

# Fellowmind – Putting People at Heart.

*Growing a pan-European platform to make IT work.*



Wojciech Wójcik



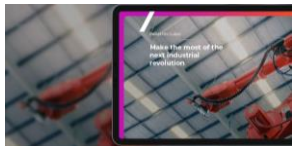
Josefine Loe



Christian Fisch



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29 September 2022



# Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4-9</b>
<b>PRESENTATION</b>	<b>10-27</b>
1. Commercial Strategy	11-16
2. Valuation	17-22
3. Buyer & Process Consideration	23-26
<b>APPENDIX</b>	<b>27-34</b>
A. Financial Assumptions and Valuation	28-30
B. Due diligence process, ESG considerations and risks	31-34

# Executive Summary

Putting People at Heart. – Fellowmind 2024

## Introduction to Fellowmind

- Fellowmind is a leading pan-European IT service group, providing holistic advisory services in Microsoft's full suite of cloud offerings
- With a history of successful strategic acquisitions, Fellowmind consolidated multiple small players in different countries, building what is to become a truly international platform, supporting customers across borders
- Fellowmind has a history of above-average employee and customer satisfaction

## The mandate

- FSN Capital has received two unsolicited bids from potential investors:
  - DTU Capital Partners offers to acquire 100% of fully-diluted shares in Fellowmind at an Enterprise Value of EUR 525m
  - KIRKBI offers to acquire 20% of shares for EUR 100m at an Enterprise Value of EUR 500m; subject to a set of minority rights
- **Should FSN keep their full stake in the company aiming for an exit in 2024 or accept one of the solicited offers?**
  - Which option provides most attractive returns?
  - Which option positions Fellowmind and its people best for sustainable growth in the future?

## Key Considerations

- Continuous market growth across core business areas of Fellowmind (SaaS, PaaS, Microsoft 365 suite adoption)
- Growth potential to buildout Fellowmind consulting platform across strong economies within Europe
- Fellowmind uniquely positioned in the market with self-reinforcing, international consulting, subscription and service management business
- Aligning visions of FSN and Fellowmind on people- and ESG-centric leadership
- Current macroeconomically uncertain exit climate leading to volatile valuations and reluctance towards technology firms

## Fat MOIC & Co advice

Fellowmind, leveraging the experience and active ownership of FSN Capital is uniquely positioned to capture more value in the market in a continued holding period.

Fellowmind should grow its product offering through a buy-and-build strategy in the cybersecurity space

Building on the “Putting People at Heart” strategy, Fat MOIC & Co expects an indicative exit value EOY 2024 of PV 653m EUR via multiple exit routes, including an IPO or a strategic acquisition. This results in an exit IRR of ~30% for FSN, compared to the current IRR of ~20%

# Contents

EXECUTIVE SUMMARY	3
-------------------	---

INTRODUCTION	4-9
--------------	-----

PRESENTATION	10-27
--------------	-------

1. Commercial Strategy	11-16
2. Valuation	17-22
3. Buyer & Process Consideration	23-26

APPENDIX	27-34
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A. Financial Assumptions and Valuation	28-30
B. Due diligence process, ESG considerations and risks	31-34

# Introduction to Fellowmind

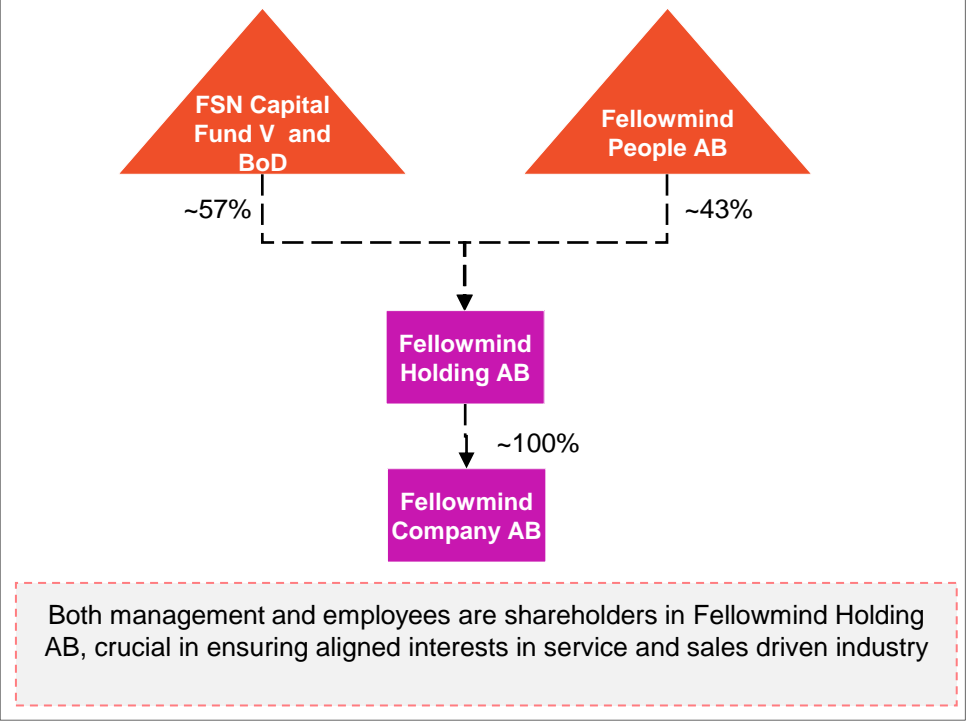
Fast-growing pan-European organisation with strong track record in buy-and-build growth and favourable ownership structure

## Introduction to Fellowmind

Leadership	<div><div>Theo Rinsema Chairman</div></div> <div><div>Emiel Putman CEO</div></div> <div><div>Bert Koorn CFO</div></div>
Description	<ul style="list-style-type: none"><li>IT-services firm with a focus on consulting, implementing, and managing services, all across the Microsoft software</li><li>Three focus business areas<ul style="list-style-type: none"><li>Consulting</li><li>Subscriptions</li><li>Managed Services</li></ul></li></ul>
Team	<ul style="list-style-type: none"><li>Fellowmind consists of ~1,875 employees</li><li>The group management team consist of 8 highly experienced leaders</li><li>Country heads driving local efforts</li><li>Successful first post-acquisition integration steps</li></ul>
Markets served	<ul style="list-style-type: none"><li>Fellowmind initially started in Netherlands</li><li>Fellowmind has, through buy-and-build strategy, acquired multiple firms which has allowed them to target a broader geographical and product segment and growing in major European markets</li></ul>
Current shareholders	<ul style="list-style-type: none"><li>FSN capital (~52%)</li><li>Acquisition of shares in Holding AB 2019</li><li>Board of Directors (~5%)</li><li>The employees of Fellowmind (~43%)</li></ul>

## Current ownership structure

### Two key parties



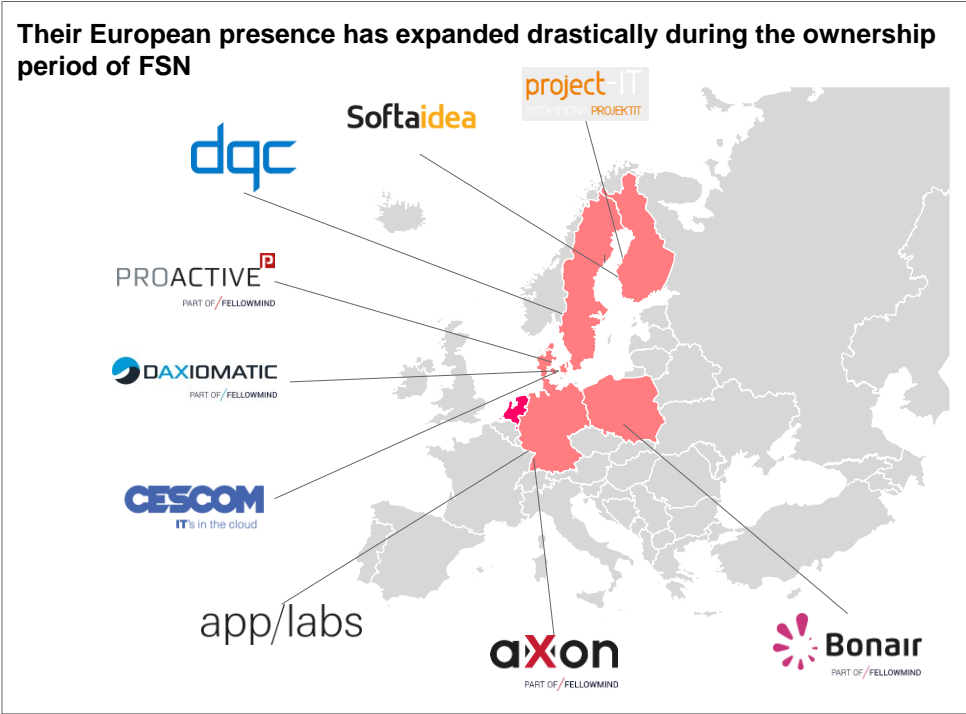
### European Footprint

Netherlands	Denmark	Sweden	Finland	Germany	Poland
HQ, 2 offices	8 offices	8 offices	8 offices	3 offices	3 offices
					

