of 10.00

Market Attractiveness Level (MAL)

Market size in M€

TAM	SAM	SOM
>5.000	1.000-5.000	50-500

Market trend	Growth
Legislation	Stable legislation framework or no influence

5 forces or Porter

Competitors	Very few
New entrants	Significant barriers
Substitute Prod./Serv	Few
Clients/Customers	Growing trend
Suppliers	Stable

Your MAL scoring

7.25
out of 10.00

Business Readiness Level (BRL)

Traction	80% of revenues from more than 20% clients
Partnership	Have multiple partnership agreements already running
Competitive advantage	Core technology
Planning process	High number of recurring clients
KPI model	No legal conflicts. Dedicated resources to legal compliance.

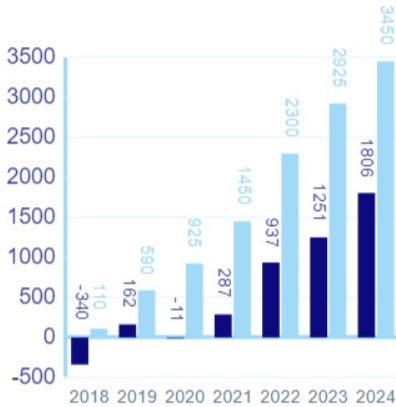
Your BRL scoring

6.50
out of 10.00

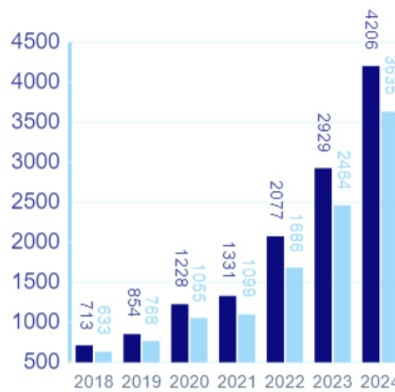
Company Assessment

Financial Stability Level (FSL)

Revenue and EBITDA by Year



Equity and Total assets by Year



Altman Z score at year (n)

Company's likelihood of bankruptcy

9.38 safe zone

Your FSL scoring

7.05
out of 10.00

Company Success Readiness Level (CSRL)

Your CSRL scoring

7.67
out of 10.00

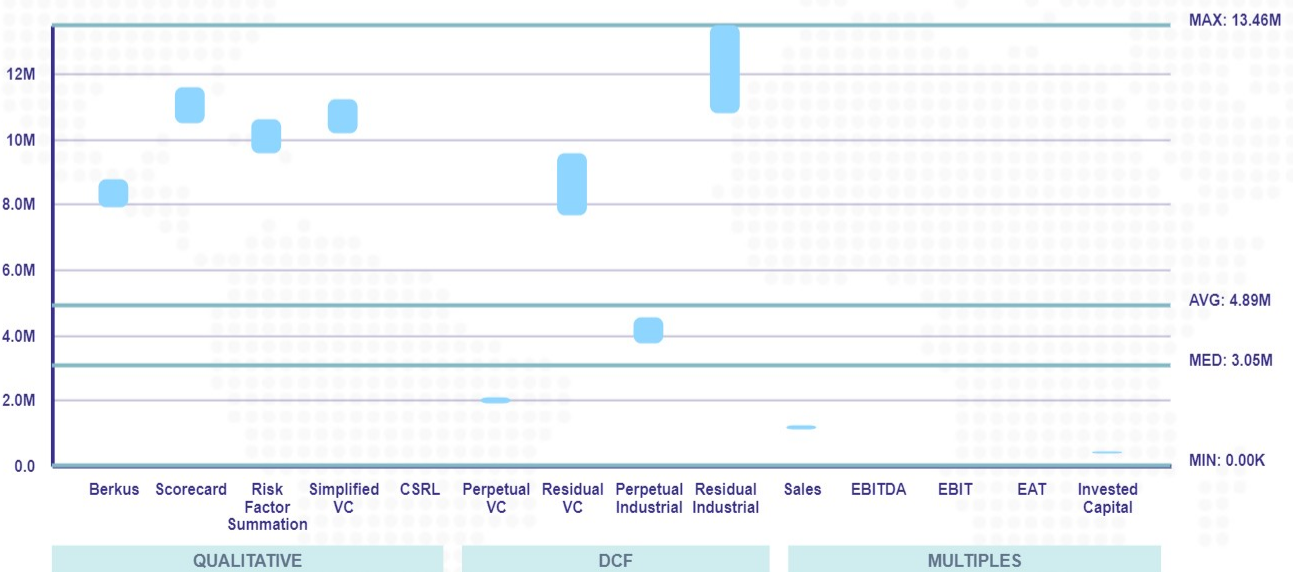
Your investment grade

BBB

Your investment grade

PRE-SEED

Company Valuation



2. Financial Report

This Financial Report provides a wide and deep set of data, including the arrangement of financial projections covering Profit & Loss, Balance Sheet and Cash Flow.

Based on information obtained from public databases, this report integrates a comparison of operative main values versus sales, such as:

- Inventory
- Non-cash working capital
- Accounts receivables
- Accounts payables
- Cost of goods sold
- R&D expenses
- SG&A expenses

Based on our proprietary methodology, this report also includes a calculation of the Financial Stability Level (FSL) of the company analyzing many different indicators:

- Growth of revenues, EBITDA and EBIT during previous years and also for future years.
- Current financial debt versus EBITDA and equity.
- Altman Z score, which is an empirical compounded indicator to determine company's likelihood of bankruptcy. It combines 5 different ratios:

- **Working capital / Assets**
- **Retained earnings / Assets**
- **EBIT / Assets**
- **Equity / Liabilities**
- **Sales / Assets**

P&L: Profit and Loss Statement

R&D: Research and Development

SG&A: Selling, General and Administrative

EBITDA: Earnings before interest tax, depreciation and amortization

EBIT: Earnings before interest and taxes



2.1 FINANCIAL STATEMENTS AND FORECAST

2.1.1 PROFIT AND LOSS

2.1.1.1 Profit & Loss Statements and Forecast

Figures in thousand euros

	2018	2019	2020	2021	2022	2023	2024
	year	year	year	year	year	year	year
REVENUES	110	590	925	1,450	2,300	2,925	3,450
equipment1	100	500	675	900	1,300	1,400	1,450
Revenue Stream 2	10	90	150	300	500	725	900
Revenue Stream 3	0	0	100	250	500	800	1,100
Changes in inventories and WIP	0	22	62	58	105	68	58
Work carried out by the company for assets	100	100	150	200	250	300	350
Supplies	-100	-100	-463	-580	-690	-878	-863
Other operating income	0	0	0	0	0	0	0
Personnel expenses	-400	-400	-500	-580	-660	-755	-775
Other operating expenses	-50	-50	-185	-261	-368	-410	-414
EBITDA	-340	162	-11	287	937	1,251	1,806
Amortisation and depreciation	-28	-28	-47	-97	-155	-215	-271
Impairment and results from fixed assets	0	0	0	0	0	0	0
Net finance result	1	1	1	1	1	0	0
EBT	-367	135	-57	191	784	1,037	1,535
Income tax expense	0	0	14	-48	-196	-259	-384
EAT	-367	135	-43	143	588	778	1,151
Accum Earnings	-367	-232	-275	-131	456	1,234	2,385

