

Trade Window Holdings

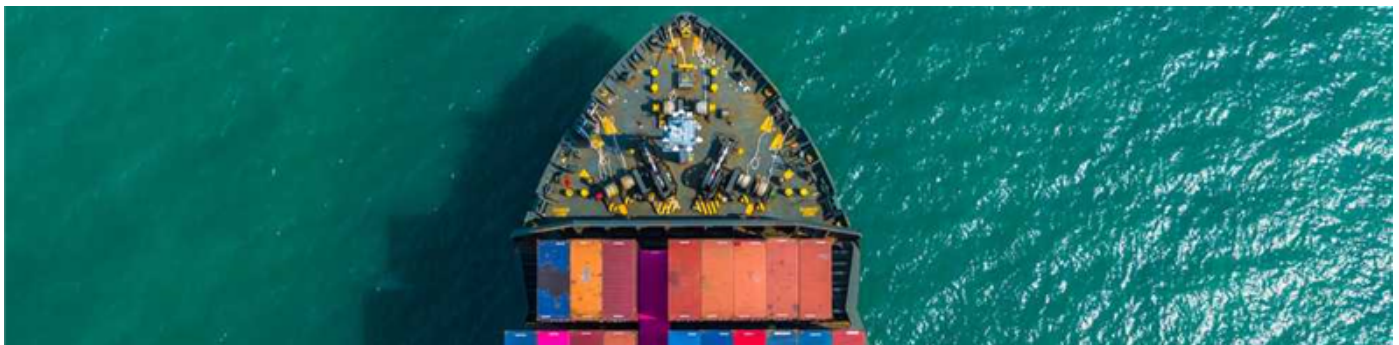
Capital Raising Falls Short of Expectations but Discussions Continue

JAMES LINDSAY

James.Lindsay@forsythbarr.co.nz
+64 9 368 0145

WILL TWISS

will.twiss@forsythbarr.co.nz
+64 9 368 0129



TWL has announced that it has raised NZ\$5.4m under its non-underwritten capital raising. This falls well short of its target of NZ\$20m despite some key investors participating in the offer. Settlement and allotment of the new shares is expected on 2 March 2023. In a difficult market for technology company capital raises globally, TWL remains engaged with potential strategic investors to provide additional capital and is exploring alternative funding sources. We await further information from the company before changing our estimates and valuation.

NZX Code	TWL	Financials: Mar/	22A	23E	24E	25E	Valuation (x)	22A	23E	24E	25E
Share price	NZ\$0.40	NPAT* (NZ\$m)	(10.8)	(14.1)	(9.3)	(4.8)	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.42	EPS* (NZc)	(12.6)	(12.5)	(8.1)	(4.1)	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	High	EPS growth* (%)	89.0	0.4	35.4	49.7	EV/EBITDA	n/a	n/a	n/a	n/a
Issued shares	112.8m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	8.5	n/a	n/a	n/a
Market cap	NZ\$45.1m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	9.3k (NZ\$9k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

Uncertainties remain as negotiations continue

If no further capital is raised we envisage TWL finishing FY23 (March 2023) with ~NZ\$7m in cash, including the amount raised under this offer at NZ\$0.45 per share. We estimate TWL's prior cash burn was around NZ\$1m/month, and the fact that it had almost fully utilised existing cash means that these ongoing discussions are important to the future direction TWL takes. If sufficient money is raised and additional new investors come onboard, TWL will likely continue business as usual. In the scenario where no additional money is raised, TWL will need to cut R&D spend and identify cost efficiencies to reduce cash spend to a more sustainable level, while trying to minimise the impact on its ability to service its customers and generate revenue from existing solutions. Any cuts to R&D and sales staff would have a flow-on effect on TWL's revenue ability in outer years.

No change to estimates yet – pending negotiations with potential strategic investors

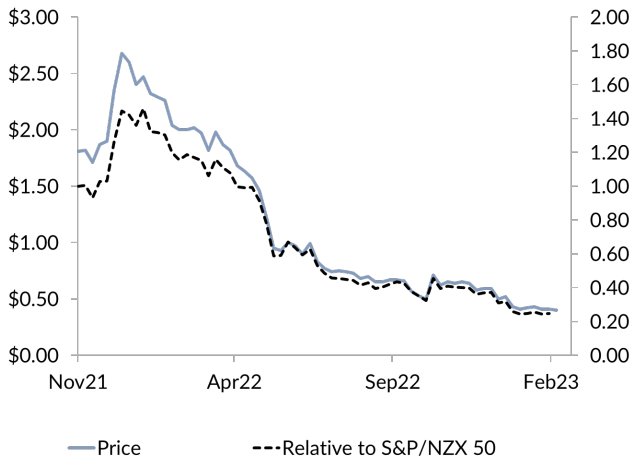
Once negotiations with potential investors conclude, we envisage TWL updating the market. While no timeframe has been provided, we anticipate a further update from the company in the coming weeks. We await the finalisation of these discussions before reviewing our estimates and valuation.