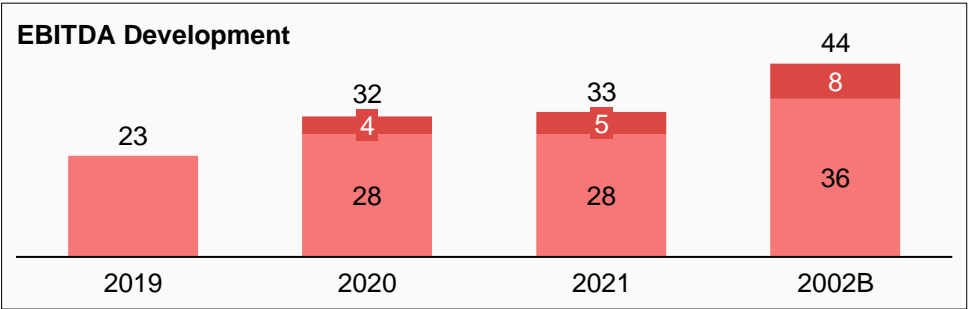
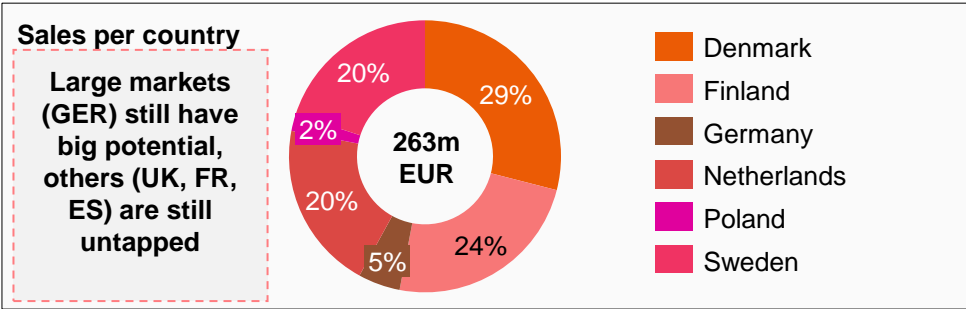
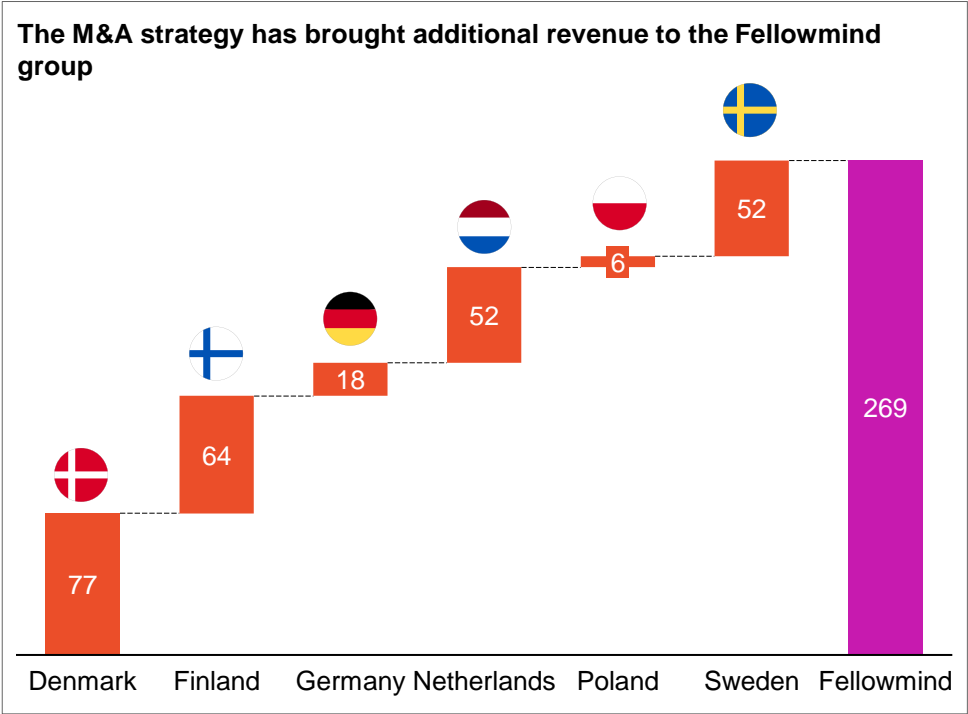
# Current organic growth model under FSN ownership

The M&A strategy has accounted for solid growth in revenue for Fellowmind, but there is still a large unexplored market

## Locations and acquisitions during FSN ownership



## Growth figures



# Internal Analysis

Most of Fellowmind's revenue is generated through comparably low-margin consulting. Growing in high-margin products will be key

## Introduction to Fellowmind's business areas

### Consultancy and implementation

- Fellowmind advises all types of customers on their IT solutions, with consultants specialized in industry specific IT knowledge and system implementation skills
- Consultancy and implementation are currently the highest revenue generating services of Fellowmind
- Despite the high revenue generated, margins are affected by high costs in terms of salaries to consultants
- Revenues generated from consultancy and implementation are project based, hence optimizing utilization of these services is crucial to bring in profits

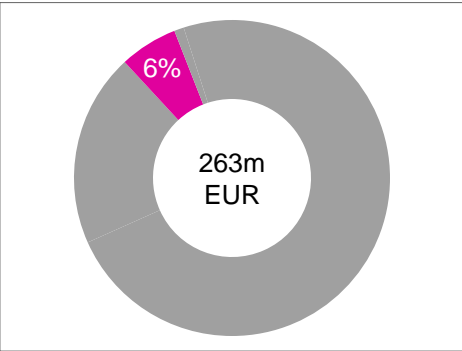
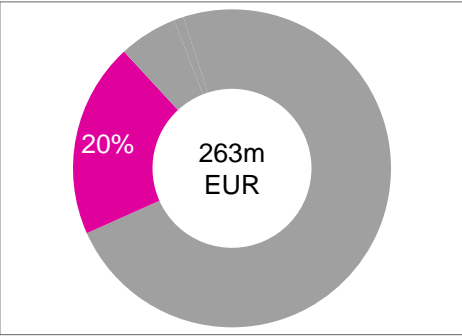
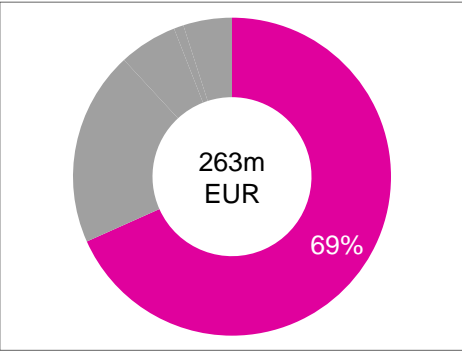
### Subscription Services

- Fellowmind offer subscription services by reselling Microsoft subscription with added value to a premium
- Fellowmind receives a monthly per cent of total subscription sales
- These services require little operating costs, resulting in higher margins

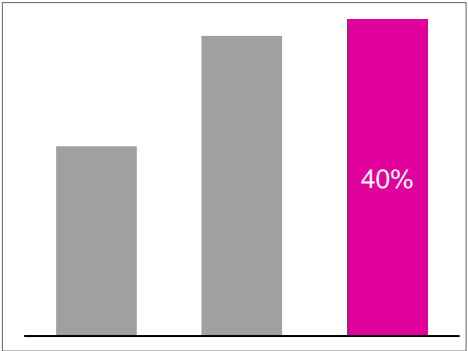
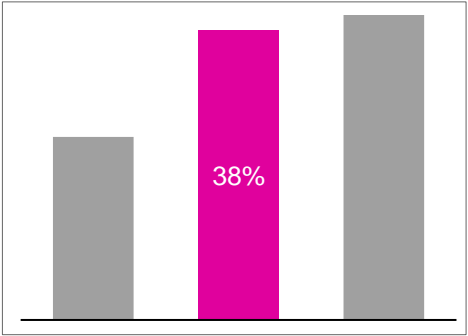
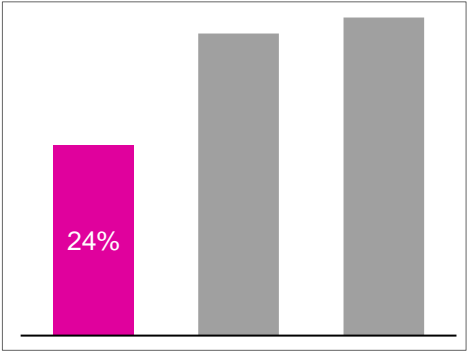
### Managed Services

- Fellowmid offers 24/7 monitoring and managed services that overlook the IT infrastructure of their customers
- High-margin business, recurring revenues are highly predictable
- IT service provider exhibit generally high stickiness – clients do not tend to switch providers, **making the managed services a highly attractive, profitable growth market**

## Revenue generation



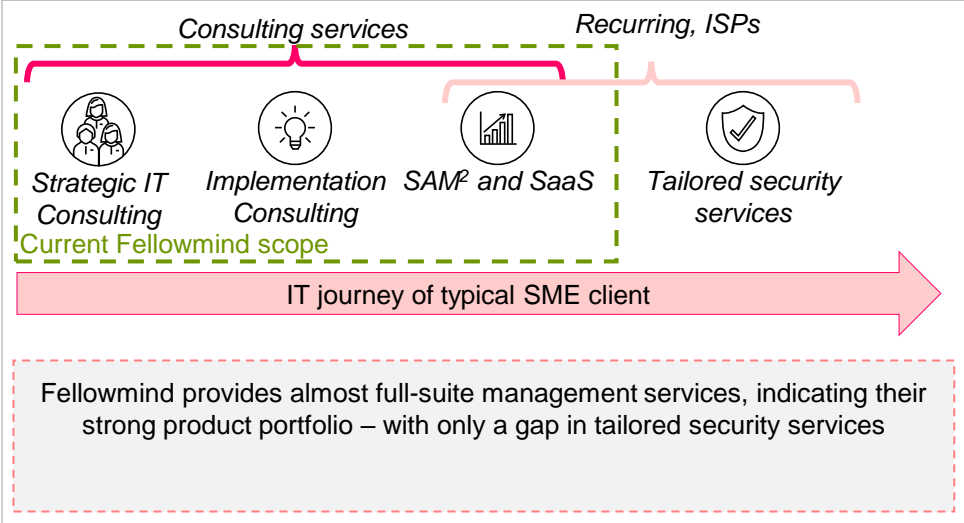
## EBITDA margin by service



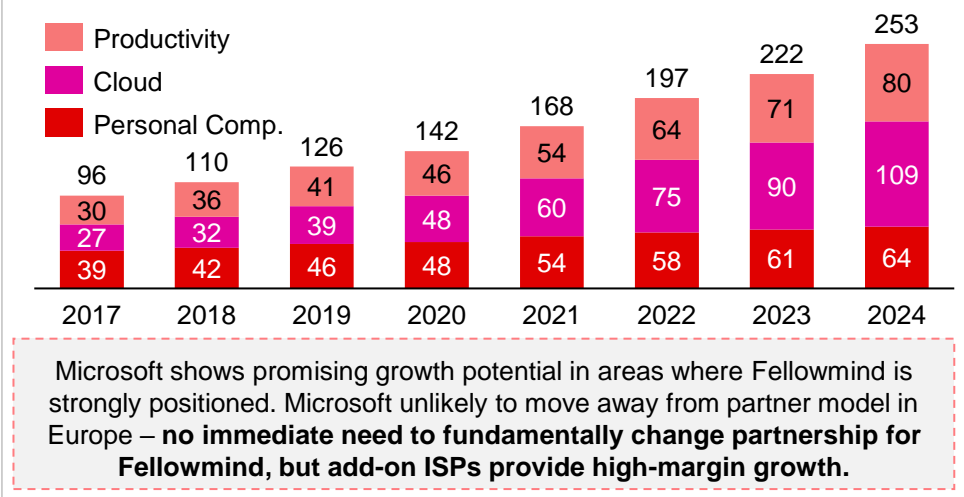
# Fellowmind – the vision ahead in the ever-changing IT sector

Analysing developments in the IT industry show Fellowmind is well positioned, but has to improve on focus areas

