

beaconsmind AG

Switzerland, Germany / Software Services
 Euronext, Xetra
 Bloomberg: 81D GR
 ISIN: CH0451123589

Business and
 financial update

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
€14.00
 185.7%
 High

AGGRESSIVE EXPANSION INTO THE WI-FI AND HOTSPOT SPACE

In 2023, beaconsmind underwent a radical transformation. The company completed four acquisitions of five German companies, which are chiefly active in the areas of Wi-Fi hotspots and IT infrastructure. To complete the transformation, the company divided its holding portfolio into two business areas, the newly formed IT Infrastructure segment and the Software as a Service (SaaS) segment. We believe the Wi-Fi hotspot business is highly attractive. The company recently announced the launch of new products such as the white label app and the smart lighting pole. In addition, beaconsmind signed several new major Wi-Fi/IT infrastructure contracts in the retail (Müller), nursing care (Vitanas) and facility management (Reos/Die Zimmerei) fields which is excellent news. However, we believe the attractive growth potential from Wi-Fi revenues will not compensate for the lower beacon business revenues in the near term. This is reflected in the weaker than expected H2/22 and H1/23 results and management's updated revenue and EBITDA guidance for FY/23 and FY/24. We have lowered our revenue and profit forecasts for 2023 and subsequent years. Our DCF model now yields a price target of €14 (previously €22), which represents an upside potential of >180% from the current level. We maintain our Buy recommendation.

Management change marks the beginning of the new company structure – Wi-Fi hotspot business looks promising In July 2023, the founder and CEO of beaconsmind, Max Weiland, stepped down as CEO and Chairman. His fellow board member, Mr Jonathan Sauppe, who was previously CEO of the acquired subsidiary FREDERIX and in charge of the Wi-Fi hotspot vertical, has been appointed as new CEO of the beaconsmind Group. He has >10 years of experience in the industry and is well prepared to capitalise on the huge revenue potential of the combined Wi-Fi hotspot and beacon offering in clients' omnichannel marketing strategies. Mr Sauppe is confident of meeting the company's new financial guidance as the positive business outlook is underpinned by numerous leads across the new product portfolio. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Revenue (CHF m)	0.57	1.99	0.55	7.05	12.63	16.04
Y-o-y growth	14.1%	249.5%	-72.2%	n.a.	79.1%	27.0%
EBIT (CHF m)	-4.63	-2.47	-3.58	-0.75	1.78	4.00
EBIT margin	n.a.	n.a.	n.a.	n.a.	14.1%	24.9%
Net income (CHF m)	-4.64	-2.51	-3.66	-1.09	0.85	2.47
EPS (diluted) (CHF)	-2.32	-1.04	-1.35	-0.26	0.20	0.58
DPS (CHF)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CHFm)	-2.23	-3.19	-2.33	-2.84	1.99	2.78
Net gearing	-113.1%	-81.0%	-26.7%	59.6%	32.4%	3.6%
Liquid assets (CHF m)	0.68	2.97	0.55	0.61	1.09	1.85

RISKS

Risks include, but are not limited to execution, client satisfaction and commercial risks, competition, negative economic downturn impact, dilution and financial risks.

COMPANY PROFILE

Founded in Switzerland in 2015, Beaconsmind is a leading technology company offering location-based marketing (LBM) software, WiFi infrastructure systems, and WiFi Guest Hotspots, to sectors such as retail chains (e.g. Adidas, Lidl), hospitality, healthcare, and the public sector. The firm successfully empowers its customers' omnichannel strategies to generate additional value through the use of intelligent, fully cloud-based LBM technologies.

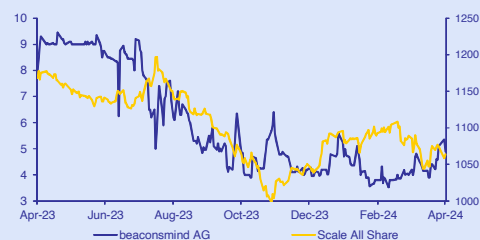
MARKET DATA

As of 03 Apr 2024

Closing Price	€4.90
Shares outstanding	4.70m
Market Capitalisation	€23.03m
52-week Range	€3.52 / 9.45
Avg. Volume (12 Months)	2,381

Multiples	H2 22	FY 23E	FY 24E
P/E	n.a.	n.a.	23.2
EV/Sales	n.a.	4.2	2.4
EV/EBIT	n.a.	n.a.	16.7
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	CHF 0.80m
Current Assets	CHF 3.87m
Intangible Assets	CHF 0.50m
Total Assets	CHF 16.11m
Current Liabilities	CHF 3.26m
Shareholders' Equity	CHF 6.76m

SHAREHOLDERS

Anchor investor	46.1%
SW shareholders	7.4%
Board & other management	3.3%
Free Float	43.2%

UPDATE ON BUSINESS DEVELOPMENT

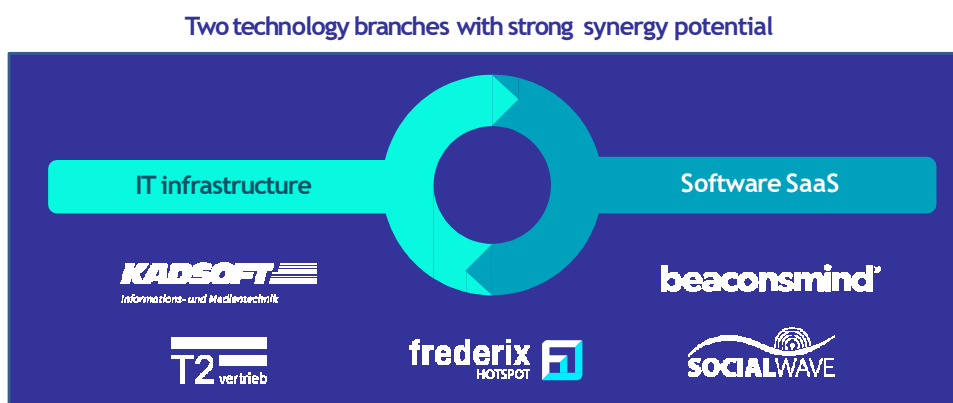
RESHAPING THE COMPANY BY MEANS OF SUCCESSFUL ACQUISITIONS

Radical M&A-driven business transformation... In 2023, beaconsmind completed a radical business transformation process and completely revamped the company. In our view, management recognised that the beacon business was underperforming and therefore a new core business had to be built and new more stable areas for sustainable growth had to be found. While beacons and the software suite are disruptive products, there are still few early adopters and roll out has been very slow due to the conservative nature of the retail industry. The rollout may have been hampered by the weak microeconomic environment. Therefore, management identified a complementary business segment with lower adoption barriers that would simultaneously encourage customers to test beacons: Wi-Fi and hotspot. The company also recognised that it needed additional expertise and manpower to build the necessary IT infrastructure for its customers. Against this backdrop, management pursued an active acquisition strategy that significantly expanded its technology and product range as well as its customer base. The company has completed the following four acquisitions of five German companies, which are chiefly active in the areas of Wi-Fi hotspots and IT infrastructure:

1. 62% stake in FREDERIX (51% stake announced in November 2022 and expanded to 62% in October, consolidated since February 2023);
2. 100% stake in the DSL solution provider Netopsie (announced in February 2023 and consolidated starting in February);
3. 100% stake in Wi-Fi Hotspot service provider Socialwave (announced in March 2023 and consolidated starting in April);
4. 100% stake in the infrastructure companies KADASOFT and T2 Vertrieb (announced in October 2023 and finalised in November 2023).

