

Safetech Innovations

It feels good to be secure

We initiate coverage on Safetech Innovations (Safetech) with BUY and a RON 3.4 fair value, representing a potential upside of 11%. Safetech, a Romanian cyber security company, is focused on providing both products and services mainly to B2B customers. The company stands to benefit from the expected further increase in technology adoption, which correlates with an increased demand for security products, as data breaches and other types of attacks become more prevalent.

Evolving revenue mix. Historically, the company's operations consisted of a somewhat stable split between implementation of solutions and rendering of services, the highest share being solutions. Going forward, we believe services will become increasingly important in this mix, which implies higher margins and increased profitability.

Earnings are set to increase substantially. We believe the company could grow its' client base substantially over the next five years. In 2023E, we expect revenue growth to stand at 27.6% and at a 30.7% CAGR during 2023E-2027E. Additionally, we expect bottom line results to come in at RON 16.4m this year and have a CAGR of 36.4% during the aforementioned timeframe.

Dividends could become more important. Currently, the company is focused on growing and expanding in international markets, suggesting a lower dividend payout in the short-term. For 2022, the company's shareholders approved the distribution of a gross dividend per share of RON 0.03. However, we believe Safetech could become an attractive dividend player by the time it reaches maturity. As such, we expect payouts to increase starting with 2024, with RON 0.20ps/0.34ps payments implying respectively 6.8%/11.1% DY.

A large number of companies plan on implementing solutions within the next two years. Only about 14.1% of companies in Romania use cloud services, far below the European average of 41.1%. This suggests the Romanian market is trailing behind for both solutions and services. Additionally, 44.4% of companies in the European Union plan on implementing incident detection and response solutions within the next two years. We see this as a tremendous opportunity for Safetech which it could capitalize on, as the importance of cyber security products increases in importance.

Risks to our call: we identify employee retention, a persistent inflationary environment, domestic political instability, unpredictability, as well as failure to adapt to new technologies as the most significant risks to the company's fair value.

Figure 1. Safetech key financial summary

	2020	2021	2022	2023E	2024E	2025E
Revenues (RON m)	14.7	23.0	34.9	44.6	70.3	90.6
EBITDA (RON m)	5.1	10.3	14.9	22.9	33.5	42.2
EBIT (RON m)	4.0	7.0	11.7	19.0	29.1	37.1
Net profit (RON m)	3.1	6.0	10.2	16.4	25.4	32.4
Dividends (RON m)	1.0	0.4	4.2	1.9	14.0	22.8
EPS (RON)	N/A	0.09	0.15	0.25	0.38	0.49
DPS (RON)	N/A	0.01	0.06	0.03	0.21	0.34
EV/EBITDA (x)	N/A	19.7	12.3	8.4	5.6	4.4
P/E (x)	N/A	34.5	18.1	12.5	8.1	6.3
Dividend yield (%)	N/A	0.2%	2.0%	0.9%	6.8%	11.1%

Source: Company, IPOPEMA Research

IT, Romania

Safetech Innovations

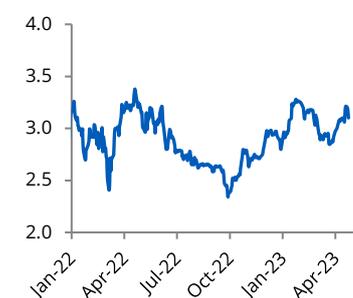
BUY

FV RON 3.4

11% upside

Price as of 26 April 2023 RON 3.1

Coverage initiation



Share data

Number of shares (m)	66.5
Market cap (EUR m)	41.7
12M avg daily volume (k)	24.1
12M avg daily turnover (EUR m)	0.01
12M high/low (RON)	3.38/2.32
Reuters	ROSAFE.BX
Bloomberg	SAFE RO

Total performance

1M	-3.1%
3M	-4.6%
12M	-1.3%

Shareholders

Victor Gansac	36.8%
Paul Rusu	36.7%
Others	26.5%

Important disclosure: This report has been prepared by IPOPEMA Securities S.A pursuant to the Research Coverage Programme administered by Bursa de Valori Bucuresti (BVB). This report has been produced independent of any influence from BVB or the subject company. See important disclaimers and disclosures at the end of this report.

Analyst

Ionut Gavirs
+48 514 995 141
ionut.gavirs@ipopema.pl

Safetech Innovations

FV 3.5 RON

Mkt Cap RON 205.5m

Upside/downside +13.0%

Valuation multiples	2021	2022	2023E	2024E	2025E
P/E (x)	34.5	18.1	12.5	8.1	6.3
EV/EBITDA adj (x)	19.7	12.3	8.4	5.6	4.4
EV/Sales (x)	8.8	5.2	4.3	2.7	2.0
P/BV (x)	14.4	6.8	4.9	3.9	3.3
FCF yield (%)	-7.7	-10.0	4.0	9.2	14.3
DY (%)	0.2	2.2	0.9	6.8	11.1
Payout ratio	0.1	0.4	0.1	0.6	0.7

Per share	2021	2022	2023E	2024E	2025E
No. of shares (m units)	66.5	66.5	66.5	66.5	66.5
EPS (RON)	0.1	0.2	0.2	0.4	0.5
BVPS (RON)	0.2	0.4	0.6	0.8	0.9
FCFPS (RON)	-0.2	-0.3	0.1	0.3	0.4
DPS (RON)	0.0	0.1	0.0	0.2	0.3

Change yoy (%)	2021	2022	2023E	2024E	2025E
Revenues	56.0%	52.0%	27.6%	57.7%	28.9%
EBITDA	42.9%	45.4%	46.8%	43.7%	23.1%
EBIT	78.1%	65.9%	62.4%	53.7%	27.2%
Net profit	91.9%	70.6%	60.4%	54.3%	27.8%
Tax rate	-12.2%	-12.0%	-12.0%	-12.0%	-12.0%

Leverage and return	2021	2022	2023E	2024E	2025E
Operating margin	30.6%	33.4%	42.5%	41.5%	40.9%
EBITDA margin	44.7%	42.5%	51.3%	47.7%	46.6%
EBIT margin	30.6%	33.4%	42.5%	41.5%	40.9%
Net debt/EBITDA (x)	-50.8%	-23.9%	-56.4%	-45.4%	-40.6%
Net debt/Equity	-36.3%	-13.0%	-30.8%	-28.6%	-27.3%
Net debt/Assets	-16.3%	-6.7%	-19.1%	-18.3%	-18.3%
ROE	41.7%	37.5%	39.3%	47.7%	51.6%
ROA	18.7%	19.4%	24.4%	30.6%	34.5%

Assumptions	2021	2022	2023E	2024E	2025E
Operating revenues	23.0	34.9	44.6	70.3	90.6
Sales of goods	13.3	20.1	25.7	44.0	55.9
Rendering of services	9.7	14.9	18.9	26.3	34.8
Others	0.0	0.0	0.0	0.0	0.0

Margins (% of rev)	2021	2022	2023E	2024E	2025E
Staff costs	34.0%	28.6%	27.8%	20.8%	20.8%
Depreciation	14.1%	9.1%	8.7%	6.2%	5.7%
Total operating exp.	71.0%	67.6%	58.1%	59.0%	59.5%

KPIs	2021	2022	2023E	2024E	2025E
Number of clients	190.0	204.0	224.0	253.0	285.0
Client growth	0.1	0.1	0.1	0.1	0.1
Rev / employee (RON m)	0.5	0.7	0.9	1.3	1.5
Sales of goods % total	0.6	0.6	0.6	0.6	0.6
Sales of services % total	0.4	0.4	0.4	0.4	0.4

P&L (RON m)	2020	2021	2022	2023E	2024E	2025E
Total revenue	15.1	23.4	35.3	44.9	70.6	91.0
Operating revenues	14.7	23.0	34.9	44.6	70.3	90.6
Other income	0.4	0.4	0.4	0.3	0.3	0.4
OPEX	-11.2	-16.3	-23.6	-25.9	-41.5	-53.9
EBITDA	5.1	10.3	14.9	22.9	33.5	42.2
Depreciation	-1.1	-3.2	-3.2	-3.9	-4.4	-5.2
EBIT	4.0	7.0	11.7	19.0	29.1	37.1
Net interest expense	-0.3	-0.2	0.0	-0.3	-0.3	-0.3
Pre-tax profit	3.6	6.8	11.6	18.7	28.8	36.8
Income tax	-0.5	-0.8	-1.4	-2.2	-3.5	-4.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	3.1	6.0	10.2	16.4	25.4	32.4