## Business Cycle

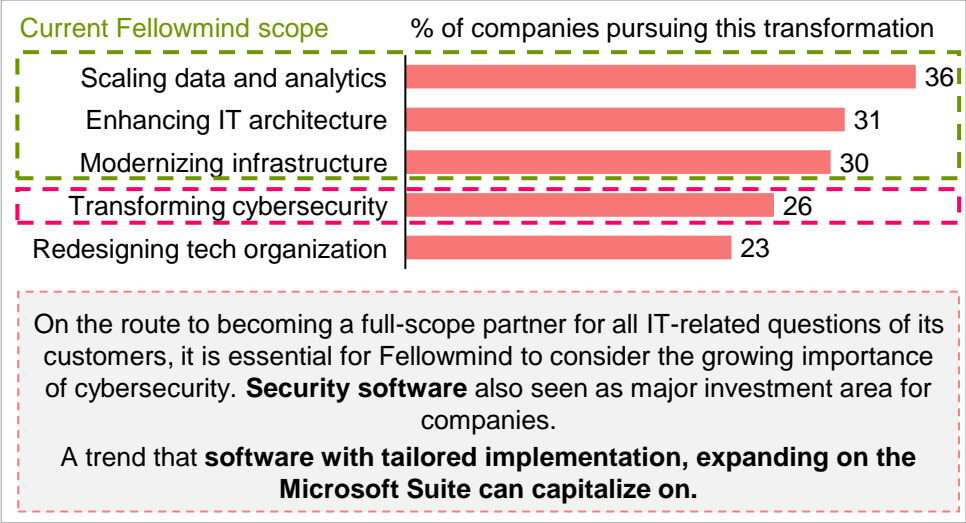


## Fellowmind depends on Microsoft – does that need to change?

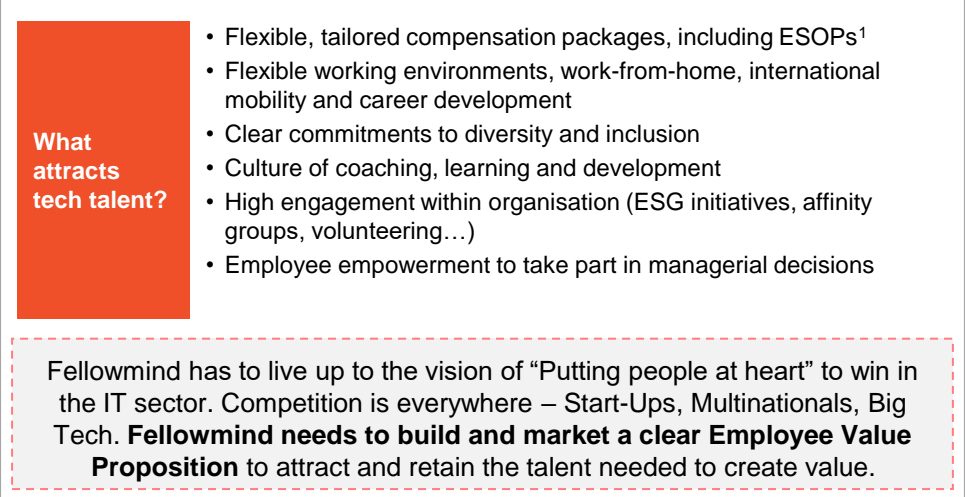


Notes: 1) Employee Share Ownership Program; 2) Software Asset Management  
Source: McKinsey Research, Bain & Company, KPMG, Factset

## What key transformation is on the mind of CEOs?



## The war for talent is long ongoing





# Summary – key considerations to build a strategic plan

Fellowmind is well positioned to capture more value in a growing market under active ownership of FSN Capital.

## Overview of key analysis findings

### Expansion potential



- **Geographic:** Internal analysis has identified further growth potential in existing markets like Germany and new markets in Europe with strong economies like the United Kingdom
- **Product:** Revenue analysis has shown potential to grow high-margin subscriptions and services, fueled by the large consulting business

### Microsoft partnership



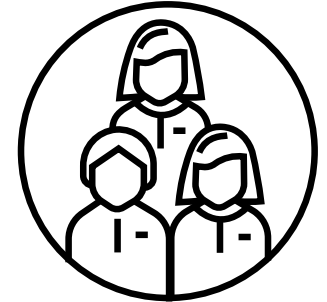
- Identified **continuous need for Microsoft** products and implementation services at attractive growth rates
- Emphasised attractive niche for **independent service providers** with high margins and good implementation via MS Azure

### Full Business Cycle Support



- Analysing top investment priorities shows that Fellowmind is strongly positioned, but to be a truly **holistic service provider, cybersecurity products and services** need to be build out

### Above everything: People



- Showed need to differentiate Fellowmind employer brand to **increase corporate integration** post-acquisition
- Emphasised urgency to **attract and retain Tech talent** that is highly demanded
- Outlined potential of **European Fellowmind platform** to achieve both of these ambitions

There is more value to be captured by positioning Fellowmind as a one-stop-shop for all top-level IT questions, from business processes to cybersecurity. Growing Fellowmind in cybersecurity, ideally through a high-margin ISP and building on European footprint to increase employee satisfaction and better use consultant time can be achieved through continuous **active FSN ownership, increasing value creation** for all parties

# Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4-9</b>
<b>PRESENTATION</b>	<b>10-27</b>
1. Commercial Strategy	11-16
2. Valuation	17-22
3. Buyer & Process Consideration	23-26
<b>APPENDIX</b>	<b>27-34</b>
A. Financial Assumptions and Valuation	28-30
B. Due diligence process, ESG considerations and risks	31-34

# Position Fellowmind strategically for growth in Cyber Security

Being a holistic IT-partner calls for a comprehensive approach to cybersecurity – expanding on what the Microsoft Suite has to offer

## Cybersecurity & Risk Management

- As Fat MOIC & Co analysis has shown, cyber security is becoming top-of-mind priority, especially for SMEs:
  - 60% of all cyber attacks or breaches were aimed at SMEs, yet
  - 68% of SMEs have no systematic approach for ensuring Cybersecurity
  - 60% of SMEs do not recover from attacks and have to shut down
- Microsoft Suite provides some tools focused on Enterprise customers, experts prove **poor results of these products in defending SMEs**

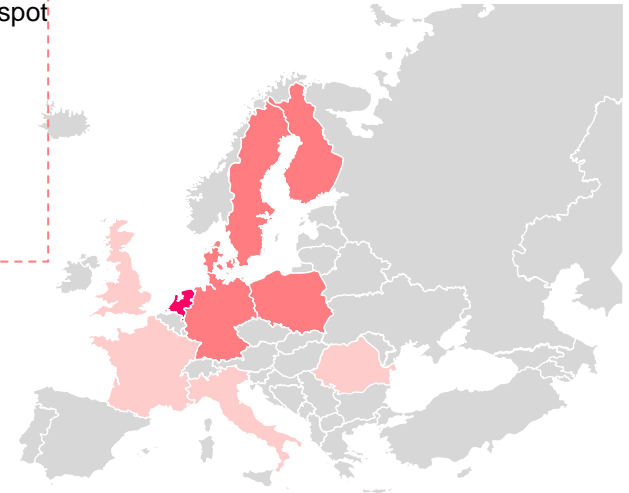
**Protecting SMEs against cyber attacks is a market niche with high demand, but few players understand how to capitalize on this demand. Striking the right balance between finding tailored, yet affordable software and making them useable by unskilled clients is the key to winning in this market.**

- Fellowmind has the consultants and the trusted network to tailor these solutions to the clients, however an upgrade in technology is needed – which is hard to build in-house.
- Multiple players in Europe have the software available, but lack the consulting and sales capabilities to effectively deploy them.

**FSN Capital has the unique opportunity to build on its strategic M&A experience and bring together upstream technology experts with downstream consulting specialists – to drive growth in a high-margin and largely untapped sector by acquiring a cybersecurity software provider**

## Exemplary acquisition targets

- Europe growing hotspot for cybersecurity players
- Acquisition in new market would yield double benefit: new geography and new product



Company	Location	Employees	Product	Ind. EV(EURm)
BitDefender	Bucurest, Romania	1,600	End-to-end cyber security	~1,200
Stormshield	France	250	End-to-end cyber security	~130
F-secure	Helsinki, Finland	368	Security and privacy products	M. cap: 280
Darktrace	Cambridge, UK	2,000	Cyber-threat defence technology	M. cap: 2,440
Sophos	Dortmund, Germany	16	Line of network security products	~343
Register	Florence, Italy	169	Provision of online access, domain registration and web design	~80

# Introduction to (ISP cybersecurity player)

An exemplary company in the cybersecurity ISP space

## Business areas

### Citicus ONE software

- Award-winning Citicus ONE software is designed to manage security, risk, and compliance more efficiently as an SME
- Citicus ONE can function as an ISP with a Microsoft Azure interface, managing exposure that Microsoft Defender software cannot protect against.

### Risk Mitigation

- IT risk mitigation and exposure measurement
- Supplier risk
- ICS risk
- Site risk

### Services

- Maintenance and support
- Education and training
- Implementation services
- Collaborative software developments

## Location

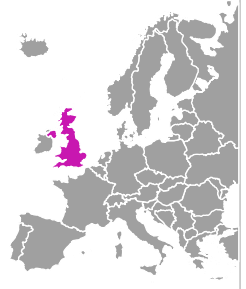


United Kingdom

HQ in London



Europe



- Key accounts i.a. in England, Scotland, Sweden and Kenya
- Growing in geography and product depth

## Key facts

### Key facts

- Estimated EV of ~20m EUR
- Established in 2000, privately held by management
- Tested for over 25,000 initial assessments in 150+ countries
- Senior executives with longstanding security experience i.a. with national British utility, Reuters and leading IT consulting firm

### Scope

- Global service provider with customers in UK, Europe and Africa
- Software development team improving Citicus ONE and building new ISPs
- Special focus on government entities, banking, utilities and insurance

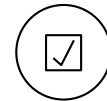
### Selected existing clients



## Synergies



**Fulfil the business circle** by adding an ISP supplying cyber security, risk management and compliance with MS Azure interface



**Easily integrated** into Fellowmind's existing offerings, scalable across locations and customers



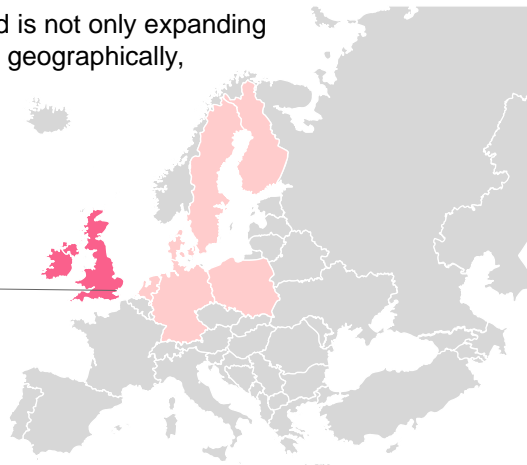
Accessing a largely **untapped market** in terms of **product, geography and industry** within Europe and beyond, allowing Fellowmind to expand drastically via its client-facing consultants

# Expanding geographies

By acquiring Citiculus, Fellowmind grows not only its TAM<sup>1</sup>, but also the total value it can create for clients – becoming a holistic IT partner