COGS	200	178	501	622	710	969	970
R&D	100	100	150	200	250	300	350
SG&A	150	150	335	441	553	605	624

Historical figures

Forecast

EBITDA: Earnings before interest, tax, depreciation and amortization;

EBT: Earnings before taxes;

EAT: Earnings after taxes;

COGS: Cost Of Goods Sold;

R&D: Research & Development;

SG&A: Selling, General and Administrative;

2.1.1.2 P&L Comparative Analysis

Figures in % of total revenues

	Horizontal Analysis						
	2018	2019	2020	2021	2022	2023	2024
REVENUES	100%	100%	100%	100%	100%	100%	100%
equipment1	91%	85%	73%	62%	57%	48%	42%
Revenue Stream 2	9%	15%	16%	21%	22%	25%	26%
Revenue Stream 3	0%	0%	11%	17%	22%	27%	32%
Changes in inventories and WIP	0%	4%	7%	4%	5%	2%	2%
Work carried out by the company for assets	91%	17%	16%	14%	11%	10%	10%
Supplies	-91%	-17%	-50%	-40%	-30%	-30%	-25%
Other operating income	0%	0%	0%	0%	0%	0%	0%
Personnel expenses	-364%	-68%	-54%	-40%	-29%	-26%	-22%
Other operating expenses	-45%	-8%	-20%	-18%	-16%	-14%	-12%
EBITDA	-309%	27%	-1%	20%	41%	43%	52%
Amortisation and depreciation	-25%	-5%	-5%	-7%	-7%	-7%	-8%
Impairment and results from fixed assets	0%	0%	0%	0%	0%	0%	0%
Net finance result	1%	0%	0%	0%	0%	0%	0%
EBT	-334%	23%	-6%	13%	34%	35%	44%
Income tax expense	0%	0%	2%	-3%	-9%	-9%	-11%
EAT	-334%	23%	-5%	10%	26%	27%	33%
Accumm Earnings	-334%	-39%	-30%	-9%	20%	42%	69%
COGS	182%	30%	54%	43%	31%	33%	28%
R&D	91%	17%	16%	14%	11%	10%	10%
SG&A	136%	25%	36%	30%	24%	21%	18%

Percentages over total revenues

EBITDA: Earnings before interest, tax, depreciation and amortization;

EBT: Earnings before taxes;

EAT: Earnings after taxes;

COGS: Cost Of Goods Sold;

R&D: Research & Development;

SG&A: Selling, General and Administrative;

2.1.1.2 P&L Comparative Analysis

Annual growth evolution in %

	Vertical Analysis					
	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2023 vs 2022	2024 vs 2023
REVENUES	436%	57%	57%	59%	27%	18%
equipment1	400%	35%	33%	44%	8%	4%
Revenue Stream 2	800%	67%	100%	67%	45%	24%
Revenue Stream 3			150%	100%	60%	38%
Changes in inventories and WIP		180%	-6%	80%	-35%	-16%
Work carried out by the company for assets	0%	50%	33%	25%	20%	17%
Supplies	0%	363%	25%	19%	27%	-2%
Other operating income						
Personnel expenses	0%	25%	16%	14%	14%	3%
Other operating expenses	0%	270%	41%	41%	11%	1%
EBITDA	-148%	-107%	-2,760%	226%	34%	44%
Amortisation and depreciation	0%	69%	105%	59%	39%	26%
Impairment and results from fixed assets						
Net finance result	0%	0%	0%	0%	-100%	
EBT	-137%	-142%	-435%	310%	32%	48%
Income tax expense			-435%	310%	32%	48%
EAT	-137%	-132%	-435%	310%	32%	48%
Accumm Earnings	-37%	18%	-52%	-448%	170%	93%
COGS	-11%	181%	24%	14%	36%	0%
R&D	0%	50%	33%	25%	20%	17%
SG&A	0%	123%	32%	25%	9%	3%

Annual growth evolution

EBITDA: Earnings before interest, tax, depreciation and amortization;

EBT: Earnings before taxes;

EAT: Earnings after taxes;

COGS: Cost Of Goods Sold;

R&D: Research & Development;

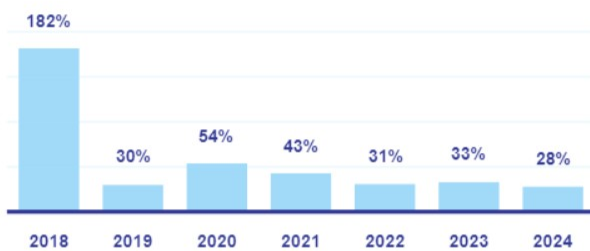
SG&A: Selling, General and Administrative;

2.1.1.2 P&L Comparative Analysis

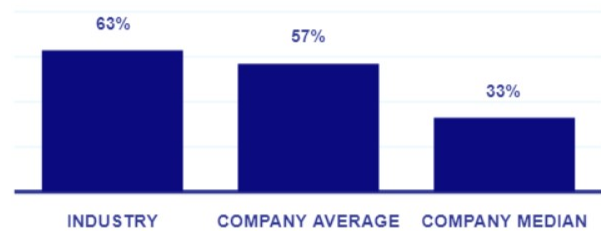
The following graphs allow you to compare different magnitudes of your working capital with Industry ratios.

COGS versus Sales

COGS / sales (company data)



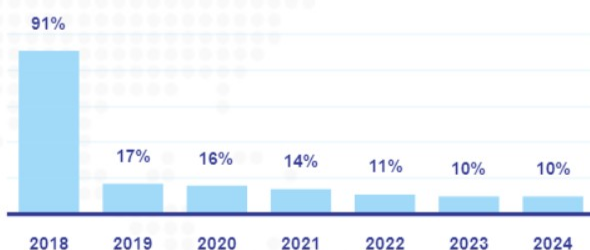
COGS / sales (company versus Industry)



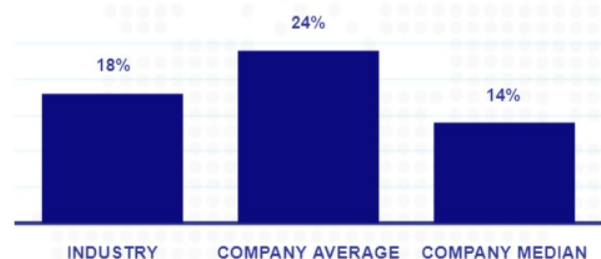
Comparing Costs of Goods Sold (COGS) versus sales is relevant to demonstrate market competitive positioning and ability of the company to get healthy gross margins. The lower the COGS versus sales, the higher attractiveness of the company. If your company has lower COGS than your industry, the company will have an initial stronger presence in front of investors. If your company has lower gross margins this might be an issue to support in any discussion and eventual due diligence process.

