Netex

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European Small & Mid-Cap Awards

LIGHT HOUSE IEAF INDEPENDENT EQUITY RESEARCH

EQUITY - SPAIN
Sector: Software

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Netex (NTX), is a Spanish technology company (A Coruña) dedicated to the development and commercialisation of software for the education sector. Its two main lines of business are the sale/renewal of licences (37% of revenues 2022e) and the development of projects with customised content (63% of revenues 2022e). Revenues outside Spain represent c. 58%, mainly in Latam (29%) and the UK (25%). Since October 2017, it has been listed on BME Growth. The founders control c. 51% of the capital.

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Market Data

Market Cap (Mn EUR and USD)	29.0	29.6
EV (Mn EUR and USD) (1)	37.9	38.6
Shares Outstanding (Mn)	8.9	
-12m (Max/Med/Mín EUR)	4.40 / 3.75 / 3.13	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation(2)	9.0	
Factset / Bloomberg	NTX-ES / NTX SM	
Close fiscal year	30-Sep	

Shareholders Structure (%)

José Carlos López Ezquerro	25.2
José Ramón Mosteiro López	25.1
Angel Fandos (Odre 2005)	12.1
3-Gutinvest, S.L.	5.0
Free Float	32.6

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	8.9	8.9	8.9	8.9
Total Revenues	12.3	20.8	25.7	30.5
Rec. EBITDA	1.0	3.0	5.1	7.4
% growth	*304.8*	*212.3*	*70.9*	*44.5*
% Rec. EBITDA/Rev.	*7.9*	*14.5*	*20.0*	*24.4*
% Inc. EBITDA sector(3)	*31.5*	*21.1*	*19.4*	*13.6*
Net Profit	0.6	0.7	2.2	4.6
EPS (EUR)	0.07	0.08	0.25	0.52
% growth	*358.7*	*13.0*	*210.6*	*106.2*
Ord. EPS (EUR)	0.00	0.13	0.25	0.52
% growth	*90.7*	*n.a.*	*94.0*	*106.2*
Rec. Free Cash Flow(4)	-2.9	0.4	2.6	4.2
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	9.0	16.6	13.9	9.7
ND/Rec. EBITDA (x)	9.3	5.5	2.7	1.3
ROE (%)	*35.1*	*27.0*	*54.0*	*61.0*
ROCE (%)(4)	*6.5*	*7.9*	*14.3*	*26.1*

Ratios & Multiples (x)(5)	2021	2022e	2023e	2024e
P/E	45.3	40.1	12.9	6.3
Ord. P/E	n.a.	25.0	12.9	6.3
P/BV	12.5	9.6	5.5	2.9
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	3.09	1.82	1.47	1.24
EV/Rec. EBITDA	39.3	12.6	7.4	5.1
EV/EBIT	n.a.	28.0	11.0	6.0
FCF Yield (%)(4)	*n.a.*	*1.5*	*9.1*	*14.5*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Technology.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.

The perfect wave?

STRONG GROWTH... Over 2017-2021 the company's high organic growth rate (24.6% CAGR) and ability to exploit economies of scale in its structural costs were key to exceeding break-even in Rec. EBITDA (EUR 1Mn in 2021).

...THAT WE EXPECT TO CONTINUE. For several reasons: (i) the impact of the integration of Virtual College (2022e proforma revenue EUR 6.6Mn; 36% growth until 2024e), (ii) the high recurrence in licences and the growth potential of projects for companies, (iii) the continued international expansion and, especially, (iv) the sector driver, by exploiting the take-off of a sector with tailwinds (e-learning). Organic revenue growth +25% (2021-2024e CAGR).

TOGETHER WITH A CREDIBLE ABILITY TO SIGNIFICANTLY IMPROVE MARGINS. The high operating leverage (already proven), explained by the fixed component of the company's structural costs and its strategy of outsourcing will enable it to aspire to sharp increases in margins. The step-up in size expected for 2021-2024e will drive the Rec. EBITDA margin to c. 24.4% (vs 7.9% in 2021).

LOOKING AHEAD TO 2024e... The scenario we envisage for 2024e should enable NTX to consolidate revenue of c. EUR 30Mn with c. EUR 7Mn of EBITDA (vs EUR 1.2Mn in 2021). And with cash generation capacity (from 2023e) that will cut debt in half, taking gearing to c. 1.3x ND/EBITDA in 2024e.

...THE EQUITY STORY IS BOTH SECTORIAL (THE BOOM IN E-LEARNING) AND MICRO (HIGH OPERATING LEVERAGE). NTX seems to be riding the "perfect wave": significant growth with continuous margin improvement. Current circumstances are ideal due both to the take-off of e-learning (a sector safe from the worsening macro context) and the cost and revenue synergies from the integration of Virtual College. 1H22 results (+15% organic growth vs 2H21) support our numbers. If the company maintains this level its multiples are in themselves an evident attraction. Looking ahead to 2024e: P/E, c.6x, EV/EBITDA, c. 5x and FCF yield of 15%.

Relative performance (Base 100)

Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	3.5	-5.2	-20.2	-9.7	168.0	n.a.
vs Ibex 35	15.0	1.1	-11.1	-1.0	214.8	n.a.
vs Ibex Small Cap Index	20.1	3.4	-8.5	-3.2	129.9	n.a.
vs Eurostoxx 50	16.1	5.9	-5.5	13.5	176.3	n.a.
vs Sector benchmark(3)	17.6	14.1	7.9	35.9	147.2	n.a.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

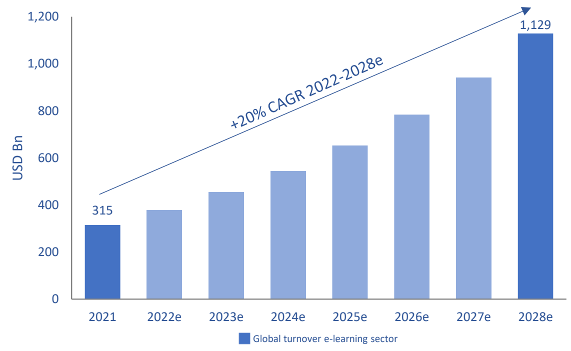
NTX is a BME Growth Company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

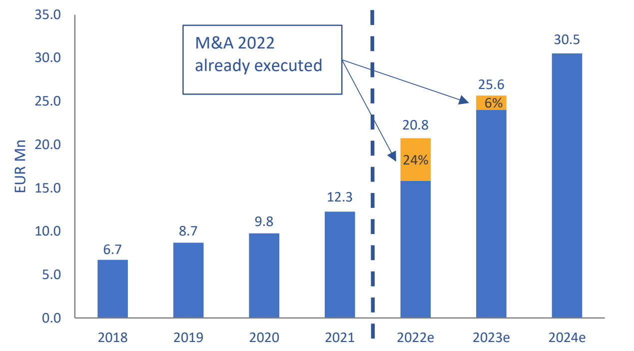
BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

The company in 8 charts

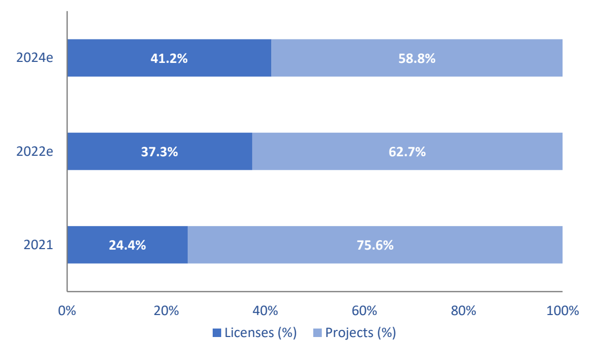
NTX is going to benefit from a very strong sector driver (e-learning)…



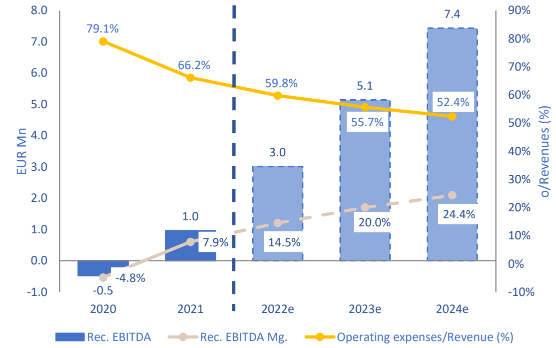
…that will accelerate revenue growth (with M&A as a tailwind)



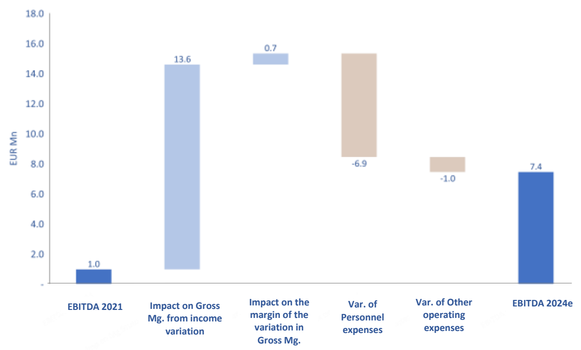
We estimate a progressive increase in the licences business (the most profitable)…



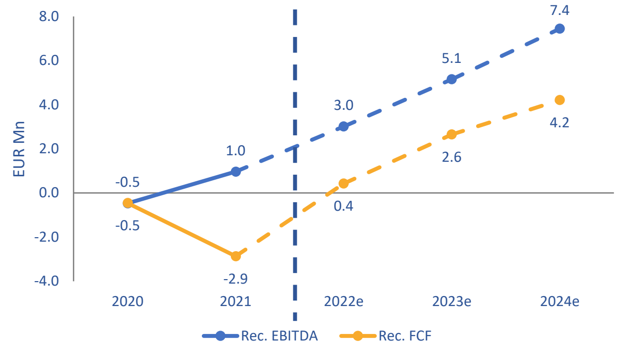
…And high potential for levering on its cost structure



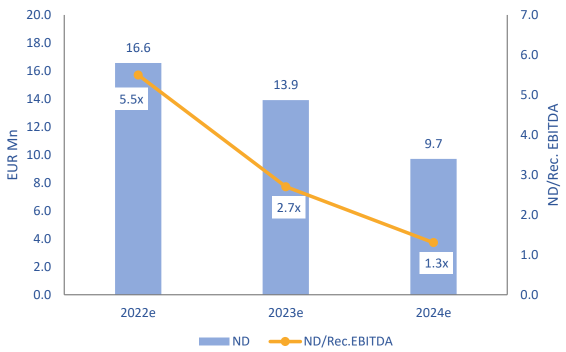
That will enable EBITDA to take off (EUR 7.4Mn in 2024e).



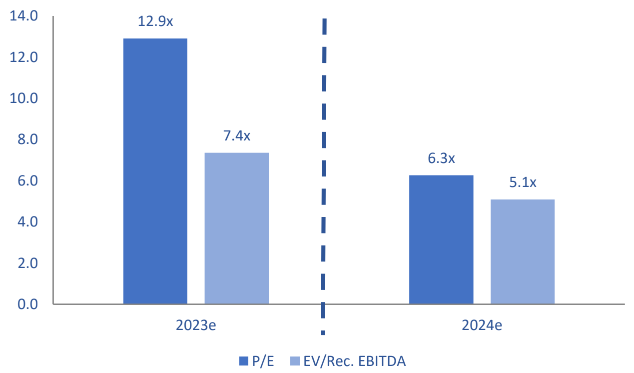
With capacity for cash generation (from 2023e)…



… that will cut debt in half, taking ND/EBITDA to 1.3x.



The multiples, an attraction: 24e P/E 6x and 24e EV/EBITDA 5x.



At an ideal time: the opportunity for significant growth with continuous margin improvement. 2024e P/E c. 6x

Netex (NTX) is a Spanish tech company that develops training software. Founded in 1997 in A Coruña by José Carlos López Ezquerro and José Ramón Mosteiro (50.3% of capital, jointly), it is at present the only tech company dedicated (100%) to the e-learning sector listed on the Spanish market (since October 2017).

The only company dedicated to the e-learning sector that trades on the Spanish Stock Market

In recent years, NTX has undergone a large step-up in size due to the growing demand for e-learning solutions, supported by digitisation. As a result of the efforts made on international expansion, NTX has offices in Europe and America that, together with the development of a personalised product (LMS and content licences), has attracted the attention of clients (B2B) both in the academic area (Santillana, Cambridge University) and the corporate sphere (Amazon and Repsol; growth in corporate clients has been especially significant after Covid-19).

NTX has already done the most difficult from a strictly business generation viewpoint, exceeding break-even in EBITDA 2021. So now, there are two key questions: what does NTX represent today for a potential investor, and what can we expect from the company in the most immediate future (2022e-2024e)?

A) A story of high organic growth (2017-2021 revenue: +24.6% CAGR) that has enabled the company to exceed break-even in Rec. EBITDA in 2021 (EUR 1Mn)

NTX's activity exploits the digital transformation in the education sector, that has resulted in double-digit growth in revenue over 2017-2021 (+24.6% CAGR). Specifically, we highlight:

- **Two business lines…** NTX's activity (software development) can be separated into: (i) licences (24.4% of 2021 revenue), the "hard core" of the business, providing recurrent revenue with a high margin (c. 90%); these are proprietary products that give access to NTX's catalogue, and (ii) projects (75.6% of 2021 revenue) that enable the personalisation of its educational products (mainly aimed at large companies with >500 employees).

2017 -2021: A step-up in size (2021 revenue: EUR 12.3Mn vs 2017 EUR 5.1Mn)…

- **… that have driven strong revenue growth:** NTX recorded revenue of EUR 12.3Mn in 2021 (vs EUR 5.1Mn in 2017). In our opinion, the factors responsible for this growth have been: i) international expansion (57.6% of 2021 revenue), ii) access to a larger number of clients, resulting in growth in personalised projects, and iii) the dynamism of the e-learning sector in recent years, especially arising from the effects of Covid-19.

- **Enabling EBITDA break-even to be exceeded in 2021.** NTX has demonstrated the high operating leverage of its business with a strategy of outsourcing the costs of personnel to develop its activity, that has allowed the company to reduce structural costs and exceed break-even in Rec. EBITDA in 2021 (EUR 1Mn).