## Markets with citiculus

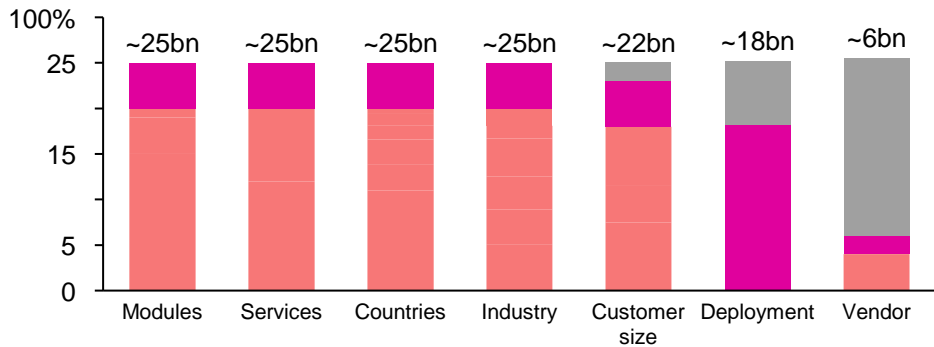
When acquiring citiculus, Fellowmind is not only expanding within their product range, but also geographically, thereby increasing the size of the target market



## Increasing the total size of the market increases the target market

■ Added Value from expansion  
■ Core addressable market pre expansion

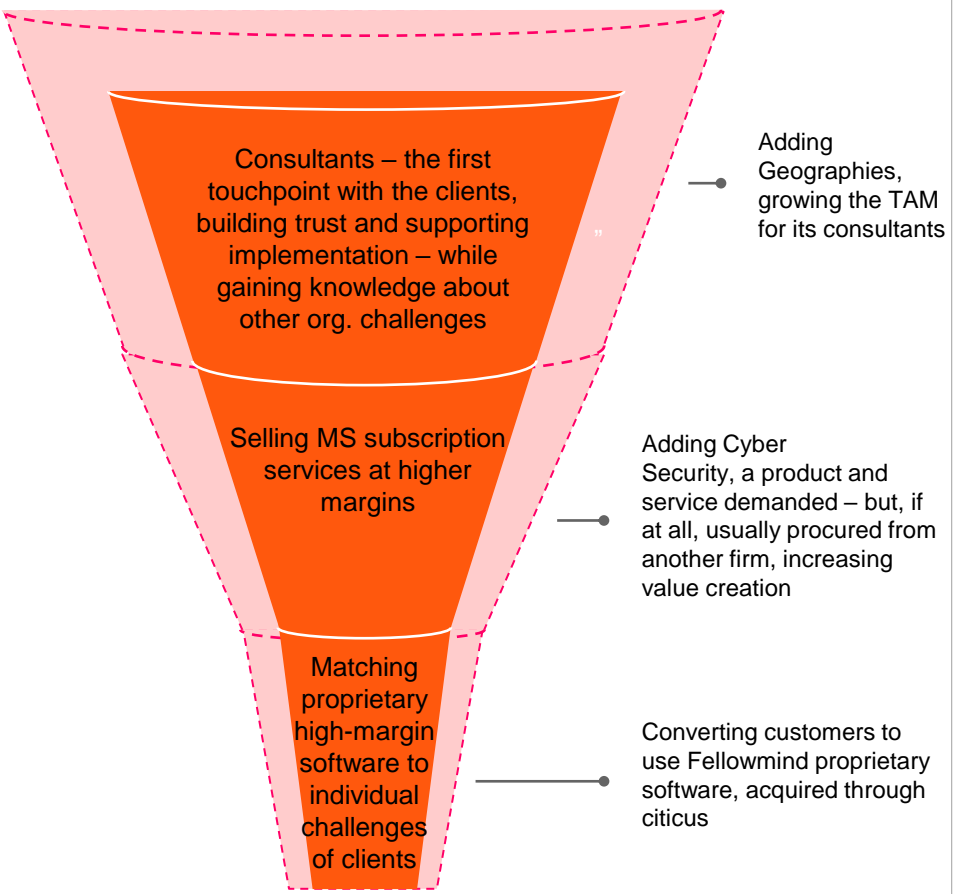
Expanding on product and geography increases the size of the TAM by ~25%



Notes: 1) Total Addressable Market; 2) Annual Recurring Revenue  
Sources:

## Expanding the sales funnel

■ 2022 sales funnel  
■ Expanded sales funnel

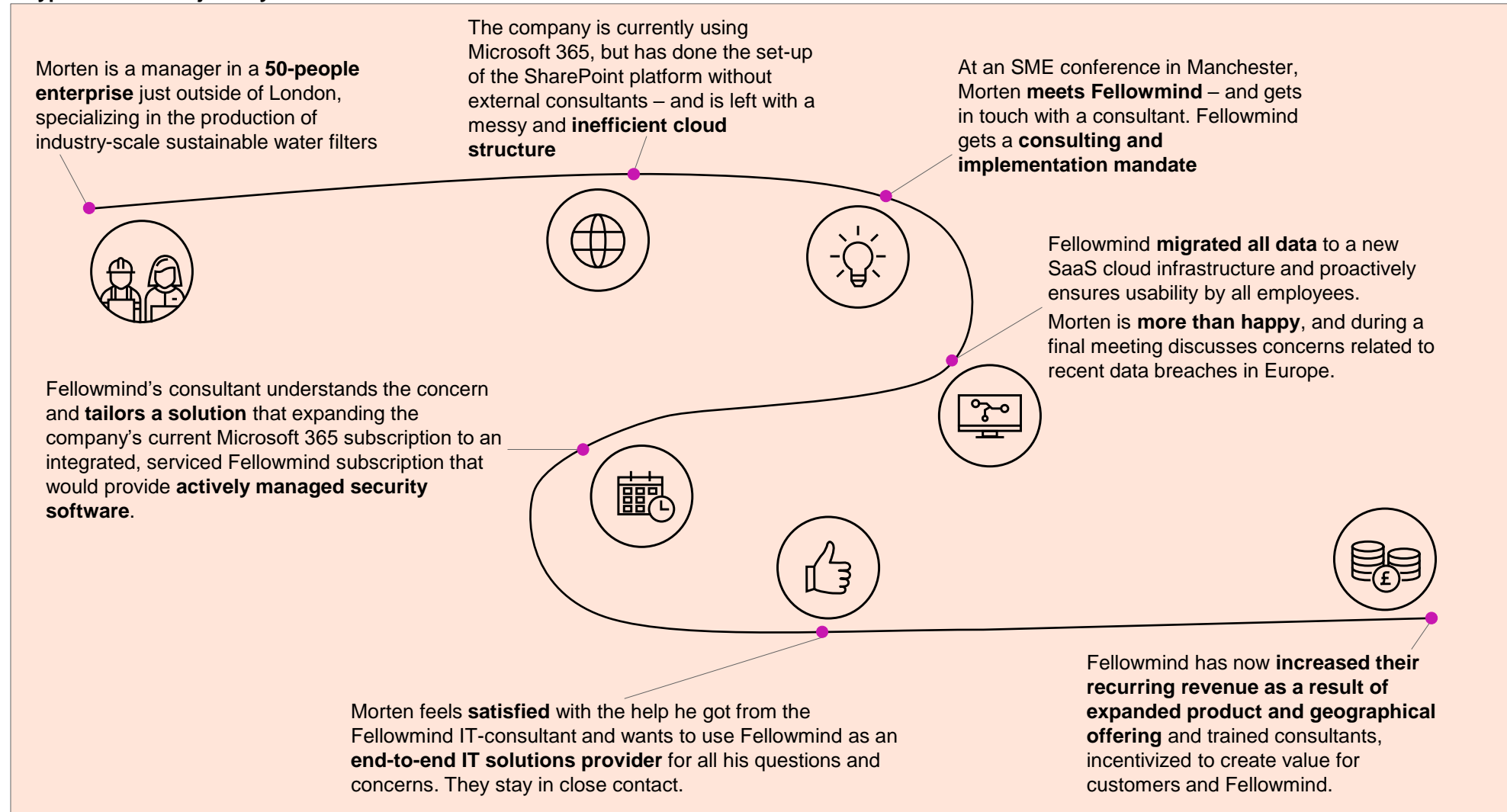


More targeted sales lead to higher customer retention, increased ARR<sup>2</sup> and growing Customer Lifetime Value

# Customer journey when expanding product range

Meet Morten – his journey is exemplary for how SMEs benefit from a holistic solution that helps them leverage their IT capabilities

## A typical customer journey



# The pursuit of an outstanding workplace culture – “OneFellowmind”

By putting the fellows at the heart of all people initiatives, Fellowmind can attract and retain the best talent

## ESG – Diversity

- **Fellowmind should adopt systematic, business-led approaches to inclusion and diversity**

- **Affinity groups**
- **success stories**
- **hosting diversity panels**
- **implementing DEI best-practices in recruitment**

### Case Study: **accenture**

- Accenture was ranked no. 1 on DiversityInc's diversity rating of 2022
- Rating influenced by strong Leadership Accountability, Talent Programs, Workplace Practices, Supplier Diversity and Philanthropy

## Mobility across offices

- Introduce global “OneFellowmind” program
- Promote long-term secondments from employees to different countries
- Host **get-togethers and conferences in different offices**, promoting organizational unity; deploy consultants across offices<sup>1</sup>
  - **Grow knowledge exchange, increase post-merger integration and drive employer brand, employee attraction and retention**

### Case Study: **BOSTON CONSULTING GROUP**

- Relocation programs and international secondments major part of BCGs best-in-class employer brand
- Increased understanding of business fields and countries
- Career perspectives especially for younger, international employees

## Employee shareholders

- Enable employees to benefit from success
- In sales-driven businesses like consulting; incentives of employees and shareholders have to be aligned
  - **ESOPs are the ideal way to do so and should be expanded**
  - **Show consultants they directly benefit from being a holistic solution provider and driving value created for all parties**

### Case Study: **Publix**

- Publix is the fifth largest privately held company in the US (2019)
- All Publix workers, regardless of their position in the company, receive company stock after they have been with the company for more than 12 months, showing significant performance uptake

## Campus recruitment

- Competition for the best employees, especially in tech, calls for increased hiring efforts to secure the most qualified staff
- **Position Fellowmind as a known service provider and best-in-class workplace for young, ambitious and international talent**

### Case Study: **pwc**

- PwC conducts recruitment of students through entry level positions
- The positions are well suited for young talent
- PwC has also established a presence at universities throughout the world and seen significant uptake in employer brand and applications

Notes: 1) This not only promotes organizational satisfaction, but also allows for better management of consultants' time, as they can be pooled across larger markets – increasing utilisation rates and margins

Sources: McKinsey, PwC, Accenture, HR Shelf, Human Resource Management Journal.



