

Trade Window Holdings

US Footprint and Key Partner Announced

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TradeWindow (TWL) has partnered with the global food safety, quality and sustainability solutions company FoodChain ID. Its new partner provides access to 30,000 customers worldwide, which FoodChain ID manages from offices in 14 countries. The partnership involves TWL's recently acquired Rfider business, which has been rebranded Assure+. The Assure+ product is an FDA-approved supply chain traceability platform and will be offered to FoodChainID's clients as an integrated solution. Food markets require greater transparency of supply chains, enhanced documentation processing speed, and lower costs. TWL has appointed a US-based business development manager (its first US employee) to support the relationship with FoodChain ID. Despite weak global economies, we maintain our FY23 forecasts, for now, awaiting TWL's upcoming 1H23 result on 7 November 2022. Given the de-rating of international technology compcos, we reduce TWL's EV/Sales multiple, derived comparable, spot valuation to NZ\$0.65.

NZX Code	TWL	Financials: Mar/	22A	23E	24E	25E	Valuation (x)	22A	23E	24E	25E
Share price	NZ\$0.50	NPAT* (NZ\$m)	(10.8)	(15.9)	(10.3)	(4.3)	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.65 (from 0.96)	EPS* (NZc)	(12.6)	(15.7)	(10.0)	(4.1)	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	Medium	EPS growth* (%)	89.0	-25.1	36.6	58.8	EV/EBITDA	n/a	n/a	n/a	n/a
Issued shares	100.8m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	10.7	n/a	n/a	n/a
Market cap	NZ\$50.4m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	22.0k (NZ\$36k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

FoodChain ID partnership gives TWL access to 30,000 potential global clients

FoodChain ID is a global business headquartered in Iowa (US) providing products to assist with greater transparency, safety and sustainability across the regulated food economy. Its services include regulatory compliance and product development applications, testing, food safety and product certification solutions. See <https://www.foodchainid.com/>. Foodchain ID will be a customer of TWL and will facilitate the addition of new Assure+ customers onto TWL's platform. New customers, via the partnership, could see average revenue per customer (ARPC) ranging from five hundred dollars to several thousand per customer per month. Customer acquisitions will likely commence over the next quarter. We consider an extension of the partnership over time as likely, given that TWL's product offerings don't overlap with those provided by FoodChain ID. This partnership and TWL's new wine, honey and coffee customers (gained in Australia, South America, the UK, and the US) are part of a growing compliance role in food chains. Further, ESG considerations and the inclusion of carbon calculations within the product are being helped by the possible integration into TWL's Cube offering, as customers seek ways to prove where food originates.

Softness in global markets not yet being seen in recent NZ container data

We remain mindful of the uncertainties in global and local economies with evidence of slowing trade volumes. TWL's exposure to NZ export volumes provides some resilience against softness in consumer spending, as does the weakness in the NZD supporting demand for NZ's products on the world stage. Management's guidance range is for FY23 total revenues of between NZ\$6.0m and NZ\$7.5m. This newly announced partnership offers the potential to provide upside into 4Q23; however, we foresee the possibility of needing to lower our above-range estimates given the economic backdrop.

Weakness in global tech stocks flowing into EV/Sales multiples

We update our global peer comparable spot valuation as technology company valuations have fallen materially over 2022. Using a blended multiple of peers, we assess a fair trading range for TWL to be between 7x-9x EV/Sales.