…and the improvement in margins meant break-even was exceeded in 2021 (2021 Rec. EBITDA EUR 1Mn)

- **2021 net debt: EUR 9Mn (2021 ND/Equity < 4x),** the result of: (i) the logical cost of international expansion and the increase in the production force required to maintain high growth rates, (ii) R+D activity to develop new licences and (iii) the generation of negative EBITDA that has prevented the generation of positive cash taking 2021 ND to EUR 9Mn (of which EUR 1.5Mn correspond to convertible bonds in 2021).

Consequently, NTX is today a company in the midst of a strong growth phase, driven by the projects business; crucial to exceeding break-even in Rec. EBITDA (EUR 1Mn in 2021). In terms of costs, NTX has been able to exploit economies of scale in its structural costs (that have increased half as much as revenues -4y). And all this whilst maintaining a bearable level of debt.

2021 net debt EUR 9Mn (ND/Equity 3.9x in 2021)

In addition to all this, there is the acquisition of Virtual College (December 2021) with which NTX aims to complement its core activity in order to be able to extend its product range to smaller companies. This raises several questions: (i) What will growth be from now on in respect of revenue? (ii) how will the integration of Virtual College impact NTX's P&L? (iii) Will NTX be able to continue to lever its operating costs from 2022e? and (iv) what will the company's capacity for cash generation be in coming years?

B) 2021-2024e: Strong revenue growth continues (+35.5% CAGR 2021-2024e; favoured by M&A). That will continue to generate significant improvement in margins

Virtual College will contribute revenue of EUR 5Mn in 2022e (EUR 6.6Mn proforma)

We expect the rate of growth seen to date to continue. NTX's strategy in recent years, plus inorganic growth, underpin not just the step-up in revenues but also the opportunity to make this growth profitable in coming years. The levers that will support NTX's business in 2022e-2024e are as follows:

- **Inorganic growth.** The purchase of Virtual College (December 2021) should not be seen as accidental. But rather as a strategic decision to grow also via M&A, making the most of opportunities in a sector that tends towards concentration and in which economies of scale are evident. Over 2021-2024e we expect it to provide c.36% of total growth (EUR 5Mn in 2022e, due to its inclusion in the perimeter of consolidation for nine months; EUR 6.6Mn proforma).
- **A niche and scalable product.** Learning software (LMS) is a product specifically aimed at companies and academic institutions. The integration of Virtual College will broaden the base of potential clients (companies with <250 employees) for its catalogue (1,000 courses), increased by the acquisition of Virtual College. Licences have a high rate of recurrence and do not require significant additional investment to increase their weighting in the revenue mix (41.2% of 2024e revenue vs 24.4% of 2021 revenue).
- **International expansion.** The opening of offices in New York and Sao Paulo is a clear sign that the company's growth strategy involves internationalisation and a larger weighting of operations outside Spain.
- **Already proven high operating leverage.** Despite very strong revenue growth over 2017-2021, (2021 revenue x2.4 vs 2017; EUR 12.3Mn vs EUR 5.1Mn in 2017), NTX has managed to keep its structural costs stable (EUR 3.7Mn in 2021 vs EUR 3.8Mn in 2018). This has led to a clear improvement in profitability (2021 Rec. EBITDA margin of 7.9% vs negative EBITDA over 2017-2020). "Genuine" operating leverage that, in our view, should allow NTX to progressively improve its profitability to Rec. EBITDA margin levels of c. 24%.
- **And cash generation that will alleviate debt levels.** The acquisition of Virtual College will raise ND to EUR 16.6Mn in 2022e (of which EUR 6.7Mn are bonds convertible in 2026e). From 2023e NTX's business model, that requires little CAPEX and working capital, will enable growth in EBITDA to be converted into cash.

Expected revenue growth will increase the capacity for margin improvement

Training the spotlight on 2022e, our estimates envisage revenue of EUR 20.5Mn (+69.2% vs 2021; of which EUR 5Mn correspond to the consolidation of nine months of Virtual College in 2022e) and Rec. EBITDA of EUR 3Mn (Rec. EBITDA margin of 14.5% vs c. 8% in 2021; due to the improvement in the revenue mix and NTX's operating leverage). With net debt of EUR 16.6Mn (+84% vs 2021) a result of the financing necessary for M&A.

That should take revenue to EUR 30.5Mn in 2024e with EBITDA of EUR 7.4Mn

What about 2024e? We estimate revenue of EUR 30.5Mn. A scenario that depends basically on: i) the integration of Virtual College's activity, ii) the ability to increase the sale and renewal of licences (that will improve the gross margin) and iii) the successful penetration of new markets like the US. Aspiring to 2024e EBITDA of c. EUR 7Mn (2024e EBITDA margin 24.4%) that, with EUR 2Mn of capitalised expenses, would generate an EBIT margin of c. 20%. The high conversion of EBITDA into cash of NTX's business would imply a 2024e FCF Yield of c. 15% and ND/EBITDA of 1.3x.

Table 1. KPIs (2019 - 2024e)

EUR Mn	2020	2021	2022e	2023e	2024e
Virtual College	0.0	0.0	5.0	6.6	6.6
Organic (NTX ex-Virtual College)	9.8	12.3	15.8	19.1	23.9
Total Revenues	**9.8**	**12.3**	**20.8**	**25.7**	**30.5**
% Organic Revenue Growth (NTX ex Virtual College)	*12.4%*	*25.4%*	*28.5%*	*20.9%*	*25.1%*
% Total Revenue Growth	*12.4%*	*25.4%*	*69.2%*	*23.7%*	*18.9%*
Gross Margin	**7.3**	**9.1**	**15.4**	**19.4**	**23.4**
Gross Margin / Revenues	*74.2%*	*74.0%*	*74.3%*	*75.7%*	*76.8%*
Personnel Expenses	-6.4	-6.7	-10.4	-12.1	-13.6
Other Operating Expenses	-1.3	-1.4	-2.0	-2.2	-2.4
Recurrent EBITDA	**-0.5**	**1.0**	**3.0**	**5.1**	**7.4**
Rec. EBITDA / Revenues	*-4.8%*	*7.9%*	*14.5%*	*20.0%*	*24.4%*
Recurrent Free Cash Flow	**-0.5**	**-2.9**	**0.4**	**2.6**	**4.2**
Net Debt	**6.8**	**9.0**	**16.6**	**13.9**	**9.7**
Average number of employees	*141*	*142*	*224*	*230*	*250*

C) In conclusion: Facing the (impossible?) challenge of growing while continuing to improve margins. That would take 2024e EV/EBITDA to c. 5x.

The current context is optimal. The momentum of a rapidly growing sector and a proven ability to continue to improve margins means we find ourselves before a business that points in 2022e to Rec. EBITDA of EUR 3Mn (vs EUR 1Mn in 2021). Unlike other tech companies where operating leverage takes 2 or 3 years to bear fruit, NTX will be able to reap the benefits in 2022e. The real opportunity lies in exploiting the growth that would allow the company to obtain a 2024e EBITDA margin of c.24% (2024e EV/EBITDA of c.5x).

In brief, high capacity for growth (21-24e revenue: +35.5% CAGR)

So, NTX's equity story is that of a company seeking (the impossible?) of accelerating growth whilst continuing to improve margins (in a sector theoretically intensive in capital, to the extent that it is not just a matter of capex and changes in working capital but also R+D expenses). A margin improvement made possible, mainly, by three reasons: (i) the progressive increase in the licence business, the most profitable (margin of 90% vs 50% for projects), that we estimate will account for c.41% of the revenue mix in 2024e (vs 24.4% in 2021; driven by the acquisition of Virtual College in December 2021), (ii) the optimum context of an industry that is booming due to digitisation and its use in the educational sphere and (iii) the opportunity of investment growing more slowly than revenue without worsening the product: this mathematically implies improvements in profitability.

While continuously improving margins (24e EBITDA margin: c.25% vs 8% in 2021)

Preliminary 1H22 results confirm the business' high growth capacity, with EUR 9.9Mn in turnover (+94.6% vs 1H21; reflecting the incorporation of Virtual College, that was consolidated for a quarter of the year). In organic terms (stripping out the impact of Virtual College), NTX maintains high growth (+62.6% vs 1H21, +14.8% vs 2H21 in isolation). Although perhaps the most interesting aspect remains the business' operating leverage: the step-up in revenue in 1H22 enabling NTX to generate Rec. EBITDA (without capitalised expenses) of EUR 1.2Mn (Rec. EBITDA margin of c. 12%).

1H22 results (revenue EUR 9.9Mn; +15% organic growth vs 2H21) underpin our numbers

In conclusion, we can say that at present NTX is riding the "perfect wave". For four reasons:

1) **NTX is benefiting from a very strong sector driver:** the use of digital solutions in the education sector. That in itself explains the emergence of a new sector: e-learning. That is growing rapidly. Perhaps most interestingly, NTX's sector driver is unaffected by (or safe from) the macro situation. The reconversion of the education sector in e-learning is not dependent on the level of economic growth. Or inflation/rates. The two big market threats.

2) **Momentum:** this is not a start-up. Break even has already been achieved. And revenue has already taken off. This significantly reduces business risk for a potential investor in NTX.

3) **M&A, a tailwind.** Inorganic growth is not opportunistic but strategic. NTX's situation (size, brand and positioning) makes further inorganic growth both probable and credible (the Virtual College deal should not be seen as exceptional). We are talking about inorganic growth with a significant impact on the company's numbers.

The equity story is both sectorial (the take-off of e-learning) and micro (high operating leverage)

4) **Real capacity for margin improvement.** Not just due to theoretical convergence with its sector (as NTX's margins are well below those of its peers). But because reality shows it has very significant potential for levering its structure. Maintaining optimum investment levels. In other words, NTX is a company in which operating leverage is structural (1H22 results are the best proof of this).

In this case, as for any listed company, the "perfect wave", on those rare occasions when it appears, is never totally perfect. NTX does face a risk. In our view just one, but a significant one. Commercial risk. As the opportunity is basically sectorial. And making the most of it means selling and materialising our expectations for organic growth of +25% (2021-2024e CAGR). Without significant organic growth the sector take-off will be irrelevant for NTX. As would be its high potential for margin improvement: it would just be mere potential. And net debt (irrelevant in our central scenario) would be a problem. However, in qualitative terms commercial risk is mitigated by the fact that the company has already managed to capture extraordinarily significant clients such as Amazon, Repsol and Inditex.

The multiples are in themselves an attraction. Looking ahead to 2024: P/E, c.6x, EV/EBITDA, c. 5x and FCF yield of 15%.

1H22 results (+15% organic growth vs 2H22) underpin our numbers. If the company maintains this level, NTX's multiples are in themselves an evident attraction. Looking ahead to 2024e, P/E, c.6x, EV/EBITDA, c. 5x and FCF yield of 15%. 2H22 results are crucial for confirming both the level of organic growth and the effect of the integration of Virtual College.

In conclusion, looking at the "perfect wave"?

A business that is 100% technological, focused on education and with the theoretical ability to continue to grow (and improve margins)

Netex Knowledge Factory (NTX) is a tech company (Mkt. Cap of c. EUR 29Mn) based in A Coruña, whose core activity is the development of software and content for the education sector. Revenue comes from two main business lines: i) the sale of licences for the use of its talent and training management platform and, ii) the creation of bespoke content for universities, publishers and companies (B2B). Since 2020, the accounting close has been September 30 (previously December 31). The founders hold 50.3% of capital.

In 2021, NTX achieved turnover of EUR 12.3Mn (+24.6% CAGR 2017-2021; Chart 1). Its international activity began in 2012, and at the date of this report the company had offices in the UK, Mexico, the US and Brazil. The digital transformation and especially the pandemic restrictions have boosted demand for online training among organisations.

NTX's main listed peers are: Learning Technologies, a company based in London (Mkt. Cap. EUR 1.1Bn; 2022e revenue: EUR 634.9Mn) and Docebo, a company based in Toronto (Mkt Cap. EUR 0.9Bn; 2022e revenue: EUR 140.2Mn). There are also large unlisted companies such as Blackboard and Canvas and smaller ones like Thrive, Learning Tribes, NovoEd and Edcast.

A business model focused on comprehensive training solutions

From a point of view of activity, NTX is present in two stages of the value chain of e-learning services providers, with two complementary businesses: (i) licences for using its training and talent management platform (*Netex Cloud*) that also provide access to hundreds of catalogue contents and (ii) tailor-made content projects (*Netex Studio*) in collaboration with experts in various areas of knowledge:

1. **Licences (24.4% of 2021 revenue).** Proprietary products sold through licences (included in *Netex Cloud*) that are renewed annually.

   Learning Cloud (*Learning Management System*), the core training management platform that, in addition, provides access to a marketplace with hundreds of training courses (leadership, soft skills, training for senior personnel, etc.).

   Content Cloud, a licence that enables content management and production in the Cloud for consumption on any platform on the market.

   Talent Cloud, offers performance metrics for identifying gaps between the requirements of a job position and each employee's competencies.

   The sale and renewal of licences allows NTX to obtain recurrent revenue (95% of users renew their licences annually) with a high margin (gross margin c. 90%). NTX's goal in the mid and long term is to increase the weight of licences in the revenue mix (the main way to improve margins).

2. **Customised content services (75.6% of 2021 revenue).** NTX has experts in the creation and design of educational content (*Netex Studio*). This kind of services are designed for clients who require training that is adapted to their needs. NTX has teams distributed internationally (with offices in London, Sao Paulo and Mexico City), allowing the effective execution of large global projects.

The acquisition of 100% of the capital of Virtual College (December 23rd, 2021) for GBP 5.5Mn (a deal that will be reflected in 2022e results as the accounting close is September 30) is aimed at complementing NTX's traditional business in order to offer its services to smaller companies (<100 employees; Chart 4) with smaller training budgets. Virtual College has a catalogue of c. 1,000 courses for companies (on subjects including safety, hygiene, general training, ethics, etc.) that NTX will include in its current offer (400 courses). The key factor that will determine the success of the acquisition is the integration of Virtual College's catalogue in NTX's LMS.