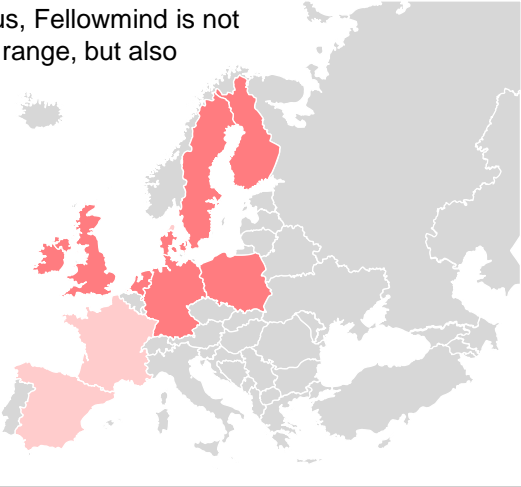
# Vision For Fellowmind 2024 – Putting People at Heart.

By 2024, Fellowmind is a fast-growing pan-European IT platform, providing self-reinforcing consulting and software solutions


## Geographical Expansion


By the strategic acquisition of Citicus, Fellowmind is not only expanding within their product range, but also geographically, thereby increasing the size of the target market


There is potential to further expand into other large European markets such as France and Spain through continuous acquisitions




## OneFellowmind

**ESG – Diversity**  
*Clear DEI commitments and practices*

**Employee Shareholders**  
*Incentivize consultants and empower employees*

**Mobility across offices**  
*Better utilize consultants and provide career opportunities*


**Campus Recruitment**  
*Grow employer brand and attractiveness*


## Increased product range


- Fellowmind’s consultants tailor subscriptions and software, including cybersecurity to their clients, creating more value for everyone
- A self-reinforcing flywheel of services and software, driving profitability an Customer Lifetime Value and increasing quality


Consulting services

Recurring, ISPs

**Strategic IT Consulting**

**Implementation Consulting**

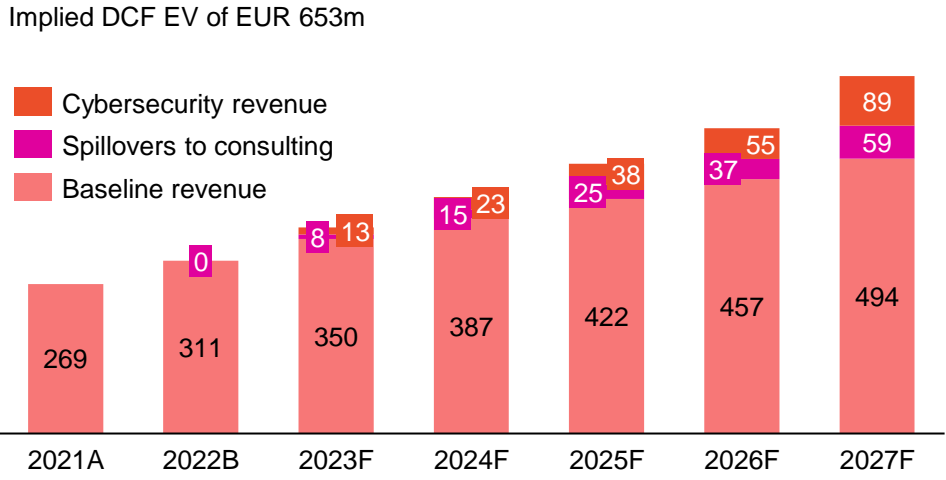
**SAM and SaaS**

**Tailored security services**

New Fellowmind scope

IT journey of typical SME client

## Forecasted revenue and valuation



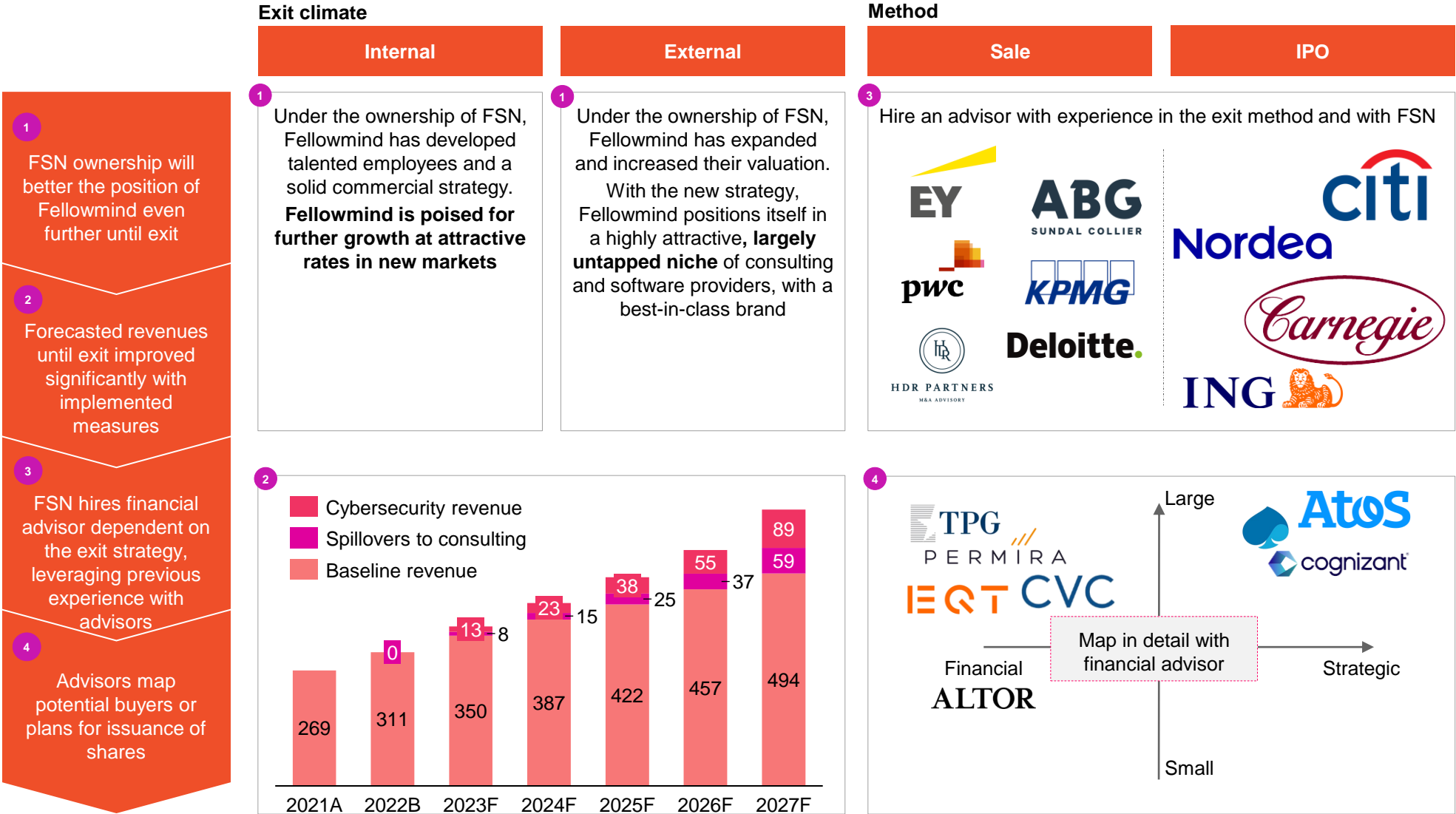


# Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4-9</b>
<b>PRESENTATION</b>	<b>10-27</b>
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2. Valuation	17-22
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# Analysis of position in the market for planned exit

In 2024, after implementing the “Putting People at Heart” Strategy, Fellowmind is extremely well-positioned in an active market



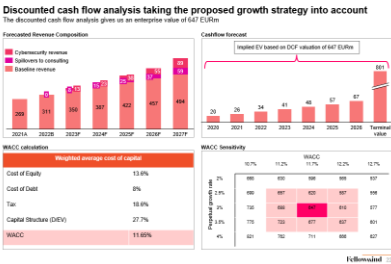
# Estimated Enterprise Value (EV)

According to various Valuation methods, FSN is positioned for significant financial upside by postponing exit until 2024

## Method

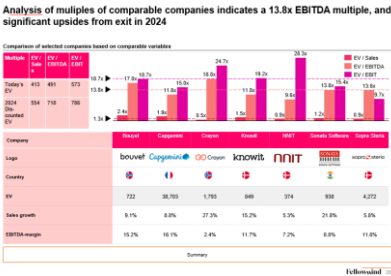
## Results

### DCF



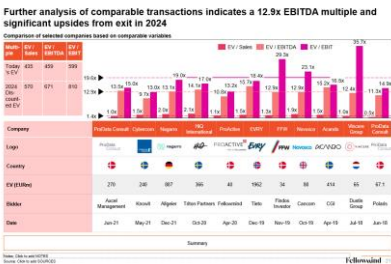
WACC	PV of 2024 EV	Implied EV / EBITDA
11.2%	691	19.2x
11.7%	653	18.1x
12.2%	615	17.1

### Comparable transactions



	Multiple	Metric base 2022	Implied today's EV	PV of 2024 EV
EV / Sales	1.3x	311	413	554
EV / EBITDA	13.8x	36	491	718
EV / EBT	18.7x	31	573	786

### Trading Multiples

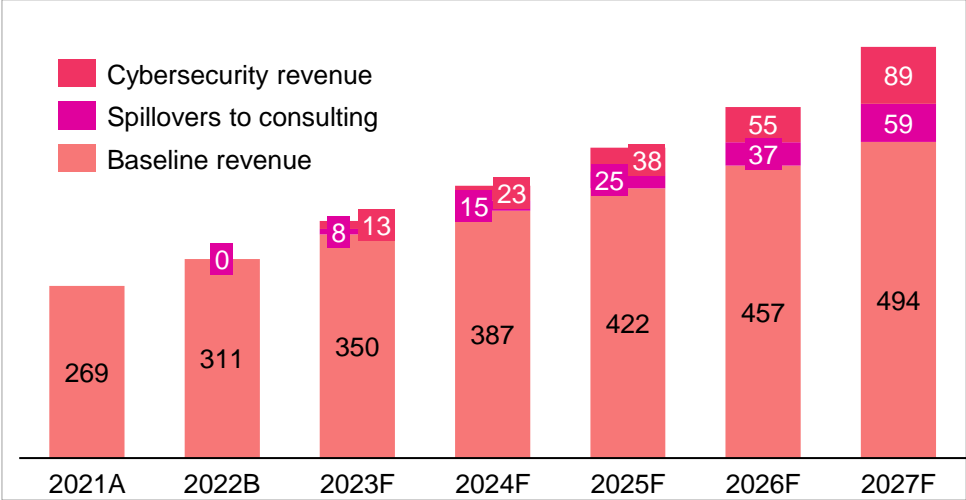


	Multiple	Metric base 2022	Implied today's EV	PV of 2024 EV
EV / Sales	1.4x	311	435	570
EV / EBITDA	12.9x	36	459	671
EV / EBT	19.6x	31	599	810