R&D expenses versus Sales

R&D / sales (company data)



R&D / sales (company versus Industry)



Research & Development (R&D) expenses represent the level of effort invested in your company to have innovative solutions. But, if your company invest higher values versus sales compared to other companies in the same business sector and your company doesn't get higher gross margins, you are obliged to justify it. Maybe the reason is a current dedication to future solutions that you expect to have a positive impact in future P&Ls. This is a good plan that you shall have to go into details in front of potential investors. In the other way around, if your company shows lower R&D expenses, you could be asked to justify how your company will sustain its competitive positioning with lower investment in innovation compared with your peers.

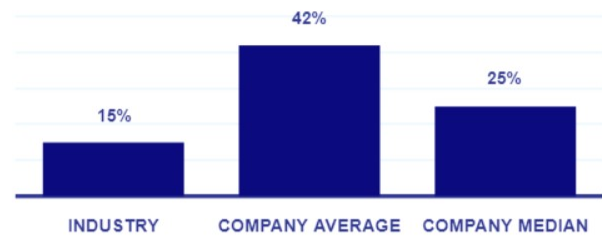
2.1.1.2 P&L Comparative Analysis

SG&A expenses versus Sales

SG&A / sales (company data)



SG&A / sales (company versus Industry)



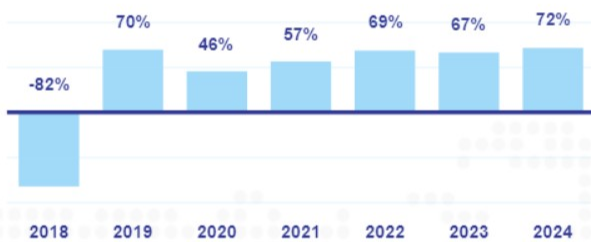
Having reduced Sales, General and Administrative (SG&A) expenses is good news because it shows good efficiency in managing support activities. The lower these expenses compared to your business sector peers, the higher confidence in the management team. In case you have distortions in these expenses because of one-off-processes due to restructuring processes, launching a new commercial branch, opening a new office, etc., try to justify and separate them to demonstrate that there is a conjunctural impact and create a pro-forma statement without these one-off impacts to have a more clear picture about what could be considered business as usual. In case your SG&A expenses are definitely higher than your business sector, try to show that you have a plan ready to be implemented.

2.1.1.2 P&L Comparative Analysis

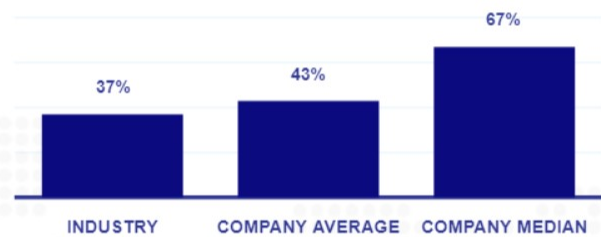
Gross margin, EBITDA, EBIT and Net Income margins

The following graphs represent different percentual magnitudes of your P&L compared with revenues. It is simple: the higher, the better. Majority of investors consider Gross Margin as the most relevant one. Gross Margin is what the company gets after deducting direct costs to the revenues, or in other words, after deducting the costs of goods or services sold. EBITDA stands for Earnings Before Interests, Taxes, Depreciations and Amortizations. EBITDA is also a variable very appreciated by investors and it is also one of the main values to make a fast estimation of companies value using available industry multiples. So, it is crucial to have a higher absolut and percentual EBITDA versus sales. EBIT stands for Earnings Before Interests and Taxes and it is also a relevant magnitude. Net Income represents the bottom value of your P&L, the remaining result after Taxes.

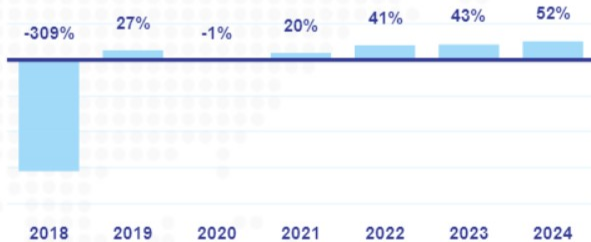
Gross Margin (company data)



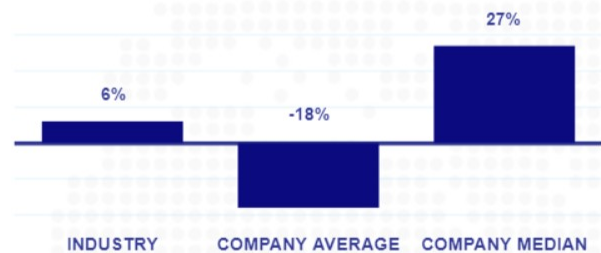
Gross Margin (company versus Industry)



EBITDA (company data)



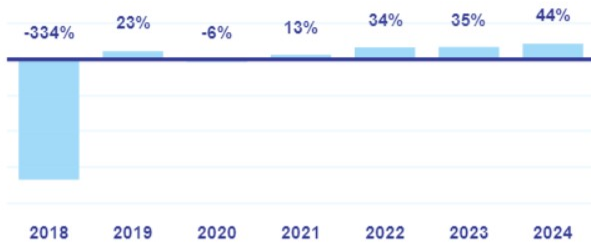
EBITDA (company versus Industry)



2.1.1.2 P&L Comparative Analysis

Gross margin, EBITDA, EBIT and Net Income margins

EBIT (company data)



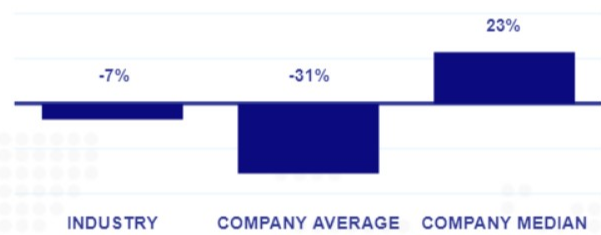
EBIT (company versus Industry)



Net Income (company data)



Net Income (company versus Industry)



2.1.1.2 P&L Comparative Analysis

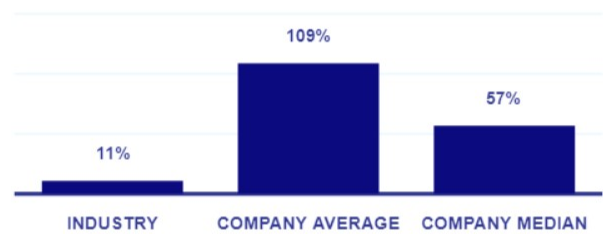
Gross margin, EBITDA, EBIT and Net Income growths

The following graphs take into consideration historical and future growths of revenues, EBIT and Net Income of your company and market ones. Higher growths are always good news for any potential acquirer. Of course, future expectations are more relevant but high expectations with low historical performance will require intensive and solid justification. So, it is important to have a detailed explanation to justify a fluid evolution of each figure included in past statements and forecasts.