BALANCE SHEET (RON m)	2020	2021	2022	2023E	2024E	2025E
Non-current assets	9.7	18.3	33.2	36.1	38.5	39.3
Net fixed assets	1.0	1.5	0.6	1.0	1.2	1.6
Right of use assets	1.3	1.1	1.2	1.4	1.6	1.5
Intangibles and goodwill	7.2	15.3	26.9	29.2	31.2	31.6
Others	0.2	0.4	4.5	4.5	4.5	4.5
Current assets	5.4	13.7	19.7	31.3	44.3	54.6
Cash and equivalents	1.7	6.2	3.5	12.9	15.2	17.1
Receivables	3.6	7.4	16.0	18.3	28.9	37.2
Inventories	0.1	0.1	0.1	0.1	0.2	0.2
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	15.1	32.0	52.8	67.4	82.8	93.9
Equity	6.0	14.4	27.3	41.8	53.2	62.8
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	4.2	9.7	14.2	14.4	14.5	14.6
Interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	1.3	1.1	1.1	1.3	1.4	1.5
Others	2.9	8.6	13.1	13.1	13.1	13.1
Current liabilities	4.9	7.9	11.3	11.3	15.1	16.5
Interest bearing debt	1.1	1.0	0.0	0.0	0.0	0.0
Payables	1.5	4.7	8.7	8.7	12.5	13.8
Lease liabilities	0.2	0.2	0.3	0.3	0.4	0.4
Others	2.1	1.9	2.3	2.3	2.3	2.3
Equity and liabilities	15.1	32.0	52.8	67.4	82.8	93.9

Gross debt	1.1	1.0	0.0	0.0	0.0	0.0
Net debt	-0.6	-5.2	-3.5	-12.9	-15.2	-17.1

CASH FLOW (RONm)	2020	2021	2022	2023E	2024E	2025E
Cash flow from operating activities	8.5	9.5	17.9	22.9	30.6	39.1
Profit before taxes	3.6	6.9	11.6	18.7	28.8	36.8
Depreciation and amortization	1.1	3.2	3.2	3.9	4.4	5.2
Changes in WC	-0.3	-0.8	-4.3	-2.4	-6.9	-7.0
Other, net	4.2	0.2	7.4	2.7	4.2	4.1
Cash flow from investment	-4.6	-12.5	-17.9	-6.4	-6.4	-5.7
Additions to PPE	-0.7	-1.8	-0.4	-0.8	-0.8	-0.6
Additions to intangibles	-3.9	-10.7	-13.4	-5.6	-5.6	-5.1
Other, net	0.0	0.0	-4.1	0.0	0.0	0.0
Cash flow from financing	1.9	8.5	5.7	-2.1	-14.2	-22.9
Changes in debt	-0.6	-0.1	-1.0	0.0	0.0	0.0
Dividends paid	-1.0	-0.4	-4.2	-1.9	-14.0	-22.8
Payment of leases	-0.5	-0.3	-0.4	-0.2	-0.2	-0.1
Other, net	3.9	9.3	11.2	0.0	0.0	0.0
Net change in cash and equivalent	1.4	4.5	-2.7	9.3	2.3	1.9
Beginning cash and equivalents	0.3	1.7	6.2	3.5	12.9	15.2
Ending cash and equivalents	1.7	6.2	3.5	12.9	15.2	17.1

Source: Company data, IPOPEMA Research

Contents

Contents	3
Valuation	4
Revenue assumptions.....	6
Income statement	8
Balance sheet.....	9
Risks to fair value.....	10
Industry Outlook	11
Company Description	15

Valuation

To value Safetech, we apply two methods, namely, Discounted Cash Flow model (DCF) and Dividend Discount Model (DDM). We apply an 50% weight to DCF as well as a 50% to DDM. While in the short-term Safetech aims to focus on growth, suggesting a lower level of dividend distribution, we believe the company could become an attractive dividend player in the medium and long-term. The company's free cash flow could increase significantly over the next five years, given no heavy CAPEX anticipated by us and no balance sheet debt. **Based on our forecast, we derive a fair value per share of RON 3.4, implying an 11.0% upside from the current share price, which translates into a BUY recommendation.**

Figure 2. Valuation summary

Method	Weight	FV
DCF	50%	3.5
DDM	50%	3.3
Fair value		3.4
Upside		11.0%

Source: Company, IPOPEMA Research

Discounted cash flows as the main method. We used a DCF model based on our underlying free cash flow forecasts on consolidated figures for the 2023E-2027E period. Subsequently, we assumed the company to reach maturity. We applied a 9.0% equity risk premium, differentiated risk free rates, a 3.0% debt premium, an effective tax rate of 12% during the forecast period and 16% in perpetuity, based on the company's track record. Moreover, we assumed a 1.0x beta and a 2.0% terminal growth rate. As such, we derive a fair equity value per share of RON 3.5.

Figure 3. DCF valuation

RON m	2023E	2024E	2025E	2026E	2027E	TY
Risk free rate	7.4%	7.5%	7.6%	7.7%	8.0%	8.0%
Unlevered beta	1.0	1.0	1.0	1.0	1.0	1.0
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Rm-Rf	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Cost of equity (CAPM)	16.4%	16.5%	16.6%	16.7%	17.0%	17.0%
Debt premium	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pre-tax cost of debt	10.4%	10.5%	10.6%	10.7%	11.0%	11.0%
Tax rate	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
After tax cost of debt	9.2%	9.2%	9.3%	9.4%	9.7%	9.7%
Debt share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity share	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
WACC	16.4%	16.5%	16.6%	16.7%	17.0%	17.0%
Revenues	44.6	70.3	90.6	113.6	133.3	136.0
EBIT	19.0	29.1	37.1	46.4	55.2	56.3
Tax rate	12.0%	12.0%	12.0%	12.0%	12.0%	16.0%
NOPLAT	16.7	25.6	32.6	40.8	48.6	47.3
Depreciation	3.9	4.4	5.2	5.3	5.4	5.3
CAPEX	-6.4	-6.4	-5.7	-5.7	-5.7	-5.4
Change in working capital	-2.4	-6.9	-7.0	-6.8	-6.2	0.0
Leasing payments	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
FCF	11.6	16.5	25.0	33.5	41.9	47.1
Discount factor	0.9	0.8	0.7	0.6	0.5	
PV of Free Cash Flow	10.4	12.8	16.5	19.0	20.3	
Sum of PV FCFs	79.0					
Terminal growth	2.0%					
Terminal value	313.8					
PV of terminal value	152.0					
Enterprise value	231.0					
Net debt	-3.5					
Dividends paid	0.0					
Minorities	0.0					
Equity value	234.5					
NOSH	66.5					
FV (RON)	3.5					
Current price	3.1					
Upside	14.1%					

Source: Company, IPOPEMA Research

Sensitivity Analysis. In our analysis, we have relied on what we considered to be reasonable assumptions and conservative estimations. Below we show a sensitivity analysis with respect to the EBIT margin and terminal growth rate.

Figure 4. Sensitivity analysis

RON per share		EBIT margin				
Terminal growth		38.5%	40.5%	41.4%	42.5%	43.5%
	1.0%	3.21	3.32	3.36	3.42	3.47
	1.5%	3.29	3.39	3.44	3.50	3.55
	2.0%	3.37	3.48	3.53	3.59	3.64
	2.5%	3.45	3.57	3.62	3.68	3.74
	3.0%	3.54	3.66	3.71	3.78	3.84

Source: Company, IPOPEMA Research

Dividend discount model. We used the same assumptions regarding the cost of equity as in the DCF model (9.0% equity risk-premium, differentiated risk-free rates and 1.0x beta). Safetech's shareholders have approved distribution of RON 2.0m as dividends from the 2022 full year results.

Going forward, we anticipate the company may increase dividend distribution once it approaches maturity. Currently, Safetech is focused on developing its' subsidiaries in United Kingdom and United Arab Emirates. Nevertheless, we do not anticipate any heavy CAPEX or debt going forward, placing the company in an ideal spot for gradually increasing its' payout. This implies Safetech could become a pure dividend player, based on the company's profile. As such, we forecast DPS to increase significantly over the next five years and to reach RON 0.6 per share by maturity. Thus, it translates into a fair value per share of RON 3.3.