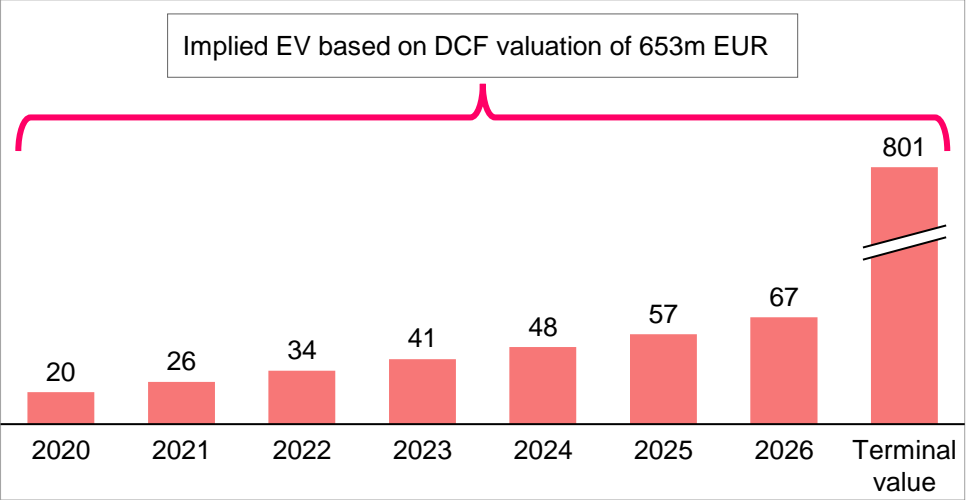
# Discounted cash flow analysis taking the proposed growth strategy into account

The discounted cash flow analysis gives us an enterprise value of 647m EUR

Forecasted Revenue Composition (EURm)



Cashflow forecast (EURm)



WACC calculation

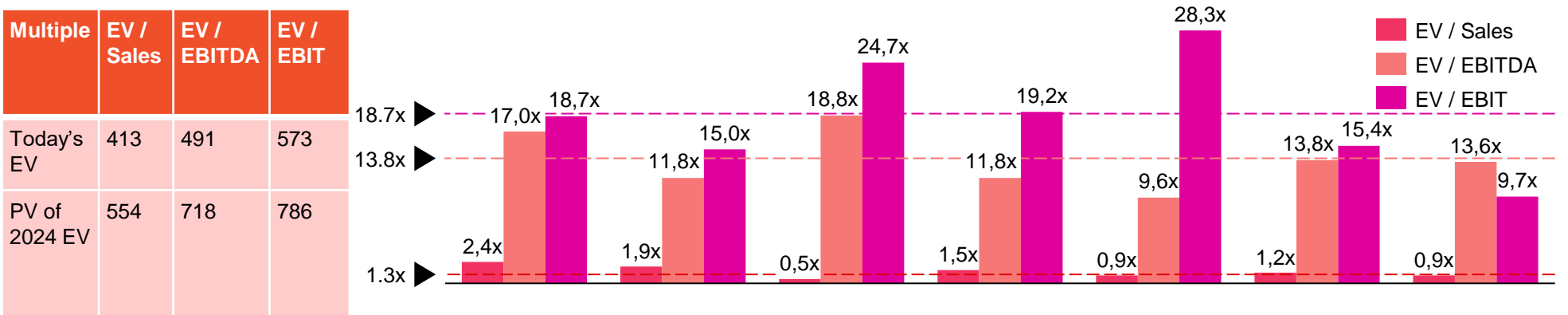
Weighted average cost of capital	
Cost of Equity	13.6%
Cost of Debt	8%
Tax	18.6%
Capital Structure (D/EV)	27.7%
WACC	11.65%

WACC Sensitivity's effect on EV (EURm)

Perpetual growth rate	WACC				
	10.7%	11.2%	11.7%	12.2%	12.7%
2%	668	630	596	565	537
2.5%	699	657	620	587	556
3%	735	688	653	610	577
3.5%	775	723	677	637	601
4%	821	762	711	666	627

# Analysis of multiples of comparable companies indicates a 13.8x EBITDA multiple, and significant upsides from exit in 2024

Comparison of selected companies based on comparable variables

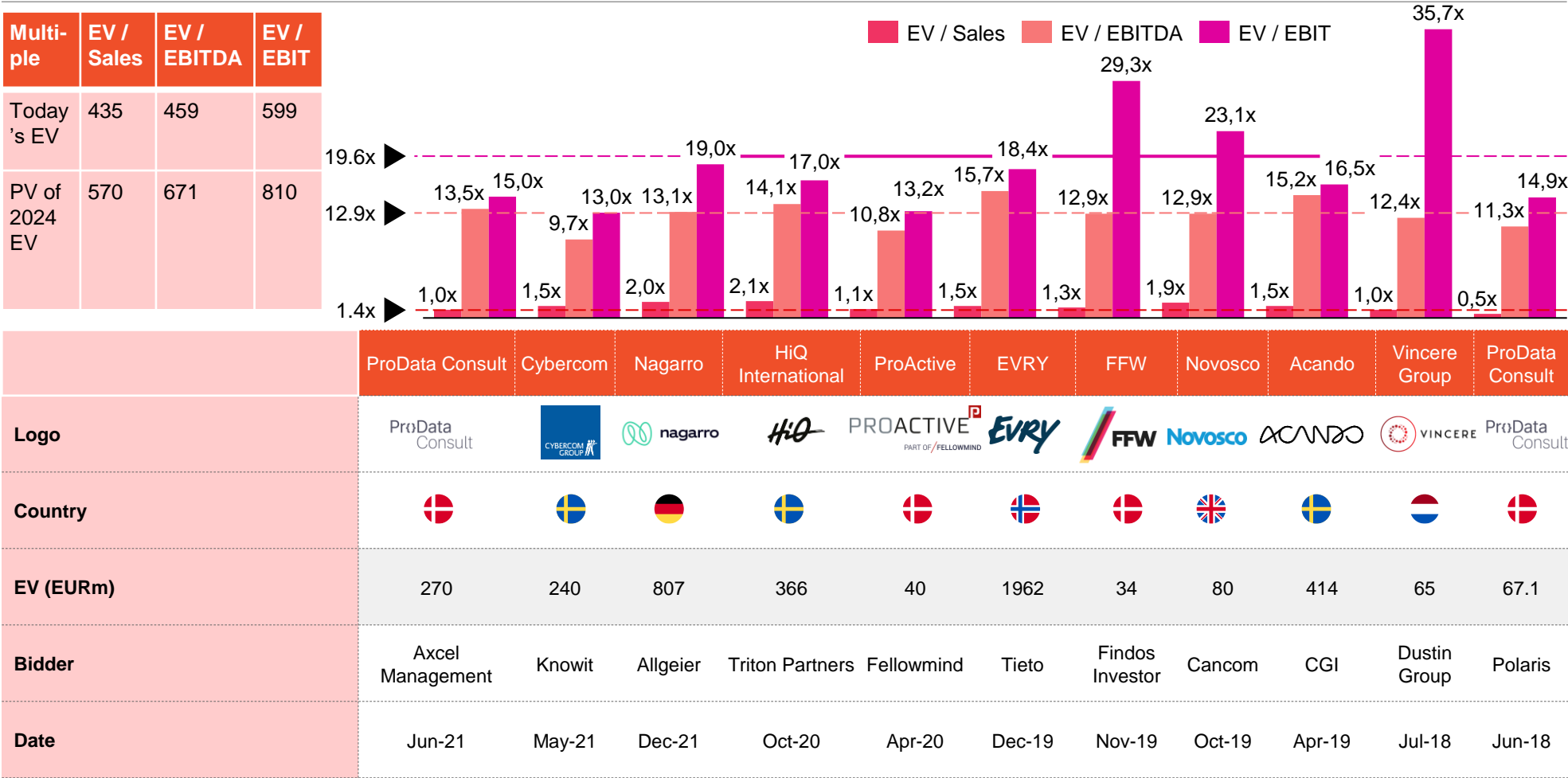


	Bouyet	Capgemini	Crayon	Knowit	NNIT	Sonata Software	Sopra Steria
Logo	bouvet	Capgemini	Crayon	knowit	NNIT	SONATA SONATA SOFTWARE	sopra steria
Country							
EV (EURm)	722	38,703	1,793	849	374	938	4,272
Sales growth	9.1%	8.8%	27.3%	15.2%	5.3%	21.8%	5.8%
EBITDA-margin	15.2%	16.1%	2.4%	11.7%	7.2%	8.8%	11.8%

Comparable companies analysis indicate significant premium when seeking exit in 2024

# Further analysis of comparable transactions indicates a 12.9x EBITDA multiple and significant upsides from exit in 2024

Comparison of selected companies based on comparable variables



Comparable transactions analysis indicates singificant upside from exiting in 2024

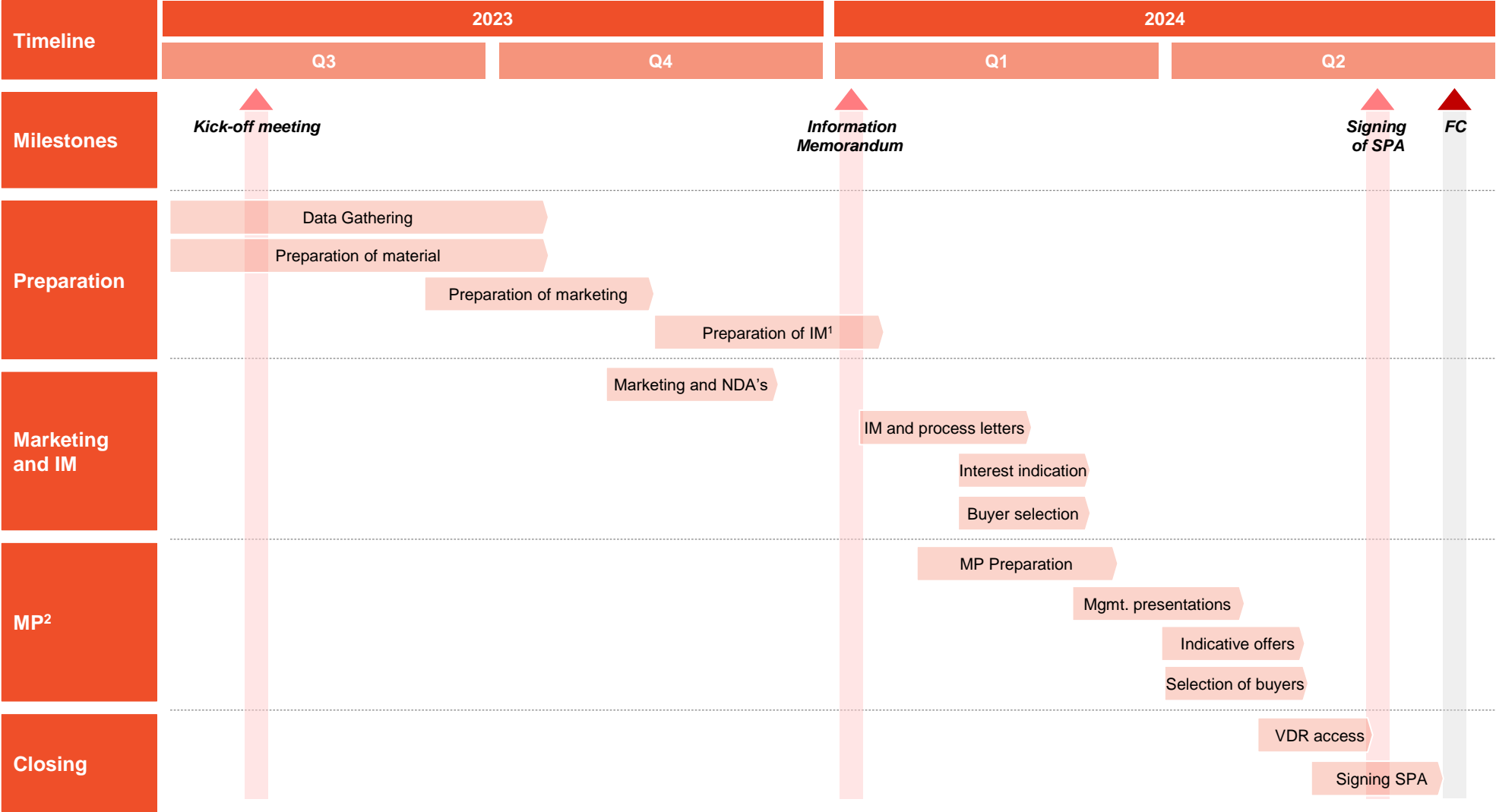
# Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4-9</b>
<b>PRESENTATION</b>	<b>10-27</b>
1. Commercial Strategy	11-16
2. Valuation	17-22
3. Buyer & Process Consideration	23-26
<b>APPENDIX</b>	<b>27-34</b>
A. Financial Assumptions and Valuation	28-30
B. Due diligence process, ESG considerations and risks	31-34