...leads to new Group structure The acquired companies are solid, have an average history of >20 years, an attractive portfolio of clients, a positive EBITDA and an overall high share of recurring revenue (~70%), which provides a solid basis for future business expansion. The Wi-Fi hotspot business will be the new growth engine in the near future. To complete the transformation process, the company has divided its holding portfolio into two business areas, the newly formed IT Infrastructure segment and the Software as a Service (SaaS) segment.

Figure 1: New group structure comprising IT infrastructure and SaaS businesses



Source: First Berlin Equity Research, Beaconsmind AG

OVERVIEW OF THE ACQUIRED COMPANIES

1.- FREDERIX GmbH – WI-FI Hotspot & infrastructure (62%-stake)

The acquired 62% stake in corporate Wi-Fi Hotspot specialist FREDERIX provides an attractive cross-selling opportunity with its >10k points-of-sales beaconsmind started the Wi-Fi hotspot vertical through the 51% stake in the German-based provider of corporate Wi-Fi and hotspot solutions FREDERIX GmbH (https://www.frederix.de/en_us/), which was later increased to 62%. Jonathan Sauppe, FREDERIX's CEO and major shareholder, joined beaconsmind's Executive Board to lead the Wi-Fi hotspot business segment and was later promoted to CEO of the entire beaconsmind Group. The Hotspot specialist brought a valuable client portfolio with >10,400 points-of-sales (POS), including large food retailers such as Lidl (~12,000 stores worldwide) and Kaufland (>1,450 stores worldwide). FREDERIX's clients represent a highly attractive target for beaconsmind's location-based marketing solutions. At the end of 2022, FREDERIX was generating revenues and EBITDA at an annual run-rate of €3.5m and €0.5m respectively.

Figure 1: Overview of a sample of FREDERIX's key client portfolio



Source: First Berlin Equity Research, beaconsmind AG

2.- Netopsie GmbH – WI-FI hotspot & infrastructure (100%-stake)

Netopsie's acquisition expands the group's expertise in building high-performance Wi-Fi hotspot infrastructures, the engineering staff and the client portfolio On 28 February 2023, beaconsmind took a 100% stake in the small German Ingenieurbüro Netopsie through its previously acquired subsidiary FREDERIX hotspot. Netopsie is a developer and provider of in-house DSL, TV, LAN and WLAN solutions. The company provides customers with products and services in networking, digitalisation and the building of high-performance Wi-Fi and hotspot infrastructures for the connection of modern IOT solutions. Their solutions are primarily being used in industries such as hospitality (e.g. restaurants, hotels), healthcare (e.g. hospitals), education (e.g. schools and universities), retail, cities and municipalities and sport venues. Netopsie brings an attractive customer base, including large companies such as TUI, with TUI Blue and Robinson Club. The company is debt-free and had reported revenues of €650k and an EBITDA of €100k in 2022. The beaconsmind group paid €500k for the acquisition of Netopsie, of which €200k due upon conclusion of the contract and €300k payable over a period of five years.

3.- Socialwave GmbH – WI-FI hotspot (100%-stake)

Socialwave's acquisition brings 6.5k new clients with 12k point of sales and substantial cross-selling potential... On 31 March 2023, beaconsmind announced the 100% acquisition of the Wi-Fi hotspot service provider Socialwave GmbH (<https://social-wave.de/>). beaconsmind paid a total price of €10m through a combination of €5m of low-coupon debt from a local Sparkasse, cash of €2.5m (financed through the two recent capital increases totaling CHF3.4m) and 350k new shares valued at €2.5m (50% locked up for 6 months and the other 50% for 12 months). The transaction was closed on 21 April 2023, which was also the date of the company's first consolidation. Both founders and Managing Directors of Socialwave have become shareholders of beaconsmind. Mr Felix Schönfelder, founder and CFO, retains his Managing Director role at Socialwave and continues to shape the future of this company. He will report directly to Mr Sauppe. Socialwave is based in Munich with about 30 employees and is a market leader in Germany in automated Wi-Fi location-based marketing services for stationary businesses. Socialwave offers guest Wi-Fi, Bluetooth and offline (NFC, QR-codes) technologies to collect guests' data for effective

marketing campaigns (e.g. vouchers, loyalty programmes), recommendation marketing (incentivising satisfied guests/customers to give reviews which are then posted in relevant channels such as google search engine & maps or Tripadvisor, social media marketing (increase followers in social media such as Facebook or Twitter) and customer analytics. Socialwave brings an attractive, diversified base of 6.5k new clients with 12k point of sales, including blue chip clients such as Pizza Hut, JET, Clever Fit, Hotel Rothof, Caritas, BMW, Medic-Center Nuremberg, Sparkassen and Volksbanken Raiffeisenbanken, suggesting synergy effects and substantial client cross-selling potential with FREDERIX and beaconsmind.

...Superb performance metrics with conversion rate of 16%, churn rate <1% and recurring revenues of 67% Socialwave has a highly efficient sales and marketing set-up with a clearly defined dual brand strategy to tackle various industries enabling it to achieve an excellent conversion rate (CR) of 16% generated by inbound-, outbound- and partner marketing. The median CR among industries is estimated at 2.35%, the top 25% are converting at 5.31%, a CR >11% places a company among the top 10% of players, e.g. Amazon's CR is estimated at 10-15% (sources: Wordstream blog, Popusmart blog). The company has achieved high client satisfaction, leading to a very low churn rate <1% even during the COVID-19 crisis.