Figure 5. DDM valuation

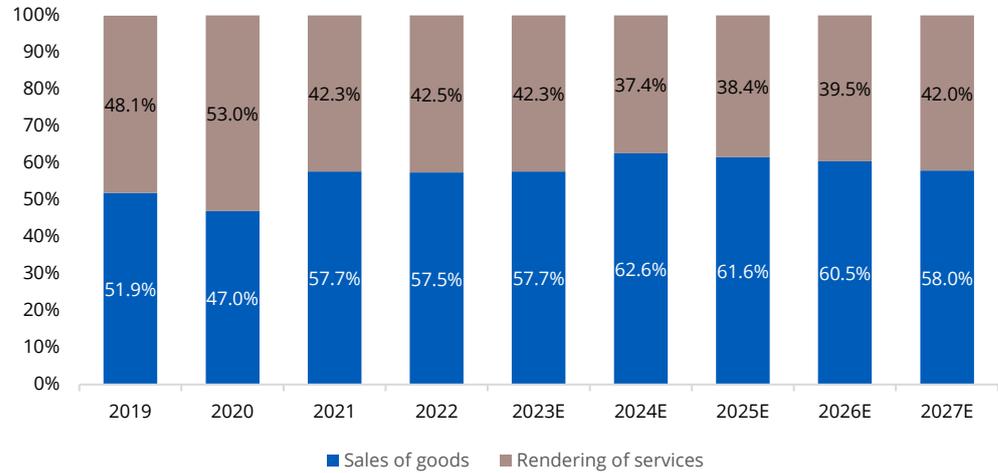
RON m	2023E	2024E	2025E	2026E	2027E
Dividend per share	0.02	0.20	0.34	0.46	0.60
Cost of equity	16.4%	16.5%	16.6%	16.7%	17.0%
Discount factor	0.9	0.8	0.7	0.6	0.5
Discounted DPS	0.0	0.2	0.2	0.3	0.3
Sum of discounted DPS	0.9				
Terminal DPS	0.7				
Terminal DPS growth	2.0%				
Pn	2.4				
FV (RON)	3.3				
Current price	3.1				
Upside	7.9%				

Source: Company, IPOPEMA Research

Revenue assumptions

Safetech's revenue is driven by a combination of sales of cyber security solutions and security services, ranging from penetration testing and trainings to security audits and applications. Historically, the company's revenues were driven by a relatively stable split between these two business lines. Going forward, we assumed that cyber security services could play a larger role in the revenue mix, primarily due to the scalability, margins and profitability of such services.

Figure 6. Safetech's revenue split



Source: Company, IPOPEMA Research

In our revenue forecast, we relied on assumptions with respect to the number of customers and the average price charged for both implementation of solutions as well as monthly service fees. Based on the historical track record, we assumed the company will manage to increase its' customer base at an 11.7% compound annual growth rate (CAGR) over the next five years, that is, to reach 355 clients by 2027E. We also assumed that initially, clients will have cyber security solutions implemented and subsequently, they will pay a monthly service fee.

Figure 7. Safetech – revenue and KPI assumptions

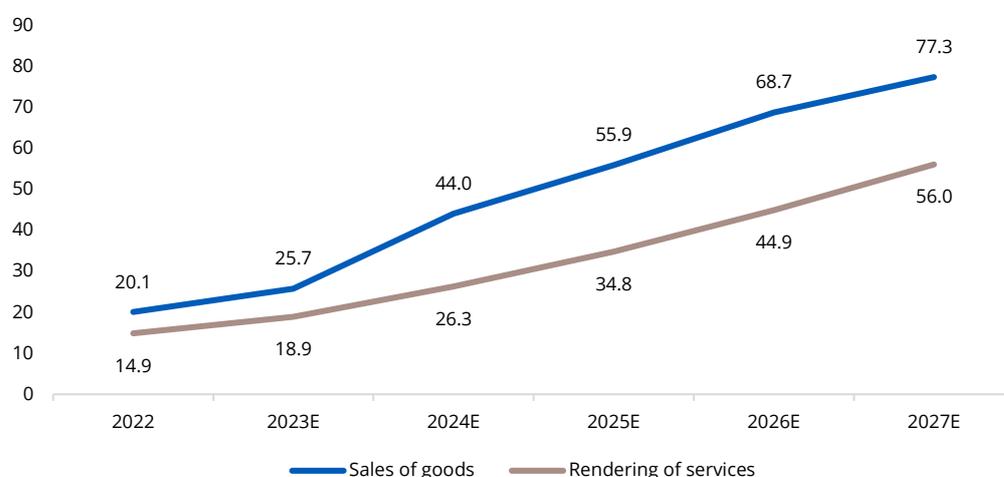
RON m	2022	2023E	2024E	2025E	2026E	2027E
Sales of goods	20.1	25.7	44.0	55.9	68.7	77.3
Rendering of services	14.9	18.9	26.3	34.8	44.9	56.0
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0
Total operating revenues	34.9	44.6	70.3	90.6	113.6	133.3
<i>Revenue growth</i>	<i>52.0%</i>	<i>27.6%</i>	<i>57.7%</i>	<i>28.9%</i>	<i>25.4%</i>	<i>17.4%</i>
Clients acquired during period year	14	20	29	32	35	35
Total number of clients	204	224	253	285	320	355
<i>Total client growth</i>	<i>7.4%</i>	<i>9.8%</i>	<i>12.9%</i>	<i>12.6%</i>	<i>12.3%</i>	<i>10.9%</i>
Client growth during the period	-30.0%	42.9%	45.0%	10.3%	9.4%	0.0%
Average price for implementing cyber security solutions (RON m)	1.4	1.3	1.5	1.7	2.0	2.2
<i>Price growth</i>	<i>116.2%</i>	<i>-10.3%</i>	<i>18.1%</i>	<i>15.0%</i>	<i>12.5%</i>	<i>12.5%</i>
Average service price for cyber security services (RON m)	0.1	0.1	0.1	0.1	0.1	0.2
<i>Price growth</i>	<i>42.4%</i>	<i>15.6%</i>	<i>23.3%</i>	<i>17.5%</i>	<i>15.0%</i>	<i>12.5%</i>

Source: Company, IPOPEMA Research

We forecast the company's revenue to grow at a 30.7% CAGR during 2023E-2027E, due to increasing worldwide demand for both cyber security solutions and services. On a global level, the market is expected to reach USD 534bn by 2023, which implies an 11% CAGR.

Just 14.1% of companies in Romania used any sort of cloud services in their operations, far below the European average, suggesting an untapped market, as increased technology adoption also requires protection. This suggests revenues could top RON 44.6m in 2023, about 27.6% higher than in 2022, followed by gradual cooldowns in subsequent years. Although regional and international economies seem to bear increased recession risks, we do not believe this will affect Safetech materially, as cyber security has become fundamental for most companies. Moreover, Safetech's clients mainly operate in the financial and utilities sectors, which generally place a high importance on such solutions and services. Currently, most of the company's clients are domestic ones. Going forward, we expect international clients to play a larger role in the revenue mix, as the company has set up subsidiaries in UK and United Arab Emirates.

Figure 8. Safetech's revenue forecast (RON m)



Source: Company, IPOPEMA Research

We did not include any potential M&A activity in our model, as it is uncertain when any such activity may occur and at what terms it might happen. Instead, we modeled the company's potential solely on organic growth.

Cost assumptions

Safetech's single largest operating expenses are the ones with employee benefits and with raw materials for the implementation of security solutions. We do not find this out of the ordinary for such a business model. Other large operating expenses are related to external benefits, mainly subcontracting of programming services, as well as legal counseling. While the cyber security market is highly competitive, we expect the company to keep costs under control going forward. In 2022, Safetech incurred higher merchandise costs, which were written as other operating expenses. We see these costs going down in 2023 to around RON 4.5m, while expenses with external benefits and services could also decrease to RON 2.2m. On the other hand, we do expect staff costs to increase by about 24.3%, as a function of the number of employees in combination to salary and inflation expectations. Moreover, we see expenses with raw materials and consumables growing as well, but only marginally.

Overall, this should translate into an operating profit of RON 19.0 m for 2023, implying an increase of 62.4% when compared to the previous year. Subsequently, we expect the company to improve its' margins, primarily driven by the services division. Thus, we forecast an operating profit CAGR of 36.4% for the next five years.

Figure 9. OPEX, other income and operating profit forecast

RON m	2022	2023E	2024E	2025E	2026E	2027E
Other operating income	0.4	0.3	0.3	0.4	0.5	0.5
Changes in inventories - WIP	12.9	11.0	7.0	4.5	2.8	2.7
Raw materials and consumables	-12.2	-12.4	-17.8	-19.8	-23.7	-26.5
Employee benefits	-10.0	-12.4	-14.6	-18.9	-23.2	-27.9
Depreciation and amortization	-3.2	-3.9	-4.4	-5.2	-5.3	-5.4
Marketing expenses	-0.2	-0.2	-0.4	-0.5	-0.6	-0.7
Rental income	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3
Other operating expenses	-10.9	-7.9	-11.2	-14.0	-17.5	-20.6
Operating profit	11.7	19.0	29.1	37.1	46.4	55.2

Source: Company, IPOPEMA Research

Figure 10. Raw materials and consumables used; other operating expenses forecast

RON m	2022	2023E	2024E	2025E	2026E	2027E
Raw materials	-12.1	-12.3	-17.6	-19.5	-23.3	-26.0
Consumables and others	-0.1	-0.2	-0.3	-0.3	-0.4	-0.5
Total	-12.2	-12.4	-17.8	-19.8	-23.7	-26.5
Services	-3.8	-2.2	-3.7	-4.6	-5.8	-6.8
Merchandise	-5.8	-4.5	-5.3	-4.5	-5.7	-6.7
Other	-1.3	-1.2	-2.3	-4.8	-6.1	-7.1
Total other OPEX	-10.9	-7.9	-11.2	-14.0	-17.5	-20.6

Source: Company, IPOPEMA Research

Income statement

We show our baseline forecast with respect to profitability. We assumed the company will not seek to make use of interest-bearing debt going forward. We base this assumption on the company's track record. However, we assumed Safetech will continue to contract further leases, which imply a marginally higher interest expense than in 2022. Thus, net income could reach RON 16.4m in 2023, about 60.4% higher last year. Over the next five years, we forecast a net profit CAGR of 36.4%, which implies the company's net margin to also improve compared to historical figures, primarily driven by the profitability of rendering cyber security services. We show our income statement forecast below.