# High-level timeline of divestment in 2024

Careful preparation and FSN experience enable smooth and efficient divestment process

Indicative timeline for divestment of Fellowmind



Notes: 1) Information Memorandum; 2) Management Presentations



# Buyer universe and exit strategy

In 2024, FSN is looking at selling a high-margin multinational consulting and software firm – with many potential buyers

## Buyer universe

Local and foreign PE firms with market experience

ALTOR

CVC

IEQT

TPG

PERMIRA

- Private Equity firms with focus on Tech buyouts, and the price range corresponding to the valuation performed
- After growth in the UK through acquisition, special interest from London-based funds expected
- Strong interest from Tier-1 players expected due to unique positioning at the interface of implementation and software and leading positioning in the European market with international growth possibilities
- High standards in people management and ESG alignment expected from any potential buyer

Strategic buyers

Atos

cognizant

Infosys



- Strategic buyers who would want to acquire Fellowmind due to synergies or other market logics
- Strong interest can be expected from leading players in IT-consulting space, to grow their operations upstream and in scale
- Multiple international players have been seen increasing their global footprint through aggressive M&A in past

IPO



EURONEXT

OMX

- Floating FSN's stake in an IPO, with potential tag-along right for employees looking to capitalize
- Considering HQ location, IPO most likely to happen at Euronext Amsterdam, alternatively at Nasdaq OMX
- Comparably small IPO, requirements to public companies might limit growth more than private investments could

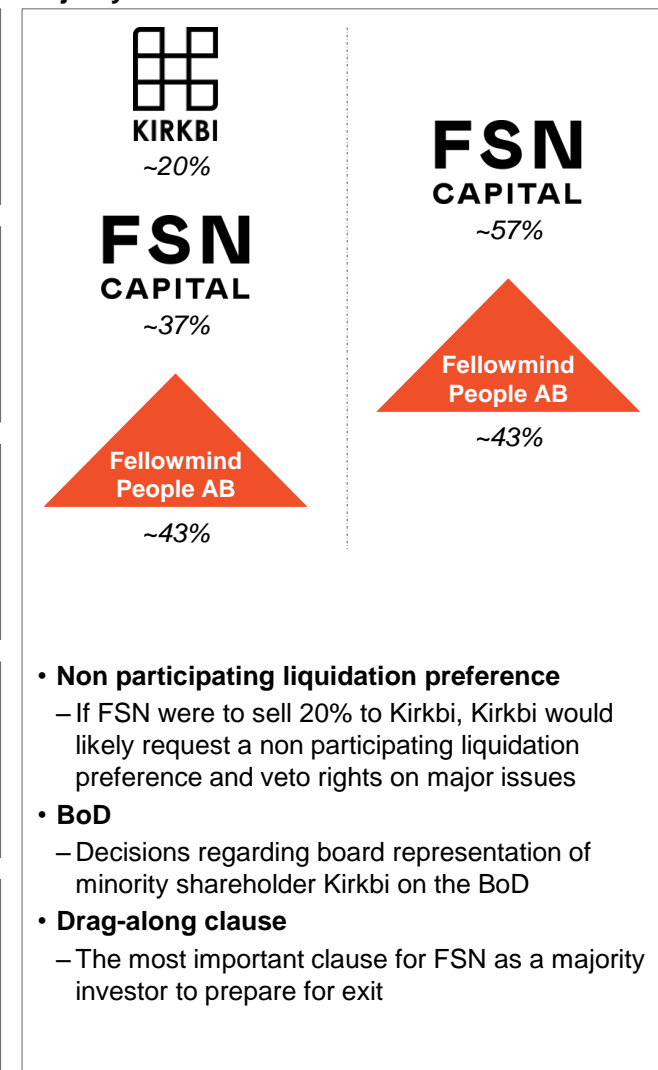
## Exit models

- Following the “Putting People at Heart” Strategy, creating a unified “OneFellowmind” across Europe, strong buyer interest in the firm is anticipated
- Regardless of the specific exit route, some considerations are key to all of them
  - Employee share ownership to be preserved
  - ESG focus in operations and talent management to be safeguarded
  - Fair valuation and future strategy considering interests of all employees
- **Exit route highly depending on market environment in 2024; careful market sounding and evaluation required to maximize sustainable value creation**

# Points to be considered in the SHA, securing legal compliance

Key clause	Description
Participation right and Dividends	<ul style="list-style-type: none"> <li>Secure that all shareholders have participation right</li> <li>Secure plan for dividends, and that Fellowmind does not need to pay dividends unless sufficient equity to do so</li> </ul>
Governance of the Company	<ul style="list-style-type: none"> <li>Secure future governance of Fellowmind by describing board of directors (“BoD”) elected by shareholders or internal members of the organization</li> <li>Secure information and management rights for investors not represented on the BoD</li> <li>Secure compliance with applicable laws, regulations, and ethical guidelines</li> </ul>
Right to refusal and right to trigger a liquidity event	<ul style="list-style-type: none"> <li>All Shareholders shall have pro rata right of first refusal</li> <li>Description of process if liquidity event has not occurred within a given period, for example that an IPO will be carried out</li> </ul>
Confidentiality, non-compete and non-solicitation	<ul style="list-style-type: none"> <li>Description concerning the confidentiality of the SHA, points to consider are disclosure of financial information, trading, customer lists and other important information</li> </ul>
Governing law and disputes	<ul style="list-style-type: none"> <li>The SHA shall be governed by and construed in accordance with the laws of Netherlands</li> <li>Agree on how disputes should be settled, and if nothing is stated, refer the settlement to the correct authority</li> </ul>

## Comparison of selling to Kirkbi and keeping majority stake



# Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>INTRODUCTION</b>	<b>4-9</b>
<b>PRESENTATION</b>	<b>10-27</b>
1. Commercial Strategy	11-16
2. Valuation	17-22
3. Buyer & Process Consideration	23-26
<b>APPENDIX</b>	<b>27-34</b>
A. Financial Assumptions and Valuation	28-30
B. Due diligence process, ESG considerations and risks	31-34

# Financials for Valuation

## Appendix

Revenue split	2021A	2022B	2023F	2024F	2025F	2026F	2027F
Revenue from consulting	187	211	236	260	281	303	327
Revenue split from consulting	69.4%	67.8%	63.7%	61.0%	57.8%	55.2%	50.9%
YoY growth		13%	12%	10%	8%	8%	8%
Revenue from subscriptions and software	52	57	63	70	77	84	91
Revenue split from subscriptions and software	19.3%	18.2%	16.9%	16.4%	15.9%	15.4%	14.2%
YoY growth		9%	11%	11%	11%	9%	8%
Revenue from managed services	16	33	42	48	54	60	65
Revenue split from managed services	6.1%	10.7%	11.2%	11.3%	11.1%	10.8%	10.2%
YoY growth		102%	25%	15%	13%	10%	10%
Revenue from other categories	14	10	9	10	10	10	11
Revenue split from other categories	5.2%	3.3%	2.5%	2.3%	2.1%	1.9%	1.7%
YoY growth		-26%	-10%	3%	5%	4%	3%
<b>Total revenue w/o improvements</b>	269	311	350	387	422	457	494
YoY growth		16%	12%	11%	9%	8%	8%
<b>1 Revenue from cybersecurity</b>	0	0	21	39	63	91	148
Spillover effects to consulting	0	0	8	15	25	37	59
Revenue from cybersecurity SaaS/managed security	0	0	13	23	38	55	89
Revenue split from cybersecurity	0%	0%	6%	9%	13%	17%	23%
YoY growth				84%	64%	44%	62%
<b>total revenue</b>	269	311	371	426	485	549	643
YOY growth		15.7%	19.2%	14.8%	14.0%	13.1%	17.2%
<b>Cost of sales</b>	67	73	87	106	130	156	200
Cost of sales consulting	28	31	29	32	35	38	41
Gross profit consulting	159	179	207	228	246	265	287
Gross margin consulting	85%	85%	88%	88%	88%	88%	88%
Cost of sales subscriptions and software	30	35	38	43	47	52	56
Gross profit subscriptions and software	22	22	24	27	30	33	35
Gross margin subscriptions and software	42%	39%	39%	39%	39%	39%	39%
Cost of sales managed services	0	0	0	1	1	1	1
Gross profit managed services	16	33	41	47	53	59	65
Gross margin managed services	99%	99%	99%	99%	99%	99%	99%
Cost of sales other categories	8	6	6	6	6	6	6
Gross profit other categories	6	4	4	4	4	4	4
Gross margin other categories	40%	40%	40%	40%	40%	40%	40%
Cost of sales cybersecurity	0	0	14	25	41	59	96
Gross profit cybersecurity	0	0	7	14	22	32	52
Gross margin cybersecurity	35%	35%	35%	35%	35%	35%	35%
<b>Gross profit total</b>	202.2897	241	283.3492	319.1826	355.308	393.0176	442.7788
Gross margin total	75.2%	77.6%	76.4%	75.0%	73.2%	71.6%	68.9%