Chart 1. Revenues (2016-2021)

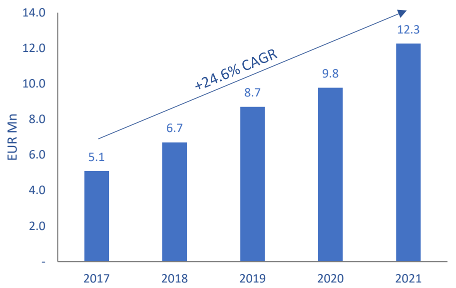


Chart 2. Business lines

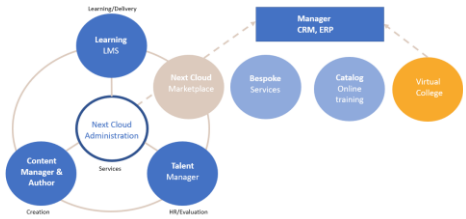


Chart 3. Revenue Mix 2021

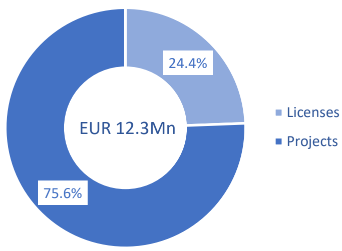
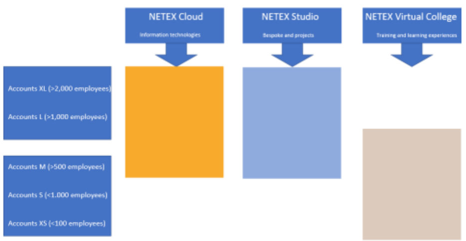


Chart 4. Client mix by business line



Note: XL accounts include significant accounts.

Chart 5. Geographic Mix (2017-2021)

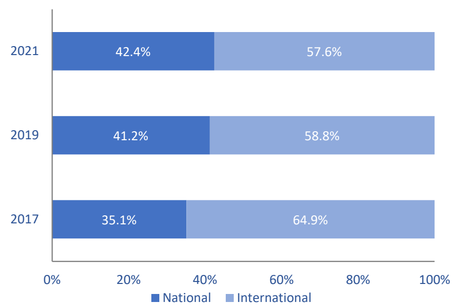


Chart 6. Client Mix (2017-2021)

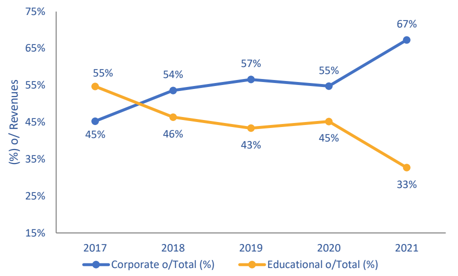


Chart 7. Evolution of revenue by business line (2017-2021)

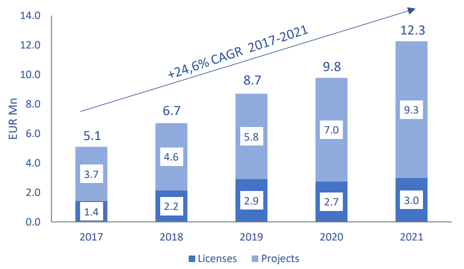
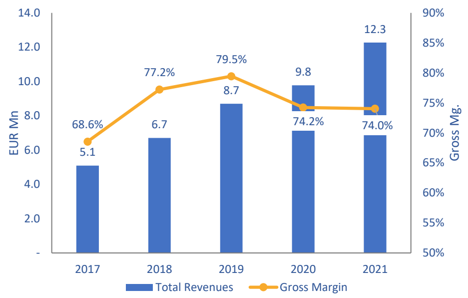


Chart 8. Gross Margin (2017-2021)



High double-digit organic growth (+24.6% CAGR 2017-2021) …

In recent years, NTX has maintained very high organic revenue growth (+24.6% CAGR 2017-2021) with turnover of EUR 12.3Mn in 2021 (vs EUR 5.1Mn in 2017; Chart 7) and a revenue mix that has remained relatively stable over the period (25-35% for the sale and renewal of licences and 65-75% for services provided to companies). This rate of organic growth has been driven by the changes in the sector arising from Covid-19 (2021 revenue: +25.4% vs 2020), international expansion and the increase in the number of distributors.

In our opinion, the factors responsible for the evolution of revenues in recent years are:

1. **A business with an international vocation…** that has been strengthened outside Spain via partnerships (agreements with companies for the distribution of licences and capture of new clients in Europe and Latin America) and the opening of new offices. In 2017, after the company's listing, the international market accounted for 64.9% of the revenue mix (Chart 5) with offices in London and Mexico. In 2021, NTX opened new offices in Sao Paulo and New York, to increase its activity on the American continent, where it already has a strong presence, and to begin to distribute its products in the US, the world's largest e-learning market.

2. **…that has provided access to a larger number of clients.** Continuous investment on its products has enabled NTX to sign contracts with large companies such as Inditex and Amazon in the corporate sector and with Santillana in the education sector. Client evolution has been disparate. Education sector clients (universities, schools and publishers) implemented e-learning back in 2017 (55% of NTX's revenue mix; Chart 6). However, in 2021 the weight of the education sector declined to 33% of the mix. This trend has been the result of large companies having to adapt their training to digital platforms (especially with the restrictions on mobility caused by the Covid-19 pandemic) and the savings in costs that online training represents for companies. In other words, the corporate segment has grown/is growing more in investment on e-learning.

3. **All this has driven revenue of the line of specialised projects for large companies** that need to develop their own courses, using LMS' implementation and customisation services. As these services are generated around the sale of licences, this business line accounted for 75.6% of revenue in 2021 (vs 67.7% in 2018), growing at double digits (+26.3% CAGR 2017-2021). The sale of licences has recorded a smaller rate of growth with turnover of EUR 3Mn in 2021 (c.2x 2017; Chart 7). However, licences are the recurrent business line with a higher margin and from which the other services NTX provides to its clients are derived from.

Enabling NTX to break even already in 2021 (Rec. EBITDA margin 7.9% and EBIT margin 5.1% in 2021)

NTX has bet on the creation of an innovative product (*Netex Cloud*) that allows it to obtain a high margin (c.90%) from the sale and renewal of licences for use. However, to carry out the projects for the development, implementation and integration of its product, it requires labour, that implies smaller margins (c.50%) than those on licences.

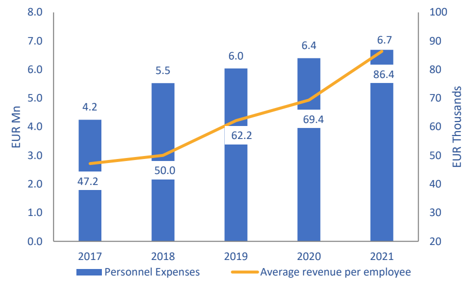
Specifically, over 2017-2021 NTX's gross margin fluctuated around levels of 70%. The cost of sales mainly includes the cost of subcontracting (the outsourcing of labour for specific corporate projects), necessary for carrying out projects related with clients and, residually, the administrative costs of the sale of licences.

Given the nature of its activity, NTX is a very labour-intensive company whose strategy has been to outsource part of its personnel costs to reduce variable costs. When measuring the profitability of the projects, we use the adjusted gross margin (revenue – subcontracting – direct labour/DL), in which we include those personnel costs that are assigned directly to the projects. In recent years, NTX has consolidated adjusted gross margins (including DL) of c.38% (vs 17.3% in 2017).

Table 1. KPI

EUR Mn	2017	2018	2019	2020	2021
Total Revenues	**5.1**	**6.7**	**8.7**	**9.8**	**12.3**
Outsourcing	-1.6	-1.5	-1.8	-2.5	-3.2
Gross Margin	**3.5**	**5.2**	**6.9**	**7.3**	**9.1**
Gross Margin/ Revenues	*68.6%*	*77.2%*	*79.5%*	*74.2%*	*74.0%*
Direct Labour (DL)	-2.6	-3.2	-3.6	-4.1	-4.4
Adjusted Gross Margin	**0.9**	**1.9**	**3.3**	**3.2**	**4.7**
Adjusted Gross Margin/ Revenues	*17.3%*	*29.0%*	*37.6%*	*32.7%*	*38.5%*
Indirect Labour (IL)	-1.6	-2.3	-2.4	-2.3	-2.3
Other non-recurrent Costs	-1.1	-1.5	-1.3	-1.3	-1.4
Recurrent EBITDA	**-1.9**	**-1.8**	**-0.4**	**-0.5**	**1.0**
Average Number of Employees	*108*	*134*	*140*	*141*	*142*

Chart 9. Personnel costs vs average revenue per employee (2017-2021)



In 2021 the average headcount was 142 employees (vs 108 in 2017). Personnel costs increased by c. EUR 0.7Mn over 2019-2021 although the average headcount was unchanged. The main reason for this was the hiring of more senior personnel to manage and optimise operations in the company's growth strategy. Costs associated with indirect labour (IL) have remained unchanged since 2018 (c. 38% of total personnel costs) allowing NTX to lever its personnel costs and increase average revenue per employee to EUR 86.4 thousand in 2021 (1.8x the average revenue per employee in 2017; Chart 9).

Structural and marketing costs are included in other operating costs (with a mainly fixed component; c.90%), whose weighting of revenue has declined 10p.p.vs 2017 (Chart 10) due to the growth in NTX's turnover in 2017-2021 (+24.6% CAGR) accounting for 11.7% of revenue in 2021.

Chart 10. Other operating expenses (2017-2021)

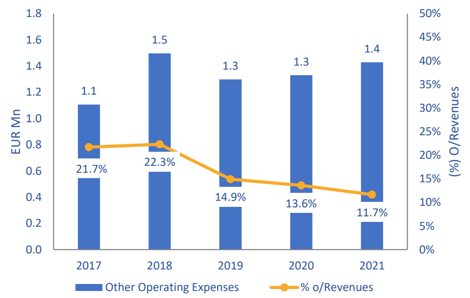
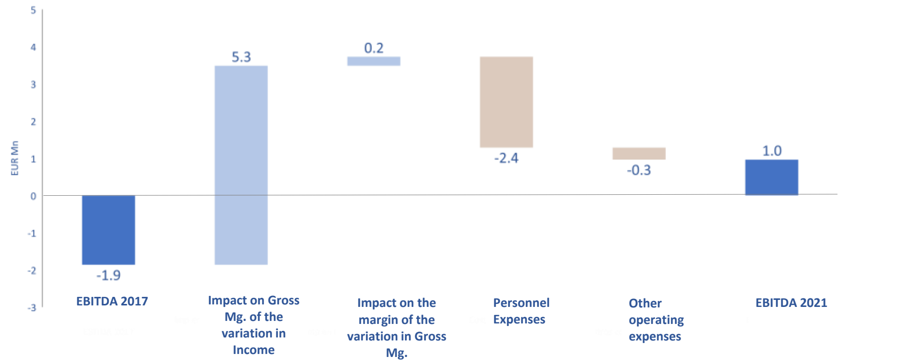


Table 2. Analysis of the cumulative variation in EBITDA (2017-2021)



All the above confirms NTX's high operating leverage. Revenue growth over 2017-2021, driven by the projects business (thanks to contracts obtained with large companies such as Amazon), was crucial to exceeding break-even in Rec. EBITDA (EUR 1Mn in 2021). In terms of costs, NTX has been able to exploit economies of scale in its structural costs (+12.9% CAGR: increasing half as much as revenues).

Table 3. From Recurrent EBITDA to EBIT (2021)

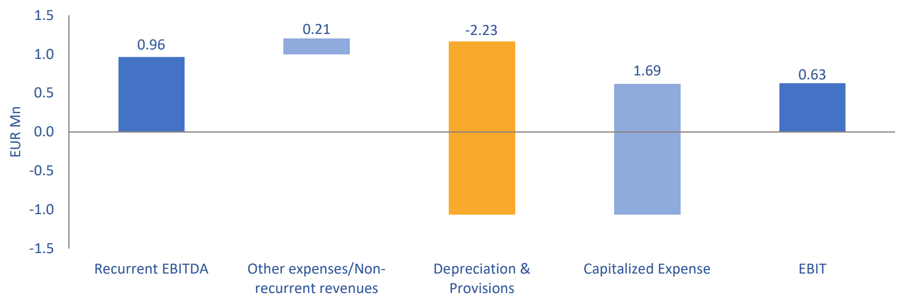
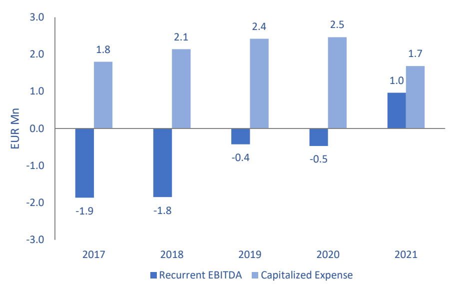


Chart 11. Rec. EBITDA vs Capitalized expenses (2017-2021)



The technological nature of NTX's business implies intense R+D activity (capitalised in the P&L) and significant investment (EUR 2.5Mn in 2020, a record high), due to the continuous updates to its *Netex Cloud* platform and the effort required to maintain an innovative product to attract new clients. Over 2017-2021, the company invested and capitalised EUR 12.2Mn in R+D (Chart 11). This will continue to increase amortisation in coming years. Capitalised expenses have allowed NTX to maintain positive EBIT in the last 3 years (EBIT margin 5.1% in 2021 vs 1.8% in 2019).