Figure 11. Safetech income statement forecast

RON m	2022	2023E	2024E	2025E	2026E	2027E
Sales of goods	20.1	25.7	44.0	55.9	68.7	77.3
Rendering of services	14.9	18.9	26.3	34.8	44.9	56.0
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0
Total operating revenues	34.9	44.6	70.3	90.6	113.6	133.3
Other operating income	0.4	0.3	0.3	0.4	0.5	0.5
Changes in inventories - WIP	12.9	11.0	7.0	4.5	2.8	2.7
Raw materials and consumables	-12.2	-12.4	-17.8	-19.8	-23.7	-26.5
Employee benefits	-10.0	-12.4	-14.6	-18.9	-23.2	-27.9
Depreciation and amortization	-3.2	-3.9	-4.4	-5.2	-5.3	-5.4
Marketing expenses	-0.2	-0.2	-0.4	-0.5	-0.6	-0.7
Rental income	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3
Other operating expenses	-10.9	-7.9	-11.2	-14.0	-17.5	-20.6
Operating profit	11.7	19.0	29.1	37.1	46.4	55.2
Financial income	0.2	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Net financial income	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
Profit before taxes	11.6	18.7	28.8	36.8	46.1	54.9
Income tax	-1.4	-2.2	-3.5	-4.4	-5.5	-6.6
Net profit for the period	10.2	16.4	25.4	32.4	40.5	48.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	10.2	16.4	25.4	32.4	40.5	48.3

Source: Company, IPOPEMA Research

Balance sheet

We provide a balance sheet forecast to show a more detailed overview of the company's potential development going forward. Most notably, we expect investment into property, plant equipment as well as intangibles to be the main capital expenditure driver, which we do not see as being intensive. PPE investment could be fueled by expansion into international markets in tandem with the necessary equipment required for the provision of services. Moreover, the intangible assets are composed mainly of software in combination with research and development assets. We expect the working capital components to follow a trend which is similar to revenue. Additionally, we do not expect any changes in debt or any other significant changes for the other assets and liabilities in the forecast period.

Figure 12. Safetech balance sheet forecast

	2022	2023E	2024E	2025E	2026E	2027E
Cash and equivalents	3.5	12.9	15.2	17.1	19.6	20.8
Receivables	16.0	18.3	28.9	37.2	46.7	54.8
Inventories	0.1	0.1	0.2	0.2	0.3	0.4
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	19.7	31.3	44.3	54.6	66.6	76.0
Property, plant and equipment	0.6	1.0	1.2	1.6	1.9	2.1
Right of use assets	1.2	1.4	1.6	1.5	1.5	1.5
Investments in affiliates	3.9	3.9	3.9	3.9	3.9	3.9
Intangible assets	26.9	29.2	31.2	31.6	32.0	32.3
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.6	0.6	0.6	0.6	0.6	0.6
Total non-current assets	33.2	36.1	38.5	39.3	39.9	40.4
Total assets	52.8	67.4	82.8	93.9	106.5	116.3
Payables	8.7	8.7	12.5	13.8	16.6	18.5
Interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Current part of lt debt	0.0	0.0	0.0	0.0	0.0	0.0
Current part of lease liabilities	0.3	0.3	0.4	0.4	0.4	0.4
Deferred taxes	0.5	0.5	0.5	0.5	0.5	0.5
Provisions	0.1	0.0	0.1	0.1	0.1	0.1
Other current liabilities	1.7	1.7	1.7	1.7	1.7	1.7
Total current liabilities	11.3	11.3	15.1	16.5	19.3	21.3
Interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	13.1	13.1	13.1	13.1	13.1	13.1
Lease liabilities	1.1	1.3	1.4	1.5	1.6	1.7
Total non-current liabilities	14.2	14.4	14.5	14.6	14.7	14.8
Total liabilities	25.5	25.6	29.6	31.1	34.0	36.0
Share capital	13.3	13.3	13.3	13.3	13.3	13.3
Share premiums	2.9	2.9	2.9	2.9	2.9	2.9
Treasury shares	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Legal reserves	1.1	1.1	1.1	1.1	1.1	1.1
Other elements of equity	0.1	0.1	0.1	0.1	0.1	0.1
Retained earnings	11.0	25.5	36.9	46.5	56.3	64.0
Total equity	27.3	41.8	53.2	62.8	72.5	80.3
Total liabilities and equity	52.8	67.4	82.8	93.9	106.5	116.3

Source: Company, IPOPEMA Research

Risks to fair value

Employee retention. The broader IT sector in Romania is becoming more competitive each year. While we expect the company to match its competitors in terms of incentives with respect to its employees, we believe failure to do so may affect the company's fair value.

Persistent inflationary pressures. Even though commodity prices are off their highs and aggregate consumption seems to be cooling down, we mention sustained inflationary pressures as an operating risk. While the company could increase prices to match inflation growth, we believe that it could cause a direct undercutting competition, which may not be beneficial profitability wise.

The domestic political environment. Given how unpredictable the Romanian government is, we believe that continued political disputes present a risk to Safetech's fair value. No windfall taxes are currently expected, however, legislative changes, which could affect the company in multiple ways, may come out of nowhere and overnight, thus making it difficult to respond appropriately.

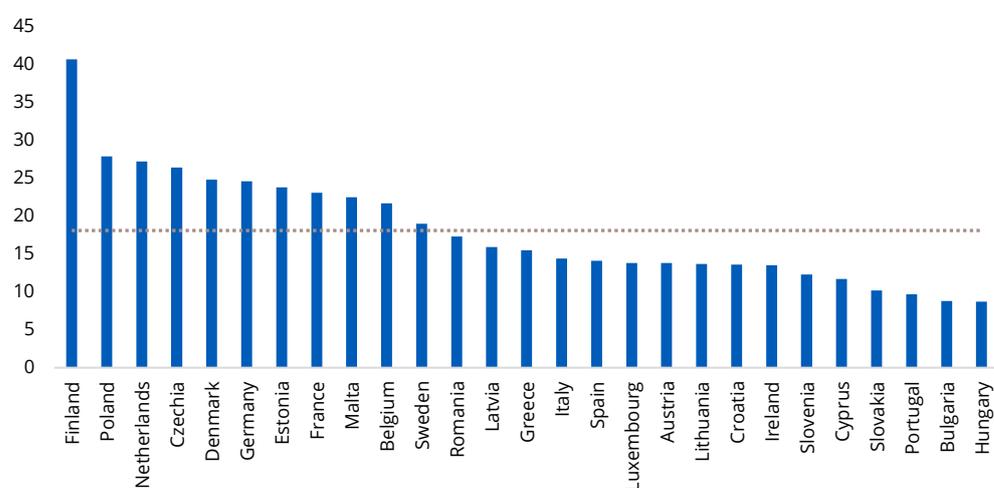
Not adapting to newer technologies. Reputation wise, failure to adapt to newer technologies may result in security vulnerabilities for which the company may not be able to respond, causing a potential loss in revenues and clients.

Industry Outlook

Security incidents can become costly for both companies and individuals and can range from identity theft, to unauthorized backdoor access into computer systems and networks. Some of the most common threats and types of attacks are social engineering, ransomware, malware, phishing, denial-of-service, man-in-the-middle, advanced persistent threats and insider threats. While companies can use antivirus software to scan for potential viruses, there are many different strains of viruses which are yet to be detected. Moreover, an antivirus software may not be able to detect attacks that do not make use of such software. According to IBM, only 26% of attacks in 2022 had attempted to use known software exploits.

In 2022, 22.2% of all companies in the European Union, except the financial sector, reported at least one cyber security incident which caused a temporary operational disruption. Such disruptions are associated with higher costs, financial losses and data theft. The country with the highest number of incidents is Finland, with 40.7%, followed by Poland, with 27.9%.

