Bottomed out and starting to rebuild

Teneo's Q3'26 confirmed that ARR has bottomed out at SEK 22m (21m in Q2'26), albeit at less than a third of YE25. Net sales were SEK 5.5m and adj EBITDA -11.3m (-17m). The completed restructuring leaves Teneo debt free with SEK 28m adj cash and OPEX at the targeted SEK 5m/month. Mgmt reiterates cash flow breakeven in Q1'27, requiring ~SEK 3m in added monthly sales from three sold projects: FGS in Türkiye, a Nordic telco and Medtronic. SEK 60m in ARR by YE27 would value Teneo at 1.6x P/ARR or around 50% below Nordic SaaS peers. We currently have no rating or TP for Teneo.

ARR has bottomed out

- ARR was SEK 22m in Q3'26 versus 21m in Q2'26, 70m in YE25 and 104m in YE24. This follows the loss of a major US distribution partner, who has taken over control of end-customer relationships. ARR has now stabilized (+3% q/q, +1% in constant currency), but at less than a third of the YE25 level
- Net sales amounted to SEK 5.5m in Q3'26, versus 6.4m in Q2'26 and 20.4m in Q3'25
- Gross margin recovered to 76% versus 70% in Q2'26 (but down from 87% in Q3'25). Mgmt expects further improvement with higher volumes and the lower delivery cost of Teneo 10
- Pricing moves from API calls to a fixed price per minute from Q4'26, which mgmt sees as broadly neutral to revenue

Leaner and debt free

- Adj EBITDA improved to SEK -11.3m in Q3'26, versus -17.0m in Q2'26. OPEX reached the targeted SEK 5m/month run-rate in September, versus 9.4m a year ago, and Q4'26 will be the first full quarter on the new cost base
- FCF amounted to around SEK -23m in Q3'26, burdened by deferred payments from Q2 and refinancing-related legal and advisory fees. The restructuring is now completed, with Capital Four holding 29.9% plus a SEK 25m profit-share right in a sale or other value-generating transaction. Teneo is debt free, with adjusted cash of SEK 28m at end-Q3'26
- Mgmt has replaced the USD 20m revenue ambition with cash flow positivity as the overriding target. M&A and the US legal claim sit with the board, and patent licensing is no longer a focus

Three go-lives to reach breakeven in Q1'27

- Mgmt reiterates the cash flow breakeven target for Q1'27, which requires adding SEK 3m in monthly sales. That would take Teneo to SEK 5m/month, or SEK 60m in ARR. Mgmt is 60-70% confident of reaching this by end-Q1'27 and 100% by summer
- This rests on three sold projects in implementation: 1) FGS at a major Turkish telco, with go-live delayed from September to November due to local data centre migration, 2) AI Call Guardian at a Nordic telco, planned for production in December, and 3) Medtronic on Teneo 10 and ServiceNow, on plan. Reaching breakeven requires 40-50% of their combined potential
- Further opportunities include 1) three large Teneo 10 workshops in the coming weeks, 2) reactivation of deals halted after the June cash announcement, and 3) new partners to be signed in Q4'26 targeting smaller and mid-sized customers

Valuation

- All else equal, assuming no further sales growth improvement, Teneo has a cash buffer of >8mths. However, should it deliver on its targets, we see no need for further defensive capital injections
- At a share price of SEK 0.03 per share and with 3,143m shares outstanding, the Mcap stands at around SEK 95m
- An ARR of around SEK 60m in YE27 would imply a valuation of 1.6x P/ARR, and lower for EV/ARR
- For reference, the median Nordic SaaS company is valued at 3x NTM EV/S and 9.3x NTM EV/EBITDA

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