Chart 12. Net Debt (2017-2021)

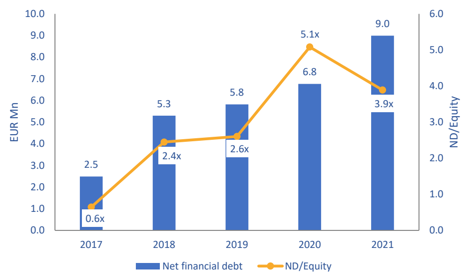


Chart 13. Bank debt maturity

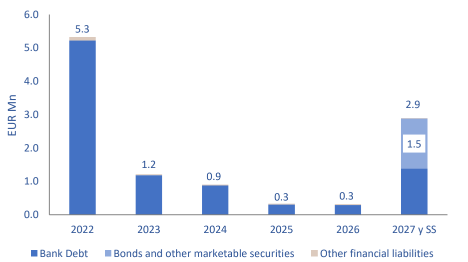
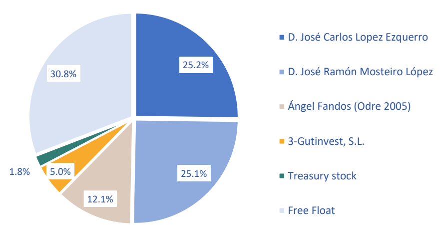


Chart 14. Shareholder structure (2021)



Note: Percentage shareholding of José Carlos López and José Ramón Mosteiro including their direct and indirect interests (the latter through Webimono Investments, S.L., in which each of the founders has a 50% stake and that owns 12.4% of NTX).

How has this growth been funded?

At the 2021 close, net debt was EUR 9Mn (ND/Equity 3.9x; vs EUR 6.8Mn at the 2020 close). Given the size and current circumstances of the business, the financing needed for its development has come from two sources:

- **Bank financing:** Loans, credit lines and policies with banks and loans from pubic bodies. Gross bank debt was EUR 8.5Mn in 2021 (EUR 7.6Mn in 2020).

- **Convertible financing agreements.** On 26 November 2020, NTX signed a financing agreement with Inveready involving the issuance of a EUR 1.5Mn convertible bond at a price of EUR 3.5/share maturing on 31 December 2026. Our model fully includes these financing agreements in the calculation of ND.

Total gross debt recorded in 2021 was EUR 10Mn (85% bank financing and 15% convertible bonds), of which EUR 5.3Mn is carried at short term and EUR 4.7Mn distributed until 2027e and following years (Chart 13).

At the date of this report, NTX has obtained additional funding for the acquisition of Virtual College comprising: (i) a new convertible bond agreement with Inveready for EUR 5.25Mn convertible in shares with maturity at 31 December 2026 and (ii) a loan with Cofides worth EUR 2.75Mn.

Some 50.3% of capital is held by the founders. Free Float 30.8%.

After being listed on BME Growth (October 2017) control of NTX continues, in equal parts, in the hands of the founders (José Carlos López – CEO and Joint Managing Director – and José Ramón Mosteiro – Joint Managing Director – fully involved in the management of the business). The controlling shareholders have not changed in recent years. The Free Float is 30.8% (32.6%, including treasury stock).

NTX's two financing agreements via convertible bonds with Inveready are: i) a convertible bond signed in 2020 for EUR 1.5Mn at a conversion price of EUR 3.5/share and ii) a second convertible bond signed in 2021 for EUR 5.25Mn at a conversion price of EUR 4.75/share. Both bonds mature on 31 December 2026e (2027 accounting close).

If Inveready converts 100% of both convertible bonds in December 2026, a total of 1,533,834 shares would be issued (Table 4). This represents the maximum dilution to be assumed by the company at the 2027e close. This would imply a dilution for current NTX shareholders of 14.7% (Table 5).

Table 4. Nº shares post-conversion of bonds

Shareholder	Nº of Shares today (%)	Convertible bond 1	Convertible bond 2	Nº of shares 27e
Carlos Lopez Ezquerro	2,238,123	-	-	2,238,123
José Ramón Mosteiro López	2,227,485	-	-	2,227,485
Ángel Fandos (Odre 2005)	1,071,498	-	-	1,071,498
3-Gutinvest, S.L.	443,281	-	-	443,281
Inveready	-	428,571	1,105,263	1,533,835
Free Float	2,885,224	-	-	2,885,224
Total shares	**8,865,610**	**428,571**	**1,105,263**	**10,399,445**

Table 5. Maximum dilution to be assumed (%)

Shareholder	Nº of shares today (%)	Cumulative after total conversion (%)	Dilution (%)
José Carlos Lopez Ezquerro	25.2%	21.5%	-14.7%
José Ramón Mosteiro López	25.1%	21.4%	-14.7%
Ángel Fandos (Odre 2005)	12.1%	10.3%	-14.7%
3-Gutinvest, S.L.	5.0%	4.3%	-14.7%
Inveready	0.0%	14.7%	*n.a*
Free Float	32.5%	27.7%	-14.7%
Total shares	**100%**	**100%**	**n.a**

Note: The conversion price of Bond 1 is EUR 3.5/share and for Bond 2 it is EUR 4.75/share.

In conclusion, a high growth company. With the opportunity to exploit its operating leverage to continue to improve margins

In strictly descriptive terms, NTX is a tech company focused on the education sector (e-learning) that has maintained high growth and significantly improved its margins in the last 5 years. Today's company snapshot can be summarised as:

- **A company capable of growing (organically) at double digits (+24.6% CAGR 2017-2021).** Explained mainly by: i) an international presence that generated 57.6% of revenues in 2021, ii) sector dynamism, thanks to the advantages of e-learning over traditional teaching methods and iii) the momentum of the corporate segment due to companies' needs to implement training based on e-learning.

- **A recurrent business line with growth potential.** The sale and renewal of licences has a high margin of c.90% and has maintained high growth of +20% CAGR 2017-2021.

- **Inorganic growth is strategic.** The purchase of Virtual College (December 2021) should not be seen as incidental but rather as a result of the strategic decision (not opportunistic) to grow also via M&A, making the most of opportunities in a sector that tends towards concentration and in which economies of scale are evident.

- **Without losing sight of the improvement in margins (Rec. EBITDA margin of 7.9% in 2021).** NTX has demonstrated its capacity for operating leverage through a strategy of outsourcing personnel costs that has enabled it to improve its adjusted gross margin to c.38% in 2021 (vs 17.3% in 2017).

- **Innovation implies Capex.** Double-digit growth in e-learning is inseparable from investing in R+D (either via the capitalisation of expenses or conventional capex). An investment that is structural. The total investment vs sales ratio (2017-2021) is 25.6%.

Table 6. Total investment (2017-2021)

EUR Mn	2018	2019	2020	2021	Aggregate
CAPEX	0.2	0.1	0.0	0.0	0.4
Capitalized Expense	2.1	2.4	2.5	1.7	10.5
Total Investment	**2.3**	**2.5**	**2.5**	**1.7**	**10.9**
Total Revenues	6.7	8.7	9.8	12.3	42.6
Investment/Revenue Ratio	**34.4%**	**28.6%**	**25.6%**	**14.1%**	**25.6%**

- **Maintaining a bearable level of debt (2021 ND/Equity < 4x) but with no ability (yet) to generate cash.** In 2021 the company exceeded break-even in Rec. EBITDA for the first time, that has affected NTX's ability to finance its growth. ND was EUR 9 Mn in 2021 (vs EUR 2.5Mn in 2017). At the date of this report, it has signed the financing agreements necessary for the acquisition of Virtual College.

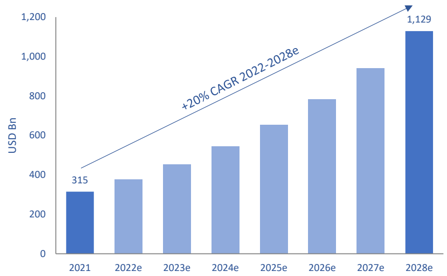
NTX's business model can be summarised as that of a tech company driven by the digital transformation of the education sector, that has enabled it to obtain very high revenue growth rates accompanied by strong operating leverage on structural costs that has enabled it to improve margins and exceed break-even in Rec. EBITDA (EUR 1Mn; Rec. EBITDA margin 7.9%) in 2021. The business' operating leverage (and its effects) should be seen as structural and essential to understanding NTX's business model and transactions such as the acquisition of Virtual College.

E-learning: an industry with potential for high double-digit growth (+20% CAGR) thanks to digitisation

The education sector has undergone a profound transformation thanks to new technology. Now, training can be imparted in-person, virtually or by a combination of the two. E-learning enables users to access content anytime and anywhere via digital devices (smart phones, tablets, laptops). The two main types of client of this industry are the education sector (schools and universities) and the corporate sector (companies, public administrations, public and private institutions).

The e-learning sector globally had turnover in 2015 of USD 165Bn (Docebo, 2017) with growth prospects of a +5% CAGR (pre-Covid-19). The main driver of demand at that time was the penetration of online training in international markets with less internet access such as Latin America, Africa and part of Asia.

Chart 15. Evolution of e-learning revenues (2021-2028e)



Source: Global Market Insights (2022).

In 2022, the Global Market Insights report demonstrates the boom in this industry after the pandemic. The online learning market recorded turnover of USD 315Mn in 2021 (Chart 15), a CAGR 2015-2021 of 11.4% (doubling the growth expected pre-Covid-19). And the forecast is for sector growth to continue accelerating: +20% CAGR 2022-2028e to USD 1Trillion. The reasons behind this market convulsion are: i) the restrictions on mobility caused by Covid-19 that have encouraged distance learning, ii) the advantages this offers in terms of time and cost and iii) the ability of digital media to monitor the progress of each student.

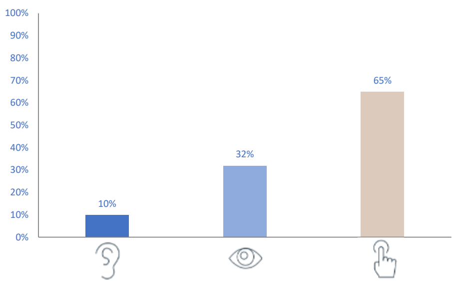
The pandemic has generated a change in society that has been reflected in habits and in the way education is consumed. According to the Spanish sector's association, the *Asociación Nacional de Centros de e-Learning y Distancia* (ANCED), 83% of Spanish companies used online training in 2020 as a result of the changes brought about by the pandemic.

New trends mean e-learning is more than a medium for traditional teaching

The time dedicated to training tends to be less than desired by employees and, according to the IEB, courses are getting shorter. This trend is called micro-learning, and refers to the fact that courses are increasingly shorter and more intensive compared to macro-learning (traditional education on longer courses). This change has come about as a result of the need for learning in short periods of time and the possibility of avoiding significant payment on long courses.

There are three kinds of e-learning course: i) MOOCs (Massive Open Online Courses) are open to anyone who is interested and are usually imparted over the course's social platforms, ii), SPOOCs (Self-Paced Open Online Courses) that have a more personalised nature without a set time and without tutoring, and iii) COOCs (Corporate Open Online Courses), that is NTX's area: courses that are specifically designed for companies and only aimed at employees.

Chart 16. Retention of learning after 3 months



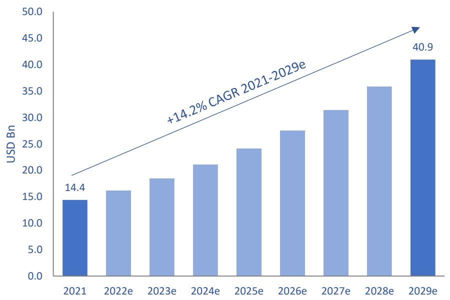
Source: Everyone is within learning distance: Building skills remotely, Mckingsey.

Gamification is a learning technique with a significant impact that consists of using games in the educational-professional sphere in order to achieve better results. According to a report by McKinsey called "Building skills remotely" (Chart 16), after 3 months the average adult retains 10% of what he has heard (classes, lectures), 32% of what he has seen (visits, demonstrations, exhibitions) and 65% of what he has learnt through experience (activities, exercises). This supports the idea of the benefits of interactive courses given over electronic devices.

To date, the natural evolution of the education sector has involved the use of new technology for the development of traditional learning processes. Apps like Zoom and Teams are examples of the use of technology for developing already known learning processes.

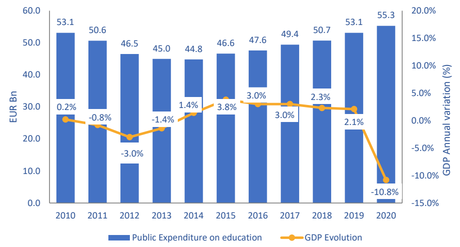
However, e-learning represents a complete process of learning and knowledge-building that improves each user's experience. So, in coming years, the key will lie in the balance between the use of technology and the digital transformation of education (integrating information with the application of knowledge, monitoring of progress, and inter-active collaboration and training).

Chart 17. Evolution of global LMS revenues (2021-2029e)



Source: Fortune business insights (2022).

Chart 18. Evolution of public spending on education in Spain (2005-2020)



Source: Spanish Education Ministry and INE.

The three sub-sectors of the e-learning market are:

1. **Creation and design of packages and content.** This market mainly includes publishing houses, companies specialising in educational content creation and universities. The development of this content allows the creation of training catalogues, that have seen significant growth especially in universities and training schools. Digital content has become a tool that complements traditional text books. In recent years, the creation of online courses has become the most commonly used method of corporate employee training.

2. **Learning Management Systems and App Development.** Learning Management Systems (LMS) is the subsector in which NTX operates. The aim of this segment is the development of apps and software for e-learning. Programmes are created to carry out administrative, distribution, management and reporting functions for educational content. The portals and programmes are located directly in the Cloud or sustained via external servers. A report published in 2022 by Fortune Business Insights shows the turnover of this segment amounted to USD 14.4Bn in 2021. In line with industry growth, it is expected to show double-digit growth rates in coming years (+14.2% CAGR 2021-2029e; Chart 17) to USD 40.9Bn in 2029e. The technological development of digital platforms for the education sector is a fundamental factor for content distribution and access.

3. **Distribution of content and apps.** This encompasses the segment of companies dedicated to the distribution of content, developed internally or externally. These companies become partners of content and development companies whose objective are end clients, such as educational centres, universities and companies.

Table 7. Technology developed for the transmission of digital content

Source: Everyone is within learning distance: Building skills remotely, Mckingsey.