Figure 13. Percentage of companies who reported security incidents in 2022

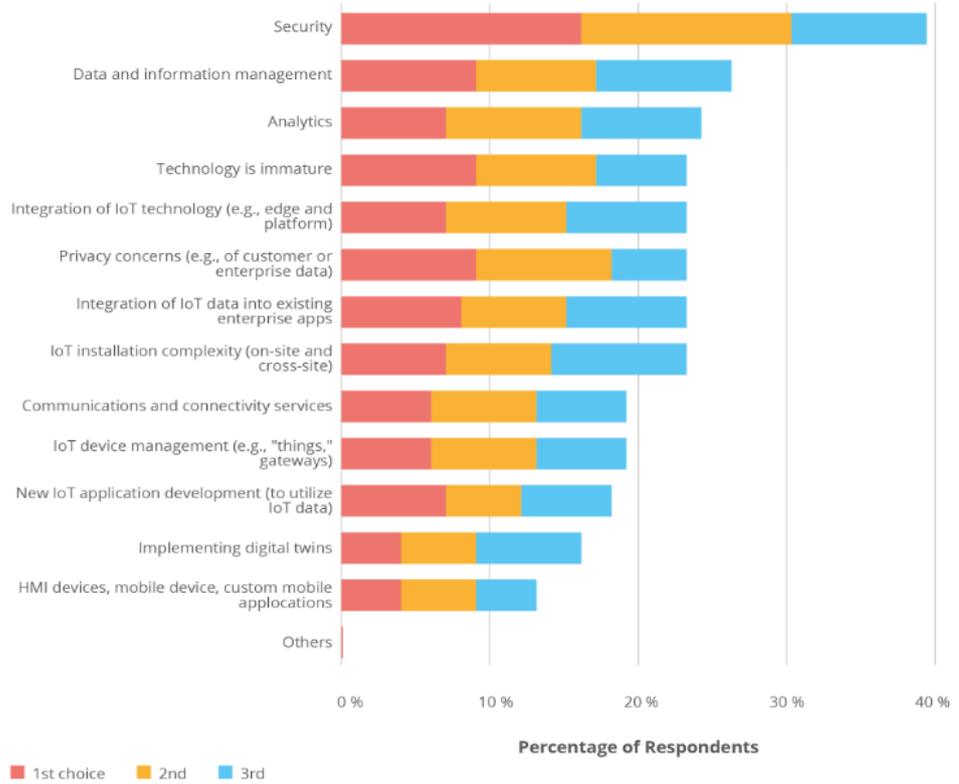


Source: Eurostat, IPOPEMA Research

During the past four years, company level cyber attacks have increased considerably. For instance, in 2019 only 9.2% of enterprises in Romania reported operational disruptions caused by such attacks, compared to 17.3% in 2022. The threat of such attacks has become more prominent in all European countries and throughout the world.

Going forward, Internet of Things is set to become increasingly used due to the benefits it brings in terms of operational efficiency. However, a 2022 study published by the European Union Agency for Cybersecurity revealed that the most prevalent technical barrier to implementing such technologies is related to concerns regarding the security of internal systems.

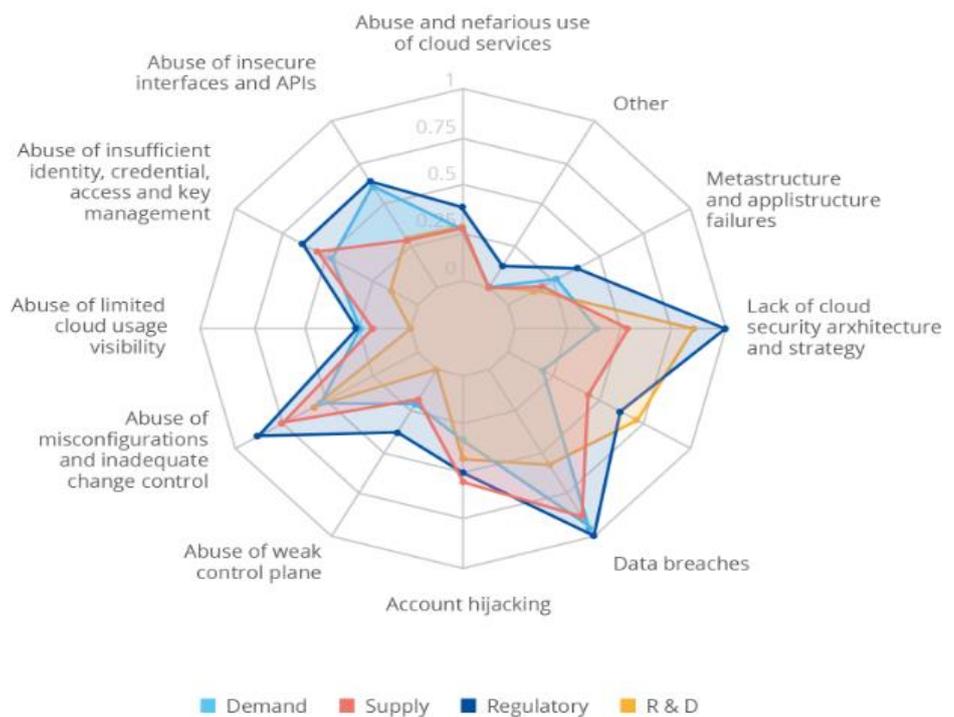
Figure 14. Most prevalent concerns regarding IoT adoption in EU27



Source: ENISA, IPOPEMA Research

Moreover, cloud services have become widely used across companies. At an EU aggregated level, 41.0% of companies used such services in 2021, representing a significant increase from 23.9% in 2018. According to a 2023 ENISA report, the highest current threat perception at company level lies within data breaches, unsecured customer interfaces and APIs and improperly configured servers and applications.

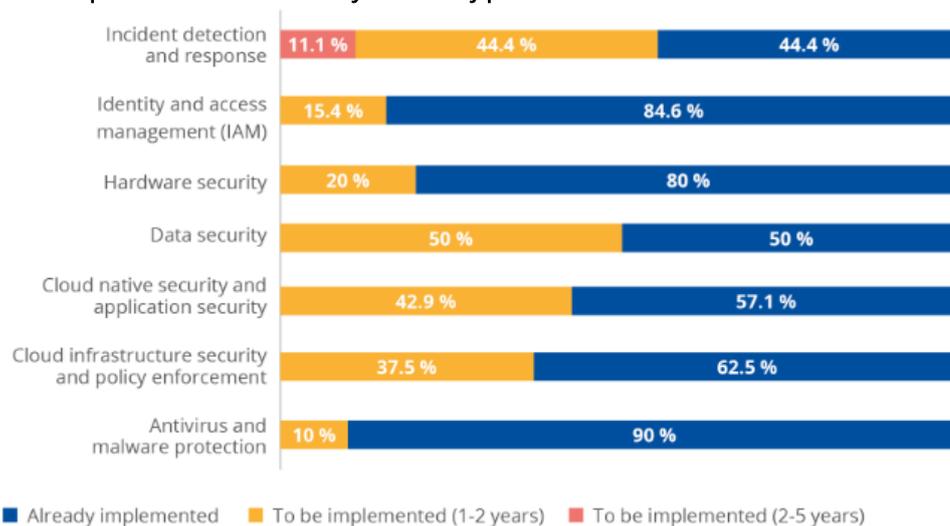
Figure 15. Threat perception of cyber security threats at EU level



Source: ENISA, IPOPEMA Research

While there is a significant chunk of enterprises who have already implemented security solutions, demand is set to increase as a result of technology adoption. For instance, only 14.1% of companies in Romania use cloud services in 2021, far below the aforementioned average of 41.0%. At a European level, 90% of companies use antivirus software, however, only 50% of them use data security solutions and only 44.4% use more advanced services such as incident detection and response. Thus, it becomes clear there still is an imbalance between the supply and demand of cyber security products.