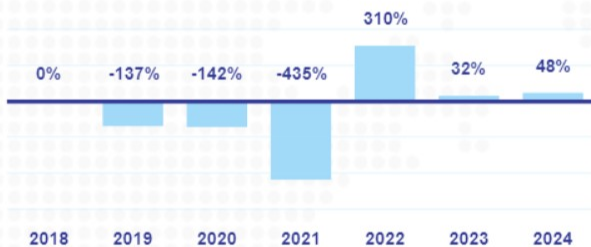
Revenue growth (company data)



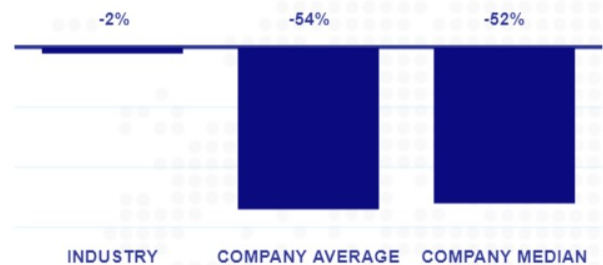
Revenue growth (company versus Industry)



EBIT growth (company data)



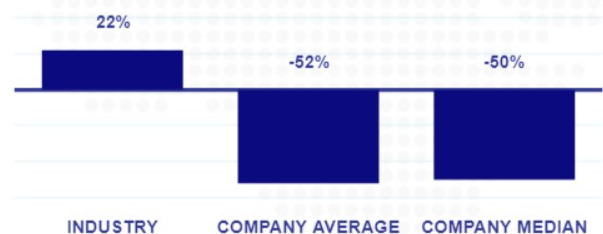
EBIT growth (company versus Industry)



Net income growth (company data)



Net income growth (company versus Industry)



2.1.2 BALANCE SHEET FIGURES AND ANALYSIS

2.1.2.1 BS statements and forecasts

Figures in thousand euros

	2018	2019	2020	2021	2022	2023	2024
Goodwill	0	0	0	0	0	0	0
Intangible assets	0	100	250	450	700	1,000	1,350
Property, plant and equipment	5	10	20	30	45	60	80
Other non-current investments	0	0	0	0	0	0	0
Deferred tax assets	20	20	34	34	0	0	0
Accumulated amortisation	-28	-56	-103	-200	-355	-570	-841
NON-CURRENT ASSETS	-3	74	201	314	390	491	590
Inventories	5	27	89	147	252	321	378
Trade and other receivables	50	60	152	238	378	481	567
Other current assets	0	0	12	12	12	12	12
Cash and cash equivalents	661	693	774	620	1,044	1,625	2,660
CURRENT ASSETS	716	780	1,027	1,017	1,686	2,438	3,617
TOTAL ASSETS	713	854	1,228	1,331	2,077	2,929	4,206

Capital and share premium	1,000	1,000	1,250	1,250	1,250	1,250	1,250
Owned shares and equity holdings	0	0	20	20	20	20	0
Reserves and prior periods earnings	0	-367	-232	-275	-131	456	1,234
Profit/ (loss) for the period	-367	135	-43	143	588	778	1,151
Other equity holder contributions	0	0	100	0	0	0	0
Other equity (grants, donations,..)	0	0	0	0	0	0	0
EQUITY	633	768	1,055	1,099	1,686	2,464	3,635
Non-current liabilities (financial entities)	20	20	63	46	29	12	0
Other non-current liabilities	0	0	0	0	0	0	0
NON-CURRENT LIABILITIES	20	20	63	46	29	12	0
Income taxes	0	0	0	48	196	259	384
Trade payables	40	40	80	104	130	159	157
Other payables	0	0	7	12	12	12	12
Current liabilities (financial entities)	20	20	17	17	17	17	12
Other current liabilities	0	6	6	6	6	6	6
CURRENT LIABILITIES	60	66	110	187	361	453	571
TOTAL EQUITY AND LIABILITIES	713	854	1,228	1,331	2,077	2,929	4,206

2.1.2.2 BS comparative analysis

Figures as % of total assets

	Horizontal Analysis						
	2018	2019	2020	2021	2022	2023	2024
Goodwill	0%	0%	0%	0%	0%	0%	0%
Intangible assets	0%	12%	20%	34%	34%	34%	32%
Property, plant and equipment	1%	1%	2%	2%	2%	2%	2%
Other non-current investments	0%	0%	0%	0%	0%	0%	0%
Deferred tax assets	3%	2%	3%	3%	0%	0%	0%
Accumulated amortisation	4%	7%	8%	15%	17%	19%	20%
NON-CURRENT ASSETS	0%	9%	16%	24%	19%	17%	14%
Inventories	1%	3%	7%	11%	12%	11%	9%
Trade and other receivables	7%	7%	12%	18%	18%	16%	13%
Other current assets	0%	0%	1%	1%	1%	0%	0%
Cash and cash equivalents	93%	81%	63%	47%	50%	55%	63%
CURRENT ASSETS	100%	91%	84%	76%	81%	83%	86%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%	100%

Capital and share premium	140%	117%	102%	94%	60%	43%	30%
Owned shares and equity holdings	0%	0%	-2%	-2%	-1%	-1%	0%
Reserves and prior periods earnings	0%	-43%	-19%	-21%	-6%	16%	29%
Profit/ (loss) for the period	-334%	23%	-5%	10%	26%	27%	33%
Other equity holder contributions	0%	0%	8%	0%	0%	0%	0%
Other equity (grants, donations,..)	0%	0%	0%	0%	0%	0%	0%
EQUITY	89%	90%	86%	83%	81%	84%	86%
Non-current liabilities (financial entities)	3%	2%	5%	3%	1%	0%	0%
Other non-current liabilities	0%	0%	0%	0%	0%	0%	0%
NON-CURRENT LIABILITIES	3%	2%	5%	3%	1%	0%	0%
Income taxes	0%	0%	0%	4%	9%	9%	9%
Trade payables	6%	5%	7%	8%	6%	5%	4%
Other payables	0%	0%	1%	1%	1%	0%	0%
Current liabilities (financial entities)	3%	2%	1%	1%	1%	1%	0%
Other current liabilities	0%	1%	0%	0%	0%	0%	0%
CURRENT LIABILITIES	8%	8%	9%	14%	17%	15%	14%
TOTAL EQUITY AND LIABILITIES	100%	100%	100%	100%	100%	100%	100%