Figure 2: Overview of Socialwave's profile and a sample of its client portfolio



Source: First Berlin Equity Research, beaconsmind AG

4.- KADSOFT GmbH and T2 Vertrieb GmbH – IT Infrastructure (100%-stake)

These two German-based companies expand beaconsmind's expertise and manpower in IT infrastructure implementation The acquisition was funded with €1.6m in cash previously raised via an equity placement on 18th October 2023 and a capital increase in kind with 300k shares issued to the sellers with a lockup. Including cost synergies, the combined annual revenue and EBITDA run-rates of the two companies amount to €3.2m and €0.6m respectively. The transaction was closed in November 2023. We give a brief overview on both companies:

- (1) Founded in 1990, KADSOFT Computer GmbH is a technology company specialising in the planning, realisation, and implementation of new IT systems, as well as the enhancement of existing system solutions (<https://www.kadsoft.de/>). The company operates in three segments: IT infrastructure (hardware) and cabling, IT media infrastructure and consulting as well as internet services. The company's product offering includes design and hardware implementation to provide invoice processing function, warehouse management, project management. The company



also establishes media infrastructure used for data processing and advertising. In addition, KADSOFT is able to enhance and extend existing solutions with a focus on robust infrastructure, such as LAN, WAN and WLAN.

- (2) T2 Vertrieb GmbH is a technology firm primarily dedicated to the deployment and growth of telecommunication systems, with a core mission of guaranteeing the smooth establishment and improvement of infrastructure for its clients. The company operates in three segments: installation, remote maintenance software, and client services. T2 is represented at five different locations in Germany.

BEACONSMIND OUTLOOK POST ACQUISITIONS

The addition of the five companies will lead to annual revenue and EBITDA run-rates of ~€12.6m and ~€2.2 p.a. respectively The group's annual sales and EBITDA run rates in 2024E are expected to increase to ~€12.6m and ~€2.2m respectively. Following completion of the last two M&A transactions, beaconsmind expects cost synergies close to €700k p.a., chiefly through a reduction in personnel expenses (i.e. merging resources for key positions) and sharing of business tools and technologies across the group. Management also confirmed that the previously announced cost-cutting programme of ~CHF 1.0m has been fully implemented. From 2025, management expects beaconsmind's revenue to grow at an attractive rate of >30%. The new CEO has reshaped the product offering selecting a best-in-class infrastructure and software offering on a modular basis. The first customers have started testing the new products across all product portfolios at the PoS.

Figure 3: Overview of beaconsmind Group proforma KPI's following the recent acquisitions

In EURm (except no. of customers and Point-of-Sales)	Infrastructure		Software/SaaS		Combined
Number of Clients	265	+	6,770	=	7,035
Number of Point-of-Sales	11,978	+	19,753	=	31,731
Run-Rate Revenues ⁽¹⁾	~5.3	+	~7.3 ⁽²⁾	=	~12.6
Run-Rate EBITDA ⁽¹⁾	~0.9	+	~2.3 ⁽²⁾	=	~2.2
Cost Synergies	~0.2	+	~0.5	=	~0.7
Gross margin	~65% ⁽²⁾	+	~85%	=	80%

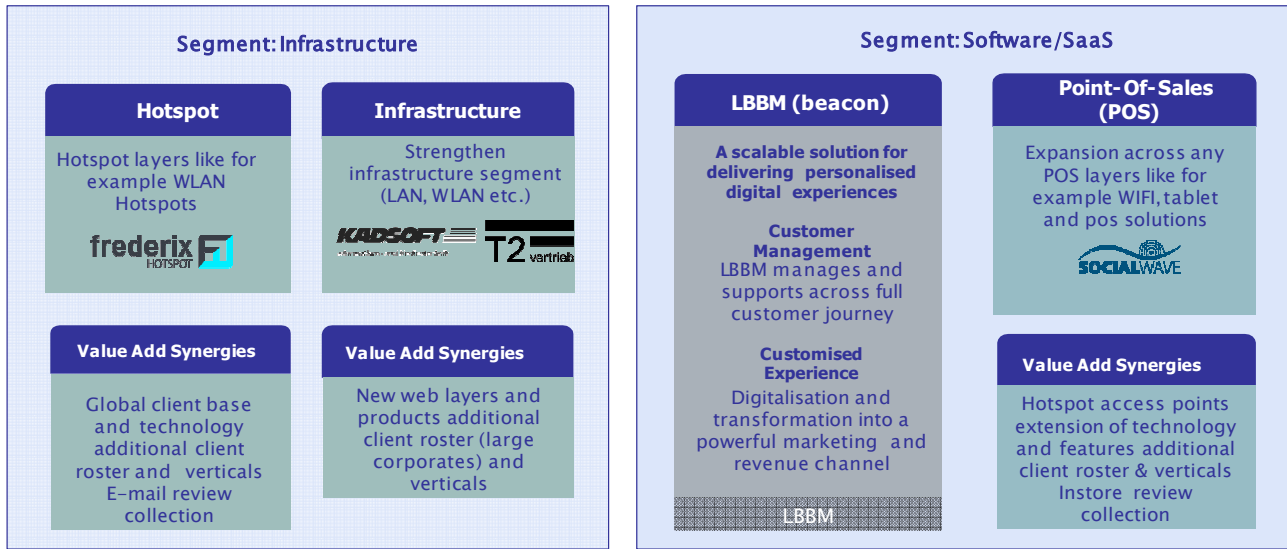
Source: First Berlin Equity Research, beaconsmind AG

Excellent commercial fit of Socialwave/FREDERIX/beaconsmind due to low product/client overlap – KADASOFT & T2 will support infrastructure expansion

Socialwave is an excellent fit within the Wi-Fi and hotspot vertical initiated through the acquisition of FREDERIX. While FREDERIX & Socialwave are providers for corporate Wi-Fi solutions, both companies cover different segments: FREDERIX is specialised in project business and targets bigger corporations with multiple locations (e.g. retail chains). Socialwave is strong in high-volume business with smaller individual clients such as restaurants, coffee shops, hotels, catering businesses, fitness centres, and hairdressers. Due to the low overlap of product offerings (i.e. highly scalable software and IoT solution) and existing clients, both verticals offer significant cross-selling opportunities creating large value generation potential for the beaconsmind group. The two IT infrastructure specialists KADASOFT & T2 will ensure the smooth infrastructure implementation required for future growth.



Figure 4: B2B synergies provided across the entire organisation



Source: First Berlin Equity Research, beaconsmind AG

Combination of technologies will bring the product offering to a new level Through the acquisitions, beaconsmind has created and strengthened the Wi-Fi hotspot vertical and is on track to become a one-stop-shop for solutions based on Wi-Fi hotspot and BLE (Bluetooth Low Energy) technology using beacons. The combined software systems provide real time in-depth statistics and data allowing the evaluation of customer usage statistics across and within locations, helping companies to understand their customers better. beaconsmind’s clients will benefit from a broader range of its Suite software analytic and target marketing capabilities.