Figure 16. Implementation timeline of cyber security products in EU



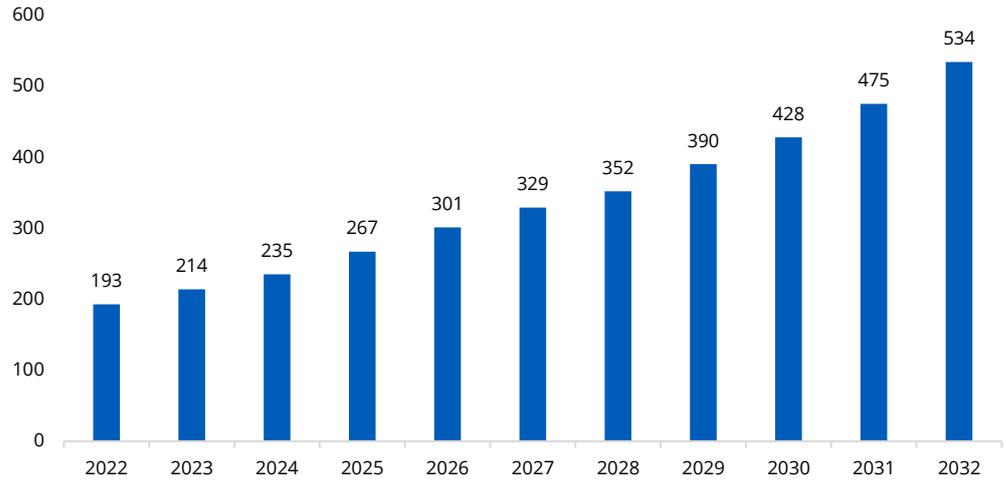
Source: ENISA, IPOPEMA Research

Based on the data described above, we have a strong conviction that the cyber security market will play a more important role in the daily activities of companies. There is a significant percentage of companies at a European who have not yet implemented such solutions. We see this as an opportunity for Safetech, as the country of origin of the product supplier is not dependent on the country of origin of the potential buyer. In this regard, we identify the following services and solutions that Safetech provides and for which it can profit most of: incident detection and response, security audits and policy implementation, vulnerability assessment, penetration testing, endpoint and network security, information and event management, and mobile security.

Additionally, government entities may also wish to contract such services, considering the ongoing initiatives of implementing national and regional cloud databases and services aimed at citizens. Thus, in our view, Safetech is in a sweet spot by operating in a still young industry that is poised to grow faster as technology adoption becomes adopted even further.

The global core cyber security market was valued in 2022 at USD 193bn by Market.us, primarily driven by a surge in e-commerce platforms, emergence of IoT products, wider adoption of cloud-based services and increased usage of artificial intelligence. By 2032, the industry is expected to reach a value of USD 534bn, that is, to grow at a compounded rate of 11% per year. While the global market is divided by two components, namely, services and on-premises solutions, the highest growth potential is expected to be registered on the services side, mainly in small and medium sized businesses. On-premises solutions are expected to grow as well, however, the driving factor is managed security in the telecommunications, financial and government institutions.

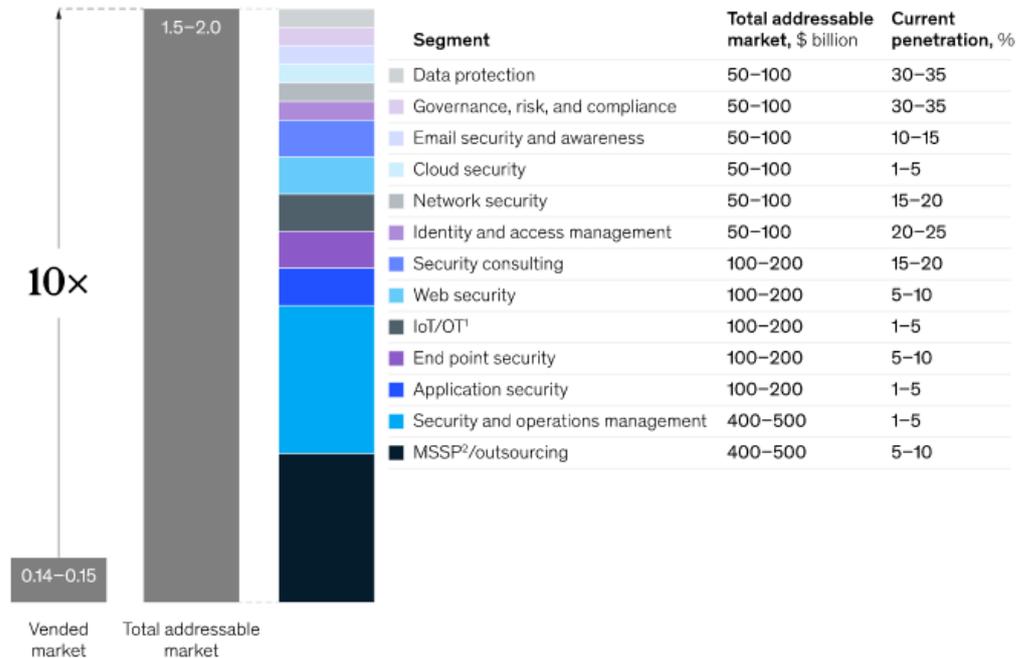
Figure 17. Global core cyber security market forecast (USD bn)



Source: Market.us, IPOPEMA Research

Moreover, McKinsey estimates that damages caused by cyberattacks will amount to USD 10.5 trillion annually by 2025, as a result of data breaches and other types of attacks. In this respect, the total addressable market reaches far beyond what is considered to be core cyber security, having an estimated value between USD 1.5 and USD 2.0 trillion. However, that does not imply the market will reach this value by 2032. Instead, it shows the market is still underpenetrated at a global level and that there is ample room for growth for the solutions and services Safetech provides to its' customers.

Figure 18. Global cyber security total addressable market in 2021 (USD bn)



Source: McKinsey, IPOPEMA Research

Company Description

Safetech is best described as a cybersecurity equity primarily operating through a B2B business model, specialized in four main service lines. More specifically, the company markets its' products as security governance services, security testing, customized solutions, MDR services and ethical hacking. Based on the company's admission to trading prospectus, services are offered based on three levels.

Level 1, Detection. This suite of services is made up of monitoring and analysis of security events, detection of security incidents and vulnerability management.

Level 2, Response. An enhancement of the previous suite, this level mainly offers further analysis, investigation of security threats and appropriate responses to security incidents.

Level 3, Advanced. The company offers forensic analysis, threat intelligence, management of security incidents and crisis management services.

Moreover, Safetech offers five types of solutions also aimed at B2B clients. These are critical infrastructure security, network security, web security, cloud solutions and mobile device security.

Critical infrastructure security. This solution primarily targets SCADA enterprises and also includes threat management products, while also providing trainings and software code review.

Network security. Mainly aimed at data protection against potential disruptions and avoidance of data theft.

Web security. Endpoint products aimed at data and network security, prevention of threats, forensic and customized VPN solutions.

Cloud solutions. The company offers in-house built cloud security products for internal and external purposes.

Mobile device security. This solution is mainly aimed at meeting critical and legal requirements for business monitoring departments.

Figure 19. Safetech's complete suite of services and solutions

Services	Solutions
Penetration testing and software code audit	Access management
Security consulting	Infrastructure security - firewall, IDS/IPS
Development of security standards	Mobile devices software
Event monitoring through STI CERT	Infrastructure security software
Detection and response of security incidents	IoT security software and firewalls
Security auditing	Software for medical devices
Risk analysis	Software for post services
Vulnerability analysis	Statistical analysis of security incidents
Design and implementation of security software	Database software
Automation of security configurations	Scanning and vulnerability management
Data recovery services	Workstation protection
Security trainings	Protection against data theft

Source: Company

Dividend policy

Safetech identifies itself as a growth company. As a result, the company adopted a dividend distribution policy in which the actual level of distribution is dependent of the required investment each year. Each year, the company proposes either a cash dividend, the allocation of an unspecified number of additional shares for each share held free of charge from the capitalized profits of the respective year, or a mix between the two.

SWOT analysis

Strengths: the company's strength relies in its' ability to scale its' products and make use of proprietary tools dedicated to improving security

Weaknesses: the average 12-month trading value is only RON 67.3k and a volume of 19.3k, making the company susceptible to price fluctuations

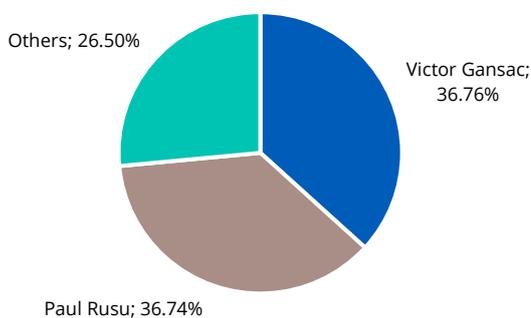
Opportunities: Safetech operates in a young market that has tremendous growth potential

Threats: the sector is highly competitive, both in Romania, Europe and worldwide. The company may not have the financial power to compete with more established international brands.

Shareholder structure

The company's majority shareholder is Victor Gansac, who owns approximately 36.8% of total outstanding shares, followed by Paul Rusu, who owns 36.7%, while retail investors and legal persons own the rest, treated as free float.

Figure 20. Safetech shareholder structure



Source: Company

Management structure

Safetech operates under a CEO, three directors and seven managers, each responsible for their department. We enumerate these in the following lines.

