Reset, recapitalized and rebuilding

Teneo's Q2'26 reflected a full ARR reset to SEK 21m (from 70m at YE25) after the loss of a major US distribution partner, leaving net sales at SEK 6m and adj EBITDA at -17m. Attention now shifts to the pipeline. The rollout at a major Turkish telco could alone add significant ARR once fully scaled over 18mths, alongside Medtronic and the lower-cost Teneo 10. The completed restructuring, including debt-to-equity conversion and a fully guaranteed SEK 74m rights issue, leaves Teneo debt free and funded to targeted breakeven in Q1'27. ***Due to Pareto Securities AB engagement as financial advisor to Teneo we suspend our rating and TP for the time being.***

Complete ARR reset

- ARR declined to SEK 21m in Q2'26 versus 70m in YE25 and 104m in YE24. This is mainly due to the loss of a major US distribution partner, who has taken over control end-customer relationships. From here, the key growth opportunities include 1) FGS (Vodafone-owned Turkish co) has begun deploying Teneo at a major Turkish telco (potential to add USD 1m in MRR (USD 12m / SEK 116m in ARR)) once fully scaled over 18mths, 2) Medtronic implementation, 3) New product (Teneo 10) with lower compute cost will increase appeal towards smaller customers, and 4) New partnerships and patent licensing
- Due to the ARR deterioration, net sales amounted to SEK 6m in Q2'26, versus 22m in Q2'25. Consequently, adj EBITDA was -17m in Q2'26, versus -3.9m in Q2'25
- Teneo is adjusting its cost base to the lower sales base, including through collective dismissals in Spain
- Management targets cash flow breakeven by Q1'27 as a result of OPEX decreasing to around SEK 5m/month run-rate and ARR/sales increasing beyond that level (thanks to the current pipeline)

Debt free at last

- Cash burn was around SEK 20m in Q2'26
- Teneo has completed a restructuring, which includes 1) Capital Four converting its senior debt to equity (29.9% of the shares post-restructuring), 2) A fully secured/guaranteed rights issue of SEK 74m gross at SEK 0.05/share, 3) SEK 10m in bridge financing, and 4) conversion of a previous SEK 25m loan into shares
- As a result, Teneo's interest-bearing debt to the lender will be eliminated entirely and the balance sheet significantly strengthened
- This provides conditions to fund operations through to cash-flow positivity following the revenue shortfall from the conflict with a former partner
- Also, combined with significant cost reductions, the strengthened financial platform is intended to let Teneo focus on market opportunities

Valuation

- Nordic software companies trade at 2.5-3x EV/S in 2026-28 (with large discrepancies between companies). We note significantly higher valuation for US tech companies, with a median EV/S of ~5x in 2027
- At SEK 0.05/share, we see market cap at around SEK 160m post-restructuring
- An ARR of around SEK 60m in YE27 would imply a valuation of ~2.5x P/ARR (lower for EV/ARR)

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