Trade Window Holdings (TWL)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 28 Oct 2022						0.50					
52 week high / low						2.80 / 0.49					
Market capitalisation (NZ\$m)						50.4					
Key WACC assumptions											
Risk free rate						4.00%					
Equity beta						1.50					
WACC						12.2%					
Terminal growth						2.5%					
Profit and Loss Account (NZ\$m)						Valuation Ratios					
Sales revenue	2021A	2022A	2023E	2024E	2025E	EV/EBITDA (x)	2021A	2022A	2023E	2024E	2025E
Normalised EBITDA	(5.9)	(9.5)	(13.2)	(7.2)	(1.4)	EV/EBIT (x)	n/a	n/a	n/a	n/a	n/a
Depreciation and amortisation	1.1	1.7	3.1	3.6	3.1	PE (x)	n/a	n/a	n/a	n/a	n/a
Normalised EBIT	(6.9)	(11.2)	(16.3)	(10.8)	(4.5)	Price/NTA (x)	n/a	10.7	n/a	n/a	n/a
Net interest	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	Free cash flow yield (%)	-9.3	-13.8	-21.3	-15.1	-4.9
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)	(15.9)	(10.3)	(4.3)	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)	(15.9)	(10.3)	(4.3)	Interest cover EBITDA (x)	n/a	n/a	n/a	n/a	n/a
Normalised EPS (cps)	(114.1)	(12.6)	(15.7)	(10.0)	(4.1)	Net debt/ND+E (%)	-9.1	-51.8	-8.9	95.8	96.8
DPS (cps)	0.0	0	0	0	0	Net debt/EBITDA (x)	n/a	0.4	0.0	n/a	n/a
Growth Rates						Key Ratios					
Revenue (%)	2021A	2022A	2023E	2024E	2025E	Return on assets (%)	2021A	2022A	2023E	2024E	2025E
EBITDA (%)		>100	64.6	95.8	48.3	Return on equity (%)	-113.0	-67.9	-83.9	-71.6	-30.8
EBIT (%)		n/a	n/a	n/a	n/a	Return on funds employed (%)	185.8	-100.3	-251.7	-3,327.9	-1,366.1
Normalised NPAT (%)		n/a	n/a	n/a	n/a	EBITDA margin (%)	-188.8	-99.8	-249.5	-2,818.3	-1,161.4
Normalised EPS (%)		n/a	n/a	n/a	n/a	EBIT margin (%)	-250.2	-195.8	-164.1	-45.5	-6.0
Ordinary DPS (%)		-100.0	n/a	n/a	n/a	EBIT margin (%)	-295.8	-229.9	-202.7	-68.5	-19.3
Cash Flow (NZ\$m)						Capex to sales (%)					
EBITDA	2021A	2022A	2023E	2024E	2025E	Capex to depreciation (%)	2021A	2022A	2023E	2024E	2025E
Working capital change	(5.9)	(9.5)	(13.2)	(7.2)	(1.4)	Imputation (%)	5.1	-31.4	2.8	2.9	3.0
Interest & tax paid	0.1	(0.5)	2.0	(0.4)	(0.5)	Pay-out ratio (%)	-38	267	-33	-62	-76
Other	0.3	0.4	0.8	0.5	0.2	0	0	0	0	0	0
Operating cash flow	0.8	1.2	(0.2)	(0.1)	(0.1)	Segment Revenue (NZ\$m)					
Capital expenditure	(4.6)	(8.5)	(10.5)	(7.2)	(1.8)	2021A	2022A	2023E	2024E	2025E	
(Acquisitions)/divestments	0.1	1.5	(0.2)	(0.5)	(0.7)	Transactional	0.6	1.3	3.1	5.9	10.5
Other	(0.1)	0.0	(1.6)	(2.5)	0	Subscription	0.4	1.6	3.3	7.2	9.2
Funding available/(required)	0.8	1.2	(0.2)	(0.1)	(0.1)	Service	0.1	0.2	0.2	0.3	0.5
Dividends paid	(0.2)	(10.1)	(13.7)	(8.2)	(3.0)	Installation	0.2	0.4	0.6	1.5	2.3
Equity raised/(returned)	(0.0)	0	0	0	0	Other	0.7	1.0	0.5	0.4	0.3
(Increase)/decrease in net debt	6.8	15.0	10.0	0	0	Total revenue	2.3	4.9	8.0	15.7	23.3
	6.6	4.9	(3.7)	(8.2)	(3.0)	Segment Revenue ARPC (NZ\$)					
Balance Sheet (NZ\$m)						2021A	2022A	2023E	2024E	2025E	
Working capital	2021A	2022A	2023E	2024E	2025E	Transactional (per month)	-	703	1300	1700	2000
Fixed assets	(0.2)	0.3	(1.7)	(1.2)	(0.7)	Subscription (per month)	-	341	586	963	992
Intangibles	0.2	0.3	0.4	0.6	1.0	Service (per month)	-	42	43	43	44
Right of use asset	3.9	6.8	14.3	11.5	9.3	Total revenue per sub / month	1,022	712	1,212	1,805	1,939
Other assets	0.0	1.4	1.9	1.4	2.1	Installation (per new customer) *	14,030	16,699	15,000	15,000	15,000
Total funds employed	0.1	0.3	0.3	0.3	0.3	Segment costs as % of revenue					
Net debt/(cash)	3.9	9.1	15.3	12.5	12.0	Cost of goods sold as % of revenue	2021A	2022A	2023E	2024E	2025E
Lease liability	7.1	(3.7)	(0.5)	7.1	9.5	R&D as % of revenues	64%	50%	41%	22%	21%
Other liabilities	0	0.9	0.9	0.3	1.1	S&M as % of revenue	190%	126%	117%	62%	42%
Shareholder's funds	0.2	1.0	8.5	4.8	1.0	G&A as % of revenues	63%	65%	48%	26%	19%
Minority interests	(3.3)	10.8	6.4	0.4	0.4	Total expenses as % of revenue	183%	130%	74%	39%	27%
Total funding sources	3.9	9.1	15.3	12.5	12.0	500%	372%	281%	149%	108%	