E Digitalisation and e-learning: at the heart of the transformation of the education sector

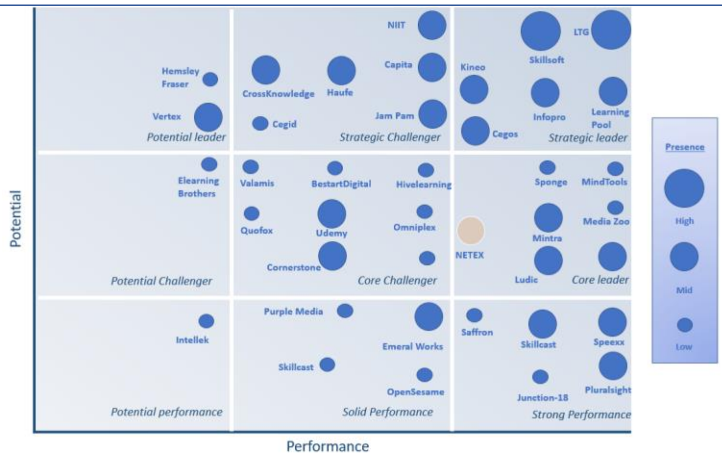
The *Asociación Nacional de Centros de E-learning y Distancia* (ANCED) estimates e-learning turnover in Spain at EUR 5Bn in 2021. Public spending on education has been increasing since 2014, reaching EUR 55.3Bn in 2020 (vs EUR 53.1Bn in 2020), despite the decline in the GDP due to the effect of Covid-19.

From 2020, spending is expected to remain unchanged, with no cuts in the budget, partly thanks to the *Next Generation* funds agreed between Spain and the EU, and that according to ESADE could amount to EUR 10Bn in coming years. The main objective of these funds is to rescue and transform the educational system in Spain, including the digitisation of education centres and the use of online learning, increasing the offer of online content and mixed teaching methods. Consequently, the e-learning sector in Spain is experiencing an optimal period and the coming years will be crucial for the consolidation of the industry in the market.

The e-learning industry is highly fragmented. There is a small number of companies such as Learning Technologies, Skillsoft and Instructure Holdings whose turnover exceeds USD >200Mn and a large number of unlisted companies that bill < USD 20Mn (NTX 22e revenue: EUR 21Mn). So there is a trend for consolidation in the industry with the aim of increasing the value chain of the companies that comprise it and accelerating their international expansion.

The 2022 Fosway ranking (Fosway is an international consultant that assesses digital e-learning service providers) includes NTX as offering services similar to those of large unlisted providers such as Mintra or Ludic (Chart 19).

Chart 19. TOP Digital Learning Market (2022)



Source: Fosway (2022).

In conclusion, the e-learning industry is at the ramp-up stage (+20% CAGR 2022-2028e) thanks to a mega-trend: the use of digital tools to improve learning (in all spheres and countries)

Education is a mainstay of society. The natural evolution of the educational sector (as for so many other sectors) towards a digital transformation has made e-learning an unstoppable mega-trend. As regards the expected evolution of the e-learning sector there are three conclusions:

- **Double-digit growth in the industry.** After the effects of Covid-19, distance learning has become a staple of many educational and corporate institutions (companies like Amazon and Cisco are implementing e-learning in their training strategies). Market Global Insights expects growth of +20% CAGR 2022-2028e. With industry turnover exceeding USD 1Trillion in 2028e.

- **Access to quality educational content.** Content being available online allows for greater distribution thanks to the large number of available platforms and devices. This opportunity has meant that technological progress has made it easier for students to access quality education courses from anywhere in the world. This in itself is a driver of growth in online learning.

- **Personalised learning.** Although at first growth has occurred in virtual classes (not personalised), in the mid and long term e-learning represents a transverse change in the way people learn, the goal being to enhance students' commitment and be able to monitor and improve courses based on the individual progress of the students, through personalised learning formats.

2021-2024e: M&A facilitate a step-up in size (+35.5% CAGR). This will be accompanied by a significant improvement in margins

NTX has demonstrated solid growth in revenue in recent years (+22.5% CAGR 2018-2021), weathering the storm of the post Covid-19 economic crisis and making the most of the good momentum of the e-learning sector.

In 2021, NTX obtained EUR 12.3Mn in revenue (c.1.8x -3Y). 2021 results (+25.4% vs 2020) added to the company's operating leverage, have enabled NTX to exceed break-even in Rec. EBITDA for the first time since its market listing in 2017 (EUR 1Mn; excluding revenue from subsidies and capitalised expenses).

So, what we have seen to date invites the following questions: What is the business' capacity for growth? Can margins improve in a scenario of high growth? What is the business' real/structural capacity for cash generation? Answering these questions requires a systematic analysis of the company's P&L. This should allow us to assess whether this "growth story" is sustainable (and profitable) in the mid and long term.

Chart 20. Revenue growth (2018-2024e)

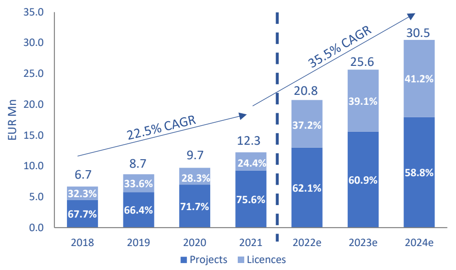


Chart 21. M&A impact on revenues (2021-2024e)

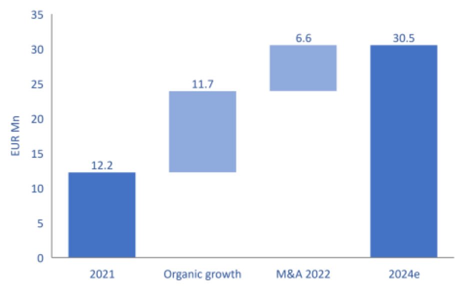
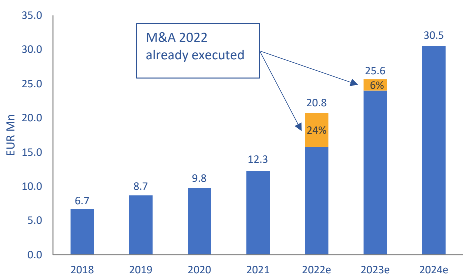


Chart 22. Revenues (2018-2024e)



Take-off of revenues (+35.5% CAGR 2021-2024e; driven by the acquisition of Virtual College in December 2021) …

The commitment to the development of a personalisable product (LMS and content) for the online training sector, and the scalability of its product, together with international expansion, has put NTX in a good position to continue to grow. The factors that will determine the rate of growth of NTX's revenues and that explain our estimates are:

- **The impact of already executed M&A (EUR 6.6Mn; c. 36% of estimated growth in 2021-2024e).** In December 2021 NTX completed the acquisition of Virtual College with the goal of enlarging its training catalogue (providing access to a larger number of organisations and companies with smaller training budgets). In 2022e we expect this to already provide c. EUR 5Mn in revenue. However, it will be in 2023e when we could see its total impact on revenue, that we estimate at EUR 6.6Mn (c. 53% of 2021 revenue, pre-acquisition; Chart 21).

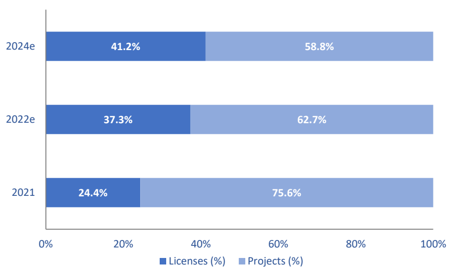
- **The continuation of double-digit organic growth (+25% CAGR 2021-2024e).** We estimate that in 2022e the organic growth of the business will maintain similar rates to those seen to date (c. +25%) due to the opening of new markets (USA) and the consolidation of activity in the offices already opened (Europe and Latam). Beyond 2022e, we expect the weight of revenues obtained outside Spain to continue to increase to c.70% of the mix in 2024e (vs 57.6% in 2021). In our opinion, the sale and renewal of licences (c.25% of 2021 revenue) will increase its weight of the mix, playing a key role as a source of recurrent revenue (41.2% of revenue in 2024e).

- **A sector that is flourishing**, due to the Covid-19 restrictions and driven by the digital transformation; online training has become an essential factor for the development of employees in companies and in educational centres (with industry growth expected to be double-digit; +20% CAGR 2022-2028e).

Specifically, our scenario for 2021-2024e envisages an acceleration of revenue growth to c. EUR 30.5Mn in 2024e. (Charts 2 and 3; +35.5% CAGR 2021-2024e). The assumptions on which our model reflects the evolution by business line are:

- **Licences (+61.6% CAGR 2021-2024e).** We estimate significant growth for the sale and renewal of licences business to a volume of c. EUR 7.7Mn in 2022e (vs EUR 3.0 Mn in 2021) for two reasons: (i) the acquisition of Virtual College, that should provide a volume of revenue from licences of c. EUR 3.7Mn in 2022e (c.75% of the revenue of Virtual College's activity dedicated to the sale of licences); EUR 5Mn proforma and (ii) organic growth of c. 35%, with NTX focusing on growing this business line (with a

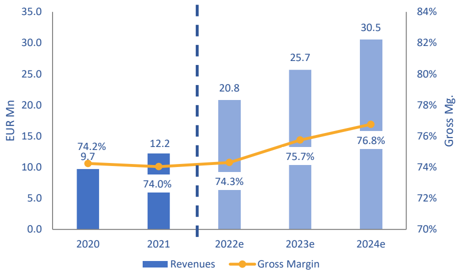
Chart 23. Revenue Mix (2018-2024e)



higher margin) through a proprietary product that evades commoditisation, with a high recurrent revenue base (c. 95%) on a scalable business, increasing the penetration of new markets. In 2024e, our model includes an increase of licences in the mix to 41.2% of revenue (vs 24.4% in 2021; Chart 23).

- **Projects (24.7% CAGR 2021-2024e).** Despite being the main business by revenue volume in 2021 (75% of revenue; due to winning contracts with large clients like Amazon and Inditex and public tenders for the design of educational courses for regional governments such as the Xunta de Galicia), NTX's strategy is to focus its efforts on the sale of licences. The entry in new markets offers the possibility of obtaining large contracts that could affect the expected evolution of revenue from projects. Our model envisages that, including non-organic growth (EUR 1.2Mn in 2022e; EUR 2Mn proforma), the projects business will generate EUR 13Mn in 2022e (+40.4% vs 2021).

Chart 24. Gross Margin (2018-2024e)



… and with the ability to exploit the operating leverage of its business to improve margins (Rec. EBITDA margin 24.4% 2024e vs 7.9% in 2021)

Over 2018-2021 the gross margin fluctuated between 74-80%, mainly due to the change in the mix of licences and projects. Our estimates show a gross margin in line with 2021 due to the increase in the weighting of the sale of licences in 2022e (driven by the acquisition of Virtual College) to 74.3%

NTX's business model is very labour-intensive (c. 60% of revenue in 2021). In terms of adjusted gross margin (revenue – outsourcing – direct labour), our model includes the continuation of the strategy followed by NTX in recent years of reducing the direct costs associated with its activity through outsourcing. The improvement in the adjusted gross margin is especially significant in 2024e (46.5% vs 38.5% in 2021) for 3 reasons: i) a larger weight of licences in the revenue mix (41.2% in 2024e vs 24.4% in 2021), ii) the full integration of Virtual College in NTX's business model and iii) the improvement of margins in the projects line due to international expansion (higher fees outside Spain).

Chart 25. Cost structure (2020-2024e)

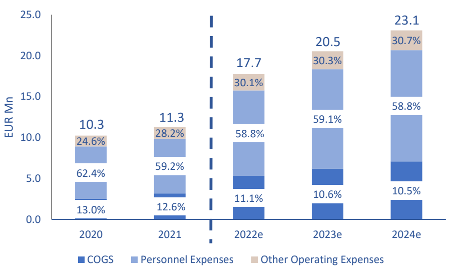
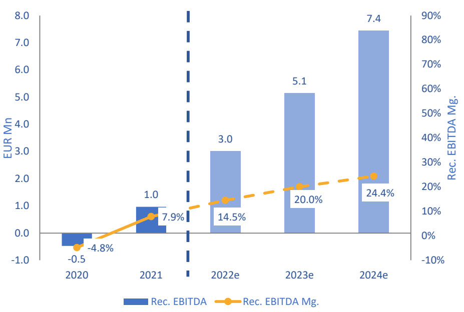


Table 8. KPIs (2020-2024e)

EUR Mn	2020	2021	2022e	2023e	2024e
Total Revenues	**9.8**	**12.3**	**20.8**	**25.7**	**30.5**
Outsourcing	-2.5	-3.2	-5.3	-6.2	-7.1
Gross Margin	**7.3**	**9.1**	**15.4**	**19.4**	**23.4**
Gross Margin/ Revenues	*74.2%*	*74.0%*	*74.3%*	*75.7%*	*76.8%*
Direct Labour (DL)	-4.1	-4.4	-6.8	-8.0	-9.2
Adjusted Gross Margin	**3.2**	**4.7**	**8.6**	**11.4**	**14.2**
Adjusted Gross Margin/ Revenues	*32.7%*	*38.5%*	*41.6%*	*44.6%*	*46.5%*
Indirect Labour (IL)	-2.3	-2.3	-3.7	-4.1	-4.3
Other non-recurrent Costs	-1.3	-1.4	-2.0	-2.2	-2.4
Recurrent EBITDA	**-0.5**	**1.0**	**3.0**	**5.1**	**7.4**
Average Number of Employees	*141*	*142*	*224*	*230*	*250*

Chart 26. Rec. EBITDA vs Rec. EBITDA Mg. (2018-2024e)



The integration of Virtual College will mean an increase in the headcount to 224 employees in 2022e (vs 142 in 2021). One of the advantages of the business model is its operating leverage so despite the large increase in personnel costs in 2022e (EUR 10.4Mn in 2022e vs EUR 6.7Mn in 2021) NTX will be able to maintain the increase in this item (26.6% CAGR 2021-2024e) below growth in revenue (+35.5% CAGR 2021-2024e).

This means NTX will be able to improve its Rec. EBITDA margin to 14.5% already in 2022e, mainly due to: i) the small increase in indirect labour (we estimate c.35% of personnel expenses) and ii) the fixed component (90%) of structural and marketing costs that after the integration of M&A will be EUR 2.0Mn in 2022e (vs EUR 1.4Mn in 2021).