Trade Window Holdings (TWL)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 27 Feb 2023						0.42					
52 week high / low						2.02 / 0.40					
Market capitalisation (NZ\$m)						45.1					
Key WACC assumptions						DCF valuation summary (NZ\$m)					
Risk free rate						4.50%					
Equity beta						1.50					
WACC						12.6%					
Terminal growth						2.5%					
Total firm value						48					
EV/Sales comparative value						6					
Less: Capitalised operating leases						(5)					
Value of equity						49					
Profit and Loss Account (NZ\$m)						Valuation Ratios					
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E
Sales revenue	2.3	4.9	5.5	10.3	16.3	EV/EBITDA (x)	n/a	n/a	n/a	n/a	n/a
Normalised EBITDA	(5.9)	(9.5)	(12.4)	(8.1)	(3.4)	EV/EBIT (x)	n/a	n/a	n/a	n/a	n/a
Depreciation and amortisation	1.1	1.7	2.2	1.7	1.6	PE (x)	n/a	n/a	n/a	n/a	n/a
Normalised EBIT	(6.9)	(11.2)	(14.6)	(9.8)	(5.0)	Price/NTA (x)	n/a	8.5	n/a	n/a	n/a
Net interest	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)	Free cash flow yield (%)	-10.4	-15.4	-22.3	-18.5	-8.7
Associate income	0	0	0	0	0	Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Tax	0.5	0.6	0.6	0.6	0.3	Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Minority interests	0	0	0	0	0	Capital Structure					
Normalised NPAT	(6.6)	(10.8)	(14.1)	(9.3)	(4.8)		2021A	2022A	2023E	2024E	2025E
Abnormals/other	0	0	0	0	0	Interest cover EBIT (x)	n/a	n/a	n/a	n/a	n/a
Reported NPAT	(6.6)	(10.8)	(14.1)	(9.3)	(4.8)	Interest cover EBITDA (x)	n/a	n/a	n/a	n/a	n/a
Normalised EPS (cps)	(114.1)	(12.6)	(12.5)	(8.1)	(4.1)	Net debt/ND+E (%)	-9.1	-51.8	187.5	5,258.7	182.4
DPS (cps)	0.0	0	0	0	0	Net debt/EBITDA (x)	n/a	0.4	0.5	n/a	n/a
Growth Rates						Key Ratios					
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E
Revenue (%)		>100	13.5	86.2	58.3	Return on assets (%)	-113.0	-67.9	-94.0	-138.5	-64.9
EBITDA (%)		n/a	n/a	n/a	n/a	Return on equity (%)	185.8	-100.3	-497.6	414.6	167.5
EBIT (%)		n/a	n/a	n/a	n/a	Return on funds employed (%)	-188.8	-99.8	-488.0	425.1	170.8
Normalised NPAT (%)		n/a	n/a	n/a	n/a	EBITDA margin (%)	-250.2	-195.8	-223.3	-78.5	-20.7
Normalised EPS (%)		n/a	n/a	n/a	n/a	EBIT margin (%)	-295.8	-229.9	-263.7	-95.3	-30.4
Ordinary DPS (%)		-100.0	n/a	n/a	n/a	Capex to sales (%)	5.1	-31.4	2.8	2.9	2.1
Cash Flow (NZ\$m)						Capex to depreciation (%)					
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E
EBITDA	(5.9)	(9.5)	(12.4)	(8.1)	(3.4)	Imputation (%)	0	0	0	0	0
Working capital change	0.1	(0.5)	1.8	(0.4)	(0.4)	Pay-out ratio (%)	0	0	0	0	0
Interest & tax paid	0.3	0.4	0.7	0.5	0.3	Segment Revenue (NZ\$m)					
Other	0.8	1.2	(0.1)	(0.0)	(0.1)		2021A	2022A	2023E	2024E	2025E
Operating cash flow	(4.6)	(8.5)	(9.9)	(8.1)	(3.6)	Transactional	0.6	1.3	1.4	4.0	8.1
Capital expenditure	(0.1)	1.5	(0.2)	(0.3)	(0.3)	Subscription	0.4	1.6	2.4	4.5	5.7
(Acquisitions)/divestments	0.0	(1.6)	(2.5)	0	0	Service	0.1	0.2	0.2	0.3	0.5
Other	4.5	(1.5)	(0.6)	(0.6)	(0.7)	Installation	0.2	0.4	0.5	0.8	1.3
Funding available/(required)	(0.2)	(10.1)	(13.2)	(9.0)	(4.6)	Other	0.7	1.0	0.6	0.3	0.2
Dividends paid	(0.0)	0	0	0	0	Total revenue	2.3	4.9	5.5	10.3	16.3
Equity raised/(returned)	6.8	15.0	15.0	0	0	Segment Revenue ARPC (NZ\$)					
(Increase)/decrease in net debt	6.6	4.9	1.8	(9.0)	(4.6)		2021A	2022A	2023E	2024E	2025E
Balance Sheet (NZ\$m)							2021A	2022A	2023E	2024E	2025E
	2021A	2022A	2023E	2024E	2025E	Transactional (per month)	-	703	575	1150	1550
Working capital	(0.2)	0.3	(1.5)	(1.1)	(0.7)	Subscription (per month)	-	341	435	628	647
Fixed assets	0.2	0.3	0.3	0.4	0.5	Service (per month)	-	42	42	42	42
Intangibles	3.9	6.8	5.2	4.2	3.4	Total revenue per sub / month	1,022	712	787	1,184	1,374
Right of use asset	0.0	1.4	1.9	1.4	2.1	Installation (per new customer) *	14,030	16,699	15,000	15,000	15,000
Other assets	0.1	0.3	0.3	0.3	0.3	Segment costs as % of revenue					
Total funds employed	3.9	9.1	6.2	5.2	5.7		2021A	2022A	2023E	2024E	2025E
Net debt/(cash)	7.1	(3.7)	(6.1)	2.3	6.3	Cost of goods sold as % of revenue	64%	50%	52%	27%	21%
Lease liability	0	0.9	0.9	0.3	1.1	R&D as % of revenues	190%	126%	132%	66%	42%
Other liabilities	0.2	1.0	8.5	4.8	1.0	S&M as % of revenue	63%	65%	64%	33%	23%
Shareholder's funds	(3.3)	10.8	2.9	(2.2)	(2.8)	G&A as % of revenues	183%	130%	115%	57%	37%
Minority interests	0	0	0	0	0	Total expenses as % of revenue	500%	372%	362%	184%	122%
Total funding sources	3.9	9.1	6.2	5.2	5.7	*Transactional customers					