Victor Gansac – Chief Operating Officer

Paul Rusu – Economic Director and Head of HR

Daniel Pisaru – Sales Director

Gabriel Andronache – Strategy and Development Director

Olivia Costma – Manager of Project Development

Mihai Rauta – Manager of Security Solutions

Veronica Rauta – Manager of Security Management Services

Marinel Stanila – Manager of Audit Services and Risk Evaluation

Marius Parvu – Manager of Project Implementation

Sorin Miritescu - Manager of Security Architecture and Software Development

Bogdan Chelariu – Manager of Security Testing

Historical and forecast IFRS financial statements

Figure 21. Income statement

RON m	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Sales of goods	5.5	6.9	13.3	20.1	25.7	44.0	55.9	68.7	77.3
Rendering of services	5.1	7.8	9.7	14.9	18.9	26.3	34.8	44.9	56.0
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating revenues	10.5	14.7	23.0	34.9	44.6	70.3	90.6	113.6	133.3
Other operating income	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.5	0.5
Changes in inventories of finished products	2.3	3.6	9.3	12.9	11.0	7.0	4.5	2.8	2.7
Raw materials and consumables	-4.0	-4.8	-10.9	-12.2	-12.4	-17.8	-19.8	-23.7	-26.5
Employee benefits	-4.6	-6.1	-7.8	-10.0	-12.4	-14.6	-18.9	-23.2	-27.9
Depreciation and amortization	-0.8	-1.1	-3.2	-3.2	-3.9	-4.4	-5.2	-5.3	-5.4
Marketing expenses	-0.1	0.0	0.0	-0.2	-0.2	-0.4	-0.5	-0.6	-0.7
Rental income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3
Other operating expenses	-1.9	-2.7	-3.6	-10.9	-7.9	-11.2	-14.0	-17.5	-20.6
Operating profit	1.7	4.0	7.0	11.7	19.0	29.1	37.1	46.4	55.2
Financial income	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.4	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Net financial income	-0.3	-0.3	-0.2	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
Profit before taxes	1.4	3.6	6.8	11.6	18.7	28.8	36.8	46.1	54.9
Income tax	-0.3	-0.5	-0.8	-1.4	-2.2	-3.5	-4.4	-5.5	-6.6
Net profit for the period	1.1	3.1	6.0	10.2	16.4	25.4	32.4	40.5	48.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	1.1	3.1	6.0	10.2	16.4	25.4	32.4	40.5	48.3

Source: Company, IPOPEMA Research

Figure 22. Balance sheet

	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Cash and equivalents	0.3	1.7	6.2	3.5	12.9	15.2	17.1	19.6	20.8
Receivables	4.4	3.6	7.4	16.0	18.3	28.9	37.2	46.7	54.8
Inventories	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.4
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	4.9	5.4	13.7	19.7	31.3	44.3	54.6	66.6	76.0
Property, plant and equipment	0.6	1.0	1.5	0.6	1.0	1.2	1.6	1.9	2.1
Right of use assets	1.5	1.3	1.1	1.2	1.4	1.6	1.5	1.5	1.5
Investments in affiliates	0.0	0.0	0.0	3.9	3.9	3.9	3.9	3.9	3.9
Intangible assets	7.9	7.2	15.3	26.9	29.2	31.2	31.6	32.0	32.3
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.4	0.2	0.3	0.6	0.6	0.6	0.6	0.6	0.6
Total non-current assets	10.5	9.7	18.3	33.2	36.1	38.5	39.3	39.9	40.4
Total assets	15.4	15.1	32.0	52.8	67.4	82.8	93.9	106.5	116.3
Payables	2.6	1.5	4.7	8.7	8.7	12.5	13.8	16.6	18.5
Interest bearing debt	1.3	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Current part of long-term interest bearing debt	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current part of lease liabilities	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4
Deferred taxes	0.2	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Provisions	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Other current liabilities	1.9	1.8	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Total current liabilities	6.7	4.9	7.9	11.3	11.3	15.1	16.5	19.3	21.3
Interest bearing debt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	5.9	2.9	8.6	13.1	13.1	13.1	13.1	13.1	13.1
Lease liabilities	1.5	1.3	1.1	1.1	1.3	1.4	1.5	1.6	1.7
Total non-current liabilities	7.5	4.2	9.7	14.2	14.4	14.5	14.6	14.7	14.8
Total liabilities	14.2	9.2	17.6	25.5	25.6	29.6	31.1	34.0	36.0
Share capital	0.0	0.6	5.9	13.3	13.3	13.3	13.3	13.3	13.3
Share premiums	0.0	2.4	2.4	2.9	2.9	2.9	2.9	2.9	2.9
Treasury shares	0.0	0.0	0.0	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Legal reserves	0.0	0.2	0.5	1.1	1.1	1.1	1.1	1.1	1.1
Other elements of equity	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Retained earnings	1.2	2.8	5.6	11.0	25.5	36.9	46.5	56.3	64.0
Total equity	1.2	6.0	14.4	27.3	41.8	53.2	62.8	72.5	80.3
Total liabilities and equity	15.4	15.1	32.0	52.8	67.4	82.8	93.9	106.5	116.3

Source: Company, IPOPEMA Research

Figure 23. Cash flow

RON m	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Profit before taxes	1.4	3.6	6.9	11.6	18.7	28.8	36.8	46.1	54.9
Depreciation and amortization	0.6	0.9	3.0	3.0	3.7	4.1	4.9	5.1	5.2
Depreciation of right of use assets	0.0	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Employee benefits	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Revaluation of tangible assets	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation of receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in provisions	0.0	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0
Gains from sale of fixed assets	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains from write offs of receivables and payables	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	0.2	0.3	0.2	0.1	0.3	0.3	0.3	0.3	0.3
Operating profit before changes in working capital	0.8	5.1	10.3	15.1	22.8	33.5	42.3	51.7	60.6
Changes in inventories	0.0	0.0	0.0	0.0	-0.0	-0.1	-0.1	-0.1	-0.1
Changes in receivables	0.0	0.2	-0.1	-8.6	-2.3	-10.6	-8.4	-9.5	-8.1
Changes in payables	2.0	-0.5	-0.7	4.3	-0.1	3.8	1.4	2.7	1.9
Changes in deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from operations	2.8	4.8	9.5	10.9	20.4	26.7	35.2	44.9	54.4
Interest paid	-0.2	-0.3	-0.2	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3
Income tax paid	-0.3	-0.4	-0.8	-1.2	-2.2	-3.5	-4.4	-5.5	-6.6
Cash flows from operating activities	2.2	4.1	8.5	9.5	17.9	22.9	30.6	39.1	47.5
Proceeds from sale of non-current assets	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Acquisition of intangible assets	-2.3	-3.9	-10.7	-13.4	-5.6	-5.6	-5.1	-5.1	-5.1
Acquisition of property, plant and equipment	-0.3	-0.7	-1.8	-0.4	-0.8	-0.8	-0.6	-0.6	-0.6
Equity investments	0.0	0.0	0.0	-3.9	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash used in investing activities	-2.6	-4.6	-12.5	-17.9	-6.4	-6.4	-5.7	-5.7	-5.7
Increase of share capital	0.0	0.6	2.8	7.4	0.0	0.0	0.0	0.0	0.0
Increase in share premiums	0.0	2.4	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Share buybacks	0.0	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	0.0
Increase in subsidies	1.5	0.9	6.5	4.5	0.0	0.0	0.0	0.0	0.0
Changes in debt	-0.2	-0.6	-0.1	-1.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-0.9	-1.0	-0.4	-4.2	-1.9	-14.0	-22.8	-30.8	-40.5
Leasing payments	-0.2	-0.5	-0.3	-0.4	-0.2	-0.2	-0.1	-0.1	-0.1
Cash used in financing activities	0.2	1.9	8.5	5.7	-2.1	-14.2	-22.9	-30.9	-40.6
Net increase in cash	-0.2	1.4	4.5	-2.7	9.3	2.3	1.9	2.5	1.2
Cash at the beginning of the period	0.5	0.3	1.7	6.2	3.5	12.9	15.2	17.1	19.6
Cash at the end of the period	0.3	1.7	6.2	3.5	12.9	15.2	17.1	19.6	20.8

Source: Company, IPOPEMA Research

This document has been prepared by IPOPEMA Securities S.A. with its registered seat in Warsaw, Prózna 9, 00-107 Warsaw, Poland, entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court for the City of Warsaw, XII Commercial Division of the National Court Register under entry number KRS 0000230737, the initial capital and paid capital in the amount of PLN 2.993.783,60, NIP 5272468122, www.ipopema.pl. IPOPEMA Securities S.A. is supervised by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), Piękna 20, 00-549 Warsaw, Poland.

This document was prepared by IPOPEMA Securities S.A. for information purposes only. This document is addressed to IPOPEMA Securities S.A. clients entitled to receive it on the basis of contracts for the provision of services. This document, using mass media distribution channels, may also reach other investors. It has been produced independently of the company mentioned in this document and any forecasts, opinions and expectations are entirely those of IPOPEMA Securities S.A. Unless otherwise specified, the estimates and opinions contained in the document constitute an independent assessment of IPOPEMA Securities S.A. analysts preparing the document as of the date of issuing the document.