Figure 5: beaconsmind expanded technological value proposition

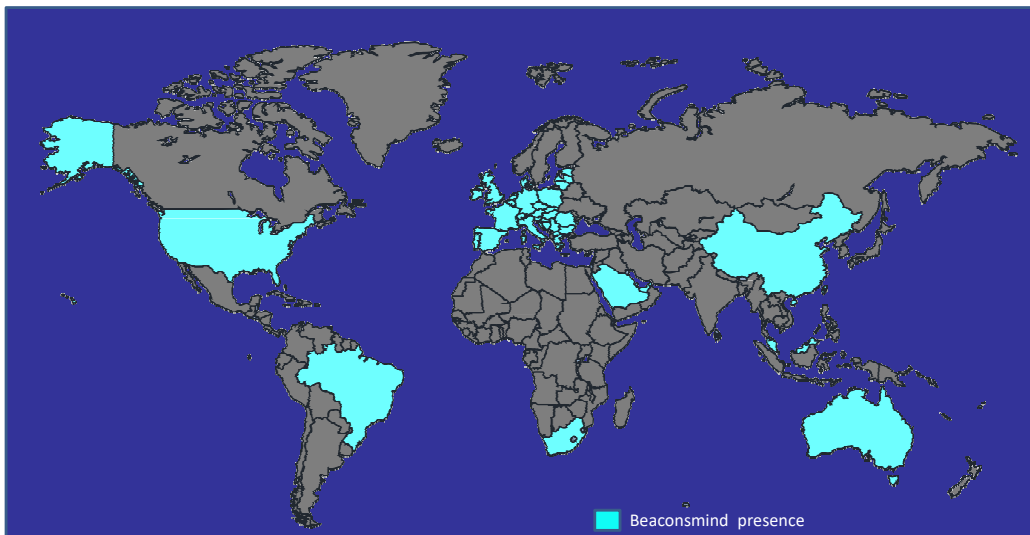


Source: First Berlin Equity Research, beaconsmind AG

International rollout of the platform has the potential to accelerate transformation of the beaconsmind group into a leading global Wi-Fi hotspot/beacon-based personalised marketing player The acquired companies add an established portfolio of clients with sizable networks of shops or point of sales (POS) in international markets, including the US, Europe, Asia and the Middle East. Some of the more significant international clients added offering substantial rollout potential are Lidl (~12k stores worldwide), Kaufland (>1,450 stores in Europe of which ~750 in Germany), Pizza Hut (~13k

restaurants in 100 countries), the REWE group (operates ~6k REWE, Penny and Nahkauf stores in Germany and 3.5k supermarkets/stores internationally), BMW (>1,000 dealers in the US, UK and Germany alone), Porta (28 shops in Germany), an undisclosed German retailer (900 stores), and ~130 shopping malls in Germany. The company has the opportunity to expand the business internationally through the portfolio clients. For this purpose, beaconsmind intends to maximise cross-selling potential between the client portfolios of the beacon business, FREDERIX and Socialwave. The company will also keep pushing the group's expansion in Dubai, the UAE and the wider Middle East, a rapidly-growing region keen on adopting new digital technologies. The company has acquired significant local players as pilot clients such as the fashion group Maison-B-More (<https://en-usd.maisonbmore.com/>), the discount retailer BFL Group (<https://bflgroup.ae/>), the discounts/voucher app, The Entertainer (<https://www.theentertainerme.com/en-ae/dubai-n-irates>), the furniture distributor Homebox (<https://www.homeboxstores.com/AE/EN/>), and the premium lifestyle retail company AZADEA Group (<https://www.azadeagroupholding.com/ENGLISH/HOME>). At present, beaconsmind has more than 7k customers worldwide.

Figure 6: beaconsmind group global activities



Source: First Berlin Equity Research, beaconsmind AG

RECENT CONTRACTS REFLECT A THRIVING WI-FI BUSINESS

In recent months, beaconsmind has achieved important milestones in the expansion of its Wi-Fi business, including the launch of new products such as the white label app and the smart lighting pole, as well as the signing of several new major Wi-Fi/IT infrastructure contracts in the retail, nursing care and facility management fields. We highlight some of these milestones below:

- 1. White label app for small businesses launched** The new app enables the implementation of location-based omnichannel marketing campaigns with bonus programs and personalised offers sent via push notifications, including invitations to exclusive customer events and discount promotions. These initiatives ultimately increase customer loyalty and revenue. The product package is offered to small businesses at an affordable price and typically includes the app (easily customisable with user-defined branding), WI-FI infrastructure, deployment of one beacon per shop and access to the beaconsmind suite software and its analytics capabilities.



- 2. The company has already acquired its first customers, such as the fashion store “Mode Küng” from Switzerland**
Smart urban lighting ecosystem (SULE)
 The SULE combines smart lighting pole infrastructure and SaaS solutions offering a range of functions and tools that can be customised to the individual needs of cities, municipalities and private companies. The lighting pole can be equipped with cameras, pollution measuring devices, loudspeakers, gobo projectors, charging stations, digital signage or emergency call buttons and Wi-Fi hotspot/IoT gateway among other features. The SULE offers completely new opportunities for companies from sectors such as retail and gastronomy to address customers in a targeted manner and in real time and to link their digital offering with the point of sale. SULE was developed in collaboration with WE-EF Leuchten GmbH (outdoor lighting specialist) and Axis Communications AB (industry leader in video security) and was launched simultaneously at the Light + Intelligent Building Middle East 2024 and Intersec 2024 trade shows at the Dubai World Trade Centre in Dubai from 16 to 18 January 2024.
- 3. European deployment of Wi-Fi solution at Müller stores** beaconsmind has implemented cloud Wi-Fi in >770 Müller Holding shops in Germany, Austria, Switzerland and Spain and plans implementation in the remaining ~145 stores in Hungary, Croatia and Slovenia in H1 2024.
- 4. Deployment of Wi-Fi solution at major nursing home operator Vitanas – €1m project** beaconsmind has agreed on an upselling contract with its client Vitanas Group, one of the largest private nursing home operators in Germany. The company will implement Wi-Fi at 15 Vitanas locations with ~2,500 nursing care places. The project rollout is scheduled for Q2 2024 and will generate revenue of ~€1m for beaconsmind.
- 5. Installation of camera surveillance system for the property management provider Reos GmbH – €0.5m project, expandable** beaconsmind will install camera surveillance (~150 cameras) with innovative cloud management at all 10 locations of the student residences “Die Zimmerei” which comprise >3,000 apartments managed by Reos in Germany and Austria. The rollout is expected to be completed in Q2 2024. Later, this contract may be extended to include the provision of Wi-Fi infrastructure which may in our view exceed the sales volume generated with the Vitanas Wi-Fi agreement.
- 6. Improvement in customer ratings for the client Ryf, a hairdressing company with ~100 locations in Germany and Switzerland** The implementation of Socialwave’s location-based marketing tools in selected salons led to an increase in Ryf’s average rating from 4.4 to 4.7 stars and a doubling of the number of reviews in 3 months. Based on this success, Ryf commissioned the roll-out in 43 additional branches across Germany.

UPDATE ON FINANCIALS

H1 2023 FINANCIAL RESULTS

As part of beaconsmind’s transition from Swiss accounting standards to IFRS, a short fiscal year H2 2022 (1 July to 31 December) and H1 2023 were the first financial statements prepared according to IFRS. The fiscal year is now the calendar year. Therefore, no like-to-like comparable figures are available for the previous periods.

Revenues in H2/22 and H1/23 were weaker than anticipated due to a poor performance of the beacon business In H2/22, the company generated revenue of only CHF553k, 82% short of our projected CHF1.8m. Due to a delay in closing the FREDERIX



acquisition (February 2023), these figures included only beacon business revenue and were very disappointing. We believe the initial growth dynamic seen in the previous year has slowed down dramatically as clients may be moving slowly with rollouts across their store networks. For example, we have seen little rollout progress at the large Adidas account. H1/23 sales came in at CHF2.6m, 37% below our projection of CHF4.2m. These revenues were largely a result of the first consolidation of FREDERIX's whereas the beacon business' weakness continued for a second reporting period in a row. In our view, this weak performance may have led to the departure of Max Weiland as CEO in July 2023. On the positive side, recurring revenues amounted to ~70% of total revenues.

The company delivered a high gross margin in H2/22 and H1/23, but EBITDA and EBIT were also well below our expectation in both reporting periods Gross profit amounted to CHF458k (FBe: CHF1.2m) in H2/22 and CHF2.4m (FBe: CHF3.0m) in H1/23. The underlying gross margin amounted to 83% in H2/22 and 93% in H1/23, above our estimates of 68% and 70% respectively. We believe the proportion of highly profitable software revenue (vs less profitable hardware revenue) was unusually high in H1/23, whereas we were expecting a much higher participation of hardware revenue due to the rollout of beacons. We additionally saw the following operating performance:

- In H2/22, the company reported EBITDA of CHF-3.2m (FBe: CHF-0.6m), driven by a very high OPEX of CHF-3.6m (FBe: CHF-1.8m) chiefly for personnel and consulting expenses. EBIT came in at CHF-3.6m (FBe: CHF-0.7m), including high depreciation expenses of CHF450k (FBe: CHF64k). The substantial increase in depreciation stemmed from higher than expected CAPEX for an advanced payment of CHF2m to acquire 51% of the share capital of FREDERIX. Net result for the period came in at CHF-3.7m (FBe: CHF-0.7m).
- The H1/23 company's OPEX was close to our expectation. We believe management did a good job in cutting costs by ~CHF1m through centralising the range of products and services, critical functions and operations following the integration of FREDERIX, Netopsie and Socialwave. The beacon business's weak revenue performance led to lower than anticipated EBITDA and EBIT. The higher asset base through the three acquisitions (FREDERIX/Netopsie/Socialwave) led to higher depreciation. We give an overview of the main P&L positions in Table 1 below.

Table 1: P&L H1/23 and H2/22 reported figures vs FB estimates (KPIs)

All figures in CHF '000	H1/23	H1/23E	Delta	H2/22	H2/22E	Delta
Total Beaconsmind group revenues	2,644	4,200	-37.0%	553	1,790	-69.1%
Gross profit	2,446	2,950	-17.1%	458	1,208	-62.1%
OpEx	-2,971	-2,850	n.a.	-3,636	-1,808	n.a.
EBITDA	-524	100	n.a.	-3,178	-600	n.a.
Depreciation & amortisation	-347	-60	n.a.	-405	-64	n.a.
Operating Income (EBIT)	-871	40	n.a.	-3,583	-664	n.a.
Net income / loss	-992	25	n.a.	-3,664	-681	n.a.
Margins in %						
Gross profit	92.5%	70.2%		82.8%	67.5%	

Source: First Berlin Equity Research, beaconsmind AG

Balance sheet H1/23 – expansion due to acquisitions The company's H1/23 balance sheet widened considerably as a result of the FREDERIX/Netopsie/Socialwave deals and the corresponding capital increases/debt raised to pay the total price of ~€12.5m (51% of FREDERIX, 100% of Netopsie and 100% of Socialwave) up to that point. The acquired fixed assets and certain liabilities were newly booked, leading particularly to higher receivables of CHF2.1m (YE/22: CHF202k), property plant & equipment of CHF832k (YE/22: CHF297k), intangible & other assets of CHF992k (YE/22: CHF677k) and Goodwill of CHF10.4m



(YE/22: 0). Financial liabilities (ST+LT) jumped to CHF6.8m from CHF19k at YE/22, chiefly related to the low-interest rate loan (FBe: 6%) of €5m with a local Sparkasse and an investor loan for the remaining amount closed to finance both acquisitions and provide for further growth capital. Accruals & deferred income rose to CHF1.4m (YE/22: CHF603k). In our understanding, this position includes a deferred revenue liability in connection with contracts paid in advance by customers (including rebates) provided on the sales of infrastructure and SaaS subscriptions. This deferred revenue will be recognised as revenue over the next 1-3 years. beaconsmind reported a slightly stronger cash position of CHF0.8m (YE/22: CHF0.5m). Equity rose to CHF6.5m (YE/22: CHF2.0m), corresponding to an equity ratio of 42% (YE/22: 51%). We give an overview of the balance sheet KPIs on table 2.

Table 2: Balance sheet reported figures H1/23 vs H1/22 (KPIs)

All figures in CHF '000	H1/23	H2/22	Delta
Cash and cash equivalents	798	547	45.9%
Inventories	570	90	533.4%
Receivables	2,081	202	929.3%
Prepaid expenses & others	420	65	549.4%
Current assets, total	3,869	904	328.1%
Property, plant & equipment	833	297	180.3%
Intangible & other assets	992	677	46.4%
Goodwill	10,413	2,008	418.5%
Non-current assets, total	12,238	2,983	310.3%
Accounts payable	647	852	-24.1%
Accruals & deferred income	1,404	603	133.0%
Financial liabilities (ST+LT)	6,798	19	n.a.
Other liabilities (ST+LT)	502	432	16.3%
Minority interests	294	0	n.a.
Shareholders' equity	6,462	1,982	n.a.
<i>Equity ratio</i>	41.9%	51.0%	n.a.
Balance sheet, total	16,107	3,887	314.4%

Source: First Berlin Equity Research, beaconsmind AG

Capital increases and share dilution In H1/23, beaconsmind completed three capital increases raising CHF5.7m by issuing 805k new shares at an average price of ~CHF7.10 p/s. As a result, shares outstanding increased from 2.8m at YE/22 to 3.6m at the end of H1/23. Following the two acquisitions of Kadasoft/T2 plus the increase in the FREDERIX stake to 62% announced in October 2023, the company issued a further 1.1m shares (at an estimated price of ~CHF5.40 p/s as contribution in kind), increasing the number of shares outstanding to currently 4.7m.

Cash flow H1/23 beaconsmind did not publish a cash flow statement with the half year results.