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

Figure 1. Price performance



Source: Forsyth Barr analysis

Figure 2. Substantial shareholders

Shareholder	Latest Holding
ASB Bank	22.4%
Albertus Johannes Smith	14.6%
Quayside Securities	10.8%
Holding des mers du sud	6.1%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 3. International valuation comparisons

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 2024E
				2023E	2024E	2023E	2024E	2023E	2024E	
Trade Window	TWL NZ	NZ\$0.40	NZ\$45	<0x	<0x	<0x	<0x	<0x	<0x	0.0%
Wisetech Global	WTC AT	A\$63.12	A\$20,761	>75x	71.0x	54.1x	41.3x	67.0x	50.6x	0.3%
E2Open Parent Holdings Inc	ETWO US	US\$5.97	US\$1,805	23.7x	20.9x	12.8x	11.4x	14.2x	12.7x	n/a
Descartes Systems Grp/The	DSG CN	US\$100.46	US\$8,521	>75x	72.2x	37.9x	34.0x	61.1x	50.6x	n/a
Compco Average:				23.7x	54.7x	34.9x	28.9x	47.4x	37.9x	0.3%
TWL Relative:				n/a	n/a	n/a	n/a	n/a	n/a	-100%

EV = Mkt cap+net debt+lease liabilities+min interests-investments
 Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (TWL) companies fiscal year end

Important information about this publication

Forsyth Barr Limited (“**Forsyth Barr**”) holds a licence issued by the Financial Markets Authority to provide financial advice services. In making this publication available, Forsyth Barr (and not any named analyst personally) is giving any financial advice it may contain. Some information about us and our financial advice services is publicly available. You can find that on our website at www.forsythbarr.co.nz/choosing-a-financial-advice-service. Please note the limitations in relation to distribution generally, and in relation to recipients in Australia in particular, as set out under those headings below.

This publication has been commissioned by Trade Window Holdings (“**Researched Entity**”) and prepared and issued by Forsyth Barr in consideration of a fee payable by the Researched Entity. Forsyth Barr follows a research process (including through the Analyst certification below) designed to ensure that the recommendations and opinions in our research publications are not influenced by this arrangement and the other interests of Forsyth Barr and related parties disclosed below. However, entities may not be willing to continue to pay for research coverage that includes unfavourable views.