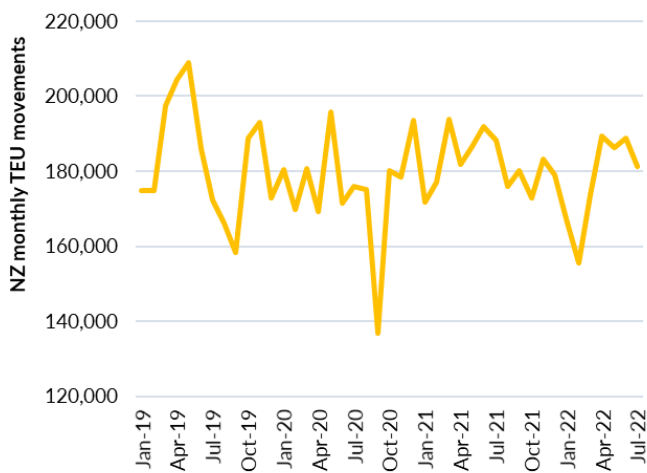
* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Contributing information

Updating imports and exports data

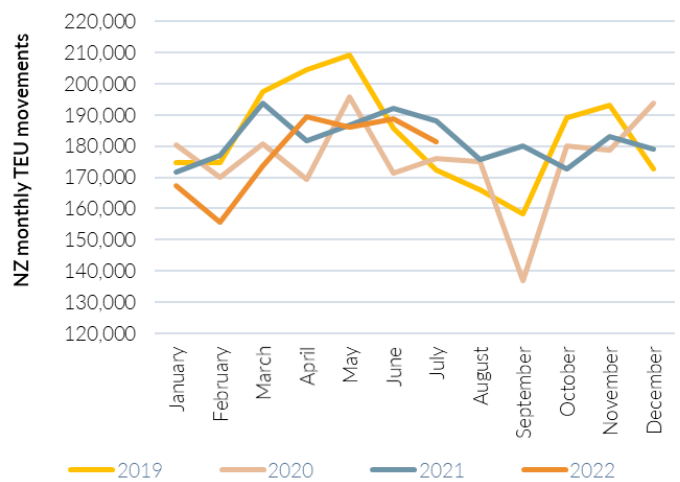
Recent export data, at the container level, has shown a degree of strength with import Twenty-foot Equivalent Unit (TEU) movements weaker and total movements displaying typical seasonal patterns. We remain optimistic that the country's export sector, in volume terms, has been insulated from weakness in global economies by the fall in the NZD against the USD. These currency movements have made NZ products more competitive on the global stage. Prices for NZ's key commodity exports have held firm, except for dairy. These factors will help provide a degree of resilience for TWL, given that the company's operations are highly correlated with export TEU movements.

Figure 1. Total NZ Import & Export Container (TEU) movements



Source: Stats NZ, Forsyth Barr analysis

Figure 2. Monthly NZ total import & export containers (TEU)



Source: Stats NZ, Forsyth Barr analysis

The US Emerging Cloud Index and the performance of peers

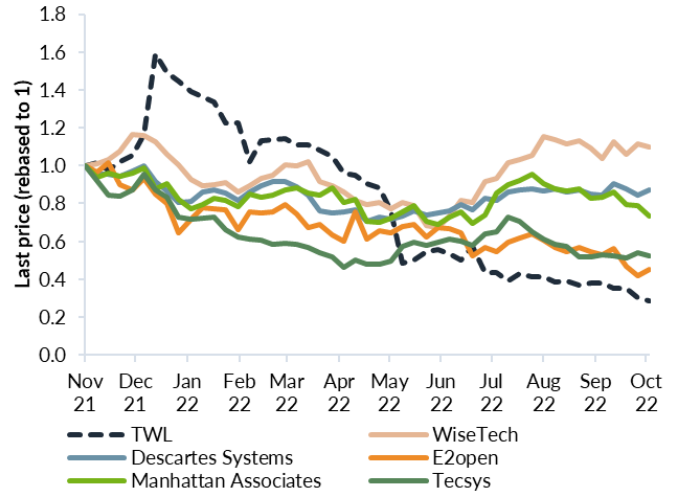
The Nasdaq Emerging Cloud Index currently trades at an EV/Sales median multiple of 4.6x. See Figure 3. The index has contracted significantly, with the current multiple representing a fall of -78% from the 20.8x peak in February 2021. Although TWL is not directly comparable to its constituents, the steep drop in the multiple reflects the difficult market conditions and challenging outlook faced by most tech companies, translating to the sector's downturn. Figure 4 displays the performance of TWL against its relevant peers.

Figure 3. Nasdaq Emerging Cloud Index (EV/Sales multiple)



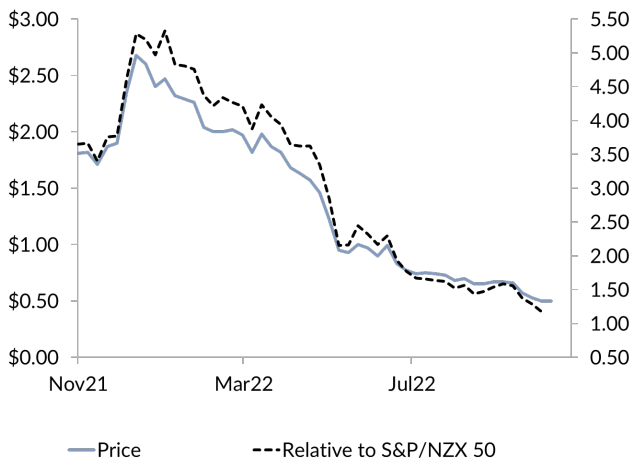
Source: BVP, Forsyth Barr analysis

Figure 4. Performance of peers (rebased)



Source: Refinitiv, Forsyth Barr analysis

Figure 5. Price performance



Source: Forsyth Barr analysis

Figure 6. 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 7. 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\$0.50	NZ\$50	<0x	<0x	<0x	<0x	<0x	<0x	0.0%
Wisetech Global	WTC AT	A\$56.22	A\$18,385	>75x	61.8x	47.2x	37.4x	57.8x	44.5x	0.3%
E2Open Parent Holdings Inc	ETWO US	US\$5.72	US\$1,729	21.4x	18.0x	12.2x	10.8x	13.3x	12.0x	n/a
Descartes Systems Grp/The	DSG CN	US\$93.20	US\$7,902	>75x	n/a	35.5x	31.6x	56.9x	47.0x	n/a
Compco Average:				21.4x	39.9x	31.6x	26.6x	42.7x	34.5x	0.3%
EV = Mkt cap+net debt+lease liabilities+min interests-investments				TWL Relative:		n/a	n/a	n/a	n/a	-100%

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (TWL) companies fiscal year end

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