Percentages over total assets

2.1.2.2 BS comparative analysis

Annual growth evolution in %

	Vertical Analysis					
	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2023 vs 2022	2024 vs 2023
Goodwill						
Intangible assets		150%	80%	56%	43%	35%
Property, plant and equipment	100%	100%	50%	50%	33%	33%
Other non-current investments						
Deferred tax assets	0%	71%	0%	-100%		
Accumulated amortisation	100%	84%	94%	77%	61%	48%
NON-CURRENT ASSETS	-2,567%	172%	56%	24%	26%	20%
Inventories	440%	229%	66%	71%	27%	18%
Trade and other receivables	20%	153%	57%	59%	27%	18%
Other current assets			0%	0%	0%	0%
Cash and cash equivalents	5%	12%	-20%	68%	56%	64%
CURRENT ASSETS	9%	32%	-1%	66%	45%	48%
TOTAL ASSETS	20%	44%	8%	56%	41%	44%

Capital and share premium	0%	25%	0%	0%	0%	0%
Owned shares and equity holdings			0%	0%	0%	-100%
Reserves and prior periods earnings		-37%	18%	-52%	-448%	170%
Profit/ (loss) for the period	-137%	-132%	-435%	310%	32%	48%
Other equity holder contributions			-100%			
Other equity (grants, donations,..)						
EQUITY	21%	37%	4%	53%	46%	48%
Non-current liabilities (financial entities)	0%	215%	-27%	-37%	-59%	-100%
Other non-current liabilities						
NON-CURRENT LIABILITIES	0%	215%	-27%	-37%	-59%	-100%
Income taxes				310%	32%	48%
Trade payables	0%	100%	30%	26%	22%	-1%
Other payables			71%	0%	0%	0%
Current liabilities (financial entities)	0%	-15%	0%	0%	0%	-29%
Other current liabilities		0%	0%	0%	0%	0%
CURRENT LIABILITIES	10%	66%	70%	94%	25%	26%
TOTAL EQUITY AND LIABILITIES	20%	44%	8%	56%	41%	44%

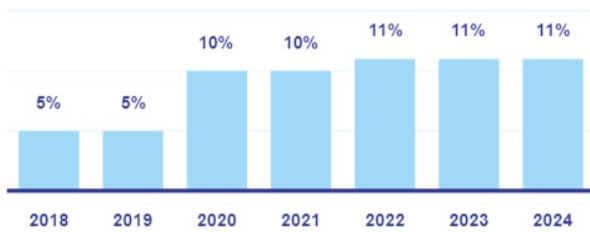
Yearly evolution

2.1.2.2 BS comparative analysis

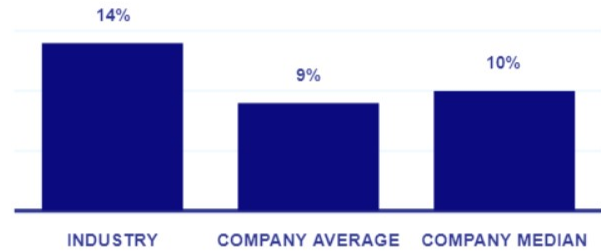
The following graphs allow you to compare different magnitudes of your working capital with Industry ratios.

Inventory versus Sales

Inventory/sales (company data)



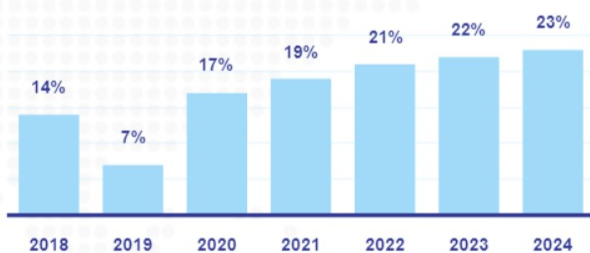
Inventory/sales (Company versus Industry)



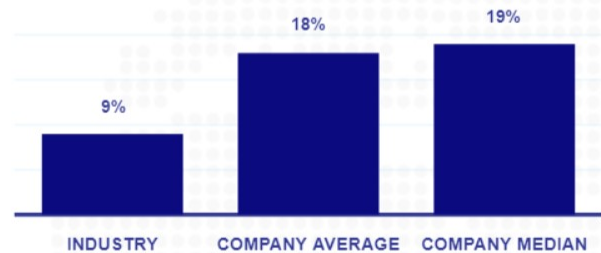
Comparing inventory versus sales is relevant to demonstrate your ability to serve the market with limited stocks. The lower the Inventory versus sales, the higher attractiveness of the company. If your company has lower Inventory than your industry, the company will have an initial stronger presence in front of investors. If your company has high inventory levels it could be analyzed in detail to understand whether these stocks are useful or useless and the potential impact on future P&Ls.

Non-cash Working Capital versus Sales

Non-cash Working Capital versus Sales (company data)



Non-cash WC / Sales (company versus Industry)



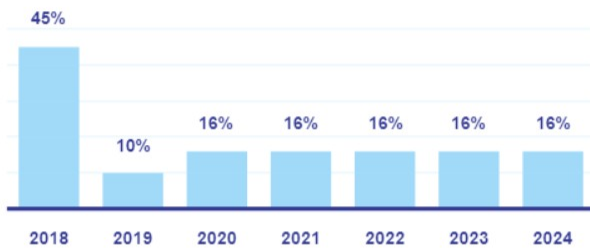
Working Capital (WC) is not good or bad on its own. It is more about the business model and the evolution. In general terms, businesses with high values in WC may require money from financial entities or shareholders in case of rapid growth and, in the other way around, in case of having negative WC, the growth will be financed by this WC. But, when a business sector has a certain level of WC having a significantly lower one will be analyzed in detail by potential investors. Please, be ready to understand the details.

2.1.2.2 BS comparative analysis

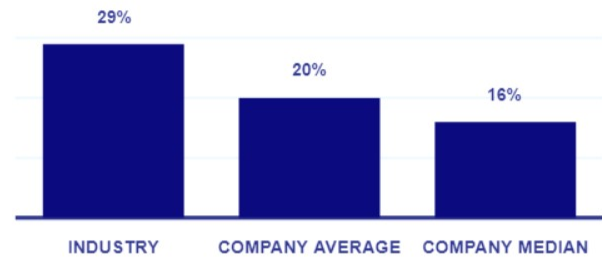
The following graphs allow you to compare different magnitudes of your working capital with Industry ratios.