Outside of Recurrent EBITDA but with an impact on EBIT we estimate:

- **Other non-recurrent expenses/revenue,** for 2022e we estimate a non-recurrent expense of EUR 0.65Mn from the acquisition of Virtual College, and non-recurrent revenue from public subsidies (EUR 0.2Mn).

Chart 27. From EBITDA to EBIT (2022e)

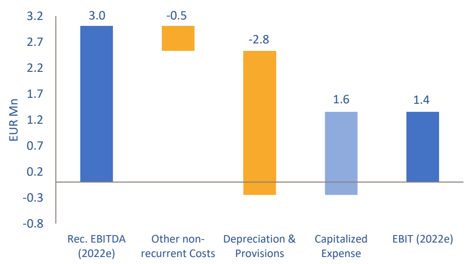


Chart 28. Capitalised expenses vs Net profit (2021-2024e)

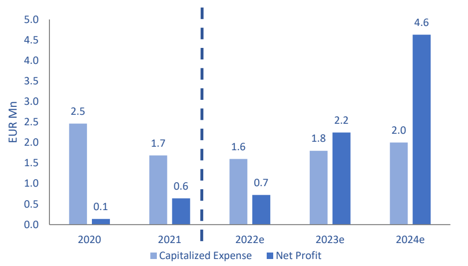
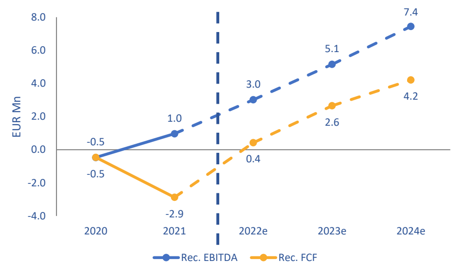


Chart 29. Rec. EBITDA vs Rec. FCF (2020-2024e)



- **Amortisation,** mainly intangibles, in an amount of EUR 2.8Mn in 2022e (vs EUR 2.2Mn in 2021) level of amortisation that, as a result of the company's policy of capitalising R+D (with a useful life of 5 years), we estimate will grow to EUR 3.1Mn in 2024e (c.13% of gross assets).

- **Capitalisation of R+D expenses,** mainly personnel costs aimed at developing products for subsequent sale in the form of licences. In 2022e we estimate a capitalisation of R+D expenses of EUR 1.6Mn (7.7% of 2022e revenue vs EUR 1.7Mn, 7.7% of 2021 revenue).

All the above translates to 2022e EBIT of EUR 1.4Mn (2022e EBIT margin of 6.5%, +1.4p.p. 2021). Looking ahead to 2024e, the strong growth in revenue (EUR 30Mn) will take EBITDA to 7.4Mn, that would represent EBIT of 6.3Mn (2024e EBIT margin 20,6%).

Taking net profit to levels of EUR 0.7Mn in 2022e (vs EUR 0.2Mn in 2021)

NTX achieved break-even in ordinary net profit in 2019 (EUR 0.1Mn), exceeding this for the first time in 2021 (EUR 0.6Mn) mainly due to the use of tax loss carryforwards and tax deductions for R+D (EUR 0.5Mn).

The main items that we find between the EBIT and the net profit that we estimate for 2022e-2024e correspond to: i) financial expenses for which we estimate a cost of debt of 4% (peaking in 2023e at EUR 0.6Mn), ii) cumulative tax loss carryforwards of EUR 0.5Mn in 2021 and iii) deductions for R+D investment (as a result of which we estimate a tax rate of 10% in 2022e and levels of 20% until 2024e).

Estimated growth in EBITDA will drive net profit from 2022e to EUR 0.7Mn (vs EUR 0.1Mn in 2019; including EUR 1.6Mn of capitalised expenses).

Free Cash Flow: EBITDA growth will accelerate cash generation (although in 2022e this will be affected by M&A)

The working capital ratio is 34.8% of 2021 revenue (vs 13.1% in 2019), mainly due to balances pending collection (EUR 2Mn) from public entities falling due in over 12 months. We expect this ratio to improve in coming years (working capital/sales of c. 28% for 2021-2024e).

Although we estimate CAPEX of close to zero over 2022e-2024e (2022e CAPEX EUR 0.1Mn; in line with 2021), continuous innovation is an essential requirement for a sector with a high technological component such as e-learning. In 2021, NTX's total investment (including capitalised R+D expenses + Capex) represented 14.1% of revenue. For 2022e, we estimate capitalised expenses of EUR 1.6Mn, that represents a total investment ratio of 8.4 % of 2022e revenue. A policy of capitalising R+D expenses that we expect to continue over the entire estimated period, reaching an amount of c. EUR 2Mn in 2024e (total investment c. 7% of 2024e revenue).

The scenario our model envisages should allow NTX to generate positive recurrent FCF in 2022e of c. EUR 0.4Mn (c. 15% of EBITDA; Rec. FCF yield 1.5%) that due to the momentum of EBITDA growth, will increase to EUR 4.2Mn in 2024e (2024e Rec. FCF yield of 14.5%; Chart 29). However, total FCF in 2022e will be affected by M&A: we estimate an impact of c. EUR 7.5Mn as a result of the acquisition of Virtual College in December 2021e (that will be fully paid for in 2022e; Table 9).

Table 9. From Rec. EBITDA to FCF (2022e)

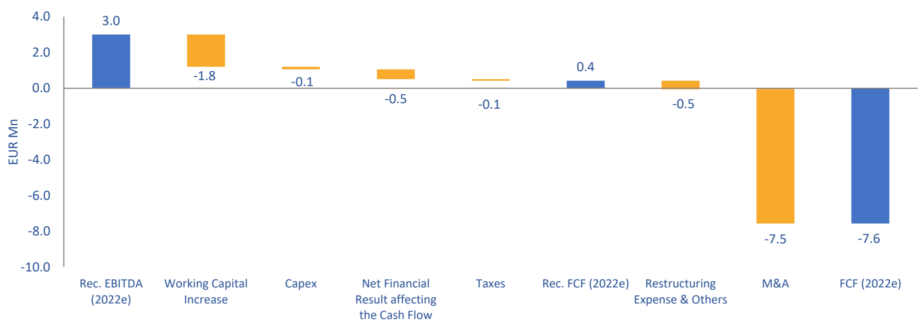
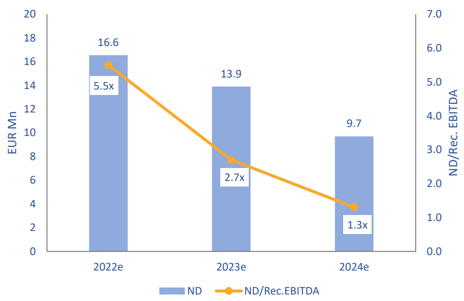


Chart 30. Net Debt/EBITDA (2022e-2024e)



Note: Net Debt includes amounts related to Inveready convertible bonds maturing in 2026e.

This will inevitably be reflected in net debt (reducing the ND/EBITDA ratio from 2023e; 2024e ND/EBITDA 1.3x)

NTX closed 2021 with a high debt ratio (ND/equity 3.9x). ND rose to EUR 9Mn, mainly due to the convertible bond financing line (EUR 1.5Mn) and the lack of positive cash generation in recent years. Our model includes an increase in ND in 2022e to EUR 16.6Mn (2022e ND/EBITDA 5.5x) as a result of the financing agreed with Inveready (EUR 5.2Mn) and the loan with Cofides (EUR 2.7Mn) needed to finance the acquisition of Virtual College.

Despite the significant step-up in size, gearing metrics will remain at reasonable levels from 2023e (maximum level of 2022e ND/EBITDA of 5.5x). And the cash generation estimated from 2023e will enable ND/EBITDA levels to be reduced to 1.3x in 2024e. This leaves the door open for continued growth via M&A.

In conclusion, a high-growth tech company (+35.5% CAGR 2021-2024e) with the capacity for significant margin improvement

Despite the context of general uncertainty, the e-learning sector has evolved favourably in recent years for two main reasons: i) the effects of Covid-19 and ii) the digital transformation. This has allowed NTX to realise revenue of EUR 12.7Mn in 2021 and confirm its progress to positive EBITDA (EUR 1.2Mn; 2021 EBITDA margin 9.6%). We expect a large step-up in size in 2022e (due to the integration of Virtual College) with turnover in 2022e of EUR 20.5Mn (+66.6% vs 2021) and EBITDA of c. EUR 2Mn. We highlight:

- **Strong revenue growth.** The organic growth rates seen to date and the commitment to international expansion in recent years (beginning of activity in USA) make high double-digit organic growth credible (+25% CAGR 2021-2024e). This, together with non-organic growth, implies revenue of EUR 30Mn in 2024e.

- **Operating leverage.** The ability to lever structural costs, mainly due to the fixed component of operating costs and the strategy of outsourcing some personnel costs, means NTX can aspire to levels of EBIT of EUR 7.4Mn in 2024e (vs EUR 1.2Mn in 2021).

- **High capacity to convert EBITDA into cash** (2023e FCF yield 9.1%). NTX's business model is not very intensive in CAPEX and WC. This results in a high capacity to convert EBITDA in cash.

Today, our central scenario is for the consolidation of c. EUR 7,4Mn of EBITDA over 2021-2024e (EBITDA margin 24.4%), with turnover of EUR 30.5Mn (+35.5% CAGR; with c. 36% of the growth explained by the already executed M&A). And with the ability to generate positive FCF from 2023e, thanks to the increase in EBITDA.

Preliminary 1H22 results released on June 15 (NTX closes its FY in September) confirmed the business' high growth capacity, with EUR 9.9Mn in turnover in 1H22 (+94.6% vs 1H21; driven by the incorporation of Virtual College, that contributed c. EUR 1.6Mn over the three months consolidated). In organic terms (stripping out the impact of Virtual College), NTX maintains high growth (+62.6% vs 1H21, +14.8% vs 2H21 in isolation).

Although perhaps the most interesting aspect is that this strong growth already demonstrates the business' high operating leverage: the step-up in revenue in 1H22 enabling NTX to generate Rec. EBITDA (excluding capitalised expenses) of EUR 1.2Mn (Rec. EBITDA margin of c. 12%, fully in line with the Rec. EBITDA margin envisaged in our estimates for the year as a whole; vs Rec. EBITDA that was still negative in 1H21).

As regards the balance sheet, net debt 1S22 (excluding convertible bonds) increased to EUR 11.3Mn (vs EUR 7.5Mn at the 2021 close; growth explained mainly by the financing necessary for the acquisition of Virtual College). Including the convertible bonds with Inveready (that, at the 1H22 close, amounted to EUR 6.7Mn vs 1.5Mn in 2021), 1H22 net debt rose to EUR 17Mn (vs EUR 9Mn in 2021 and EUR 16.6Mn of our estimate for 2022e).

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value [1]
Free Cash Flow "To the Firm"	**(6.6)**	**3.2**	**4.6**	**n.a.**

			Best Case	Worst Case
Market Cap	**29.0**	At the date of this report		
Net financial debt	**9.0**	Debt net of Cash (12m Results 2021)		
Cost of Debt	4.0%	Net debt cost	3.8%	4.3%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**3.2%**	**Kd = Cost of Net Debt * (1-T)**	**3.0%**	**3.4%**
Risk free rate (rf)	2.3%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	8.0%	R (own estimate)	7.5%	8.5%
Beta (B)	1.2	B (own estimate)	1.1	1.3
Cost of Equity	**11.9%**	**Ke = Rf + (R * B)**	**10.5%**	**13.3%**
Equity / (Equity + Net Debt)	76.3%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	23.7%	D	=	=
WACC	**9.8%**	**WACC = Kd * D + Ke * E**	**8.7%**	**11.0%**
G "Fair"	**2.5%**		**2.5%**	**2.0%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Instructure Holdings, Inc.	INST-US	3,184.8	22.5	17.1%	21.9	27.1%	7.9	11.2%	36.1%	4.9%	20.5%
Learning Technologies Group	LTG-GB	1,068.2	14.8	10.7%	10.1	11.8%	2.0	4.6%	19.6%	5.8%	27.9%
Docebo	DCBO-CA	950.8	n.a.	74.5%	n.a.	n.a.	5.2	29.0%	n.a.	0.5%	85.2%
Skillsoft	SKIL-US	617.5	n.a.	45.4%	10.9	30.7%	2.1	20.4%	19.7%	9.8%	38.3%
D2L, Inc	DTOL-CA	288.3	n.a.	57.4%	n.a.	88.2%	1.5	19.9%	n.a.	n.a.	n.a.
E-learning			**18.7**	**41.0%**	**14.3**	**39.5%**	**3.7**	**17.0%**	**25.1%**	**5.2%**	**43.0%**
NTX	NTX-ES	29.0	40.1	n.a.	12.6	71.5%	1.8	21.3%	12.2%	1.5%	59.9%

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	**22.0%**	**5.7**	**6.7x**
Central	**20.0%**	**5.1**	**7.4x**
Min	**18.0%**	**4.6**	**8.2x**

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 23e		
EBITDA 23e	0.6%	0.7%	0.8%
5.7	**3.2**	**3.2**	**3.1**
5.1	**2.7**	**2.6**	**2.6**
4.6	**2.2**	**2.1**	**2.1**

Scenario	Rec. FCF/Yield 23e		
Max	**11.0%**	**10.9%**	**10.8%**
Central	**9.2%**	**9.1%**	**9.0%**
Min	**7.5%**	**7.4%**	**7.3%**

What can go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow.

1. **Competition and commercial risk:** The e-learning industry is in itself highly fragmented, that for a company such as NTX may represent a commercial risk of loss of clients and appearance of competitors with a more attractive technology that could result in a reduction in the expected activity. A deceleration of 5p.p. in the organic growth expected in revenue in 2022e would imply a reduction of -20% in recurrent EBITDA.