Board of Directors changes In H1/23, following the resignation of Mr Max Weiland as CEO and Board member, Mr Michal Krupinski and Mr Jörg Hensen stepped down from the Board of Directors of beaconsmind. They were replaced by Mr Martin Niederberger and Mr Jonathan Sauppe (CEO), followed by Andreas Wyss in September 2023. Together with Mr Michael Ambros, they form the new four-member Board of Directors.

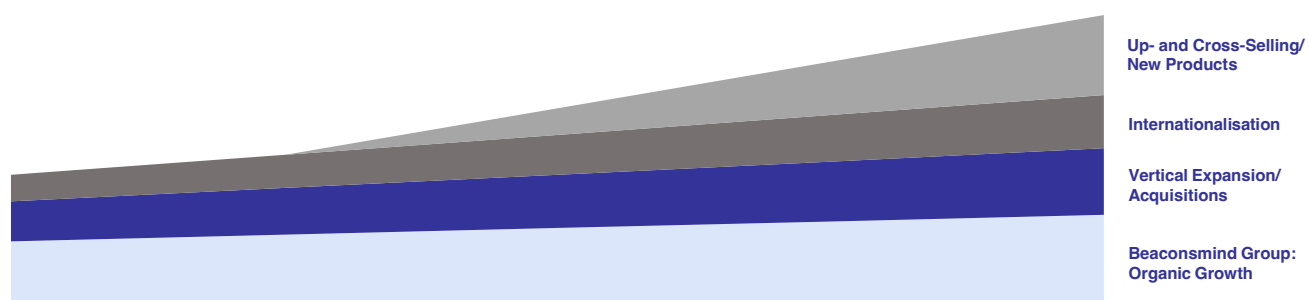
FINANCIAL OUTLOOK

Company outlook for FY 2023 and FY 2024 including the completed acquisitions

Following the acquisitions completed in 2023, beaconsmind is guiding towards positive EBITDA in H2/23 and revenues of ~CHF7.0m with an EBITDA of ~CHF-0.2m in FY/23. For FY/24, management expects revenues of ~CHF12.6m and an EBITDA ~CHF2.2m.

beaconsmind's growth acceleration will be driven by four means The recent acquisitions have laid the foundation for future growth in the core divisions of IT infrastructure and Software as a Service. Management's conservative revenue guidance for FY/24 essentially reflects the acquired revenue of ~CHF12m and modest organic growth of ~5% or CHF600k, so that there is upside potential from further revenue sources. Management expects revenue growth to accelerate from 2024 onwards, with four main drivers: 1) organic, 2) acquisitions, 3) internationalisation and 4) cross-selling in combination with new product launches (see figure 7).

Figure 7: beaconsmind layers of future growth



beaconsmind Group: Organic Growth	Vertical Expansion/ Acquisitions	Internationalisation	Up- and Cross-Sell/ New Products
<ul style="list-style-type: none"> Conservative and stable growth within the customer with high single digits expected organic growth over the upcoming years Internationalisation strategy in place to further expand customer base Product development (Digital Experience Group) 	<ul style="list-style-type: none"> Vertical expansion via across multiple layers: <ul style="list-style-type: none"> POS Expansion Hotspot Expansion Infrastructure Expansion DXP Further extensions possible in the universe of the beaconsmind Group 	<ul style="list-style-type: none"> Currently beaconsmind Group has a dominant focus in the German and European market Further internationalisation expected with growth in new regions/countries like Middle East (especially Saudi Arabia, UAE), Asia 	<ul style="list-style-type: none"> Cross-selling and up-selling of newly acquired products across the review database Accelerate growth on existing customer base by leveraging existing customer relationships

Source: First Berlin Equity Research, beaconsmind AG

In line with company guidance, we have updated our estimates for 2023E and subsequent years to reflect the impact of the consolidation of recent acquisitions and the weakness seen in the beacon business In light of the financial figures reported in H2/22 and H1/23 coupled with beaconsmind's updated guidance, we have updated our financial forecasts for 2023E and the following years. Changes to our forecasts are summarised in table 3.

Table 3: Changes to our forecasts (KPIs)

Estimates	FY 23E			FY 24E			FY 25E		
	Old	New	% change	Old	New	% change	Old	New	% change
All figures in CHF '000									
BeaconsMind Group revenues	8,711	7,050	-19.1%	16,088	12,630	-21.5%	27,091	16,040	-40.8%
Gross profit	6,171	5,993	-2.9%	12,268	10,104	-17.6%	22,087	12,832	-41.9%
margin	70.8%	85.0%		76.3%	80.0%		81.5%	80.0%	
EBITDA	480	-217	n.a.	4,505	2,244	-50.2%	8,553	4,432	-48.2%
margin	5.5%	-3.1%		28.0%	17.8%		n.a.	27.6%	
EBIT	398	-747	n.a.	4,420	1,784	-59.6%	8,463	4,002	-52.7%
Net income / loss	94	-1,091	n.a.	2,906	846	-70.9%	5,727	2,467	-56.9%
EPS (in CHF, dil.)	0.03	-0.26	-	1.02	0.20	-80.4%	2.01	0.58	-71.0%

Source: First Berlin Equity Research

Our updated projections assume substantially lower revenue in the beacon business

Following the weak performance of the beacon business seen in the two previous reporting periods and in alignment with management's guidance suggesting a low contribution from the beacon business in the next two years, we have significantly reduced our previous



revenue projections for the beacon business in 2023 and going forward. At the same time, we have increased our revenues forecasts for Wi-Fi hotspot revenues from FREDERIX and Socialwave. However, we do not expect that the additional Wi-Fi hotspot revenues will compensate for the lower beacon business revenues and have made conservative assumptions regarding the company's ability to rapidly capitalise on the existing cross-selling and internationalisation benefits.

Acquisition-driven balance sheet expansion We have updated our balance sheet projections in line with the structure seen at the end of H1/23, taking into account the consolidation of Kadasoft/T2, which were acquired in November 2023. Given that fixed assets are not a significant factor for players in the industry and that we do not know the balance sheet structure of the acquired companies, we have assumed a proportional increase in the assets, booking the majority of the value as Goodwill. In our 2023 projections we have taken into account the increase in debt and have assumed that the company will fully repay this debt by 2026 to minimise interest expenses. We give an overview of our balance sheet KPI projections in table 4.

Table 4: Balance sheet KPIs FY 20/21 - FY 25E

All figures in CHF '000	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Cash and cash equivalents	675	2,969	547	607	1,087	1,854
Inventories	16	90	90	724	623	615
Receivables	117	1,306	202	1,352	1,038	1,318
Prepaid expenses & others	199	419	65	78	93	112
Current assets, total	1,007	4,784	904	2,761	2,841	3,899
Property, plant & equipment	19	353	297	912	962	982
Intangible & other assets	277	685	677	1,045	743	472
Goodwill	0	0	2,008	12,500	12,500	12,500
Non-current assets, total	297	1,038	2,983	14,456	14,205	13,953
Accounts payable	130	1,033	852	753	761	527
Financial liabilities (ST+LT)	122	19	19	5,864	4,304	2,304
Other liabilities (ST+LT)	562	1,128	1,034	1,776	2,067	2,412
Minority interests	0	0	0	294	477	707
Shareholders' equity	489	3,643	1,982	8,529	9,437	11,903
Equity ratio	37.5%	62.6%	51.0%	51.2%	58.2%	70.6%
Balance sheet, total	1,303	5,822	3,887	17,217	17,046	17,853

Source: First Berlin Equity Research, beaconsmind AG

Cash Flow Statement We have updated our cash flow projections for beaconsmind. For FY/23 projections we model free cash flow of CHF-2.8m, cash flow from investing of CHF-11.6m due to the acquisitions and financing cash flow of CHF13.3m. As a result of the acquisitions completed in 2023, we anticipate the group will be free cash flow (FCF) positive in FY/24.

Table 5: Cash Flow Statement KPIs FY 20/21 - FY 25E

All figures in CHF '000	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Operating cash flow	-2,088	-2,531	-1,961	-1,631	2,189	2,946
CapEx	-133	-588	-291	-1,212	-200	-170
Free cash flow	-2,228	-3,188	-2,332	-2,843	1,989	2,776
Other investments	0	0	-2,008	-10,363	-9	-9
Cash flow from investing	-133	-588	-2,299	-11,575	-209	-179
Cash flow from financing	2,836	5,480	1,918	13,266	-1,500	-2,000
Net cash flow	607	2,294	-2,422	60	480	767

Source: First Berlin Equity Research, beaconsmind AG



VALUATION MODEL

Buy rating reiterated at lower price target A positive effect from the consolidation of the acquired companies is more than cancelled out by the substantial negative impact of a reduction in our sales forecasts for the beacon business and the dilutive effect of issuing new shares to finance the acquisitions. Our WACC estimate remains unchanged at 14.0%: an increase in COE to 15.0% (previously: 14.0%) due to a combination of the rise in the yield of riskless assets (10y German government bond: 2.4% vs previously 2.0%) and the company-specific risk factor (2.5 vs previously 2.4), is offset by the positive effect of the increased leverage ratio on the WACC. We now conservatively assume a LT share of debt of 10% at an interest rate of 7% (vs previous share of debt: 0%). We note that beaconsmind took out a loan (€5m) from a local Sparkasse for the first time last year to finance the acquisition of Socialwave. Our DCF model now yields a price target of €14 (previously €22). We maintain our Buy recommendation.

Figure 8: DCF Model

All figures in CHF '000	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net sales	7,050	12,630	16,040	20,852	27,524	36,057	47,054	61,170
NOPLAT	-747	1,343	2,846	4,145	5,809	7,839	9,711	11,956
+ depreciation & amortisation	530	460	430	375	275	175	145	125
Net operating cash flow	-217	1,803	3,276	4,520	6,084	8,014	9,856	12,081
- total investments (CAPEX and WC)	-2,345	223	-677	-1,088	-806	-643	-1,148	-1,460
Capital expenditures	-1,212	-200	-170	-380	-280	-180	-150	-130
Working capital	-1,133	423	-507	-708	-526	-463	-998	-1,330
Free cash flows (FCF)	-2,562	2,027	2,600	3,432	5,279	7,372	8,708	10,621
PV of FCF's	-2,562	1,840	2,070	2,397	3,233	3,960	4,102	4,388

All figures in CHF '000	
PV of FCFs in explicit period	39,220
PV of FCFs in terminal period	26,438
Enterprise value	65,658
+ Net cash / - net debt (proforma)	-1,275
Shareholder value	64,383
Sharecount (proforma)	4,699

Fair value per share in CHF 13.70

Fair value per share in EUR 14.03 FX rate: 1 CHF = 1.02 EURO

Price target in EUR	14.00
Cost of equity	15.0%
Pre-tax cost of debt	7.0%
Tax rate	30.0%
After-tax cost of debt	4.9%
Share of equity capital	90.0%
Share of debt capital	10.0%
WACC	14.0%

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
11.0%	19.00	19.49	20.03	20.63	21.30	22.05	22.90
12.0%	16.75	17.11	17.52	17.96	18.45	19.00	19.61
13.0%	14.88	15.16	15.47	15.81	16.17	16.58	17.02
14.0%	13.32	13.54	13.77	14.03	14.31	14.61	14.95
15.0%	11.99	12.16	12.34	12.55	12.76	13.00	13.25
16.0%	10.84	10.98	11.13	11.29	11.46	11.64	11.84
17.0%	9.86	9.97	10.09	10.21	10.35	10.49	10.64

*Please note our model runs through 2035 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in CHF '000	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Total BeaconsMind group revenues	569	1,987	553	7,050	12,630	16,040
Cost of goods sold	-35	-196	-95	-1,058	-2,526	-3,208
Gross profit	534	1,791	458	5,993	10,104	12,832
Personnel expenses	-563	-1,581	-1,305	-3,200	-3,800	-4,200
Other operating expenses	-4,476	-2,457	-2,331	-3,010	-4,060	-4,200
EBITDA	-4,506	-2,246	-3,178	-217	2,244	4,432
Depreciation expenses	-120	-220	-405	-530	-460	-430
Impairment on other short-term receivables	0	0	0	0	0	0
Operating income (EBIT)	-4,625	-2,466	-3,583	-747	1,784	4,002
Net financial result	-12	-33	-88	-260	-315	-150
Pre-tax income (EBT)	-4,637	-2,499	-3,670	-1,008	1,469	3,852
Tax result	-1	-7	2	0	-441	-1,156
Minority interests	0	0	0	-83	-183	-230
Net income / loss	-4,638	-2,506	-3,668	-1,091	846	2,467
Diluted EPS (in CHF)	-2.32	-1.04	-1.35	-0.26	0.20	0.58

Ratios as % of total revenue

Gross margin	93.9%	90.1%	82.8%	85.0%	80.0%	80.0%
EBITDA margin	n.a.	n.a.	n.a.	n.a.	17.8%	27.6%
EBIT margin	n.a.	n.a.	n.a.	n.a.	14.1%	24.9%
Net margin	n.a.	n.a.	n.a.	n.a.	6.7%	15.4%
Tax rate	0.0%	3.0%	30.0%	30.0%	30.0%	30.0%

Expenses as % of total revenue

Personnel expenses	99.1%	79.6%	236.0%	45.4%	30.1%	26.2%
Other operating expenses	787.4%	123.6%	421.5%	42.7%	32.1%	26.2%
Depreciation expenses	21.0%	11.1%	73.2%	7.5%	3.6%	2.7%

Y-Y Growth

Revenues	14.1%	249.5%	-72.2%	1174.9%	79.1%	27.0%
EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	97.5%
Operating income (EBIT)	n.a.	n.a.	n.a.	n.a.	n.a.	124.3%
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	191.6%



BALANCE SHEET

All figures in CHF '000	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Assets						
Current assets, total	1,007	4,784	904	2,761	2,841	3,899
Cash and cash equivalents	675	2,969	547	607	1,087	1,854
Inventories	16	90	90	724	623	615
Receivables	117	1,306	202	1,352	1,038	1,318
Prepaid expenses & others	199	419	65	78	93	112
Non-current assets, total	297	1,038	2,983	14,456	14,205	13,953
Property, plant & equipment	19	353	297	912	962	982
Right-of-use assets	130	354	347	430	439	447
Intangible assets	139	276	277	561	251	-29
Associated companies (Goodwill)	0	0	2,008	12,500	12,500	12,500
Total assets	1,303	5,822	3,887	17,217	17,046	17,853
Shareholders' equity & debt						
Current liabilities, total	627	1,848	1,589	2,263	2,470	2,544
Short-term debt	62	0	0	60	0	0
Accounts payable	130	1,033	852	753	761	527
Accruals, deferred income	372	686	603	1,240	1,488	1,786
Other current liabilities	64	130	135	210	221	232
Long-term liabilities, total	187	331	315	6,130	4,663	2,699
Long-term debt	60	19	19	5,804	4,304	2,304
Other liabilities and provisions	127	313	297	326	359	395
Minority interests	0	0	0	294	477	707
Shareholders' equity	489	3,643	1,982	8,529	9,437	11,903
Total consolidated equity and de	1,303	5,822	3,887	17,217	17,046	17,853
Ratios						
Current ratio (x)	1.6	2.6	0.6	1.2	1.2	1.5
Quick ratio (x)	1.6	2.5	0.5	0.9	0.9	1.3
Net debt/(net cash)	-553	-2,950	-528	5,257	3,217	450
Net gearing	-113.1%	-81.0%	-26.7%	61.6%	34.1%	3.8%
Book value per share (in €)	0.25	1.50	0.73	2.01	2.23	2.81
Return on equity (ROE)	-948.2%	-68.8%	-184.7%	-11.8%	10.9%	21.4%
Equity ratio	37.5%	62.6%	51.0%	51.2%	58.2%	66.7%



CASH FLOW STATEMENT

All figures in CHF '000	FY 20/21	FY 21/22	H2 22	FY 23E	FY 24E	FY 25E
Net income	-4,638	-2,506	-3,662	-1,007	1,028	2,696
Depreciation and amortisation	120	220	405	530	460	430
Changes in working capital	-49	-503	1,187	-1,183	666	-217
Other adjustments	2,480	259	110	30	34	36
Operating cash flow	-2,088	-2,531	-1,961	-1,631	2,189	2,946
CapEx	-133	-588	-291	-1,212	-200	-170
Free cash flow	-2,228	-3,188	-2,332	-2,843	1,989	2,776
Other investments and disposals	0	0	-2,008	-10,363	-9	-9
Cash flow from investing	-133	-588	-2,299	-11,575	-209	-179
Debt financing, net	0	0	0	5,846	-1,500	-2,000
Equity financing, net	2,901	5,572	1,988	7,420	0	0
Cash flow from financing	2,836	5,480	1,918	13,266	-1,500	-2,000
Exchange differences	-1	2	0	0	0	0
Net cash flow	607	2,294	-2,422	60	480	767
Cash, start of the year	68	675	2,969	547	607	1,087
Cash, end of the year	675	2,969	547	607	1,087	1,854
EBITDA/share (in €)	-2.26	-0.93	-1.17	-0.05	0.53	1.05
Y-Y Growth						
Operating cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	34.6%
Free cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	39.6%
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	39.6%



APPENDIX

TWO CURRENT USE CASES THAT UNDERSCORE THE REVENUE POTENTIAL IN THE WI-FI HOTSPOT BUSINESS

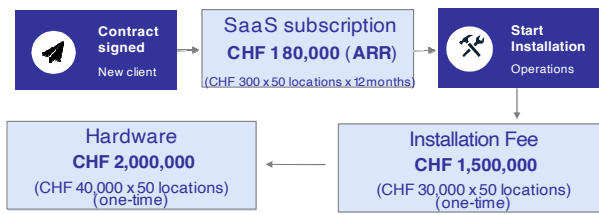
Use case #1 – Contract with an undisclosed client from the healthcare sector



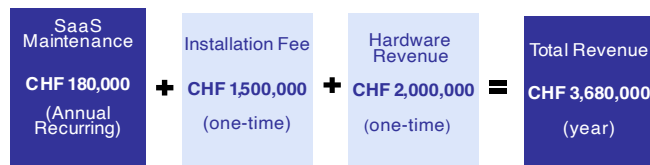
Clients Facts Example (Healthcare)

# of Locations	50
# of Wi-Fi beacons	3,750
Installation Fee	CHF30,000/Location
Hardware	CHF40,000/Location
Saas Maintenance	CHF300/Location/M
Annual Recurring Revenues (ARR)	
Subscription fee for beaconsmind@ Suite / FREDERIX Cloud Wifi/ Socialwave marketing platform	

Pricing flowchart Year 1



Revenue Calculation – Year 1



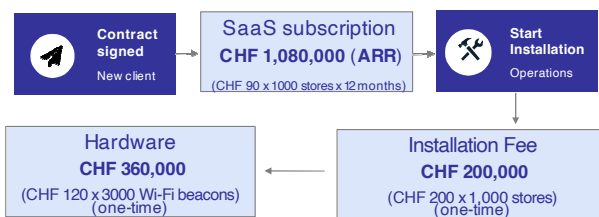
Use case #2 – Contract with Pizza Hut, a retail client from the food sector



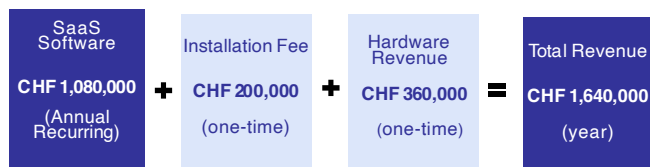
Clients Facts Example (Retail)

# of Stores	1000
# of Wi-Fi beacons	3,000
Installation Fee	CHF30,000/POS
Hardware	CHF120/Pc.
Saas Software	CHF90/POS/Month
Annual Recurring Revenues (ARR)	
Subscription fee for beaconsmind@ Suite / FREDERIX Cloud Wifi/ Socialwave marketing platform	

Pricing flowchart Year 1



Revenue Calculation – Year 1



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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	28 November 2022	€12.10	BUY	€22.00
2	Today	€4.90	BUY	€14.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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