Account Receivables versus Sales

Acc receivable / sales (company data)



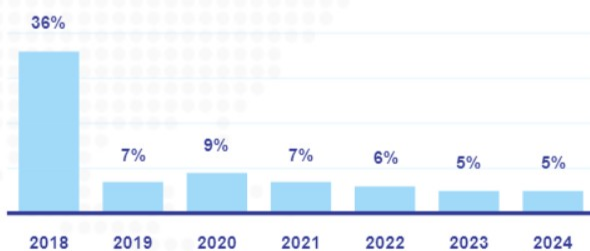
Acc receivable / sales (Company vs Industry)



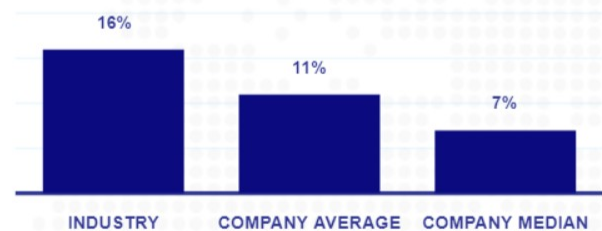
Having a higher value of account receivable versus sales is not good news. It means that your company collects money in a longer period of time than your competitors. This means a lower cash generation capability and a lower company value. Cut-off periods can provoke significant distortions because of specific transactions. In that case, try to isolate these distortions to present a comprehensive picture. If your company compares positively regarding the market in this ratio it could mean that your client/customer base is healthier. Try to get benefits from this in your discussions with potential investors.

Account Payables versus Sales

Acc payables / sales (company data)



Acc payables / sales (company vs Industry)



This ratio of account payable versus sales works for analysts in the opposite way than account receivable versus sales. But, in any case, if you have a very high value compared with your peers, you are, maybe, jeopardizing your relationship with your suppliers or providers. Please be ready to understand in detail your figures to maintain a deep analysis in front of potential investors.

2.1.3 Cash flow

Figures in thousand euros

	2018	2019	2020	2021	2022	2023	2024
EBITDA	-340	162	-11	287	937	1,251	1,806
Tax payments	0	0	0	0	-14	-196	-259
Non-current assets investments	-100	-105	-160	-210	-265	-315	-370
Working capital investment	-15	-26	-119	-116	-218	-143	-145
Existing non-current liabilities (financial entities)	20	0	43	-17	-17	-17	-12
Existing current liabilities (financial entities)	20	0	-3	0	0	0	-5
Finance income & expense net payments	1	1	1	1	1	0	0
Other non-current liabilities	0	0	0	0	0	0	0
Other equity (grants, donations, ...)	0	0	0	0	0	0	0
Owned/Treasury shares and equity holdings	0	0	-20	0	0	0	20
Other variations in reserves	0	0	0	0	0	0	0
FREE CASH FLOW	-414	32	-269	-54	424	581	1,035
ACCUMULATED FREE CASH FLOW	-414	-382	-651	-705	-281	300	1,335
Dividends	0	0	0	0	0	0	0
Other shareholders' contributions (*)	0	0	100	-100	0	0	0
Capital increase (*)	1,000	0	250	0	0	0	0
CASH GENERATED DURING THE PERIOD	586	32	81	-154	424	581	1,035
CASH AND CASH EQUIVALENTS	661	693	774	620	1,044	1,625	2,660

Historical figures

Forecast

(*) Shareholder's expected contribution

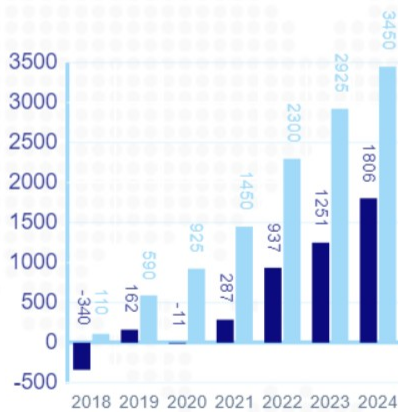
2.2 Financial summary and Stability Level (FSL)

Figures in thousand euros

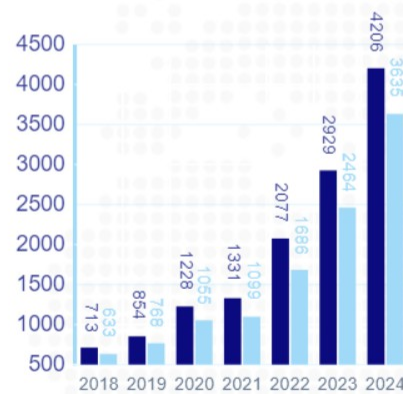
Key Metrics

	2018	2019	2020	2021	2022	2023	2024
REVENUES	110	590	925	1,450	2,300	2,925	3,450
COGS	200	178	501	622	710	969	970
R&D	100	100	150	200	250	300	350
SG&A	150	150	335	441	553	605	624
EBITDA	-340	162	-11	287	937	1,251	1,806
EBT	-367	135	-57	191	784	1,037	1,535
EAT	-367	135	-43	143	588	778	1,151
EQUITY	633	768	1,055	1,099	1,686	2,464	3,635
NON-CURRENT LIABILITIES	20	20	63	46	29	12	0
CURRENT LIABILITIES	60	66	110	187	361	453	571
Non-cash Working capital	15	41	160	276	494	637	782
TOTAL ASSETS	713	854	1,228	1,331	2,077	2,929	4,206
FREE CASH FLOW	-414	32	-269	-54	424	581	1,035

Revenue and EBITDA by Year



Equity and Total Assets by year



Altman Z score at year (n)

9,38

Safe zone

Your FSL scoring

7.05

out of 10,00

EBITDA: Earnings before interest, tax, depreciation and amortization; COGS: Cost Of Goods Sold; R&D: Research and Development; SG&A: Selling, General and Administrative; EBT: Earnings before income taxes; EAT: Earnings after taxes; Altman Z Score: Output of a credit strength test that gauges company's likelihood of bankruptcy;

3. Company Valuation

Based on your inputs for the Company Assessment Report, the CSRL methodology and the volume of revenues of your company, GRECA can value your company using several or all of the following methods:

- Qualitative (Berkus, Scorecard, Risk Factor Summation)
- Simplified VC
- CSRL
- Discounted Cash Flow
- Multiples (EBITDA, EBIT, EAT, Invested Capital)

3.1 Introduction to valuation methods

Brief explanation of the six different methods used by GRECA to value companies.

CSRL

It is a proprietary method that uses the company assessment to define a multiplier to apply to the invested funds to obtain the company valuation.

Berkus

It is a simple method designed by Dave Berkus, a renowned author and business angel investor. It works with 5 key criteria to apply to companies that expect +20M US \$ in revenues in year 5. The 5 key criteria are: sound idea, prototype (technology), quality management team, strategic relationship and product.

Scorecard

This method uses values of comparable companies to compare the target by means of different factors such as: strength of the management team, size of the opportunity, product / technology, competitive environment, marketing / sales channels / partnerships, need for additional investment and others.

