Reversed profit warning; 11/9% sales/ARR beat

Teneo issued a reversed profit warning yesterday evening. Sales and ARR were around 10% ahead of PAS in Q4, mainly driven by increasing usage among existing SaaS customers. For the first time, ARR is more than SEK 100m (growth was 65% y/y in Q4). Thanks to good cost control, EBITDA and CF were also ahead of expectations, rapidly approaching breakeven. The prospect of Teneo reaching its SEK 200m ARR target in 2025 looks better than ever, and we will likely increase our estimates to reflect this. Preliminary, we reiterate Buy and will raise our TP by around 40% (from SEK 1 to around SEK 1.40), reflecting positive estimate changes.

Reversed profit warning

- Teneo issued a reversed profit warning on Tuesday after closing (full Q4 results will be disclosed on February 20)
- Sales/ARR were 11/9% ahead of PAS, growing >60% y/y and >20% q/q. For the first time, ARR is more than SEK 100m, which we consider an important milestone
- The main growth drivers appear to be existing SaaS customers. SaaS ARR grew 38% q/q, supported by even higher SaaS usage (SaaS API Call volumes), which rose 47% q/q
- Net revenue retention was an impressive 135%, suggesting high satisfaction and usage among existing customers
- This topline growth, coupled with good cost control (OPEX grew by LSD% q/q), also led to a significant EBITDA and cash flow beat
- With this, Teneo achieved both of its financial targets for 2024: 1bn API Call volumes during 2024 and positive operating cash flow during one month in 2024
- Looking into 2025, Teneo aims to reach more than SEK 200m in ARR. We have been slightly more cautious and forecasted SEK 156m

Conclusion

- Assuming Teneo reaches its ARR target, we expect to increase our 2025-26 sales estimates by at least 20-30% (potentially more for EBITDA)
- We await the full report before changing our rating/TP but will preliminarily maintain Buy and raise our TP by around 40% (from SEK 1 today to around SEK 1.40)

Deviation table

		Historical		Actual	PAS		Growth	
P&L		**Q4'23**	**Q3'24**	**Q4'24**	**Q4'24e**	**Dev (%)**	**y/y**	**q/q**
Net sales	SEKm	15.8	21.2	26.5	23.8	11%	68%	25%
Gross profit	"	12.2	16.7	21.2	19.1	11%	74%	27%
Gross margin	%	77%	79%	80%	80%	0.0pp	3.0pp	1.0pp
EBITDA adj.	SEKm	(5.8)	(5.9)	(1.7)	(5.9)	-71%	-71%	-71%
EBIT	"	(9.5)	(23.8)	na	(9.9)			
Net profit	"	(19.4)	(27.9)	na	(12.5)			
Cash flow								
OCF before WC	SEKm	(8.6)	(16.4)	(1.3)	(5.9)	-78%	-85%	-92%
ARR								
ARR	"	63.0	84.3	103.9	95.4	9%	65%	23%
SaaS ARR	"	31.0	54.3	75.1			142%	38%
Monthly SaaS API Calls (m)	m	18.1	41.0	60.3			233%	47%

Source: Pareto Securities

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