	2021A	2022B	2023F	2024F	2025F	2026F	2027F
<b>Operating expenses</b>							
Project delivery consulting	114	129	150	165	178	193	208
EBITDA before SG&A margin consulting	24%	24%	24%	24%	24%	24%	24%
Project delivery subscriptions and software	1	0	0	0	0	0	0
EBITDA before SG&A margin subscriptions and software	40%	39%	39%	39%	39%	39%	39%
Project delivery managed	10	20	25	29	33	36	40
EBITDA before SG&A margin managed services	38%	38%	38%	38%	38%	38%	38%
Project delivery other categories	0	0	0	0	0	0	0
EBITDA before SG&A margin other categories	38%	38%	38%	38%	38%	38%	38%
Project delivery cybersecurity	0	0	0	0	0	0	0
EBITDA before SG&A margin cybersecurity	35%	35%	35%	35%	35%	35%	35%
<b>Project delivery total</b>	125	149	176	195	212	229	248
SG&A	42	46	51	60	70	82	99
off which HQ investment	5	8	8	8	8	6	4
SG&A margin	17.5%	17.5%	16.0%	16.0%	16.0%	16.0%	16.0%
<b>to account for increase in FTEs and training</b>							
<b>EBITDA</b>	28	36	56	65	74	82	96
EBITDA margin	10.4%	11.5%	15.2%	15.2%	15.3%	15.0%	14.9%
<b>EBITDA operational</b>	33	44	64	73	82	88	100
EBITDA operational margin	12.3%	14.0%	17.3%	17.1%	16.9%	16.1%	15.5%
Depreciation	1	2	2	2	3	3	3
Amortization	2	3	3	4	4	4	5
<b>EBIT</b>	25	31	51	59	67	75	88
<b>Cashflow Statement</b>							
EBIT	25	31	51	59	67	75	88
-Taxes	5	6	10	11	12	14	16
+D&A	3	5	5	6	7	7	8
-CapEx	5	8	8	8	8	6	4
-Change in NWC	4	4	5	5	5	6	8
<b>UFCF</b>	14	18	34	41	48	57	67
<b>Terminal Value Calculation</b>							
Perpetuity growth	3.0%						
WACC	11.65%						
<b>Free Cash Flow</b>							
UFCF	14	18	34	41	48	57	67
Terminal Value							801
discount factor		1.00	0.90	0.80	0.72	0.64	0.58
PV(UFCF)		18	30	33	35	36	39
PV (Terminal Value)							462
Enterprise Value	653						
	148						

# WACC calculations and assumptions

## Appendix

Pureplay for WACC				
company	equity beta	asset beta	D/E	
Knowit	1.2	1.07	0.15	
Crayon	1.41	0.83	0.86	
Capgemini	1.31	0.77	0.86	
NNIT	1.19	0.82	0.55	
Sonata software	1.32	1.16	0.17	
Sopra steria	1.51	1.03	0.58	
Bouvet	0.94	0.76	0.30	
average		0.95		
Capital Structure				
Current debt	135			
EBITDA	36			
EBITDA multiple	13.8			
D/EV	27.4%			
Cost of Equity				
Risk free rate	3.7%			
Market risk premium	7.0%			
D/EV	27.4%			
D/E	37.8%			
Asset Beta	0.95			
Equity Beta	1.24			
Cost of Equity	13.6%			
Cost of Debt				
Risk free Rate	3.7%			
Comparable company #1	9%			
Comparable company #2	7.5%			
Comparable company #3	8%			
Assumed Cost of Debt	8.0%			
WACC				
Cost of debt	8.0%			
D/EV	27.4%			
Cost of Equity	13.6%			
Tax rate	18.6%			
WACC	11.65%			

- Pureplay analysis based on Comparable Companies list.
- Equity beta converted to Asset beta to account for differences in debt structure within the peer group

- Base year Long-term debt used as a proxy for target Debt %
- Average EBITDA multiple across the comparable companies used to calculate the EV

- Risk-free rate based on current 10Y USD government bond
- Market risk premium based on US market premium + European Union regional premium
- Asset beta based on pureplay results
- Equity beta after adjusting for Fellowmind's capital structure

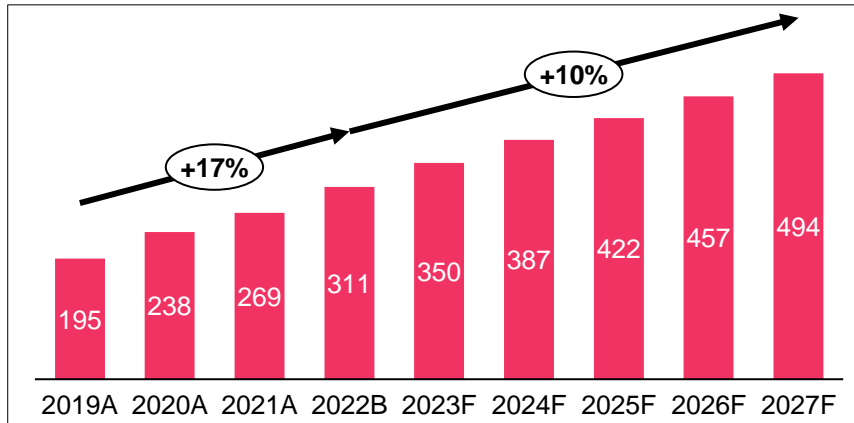
- Cost of debt based on comparable companies' credit facility cost

- Tax rate calculated as a weighted average of corporate tax rates in Fellowmind's regions of operation, accounting for size of EBIT in the regions

# Growth Forecast assumptions

## Appendix

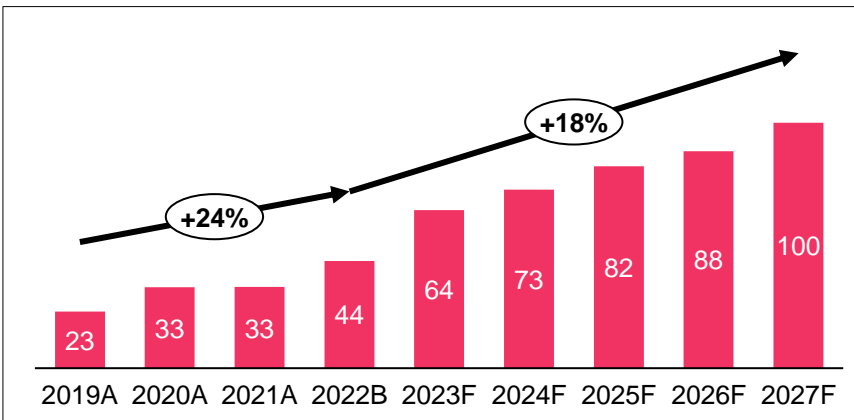
Revenue (EURm)



- Revenue growth slowdown with maturing of the company and slower M&A activity
- Growth assumptions following comparable companies' sales growth

- Revenue composition following historical sector's split and firm's focus on prioritizing high margin services (SaaS)
- Growth estimated based on large potential spillover effects from CSaaS services to established consulting services

EBITDA (EURm)









- Growth forecasted accordingly with EBITDA margin evolution towards 16%
- With significant spillovers to consulting services (low-margin income), EBITDA unable to meet the 18% expectations outlined in the case

- Conservative CAPEX assumptions following expansion to UK and subsequent costs if integration
- Change in NWC following ratio-based forecast of operating assets and liabilities from provided balance sheet

# Possible advisors associated with divestment process and due diligence

FSN should leverage experienced advisors with prior experience of working together

Workstream	FSN's advisors	Scope of work	Process considerations
Legal		<ul style="list-style-type: none"> <li>Draft and review term sheet and transaction documents</li> <li>Legal due diligence – key findings in red flag report</li> <li>Consenting, structure sales process, enforceability, and regulatory (licensing, patenting, FX etc.) memos</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with advisors on the divestment                             <ul style="list-style-type: none"> <li>Initial presentation of opportunity in Q3 2023</li> <li>Signing of engagement letters</li> <li>Several follow-up meetings between FSN and advisors discussing potential concerns and mitigations</li> <li>Follow-up meetings with potential buyers, leading to the standing offer</li> </ul> </li> </ul>
Technical		<ul style="list-style-type: none"> <li>Technical due diligence, including platform review, integration and price forecast</li> </ul>	
Tax & structuring		<ul style="list-style-type: none"> <li>Tax due diligence</li> <li>Overview of taxes applicable for the holding, company and target</li> <li>Transaction/acquisition structure</li> <li>Model review for tax calculations</li> </ul>	
Financial		<ul style="list-style-type: none"> <li>Maintain financial model</li> <li>Analysis of potential buyer universe</li> <li>Analysis of financing solutions</li> </ul>	
Counterparty/ESG		<ul style="list-style-type: none"> <li>Background check of target (no red flags)</li> <li>ESG due diligence of target and integration recommendations</li> </ul>	
Stakeholder management and due diligence		<ul style="list-style-type: none"> <li>Visit citicus office locations, promote competition clearance</li> <li>Ongoing advisory support, assistance in reaching out to foreign affairs offices and establishing relationships at the provincial level in the UK</li> </ul>	

# ESG Impact

FSN can help Fellowmind put impact at its core – and actively manage material ESG topics

## UN SDG



## Key areas

- Learning and development of employees
- Continuous support of IT education for others

## Detailed impact

- Citicus, potential acquisition target has history of supporting education foundations in Asia, impact to be continued
- Provide upskilling and development opportunities for employees of Fellowmind
- Continuous training of clients' employees



- Improve gender equality in workforce

- Drive gender equality in hiring and promoting
- Adopt best-in-class talent management and attraction practices
- Promote female leadership positions and role models
- Diversity groups, get-togethers and affinity meetings



- Grow as a responsible company

- Share ownership programs allow employees to participate in success of Fellowmind and build personal wealth
- Create well-paid and secure job opportunities
- Avoid closure of other businesses following security breaches



- Support buildout of secure and reliable IT infrastructure

- Feedback loops from consultants and developers to ensure software continuously innovates and solves problems
- Protect clients' assets and help them innovate with powerful IT



# Risk assessment of commercial strategy and exit

Careful mitigation plans can provide comfort in volatile market environment

Risk Materiality Matrix		Risk	Mitigation
Probability	High		
	Critical risk line		
	Low		
Impact			
		Low	High
		1	2
		3	4
		5	6

1

Increase need to educate customers of the use of the new product

Pay close attention to macroeconomic developments, and be ready with an exit strategy

2

Difficulties educating small enterprises in regard to the importance of increased cyber protection

Hire motivated and knowledgeable IT consultants, build on trusted relationships

3

Moving out of the company's core competencies can make it difficult to manage

Acquisitions of specialized firms in the industry  
Fellowmind is looking to expand in, bringing their competencies on board

4

Governance and business disputes

Agree on and SPA with legal advisors to secure compliance

5

Macroeconomic developments that does not favor borrowing, making an exit in 2024 difficult

Pay close attention to macroeconomic developments, and be ready with an exit strategy

6

Economic recession

Pay close attention to macroeconomic developments, and be ready with an exit strategy

**FSN needs to identify risks associated with the commercial strategy and exit plan**  
It is important to have a clear mitigation strategy to all identified risks, developed together with advisors and Fellowmind



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Copenhagen, Denmark  
29 September 2022