Risk Factor Summation

This method compares the target with pre-money valuation of companies by means of different risk factors comparison. It uses 12 different factors with discrete valuations of up to a maximum of plus/minus 500k per factor.

Simplified Venture Capital

This method considers the required rate of return by VCs when investing in start-ups. For that, two additional variables are also needed, the expected exit year and the expected EBITDA multiple at the exit.

Discounted Cash Flow

This valuation method is the most frequently used for companies that have enough visibility in their future figures. It is based on calculating cash flow generated by the company and its adjustment to net present value taken into consideration the weighted average cost of capital (WACC). GRECA employs the CSRL methodology to adjust the WACC estimation. GRECA also employs two terminal values for the DCF valuation: perpetual growth and residual value as multiple of EBITDA.

3.1 Introduction to valuation methods

Multiples

This methodology of valuing a company is based on using available valuations of companies that are similar to the target, using 5 main metrics (sales, EBITDA, EBIT, EAT and invested capital) to transpose the value of them to the target. For that, we use two methodologies, direct application of market multiples and adjusted multiples by means of CSRL results.

Not all methods are suitable for all companies. **CSRL**, **Berkus**, **Scorecard** and the **Risk Factor Summation** are not suitable for companies with revenues higher than €1M.

The **Discounted Cash Flow** is not accurate when companies have higher levels of uncertainty in their projections.

On the other hand, the application of **Multiples** often have shortcomings in their accuracy due to the lack of available market information.

3.2 Company Valuation Details

Methods applicable only in case of revenues below 1M€. If your company has revenues higher than 1M€, please go directly to page 28.

CSRL

Concept	Scoring	CSRL	Invested Funds (K€)	Funds Multiples	TOTAL PRE-MONEY VALUE / Your Value (k€)
TRL	10.0	7.67		NA	NA
Team RL	7.0				
MAL	7.3				
BRL	6.5				
FSL	7.0				

Berkus

Concept	Max k€	Your value (k€)
1. Sound Idea (basic value, product risk)	2,014	1,460
2. Prototype (reduces technology risk)	2,014	2,014
3. Quality Management Team (reduces execution risk)	2,014	1,410
4. Strategic Relationships (reduces market risk and competitive risk)	2,014	2,014
5. Product Rollout or Sales (reduces financial or production risk)	2,014	1,420
TOTAL PRE-MONEY VALUE (COMPANY VALUATION)	10,071	8,319

3.2 Company Valuation Details

Methods applicable only in case of revenues below 1M€

Scorecard

Value Driver	Weight	Your Venture's Score	Factor (k€)
Strength of the Management Team	30%	100%	30%
Size of the Opportunity	25%	119%	30%
Product/Technology	15%	143%	21%
Competitive Environment	10%	97%	10%
Marketing/Sales Channels/Partnerships	10%	86%	9%
Need for Additional Investment	5%	101%	5%
Other	5%	93%	5%
TOTAL PRE-MONEY VALUE (COMPANY VALUATION)			10,991

Risk Factor Summation

Concept	Risk Level	Your Values (k€)
Management	0.8	200
Stage of the business	0.6	150
Legislation/Political risk	1.0	250
Manufacturing risk	0.0	0
Sales and marketing risk	1.0	250
Funding/Capital raising risk	0.8	205
Competition risk	0.6	150
Technology risk	2.0	500
Litigation risk	1.0	250
International risk	1.3	333
Reputation risk	1.2	300
Potential lucrative exit	0.0	0
TOTAL PRE-MONEY VALUE (COMPANY VALUATION)		10,071

3.2 Company Valuation Details

Simplified VC

This valuation method is a simplified one that fixes company present value based on the future expected value of the company, at an exit date, discounted by the required rate of return that venture capitalists demand. The future value is calculated as an EBITDA multiple.

Required rate of return by VCs

25%

Concept	Values
Required Rate of Return	25%
Annual EBITDA (at exit date) in K€	1,806
In Year (at exit date)	4
Xebitda (multiple)	12.98
TOTAL PRE-MONEY VALUE (COMPANY VALUATION) in K€	10,671

Discounted Cash Flow (DCF)

GRECA employs different approaches to determine company valuations by the DCF method:

For WACC

- Calculated from Damodaran databases
- Calculated based on VCs IRR required

For Terminal Value beyond projections:

- Based on perpetual growth rates
- Based on comparable EBITDA multipliers

These different methodologies may bring relevant deviations in company valuations.

The following parameters have been taken into account to calculate your company valuation using the DCF method:

	Telecom. Equipment
COUNTRY	Spain
Total unlevered beta (bA)	6.530
Unlevered beta correct ed for cash	1.206
(Risk free rate) TLR	3.06%
Premium risk (PR)	2.22%
Income tax rate	25%
Required VC profitability	25%
WACC for VC valuation	29.5%
WACC for SME transaction	19.0%
WACC (listed companies)	9.8%

3.2 Company Valuation Details

Company values obtained by different DCF methods

Method			Company Value (k€)	
WACC (Damodaran)	19%	Perpetual growth	1%	3,722
			3%	4,081
			5%	4,541
		Residual value as multiple EBITDA	11.0	10,756
			12.0	11,657
			13.0	12,559
			13.5	13,009
			14.0	13,460
WACC (VCs IRR required)	30%	Perpetual growth	1%	1,870
			3%	1,967
			5%	2,079
		Residual value as multiple EBITDA	11.0	7,632
			12.0	8,274
			13.0	8,915
			13.5	9,236
			14.0	9,557

The DCF method may provide significant differences depending on terminal value calculation. Terminal value calculated as a perpetual income with a defined growth may provide smaller values if projected last year has a reduced cash generation. In this case, try to isolate one-off impacts in cash and have a pro-forma year forecast to eliminate these potential impacts that may represent a lower value for your company than expected. The same could also occur if last year forecast brings a lower EBITDA than normal one. In this case, you should also standardize it.

3.2 Company Valuation Details

Multiples

This company valuation methodology is based on publicly traded companies available information of the same business sector of your company.

Available multiples of sales, EBITDA, EBIT, EAT and Invested Capital are used and transposed to your company to get your valuation.

Business Sector Reference

Telecom. Equipment

	Sales	EBITDA	EBIT	EAT	Invested Capital
MULTIPLE	1.25	14.42	36.45	74.49	1.29
COMPANY VALUE (k€)	1,156	NA	NA	NA	388

These previous calculations have been obtained applying directly your sector multiples to your company financial values. These multiples come from publicly traded companies so, we have adjusted them to your company status using your CSRL assessment. The following are the results obtained:

Multiple for companies non-publicly traded (affected by CSRL)

	Sales	EBITDA	EBIT	EAT	Invested Capital
MULTIPLE	1.13	12.98	32.80	67.04	1.16
COMPANY VALUE (k€)	1,041	NA	NA	NA	349

3.3 Company Valuation Summary

Methods applicable to companies with revenues lower than 1M€.