Any recommendations or opinions in this publication do not take into account your personal financial situation or investment goals, and may not be suitable for you. If you wish to receive personalised financial advice, please contact your Forsyth Barr Investment Adviser.

Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer’s securities or investments.

This publication has been prepared in good faith based on information obtained from sources believed to be reliable and accurate. However, that information has not been independently verified or investigated by Forsyth Barr. If there are material inaccuracies or omissions in the information it is likely that our recommendations or opinions would be different. Any analyses or valuations will also typically be based on numerous assumptions (such as the key WACC assumptions); different assumptions may yield materially different results.

Forsyth Barr does not undertake to keep current this publication; any opinions or recommendations may change without notice to you.

In giving financial advice, Forsyth Barr is bound by duties under the Financial Markets Conduct Act 2013 (“**FMCA**”) to:

- exercise care, diligence, and skill,
- give priority to the client’s interests, and
- when dealing with retail clients, comply with the Code of Professional Conduct for Financial Advice Services, which includes standards relating to competence, knowledge, skill, ethical behaviour, conduct, and client care.

There are likely to be fees, expenses, or other amounts payable in relation to acting on any recommendations or opinions in this publication. If you are Forsyth Barr client we refer you to the Advice Information Statement for your account for more information.

Analyst certification: The research analyst(s) primarily responsible for the preparation and content of this publication (“**Analysts**”) are named on the first page of this publication. Each such Analyst certifies (other than in relation to content or views expressly attributed to another analyst) that (i) the views expressed in this publication accurately reflect their personal views about each issuer and financial product referenced; and (ii) no part of the Analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that Analyst in this publication.

Analyst holdings: The following Analyst(s) have a threshold interest in the financial products referred to in this publication: N/A. For these purposes, a threshold interest is defined as being a holder of more than \$50,000 in value or 1% of the financial products on issue, whichever is the lesser.

Other disclosures: Forsyth Barr and its related companies (and their respective directors, officers, agents and employees) (“**Forsyth Barr Group**”) may have long or short positions or otherwise have interests in the financial products referred to in this publication, and may be directors or officers of, and/or provide (or be intending to provide) corporate advisory or other services to, the issuer of those financial products (and may receive fees for so acting). Members of the Forsyth Barr Group may buy or sell financial products as principal or agent, and in doing so may undertake transactions that are not consistent with any recommendations contained in this publication. Other Forsyth Barr business units may hold views different from those in this publication; any such views will generally not be brought to your attention. Forsyth Barr confirms no inducement has been accepted from the issuer(s) that are the subject of this publication, whether pecuniary or otherwise, in connection with making any recommendation contained in this publication. In preparing this publication, non-financial assistance (for example, access to staff or information) may have been provided by the issuer(s) being researched.

Corporate advisory engagements: Other than confidential engagements, Forsyth Barr has not within the past 12 months been engaged to provide corporate advisory services to the Researched Entity.

Complaints: Information about Forsyth Barr’s complaints process and our dispute resolution process is available on our website – www.forsythbarr.co.nz.

Disclaimer: Where the FMCA applies, liability for the FMCA duties referred to above cannot by law be excluded. However to the maximum extent permitted by law, Forsyth Barr otherwise excludes and disclaims any liability (including in negligence) for any loss which may be incurred by any person acting or relying upon any information, analysis, opinion or recommendation in this publication. The information contained within this publication is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy.

Distribution: This publication is not intended to be distributed or made available to any person in any jurisdiction where doing so would constitute a breach of any applicable laws or regulations or would subject Forsyth Barr to any registration or licensing requirement within such jurisdiction.

Recipients in Australia: This publication is only available to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“**wholesale clients**”). In no circumstances may this publication be made available to a “retail client” within the meaning of section 761G. Further, this publication is only available on a limited basis to authorised recipients in Australia. Forsyth Barr is a New Zealand company operating in New Zealand that is regulated by the Financial Markets Authority of New Zealand and NZX. This publication has been prepared in New Zealand in accordance with applicable New Zealand laws, which may differ from Australian laws. Forsyth Barr does not hold an Australian financial services licence. This publication may refer to a securities offer or proposed offer which is not available to investors in Australia, or is only available on a limited basis, such as to professional investors or others who do not require prospectus disclosure under Part 6D.2 of the Corporations Act 2001 (Cth) and are wholesale clients.

Terms of use: Copyright Forsyth Barr Limited. You may not redistribute, copy, revise, amend, create a derivative work from, extract data from, or otherwise commercially exploit this publication in any way. By accessing this publication via an electronic platform, you agree that the platform provider may provide Forsyth Barr with information on your readership of the publications available through that platform.