IPOPEMA Securities S.A. prepared this document with the preservation of all adequate diligence, thoroughness and reliability on the basis of publicly available information which IPOPEMA Securities S.A. believes to be reliable. The sources of data are primarily: Bloomberg, Reuters, EPFR, Polska Agencja Prasowa, WSE, Główny Urząd Statystyczny, Narodowy Bank Polski, financial press, online financial and economic services. While due diligence has been taken by IPOPEMA Securities S.A. to ensure that the facts stated herein are accurate and that any forecasts, opinions and expectations contained herein are fair and reasonable, IPOPEMA Securities S.A. has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. The opinions expressed in the document can change without notice and IPOPEMA Securities S.A. is under no obligation to keep these opinion current. None of the IPOPEMA Securities S.A. or any other person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith provided that IPOPEMA Securities S.A. has been exercised due diligence and integrity during its preparation. This document may be sent to the mass media, however its copying or publishing in whole or in part as well as dissemination of information enclosed to it is allowed only with prior permission of IPOPEMA Securities S.A. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada, Serbia or Japan, subject to the following section.

Important disclosures for U.S. Persons: Auerbach Grayson & Company Inc. may distribute this document in the U.S. This document is provided for distribution to Major U.S. Institutional Investors in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended and may not be furnished to any other person in the U.S. Each Major U.S. Institutional Investor that receives this document shall not distribute or provide it to any other person. Under no circumstances should any U.S. recipient of this document effect any transaction to buy or sell securities or related financial instruments through IPOPEMA Securities S.A. Any U.S. recipient of this document wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this document should do so only through Auerbach Grayson & Company Inc. 25 West 45th Street, Floor 16, New York, NY 10036 U.S. which is a registered broker dealer in the U.S. IPOPEMA Securities S.A. is not a registered broker-dealer in the U.S. and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. IPOPEMA Securities S.A. and its research analysts are not associated persons of Auerbach Grayson & Company, nor are they affiliated with Auerbach Grayson & Company. The author of this document whose name appears in this document is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"), is not subject to the SEC rules on research analysts and is not subject FINRA's rules on debt research analysts and debt research reports, equity research analysts and equity research reports. U.S. recipients should take into account that information on non-U.S. securities or related financial instruments discussed in this document may be limited. The financial instruments of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the U.S.

This document does not constitute any offer to sell or induce any offer to buy or sell any financial instruments, cannot be relied on in connection with any contract or liability and does not constitute advertising or promotion of a financial instrument or the company. Investment decisions should only be made on the basis of a prospectus or other publicly available information and materials.

The document was prepared without taking into account the needs and situation of the recipients of the document. When preparing the document, IPOPEMA Securities S.A. does not examine the recipient's investment objectives, risk tolerance level, time horizon and financial standing of the investors. The company or the financial instruments discussed in the document may not be suitable for the users of the document, i.e. it may not be suitable for the specific objectives and time horizon or the financial situation. Information included in the document cannot be regarded as a substitute for obtaining investment advice service. The value of financial instruments may fluctuate, including declines. Changes in FX rates may have an adverse effect on the value of investments. The investment in financial instruments is linked to investment risks including loss of entire or part of the invested capital. Past performance is not necessarily indicative of future results. IPOPEMA Securities S.A. points out that the price of financial instruments is affected by many different factors that are or may be independent of the company and the results of its operations. These include, among others changing economic, legal, political and tax conditions. IPOPEMA Securities S.A. may have issued in the past or may issue other documents in the future, presenting other conclusions, not consistent with those presented herein document. Such documents reflect different assumptions, points of view and analytical methods adopted by the analysts preparing them.

Investors should be aware that IPOPEMA Securities S.A. or its related entities may have a conflict of interest that could affect this document's objectivity. The investor should assume that IPOPEMA Securities S.A. or its related entities may provide services in favour of the company and obtain remuneration on this account. They may also have another financial interest with respect to the company. IPOPEMA Securities S.A. or its related entities may seek to do business with the company or other entities mentioned in this document. IPOPEMA Securities S.A. has an organizational structure and internal regulations in place to ensure that the client's interests are not compromised in the event of a conflict of interests, in relation to preparing this document. Conflict of interest management policy is available on the website at <https://www.ipopemasecurities.pl/analizy-i-rekomendacje.p162>. This document was prepared irrespective and independently of the interests of IPOPEMA Securities S.A., the company that is the subject of this document and holder of financial instrument issued by aforementioned company. IPOPEMA Securities S.A., its shareholders, employees and associates may hold long or short positions in the company's financial instruments or other financial instruments related to the company's financial instruments.

On the order of the Warsaw Stock Exchange S.A. ("WSE"), IPOPEMA Securities S.A. creates analytical materials for the following companies: ATM Grupa S.A., Mirbud S.A., ML System S.A., Molecure S.A., PointPack S.A., SFD S.A., Synektik S.A., Fabryka Farb i Lakierów Śnieżka S.A., Ultimate Games S.A., VIGO Photonics S.A. The WSE has proprietary copyrights to these materials. For the preparation of IPOPEMA Securities S.A. receives remuneration from the WSE. Information on the program is available on the website <https://www.gpw.pl/gpwpa>.

On the order of the Bursa de Valori Bucuresti S.A. ("BVB"), IPOPEMA Securities S.A. creates analytical materials for the following companies: Bittnet Systems S.A., Impact Developer & Contractor S.A., OMV Petrom S.A. and Safetech Innovations S.A. The BVB has proprietary copyrights to these materials. For the preparation of IPOPEMA Securities S.A. receives remuneration from the BVB.

IPOPEMA Securities S.A. uses a number of valuation methodologies including discounted cash flows models (such as discounted operating earnings or dividend discount model), and earnings and cash-flow based models, which are often related to comparisons with selected peer companies. Cash flow models encapsulate the cash streams forecast to flow to a company, and are widely used in the investment industry. Peer comparisons factor in amongst other factors, differential growth rates, and indicate how expensive one company might appear relative to a chosen comparator. The subjective opinions of the report's author or authors, formed by their knowledge and experience, play a significant role in the valuation. Also included are assumptions on numerous economic variables, particularly interest rates, inflation and exchange rates and varying these assumptions could result in significantly different opinions. The strength of the earnings and cash flow based models is the closer attention to a company on a standalone basis, and tying the valuation to its fundamental value. The weakness of such method is the number of assumptions, which need to be adopted and resulting sensitivity to those assumptions. The peer comparisons methods are less dependent on the analyst's judgment as to the individual parameters, however the problem with this method appears when the peer comparator is over- or undervalued. Moreover, leading multiples (based on the future earnings, book values, operating profit or cash flows) include an analyst's estimate of those values.

This document was not transferred to the company prior to its publication. This document was prepared according to the author's own view, assumptions and knowledge.

Recommendations issued by IPOPEMA Securities S.A. they are valid for a period of 12 months from the date of issue, unless they are updated during this period. IPOPEMA Securities S.A. updates the issued recommendations depending on the market situation and subjective analysts' assessment. In the last 12 months IPOPEMA Securities S.A. has not prepared any recommendation concerning the company.

This document is an investment research within the meaning of Art. 36 par. 1 of the Commission Delegated Regulation (EU) 2017/565.

List of all recommendations regarding any financial instrument or issuer that have been disseminated within the last 12 months by IPOPEMA Securities S.A. is available on the website at <https://www.ipopemasecurities.pl/analizy-i-rekomendacje.p162>.

The date and the time stated on the front page is the date of the preparation of this document. The price used throughout the recommendation to calculate adequate ratios is the "last" price stated on the front page of this document.

The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

The author of this document has no conflict of interest with the company that is the subject of this document. The point of view expressed in the document reflects the personal opinion of the author of the document on the analyzed company and its financial instruments. Investors should be aware that flexible part of the author's compensation may depend on general financial performance of IPOPEMA Securities S.A.

IPOPEMA Securities S.A. shall act with due diligence, honestly, fairly, professionally and in accordance with the provisions of the applicable law.

IPOPEMA Securities S.A. does not guarantee achieving the investor's investment objective, the performance of company or prospective prices referred to herein.

When applying ratings for companies following criteria are used with regards to the difference between IPOPEMA's FV and company's price at the date of recommendation:

Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (1 January – 31 March 2023)

	Number	%
Buy	9	90%
Hold	1	10%
Sell	0	0%
Total	10	100%

Rating History – Safetech Innovations

Date	Recommendation	Fair Value	Price at recommendation	Author
27/04/2023	BUY	RON 3.4	RON 3.1	Ionut Gavris