Methods applicable to all companies.



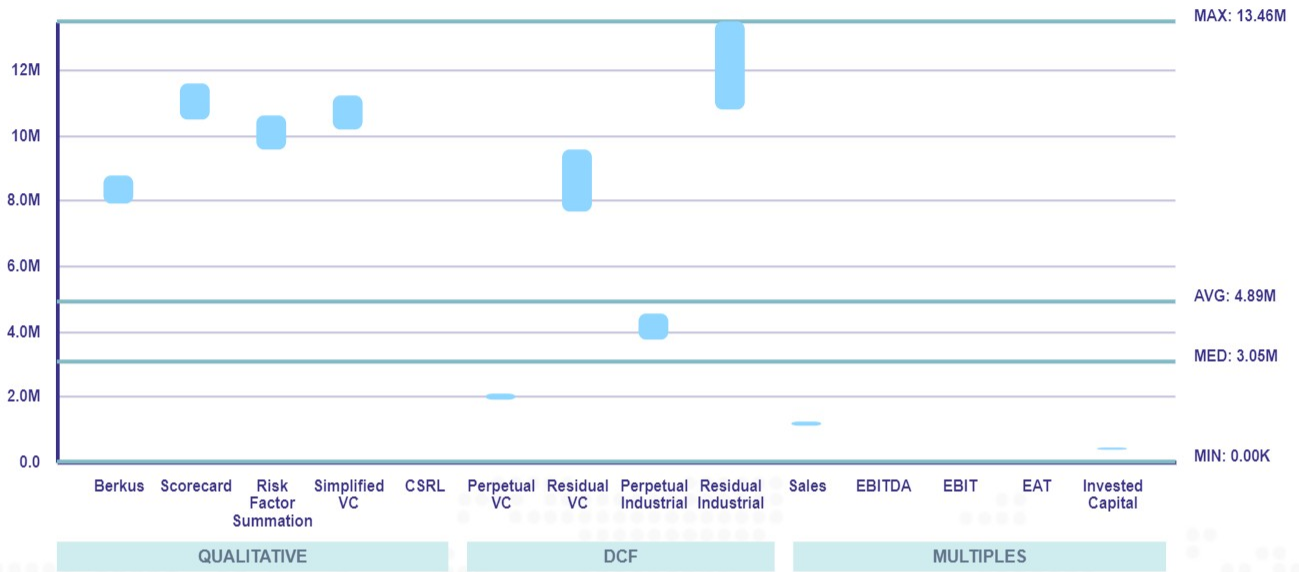
Please, remember that different methods overweight different concepts and this is why they provide significant deviations. Take these differences as an input in your process in front of potential investors.

(*) Average value of different calculations. Refer to previous page for more details.

3.3 Company Valuation Summary

See below all values obtained from different methodologies. Note that different methods overweight or underweight different concepts. Take these different criteria in consideration when dealing with potential investors to get advantage in your negotiations.

Figures are shown in thousands of euros.

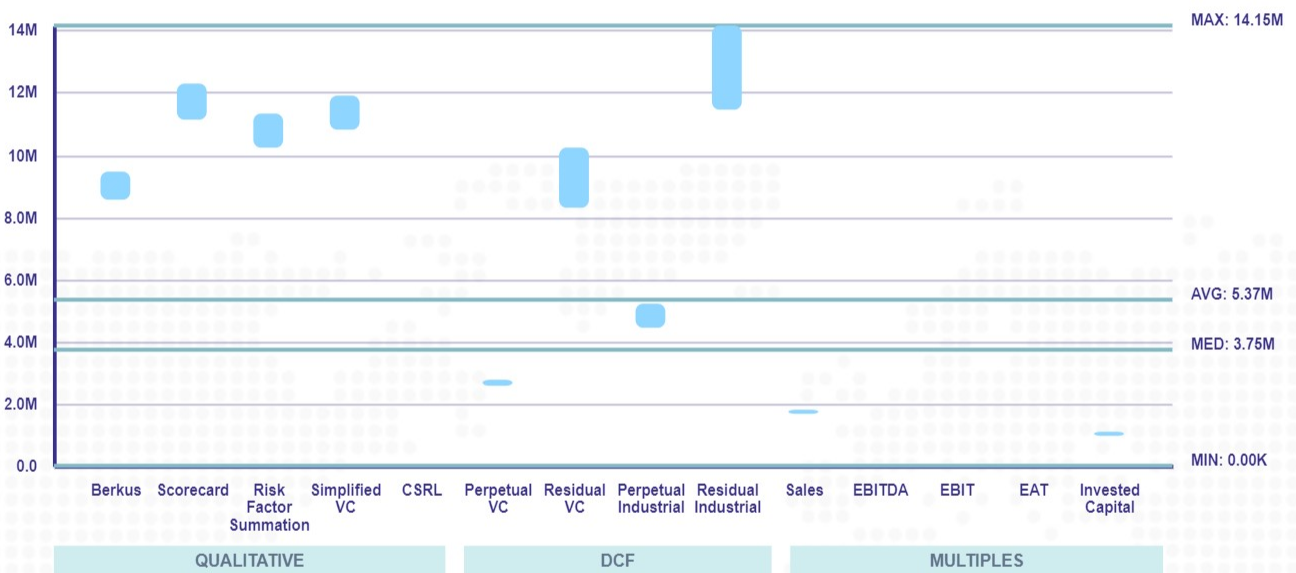


3.4 Equity value and stake for new shareholders

The value of your shares in the company, your Equity value, can be obtained from the value of the company minus the corresponding Net Debt your company has. The Net Debt is calculated by adding all company’s Liabilities with financial entities and other third parties and deducting the Cash and Cash Equivalents.

In case of selling existing shares of the company, you have to take into account the Equity value to know how much money you could receive when selling a portion or the total amount of them.

In case you are considering to have a new shareholder onboard through a fundraising process with fresh cash to be injected to the company, you need to calculate the post-money value. To help you in your decision-making process for this case, we have prepared the following graph that represents the Equity value obtained by different company valuation methodologies and the percentage a new shareholder would obtain by injecting the funds you stated for this round in our form.



About greca.

GRECA combines concepts of marketplace, fintech and SaaS to provide value added services. With a process-oriented back-end built on proprietary algorithms, AI and blockchain techniques it brings, among others, the following functionalities:

- Company assessments,
- Valuation techniques,
- Automated matching and process enabling among investors, advisors and companies

Making corporate transactions effortless

GRECA is a technological solution developed by experts in financial modelling and corporate transactions. GRECA experts provide also traditional services for M&A transactions including business planning, financial modelling, company valuation, fundraising, and more.