2. **M&A.** The success of the integration of the M&A carried out in 2022e is a crucial factor for the development of the business in coming years**.** A slower than expected integration could mean a reduction in the gross margin of 4p.p. to 70% (vs 74.3% estimated). This would result in a decline in recurrent EBITDA to EUR 2.1Mn (vs EUR 3Mn in our central scenario). In the mid and long term, growing corporate activity could result in increased competition in acquisition processes with the risk of value destruction and cost overruns in acquisitions (with a possible impact on margins).

3. **Significant presence of intangible assets associated with R+D on the balance sheet:** At 30 September 2021, NTX had recorded EUR 6.1Mn in respect of Developments (c. 40% of gross assets). The risk inherent in the capitalisation of R+D exposes NTX to potential impairments due to a lack of visibility and a gradual increase in amortisation expenses impacting its P/L.

4. **Lower than estimated operating leverage.** Our estimates include a reduction in personnel expenses over revenue to 50.3% in 2022e (vs 54.5% in 2021). Maintaining personnel costs at 54.5% would reduce the 2022e rec. EBITDA margin to 10.2% (vs 14.5% estimated). This would imply a 29.4% reduction in 2022e rec. EBITDA.

5. **Debt and interest rates** The investment made in the acquisition of Virtual College will shape the period 2022e-2024e with a logical increase in debt to EUR 16.6Mn in 2022e (ND/EBITDA 5.5x and financial expenses of c. EUR 0.5Mn; cost of the debt c. 4%). So we consider the level of debt to be a risk (ND/EBITDA 5.5x in 2022e vs 1.3x in 2024e), mitigated by NTX's ability to generate positive FCF (from 2023e)**.** Any delay in this would threaten the company's ability to capture additional capital via bank financing under favourable terms and conditions.

6. **Forex risk:** NTX is exposed to forex risk both via international transactions and the consolidation of subsidiaries whose reporting currency is not the Euro. Increased exposure to countries outside the Eurozone would imply greater forex risk (currently concentrated in sterling, the US dollar, Brazilian peso and Mexican peso). In 2021 c.12% of group sales were made in non-euro currencies. NTX could suffer a significant impact on its P&L as a result of fluctuations in the value of other currencies against the euro.

7. **Technological disruption:** NTX's business depends directly on essentially technological products and services destined for the education sector, which means products have to be permanently updated so as not to become obsolete. Technological changes taken up by consumers and regulators can affect demand in the mid and long term and the ability of NTX to respond to these is in itself, a risk.

A Board of Directors in the hands of the company's founders / administrators

Table 10. Shareholder structure

Name	Direct	Indirect	Total
José Carlos López Ezquerro	19.0%	6.2%	25.2%
José Ramón Mosteiro López	18.9%	6.2%	25.1%
Wemibono Investments, S.L.	12.5%	-	-
Ángel Fandos (Odre 2005)	12.1%	-	12.1%
3-Gutinvest, S.L.	5.0%	-	5.0%
Free Float	32.6%	-	32.6%
TOTAL	100%		

Note: José Carlos López Ezquerro and José Ramón Mosteiro each hold a 6.2% indirect stake through Webimono Investments, S.L., in which each of the founders has a 50% interest.

Table 11. Board of Directors

Name	Category	Date	% of capital
José Carlos López Ezquerro	Proprietary	2017	25.2%
José Ramón Mosteiro López	Proprietary	2017	25.1%
Francisco Javier Sánchez	Independent	2017	0.0%
Ángel Fandos (Odre 2005)	Proprietary	2021	12.1%
Ramón Ruiz	Secretary non board member	2017	0.0%
Total			62.5%

Note: including direct and indirect stake.

Founded in 1997 by José Carlos López Ezquerro and José Ramón Mosteiro, NTX has been listed on BME Growth since October 2017. Its capital is essentially in the hands of its founders (50.3% of capital) that exercise control through: i) direct holdings (c. 19% each) and ii) indirect holdings (c. 6.2% each) via Webimono Investments. There are no purely executive directors (without a significant shareholding). We would highlight the following points:

1. **A board with high exposure to the share price...** All together, the Board controls 62.5% of NTX's capital, with a hard core (comprised of José Carlos López Ezquerro – Chair of the Board –, and José Ramón Mosteiro) that has remained stable since the company was created. This ensures the full alignment of interests with minority shareholders (free float 32.6%). According to the company's bylaws, the position of board member is held for a term of 6 years, without prejudice to their re-election or to the power of the General Shareholders' Meeting to cause their dismissal.

2. **… and fully involved in the management of the company,** with two of its four members being executives: José Carlos López Ezquerro and José Ramón Mosteiro, founding partners of NTX, holding the positions of CEO and CTO, respectively.

3. **The board was partly renewed in 2021.** In the last two years, 2 board members have stepped down; i) in June 2021, Pedro Antonio Nuñez (representing Vigo Activo) gave up his position after the sale of the shareholding, and ii) Telesforo Veiga resigned in December 2021 due to incompatibility with the position. After the sale of the Vigo Activo stake to Odre 2005 (June 2021), Ángel Fandos joined the board in representation of the latter in November 2021. This leaves a board of directors, at the date of this report, comprised of 4 members (Table 11), of which three are proprietary directors (75%) and 1 is independent (25%).

Table 12. Key corporate governance indicators

KPI	2019	2020	2021	Today
% of independent directors	40.0%	40.0%	50.0%	25.0%
% of proprietary directors	60.0%	60.0%	50.0%	75.0%
% of executive directors	0.0%	0.0%	0.0%	0.0%
% of women on the board of directors	0.0%	0.0%	0.0%	0.0%
Number of board members	5	5	4	4
Remuneration of the board/personnel costs (%)	4.2%	3.1%	4.6%	*3.1%*

*Note: In addition to being proprietary directors, José Carlos López Ezquerro and José Ramón Mosteiro López also perform executive functions, holding the positions of CEO and CTO, respectively.

4. **Few independent board members.** After the resignation of Telesforo Veiga in December 2021, NTX has just one independent director on the Board (Francisco Javier Sánchez with a financial profile – Chair of the Appointments and Remuneration Committee). Some 33.3% of the members of the Audit, Control and Compliance Committee and of the Appointments and Remuneration Committee are independent.

5. **Remuneration of the board of directors.** This remained unchanged at less than 5% of personnel costs over 2017-2021. Specifically, in 2021 the remuneration of the board of directors amounted to EUR 0.3Mn (in line with previous years; c. 5% of personnel costs) despite the reduction in the number of board members in 2021 (4 in 2021 vs 5 in previous years).

6. **And golden parachute clauses for the founders.** Both José Carlos López Ezquerro (CEO) and José Ramón Mosteiro López (CTO) have golden parachute clauses that stipulate that in the event of their dismissal both must receive the equivalent of 12 monthly fixed salary payments.

7. **Remuneration of senior management.** The maximum and joint remuneration for the founders for their functions of administrators and for their executive work, is EUR 162 Thsd. Remuneration of senior management in 2021 was EUR 188 Thsd (vs EUR 244 Thsd in 2020; that, in addition, was a 9-month FY due to the change in the accounting close).

8. **No shareholder remuneration is envisaged in the mid term:** The company has made no commitment in respect of dividend payments. At present, NTX's main focus is on the integration of Virtual College in the company's activity. So, the target (in the short and medium term) is to make growth in the business profitable. Accordingly, we estimate a pay-out of 0% for, at least, the next two years.

9. **Related party transactions.** Of little significance. At the 2021 close, related party transactions comprised the leasing of a property in La Coruña in an amount of EUR 51 Thsd (vs EUR 37 Thsd in 2020), the lessor being José Carlos Ezquerro. Outstanding balances with related parties correspond mainly to loans to related companies in an amount in 2021 of EUR 0.73 Thsd (vs EUR 0.3Mn in 2020).

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Intangible assets	5.0	5.5	6.2	6.5	6.1	4.9	3.2	2.1
Fixed assets	0.3	0.4	0.4	0.4	0.3	8.0	8.1	8.4
Other Non Current Assets	0.1	0.2	0.2	0.2	0.5	0.5	0.5	0.5
Financial Investments	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	2.8	4.0	4.4	3.7	7.1	9.6	11.1	12.9
Total assets	**8.5**	**10.4**	**11.4**	**11.1**	**14.3**	**23.3**	**23.2**	**24.1**
Equity	3.8	2.2	2.2	1.3	2.3	3.0	5.3	9.9
Minority Interests	-	-	-	-	-	-	-	-
Provisions & Other L/T Liabilities	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Other Non Current Liabilities	-	-	-	-	-	-	-	-
Net financial debt	2.5	5.3	5.8	6.8	9.0	16.6	13.9	9.7
Current Liabilities	2.0	2.8	3.2	2.8	2.9	3.5	3.9	4.3
Equity & Total Liabilities	**8.5**	**10.4**	**11.4**	**11.1**	**14.3**	**23.3**	**23.2**	**24.1**

									CAGR	
P&L (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Total Revenues	**5.1**	**6.7**	**8.7**	**9.8**	**12.3**	**20.8**	**25.7**	**30.5**	***24.6%***	***35.5%***
Total Revenues growth	*-6.2%*	*31.6%*	*29.8%*	*12.4%*	*25.4%*	*69.2%*	*23.7%*	*18.9%*		
COGS	(1.6)	(1.5)	(1.8)	(2.5)	(3.2)	(5.3)	(6.2)	(7.1)		
Gross Margin	**3.5**	**5.2**	**6.9**	**7.3**	**9.1**	**15.4**	**19.4**	**23.4**	***27.0%***	***37.2%***
Gross Margin/Revenues	*68.6%*	*77.2%*	*79.5%*	*74.2%*	*74.0%*	*74.3%*	*75.7%*	*76.8%*		
Personnel Expenses	(4.2)	(5.5)	(6.0)	(6.4)	(6.7)	(10.4)	(12.1)	(13.6)		
Other Operating Expenses	(1.1)	(1.5)	(1.3)	(1.3)	(1.4)	(2.0)	(2.2)	(2.4)		
Recurrent EBITDA	**(1.9)**	**(1.8)**	**(0.4)**	**(0.5)**	**1.0**	**3.0**	**5.1**	**7.4**	***26.0%***	***97.6%***
Recurrent EBITDA growth	*n.a.*	*0.8%*	*77.0%*	*-10.8%*	*304.8%*	*212.3%*	*70.9%*	*44.5%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*7.9%*	*14.5%*	*20.0%*	*24.4%*		
Restructuring Expense & Other non-rec.	(0.1)	(0.0)	(0.0)	0.2	0.2	(0.5)	-	-		
EBITDA	**(2.0)**	**(1.9)**	**(0.4)**	**(0.2)**	**1.2**	**2.5**	**5.1**	**7.4**	***27.0%***	***85.1%***
Depreciation & Provisions	(1.8)	(1.7)	(1.8)	(2.0)	(2.2)	(2.8)	(3.5)	(3.1)		
Capitalized Expense	1.8	2.1	2.4	2.5	1.7	1.6	1.8	2.0		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	**(1.9)**	**(1.4)**	**0.2**	**0.3**	**0.6**	**1.4**	**3.5**	**6.3**	***23.5%***	***n.a.***
EBIT growth	*-673.8%*	*26.1%*	*111.2%*	*60.2%*	*143.8%*	*116.1%*	*155.4%*	*82.3%*		
EBIT/Revenues	*n.a.*	*n.a.*	*1.8%*	*2.6%*	*5.1%*	*6.5%*	*13.5%*	*20.6%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(0.6)	(0.5)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	**(2.2)**	**(1.6)**	**(0.0)**	**0.0**	**0.2**	**0.8**	**2.8**	**5.8**	***20.2%***	***n.a.***
Ordinary Profit Growth	*n.a.*	*25.1%*	*97.3%*	*128.7%*	*n.a.*	*328.3%*	*249.5%*	*106.2%*		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	**(2.2)**	**(1.6)**	**(0.0)**	**0.0**	**0.2**	**0.8**	**2.8**	**5.8**	***20.2%***	***n.a.***
Tax Expense	(0.0)	(0.0)	0.1	0.1	0.5	(0.1)	(0.6)	(1.2)		
Effective Tax Rate	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*10.0%*	*20.0%*	*20.0%*		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**(2.2)**	**(1.6)**	**0.1**	**0.1**	**0.6**	**0.7**	**2.2**	**4.6**	***23.1%***	***93.4%***
Net Profit growth	*n.a.*	*25.1%*	*104.6%*	*86.4%*	*358.7%*	*13.0%*	*210.6%*	*106.2%*		
Ordinary Net Profit	**(2.1)**	**(1.6)**	**(0.0)**	**(0.2)**	**(0.0)**	**1.2**	**2.2**	**4.6**	***68.5%***	***n.a.***
Ordinary Net Profit growth	*n.a.*	*23.4%*	*98.7%*	*-980.1%*	*90.7%*	*n.a.*	*94.0%*	*106.2%*		

									CAGR	
Cash Flow (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Recurrent EBITDA						**3.0**	**5.1**	**7.4**	***26.0%***	***97.6%***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(1.8)	(1.1)	(1.4)		
Recurrent Operating Cash Flow						**1.2**	**4.0**	**6.1**	***-40.8%***	***65.7%***
CAPEX						(0.1)	(0.2)	(0.2)		
Net Financial Result affecting the Cash Flow						(0.5)	(0.6)	(0.5)		
Tax Expense						(0.1)	(0.6)	(1.2)		
Recurrent Free Cash Flow						**0.4**	**2.6**	**4.2**	***-33.3%***	***51.3%***
Restructuring Expense & Other non-rec.						(0.5)	-	-		
- Acquisitions / + Divestures of assets [(1)]						(7.5)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(7.6)**	**2.6**	**4.2**	***-27.5%***	***53.0%***
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						**7.6**	**(2.6)**	**(4.2)**		

(1) Acquisitions: EUR 7.5Mn corresponding to the acquisition of Virtual College (including its Net Debt; amount estimated by Lighthouse).

Appendix 2. Free Cash Flow

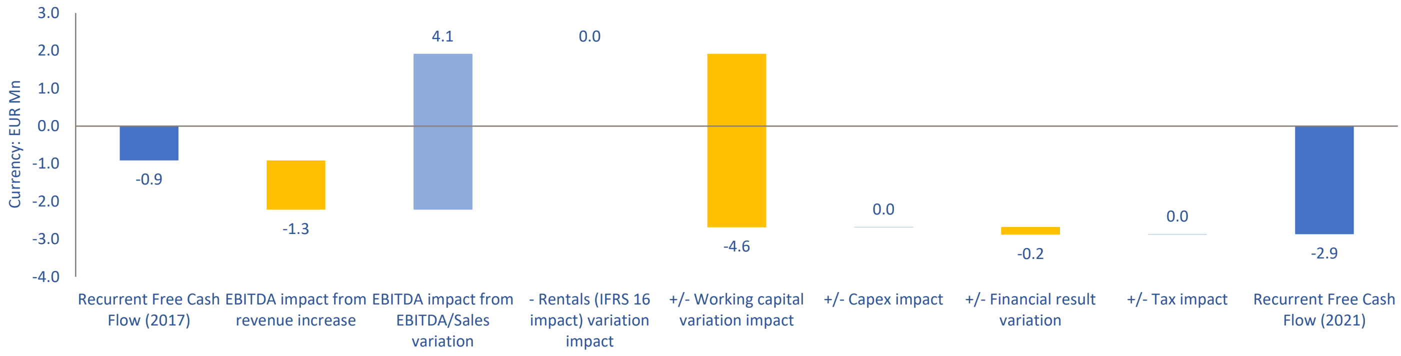
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
Recurrent EBITDA	**(1.8)**	**(0.4)**	**(0.5)**	**1.0**	**3.0**	**5.1**	**7.4**	*36.1%*	*97.6%*
Recurrent EBITDA growth	*0.8%*	*77.0%*	*-10.8%*	*304.8%*	*212.3%*	*70.9%*	*44.5%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*n.a.*	*7.9%*	*14.5%*	*20.0%*	*24.4%*		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.5)	0.1	0.2	(3.4)	(1.8)	(1.1)	(1.4)		
= Recurrent Operating Cash Flow	**(2.3)**	**(0.3)**	**(0.2)**	**(2.4)**	**1.2**	**4.0**	**6.1**	*-0.7%*	*65.7%*
Rec. Operating Cash Flow growth	*-284.2%*	*86.1%*	*26.5%*	*-902.4%*	*150.3%*	*236.1%*	*50.8%*		
Rec. Operating Cash Flow / Sales	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*5.8%*	*15.7%*	*19.9%*		
- CAPEX	(0.2)	(0.1)	(0.0)	(0.0)	(0.1)	(0.2)	(0.2)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(0.6)	(0.5)		
- Taxes	(0.0)	-	-	-	(0.1)	(0.6)	(1.2)		
= Recurrent Free Cash Flow	**(2.7)**	**(0.6)**	**(0.5)**	**(2.9)**	**0.4**	**2.6**	**4.2**	*-1.9%*	*51.3%*
Rec. Free Cash Flow growth	*-198.1%*	*78.1%*	*22.8%*	*-526.6%*	*114.8%*	*522.0%*	*58.8%*		
Rec. Free Cash Flow / Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*2.1%*	*10.3%*	*13.8%*		
- Restructuring expenses & others	(0.0)	(0.0)	0.2	0.2	(0.5)	-	-		
- Acquisitions / + Divestments (1)	-	-	-	-	(7.5)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	**(2.7)**	**(0.6)**	**(0.2)**	**(2.7)**	**(7.6)**	**2.6**	**4.2**	*1.1%*	*53.0%*
Free Cash Flow growth	*-173.1%*	*77.5%*	*63.4%*	*n.a.*	*-184.4%*	*135.0%*	*58.8%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*1.5%*	*9.1%*	*14.5%*		
Free Cash Flow Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*9.1%*	*14.5%*		

B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2018	2019	2020	2021	2022e	2023e	2024e
Recurrent FCF(FY - 1)	**(0.9)**	**(2.7)**	**(0.6)**	**(0.5)**	**(2.9)**	**0.4**	**2.6**
EBITDA impact from revenue increase	(0.6)	(0.5)	(0.1)	(0.1)	0.7	0.7	1.0
EBITDA impact from EBITDA/Sales variation	0.6	2.0	0.0	1.6	1.4	1.4	1.3
= Recurrent EBITDA variation	**0.0**	**1.4**	**(0.0)**	**1.4**	**2.0**	**2.1**	**2.3**
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-
+/- Working capital variation impact	(1.7)	0.6	0.1	(3.6)	1.5	0.7	(0.2)
= Recurrent Operating Cash Flow variation	**(1.7)**	**2.0**	**0.1**	**(2.2)**	**3.6**	**2.8**	**2.0**
+/- CAPEX impact	(0.1)	0.1	0.0	0.0	(0.1)	(0.0)	(0.0)
+/- Financial result variation	0.0	(0.0)	0.0	(0.3)	(0.1)	(0.1)	0.1
+/- Tax impact	0.0	0.0	-	-	(0.1)	(0.5)	(0.6)
= Recurrent Free Cash Flow variation	**(1.8)**	**2.1**	**0.1**	**(2.4)**	**3.3**	**2.2**	**1.6**
Recurrent Free Cash Flow	**(2.7)**	**(0.6)**	**(0.5)**	**(2.9)**	**0.4**	**2.6**	**4.2**

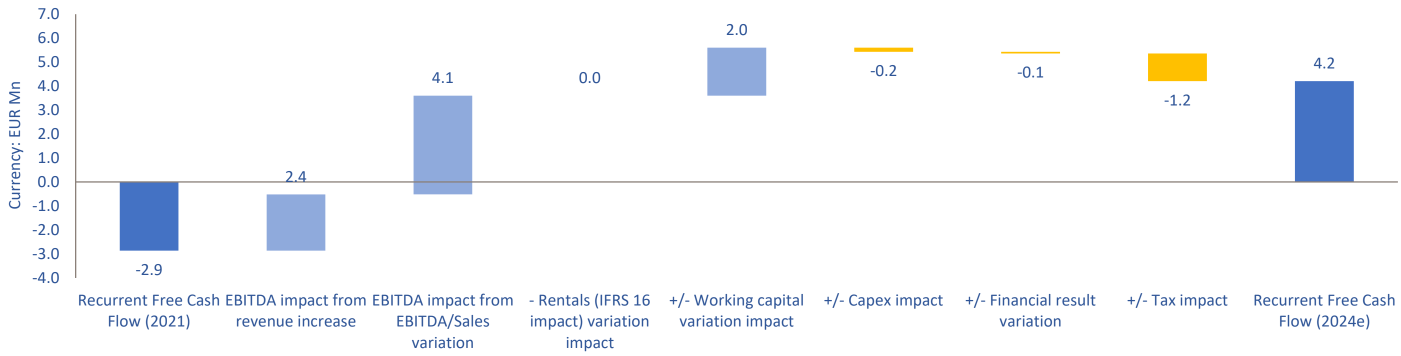
C) "FCF to the Firm" (pre debt service) (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
EBIT	**(1.4)**	**0.2**	**0.3**	**0.6**	**1.4**	**3.5**	**6.3**	*34.6%*	*n.a.*
** Theoretical Tax rate*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*10.0%*	*20.0%*	*20.0%*		
= Taxes (pre- Net Financial Result)	-	-	-	-	(0.1)	(0.7)	(1.3)		
Recurrent EBITDA	**(1.8)**	**(0.4)**	**(0.5)**	**1.0**	**3.0**	**5.1**	**7.4**	*36.1%*	*97.6%*
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.5)	0.1	0.2	(3.4)	(1.8)	(1.1)	(1.4)		
= Recurrent Operating Cash Flow	**(2.3)**	**(0.3)**	**(0.2)**	**(2.4)**	**1.2**	**4.0**	**6.1**	*-0.7%*	*65.7%*
- CAPEX	(0.2)	(0.1)	(0.0)	(0.0)	(0.1)	(0.2)	(0.2)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.1)	(0.7)	(1.3)		
= Recurrent Free Cash Flow (To the Firm)	**(2.5)**	**(0.4)**	**(0.3)**	**(2.4)**	**0.9**	**3.2**	**4.6**	*1.0%*	*57.4%*
Rec. Free Cash Flow (To the Firm) growth	*-277.6%*	*84.5%*	*27.0%*	*-757.0%*	*137.9%*	*244.0%*	*45.7%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	n.a.	n.a.	n.a.	4.4%	12.3%	15.1%		
- Acquisitions / + Divestments (1)	-	-	-	-	(7.5)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	**(2.5)**	**(0.4)**	**(0.3)**	**(2.4)**	**(6.6)**	**3.2**	**4.6**	*1.0%*	*57.4%*
Free Cash Flow (To the Firm) growth	*-277.6%*	*84.5%*	*27.0%*	*-757.0%*	*-171.2%*	*148.1%*	*45.7%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*2.4%*	*8.4%*	*12.2%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*8.4%*	*12.2%*		

(1) Acquisitions: EUR 7.5Mn corresponding to the acquisition of Virtual College (including its Net Debt; amount estimated by Lighthouse).

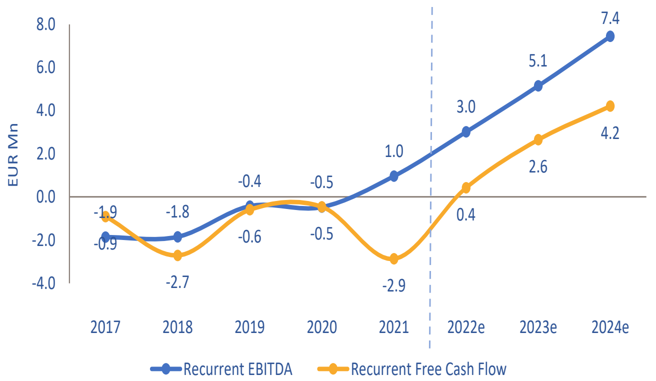
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	29.0	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	0.1	12m Results 2021
+ Net financial debt	9.0	12m Results 2021
- Financial Investments	0.2	12m Results 2021
+/- Others		
Enterprise Value (EV)	**37.9**	

Appendix 4. Main peers 2022e

	EUR Mn	E-learning: Instructure Holdings, Inc.	E-learning: Learning Technologies Group	E-learning: Docebo	E-learning: Skillsoft	E-learning: D2L, Inc	Average	NTX
Market data	Ticker (Factset)	INST-US	LTG-GB	DCBO-CA	SKIL-US	DTOL-CA		NTX-ES
	Country	United States	United Kingdom	Canada	United States	Canada		Spain
	Market cap	3,184.8	1,068.2	950.8	617.5	288.3		29.0
	Enterprise value (EV)	3,598.3	1,254.9	755.8	1,193.7	207.8		37.9
Basic financial information	Total Revenues	455.4	636.3	144.8	556.6	142.8		20.8
	Total Revenues growth	*14.5%*	*110.9%*	*47.7%*	*n.a.*	*12.5%*	*46.4%*	*69.2%*
	2y CAGR (2022e - 2024e)	*11.2%*	*4.6%*	*29.0%*	*20.4%*	*19.9%*	*17.0%*	*21.3%*
	EBITDA	164.6	124.9	(2.3)	109.6	(64.6)		2.5
	EBITDA growth	*49.3%*	*18.5%*	*75.7%*	*n.a.*	*n.a.*	*47.9%*	*115.8%*
	2y CAGR (2022e - 2024e)	*27.1%*	*11.8%*	*n.a.*	*30.7%*	*88.2%*	*39.5%*	*71.5%*
	EBITDA/Revenues	*36.1%*	*19.6%*	*n.a.*	*19.7%*	*n.a.*	*25.1%*	*12.2%*
	EBIT	159.5	111.3	(10.2)	(48.8)	(67.9)		1.4
	EBIT growth	*740.4%*	*73.9%*	*11.4%*	*n.a.*	*n.a.*	*275.3%*	*116.1%*
	2y CAGR (2022e - 2024e)	*16.3%*	*12.2%*	*72.1%*	*47.2%*	*60.3%*	*41.6%*	*n.a.*
	EBIT/Revenues	*35.0%*	*17.5%*	*n.a.*	*n.a.*	*n.a.*	*26.3%*	*6.5%*
	Net Profit	(27.1)	77.3	(14.2)	(94.2)	(91.8)		0.7
	Net Profit growth	*68.8%*	*343.7%*	*-10.7%*	*-32.6%*	*-120.3%*	*49.8%*	*13.0%*
	2y CAGR (2022e - 2024e)	*7.8%*	*12.8%*	*63.9%*	*77.5%*	*58.3%*	*44.0%*	*n.a.*
	CAPEX/Sales %	*1.2%*	*1.6%*	*1.0%*	*2.3%*	*0.5%*	*1.3%*	*0.7%*
	Free Cash Flow	154.7	61.7	4.7	60.3	(0.6)		(7.6)
	Net financial debt	174.0	137.6	(214.4)	385.4	(107.6)		16.6
	ND/EBITDA (x)	1.1	1.1	n.a.	3.5	n.a.	1.9	5.5
	Pay-out	*0.0%*	*13.6%*	*n.a.*	*0.0%*	*n.a.*	*4.5%*	*0.0%*
Multiples and Ratios	P/E (x)	22.5	14.8	n.a.	n.a.	n.a.	18.7	40.1
	P/BV (x)	2.6	n.a.	5.2	0.5	4.0	3.1	9.6
	EV/Revenues (x)	7.9	2.0	5.2	2.1	1.5	3.7	1.8
	EV/EBITDA (x)	21.9	10.1	n.a.	10.9	n.a.	14.3	12.6
	EV/EBIT (x)	22.6	11.3	n.a.	n.a.	n.a.	16.9	28.0
	ROE	*11.5*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*11.5*	*27.0*
	FCF Yield (%)	*4.9*	*5.8*	*0.5*	*9.8*	*n.a.*	*5.2*	*1.5*
	DPS	*0.00*	*0.01*	*n.a.*	*0.00*	*n.a.*	*0.00*	*0.00*
	Dvd Yield	*0.0%*	*1.0%*	*n.a.*	*0.0%*	*n.a.*	*0.3%*	*0.0%*

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
07-Jul-2022	n.a.	3.27	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas