



Follow-up to the [Sample report 11/2023](#)

Case Swappie

Business modeling improves
also forecasting accuracy

Argon Pro Oy
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About forecasting

“Prediction is very difficult, especially if it’s about the future”

Niels Bohr (1885 – 1962), Danish Nobel laureate in Physics and father of the atomic model

To be noted

This report has been prepared for educational and illustrative purposes to describe Argon Pro Oy's offerings in the area of business modeling, analysis, and valuations of companies and/or individual businesses.

As one of the most significant growth companies in Finland and Europe, Swappie Group (later Swappie) has been selected as the Target Company for this example. Argon Pro carried out the first Swappie analysis and valuation about a year ago in November 2023. This report follows the actual financial results and achievements for the 2023 financial year against the forecasts of that previous report. This report describes in particular the benefits of careful business modeling. This example shows that the free cash flow for the fiscal year 2023 differed from the so-called BaseCase forecast by only about 2,6 million euros. When the starting point was a turnover of about 210 million euros, the difference to the actual cash flow was only about one per cent! Swappie has not been involved in the implementation of this report.

Argon Pro will continue to produce similar public sample reports on significant Finnish growth companies and SMEs. Similar analyses can also be ordered as paid, non-public assignments.

- The information, opinions and conclusions presented in this report are produced for educational and illustrative purposes only and should not be used as such or be considered as an offer or solicitation of an offer to buy or sell the business, securities or other financial instruments of the Target Company. The main purpose of the report is to provide an example of the Target Company's business, business modelling and analysis. In business modelling and assessment of the business, various future scenarios have been used, among others.
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Agenda

- Information available
- Swappie - The Company
- Financial history 2016 - 2023
 - Actuals 2023
- Forecast vs. Actuals 2023
 - Forecasting accuracy
- Predicting bankruptcy risk
- Summary
- From Business modeling to Value Based Management...

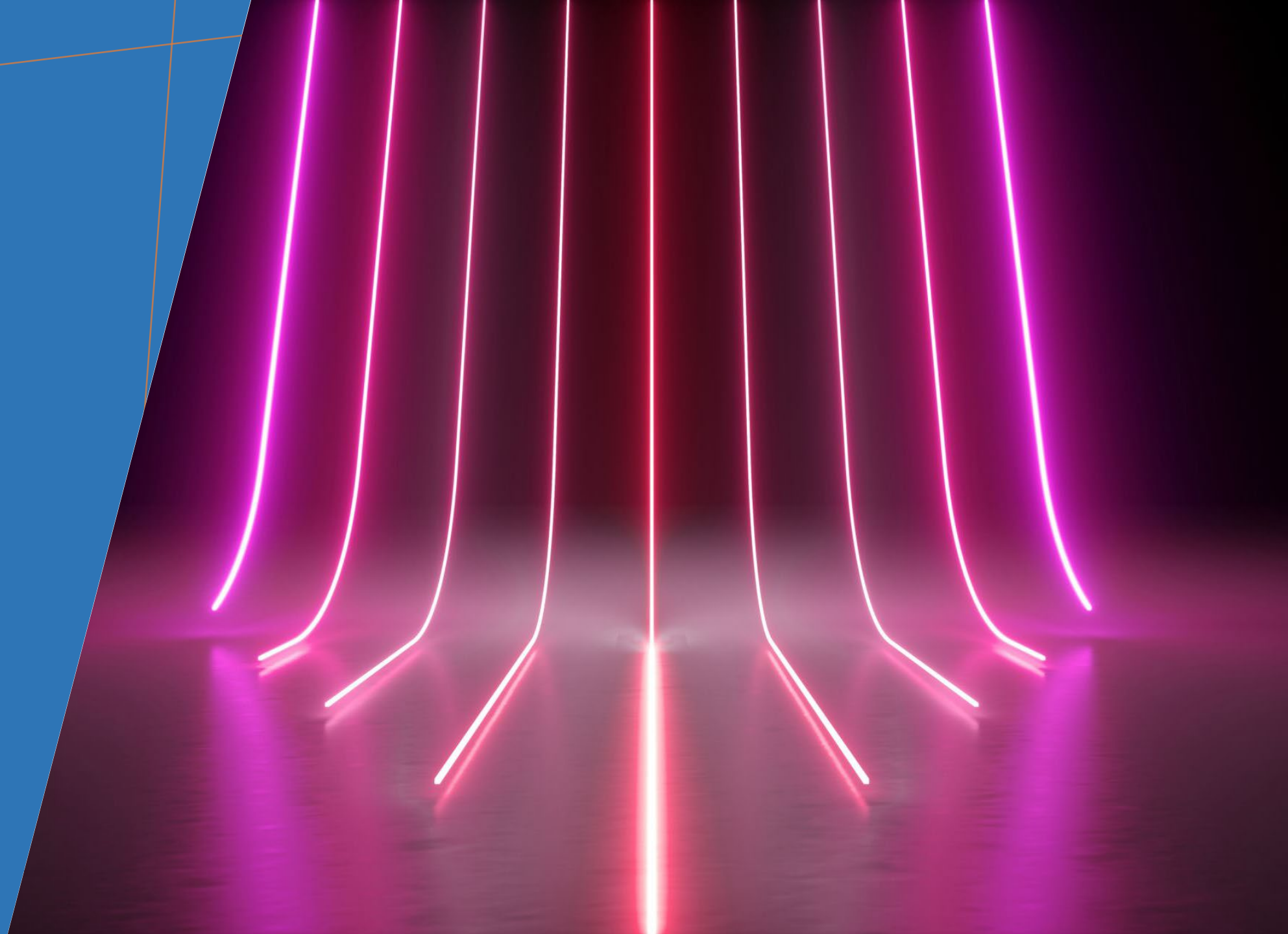
Information available

- Annual closings of Swappie for 2016 - 2022 and 2023
- Swappie analyses prepared by Argon Pro (November 2023)



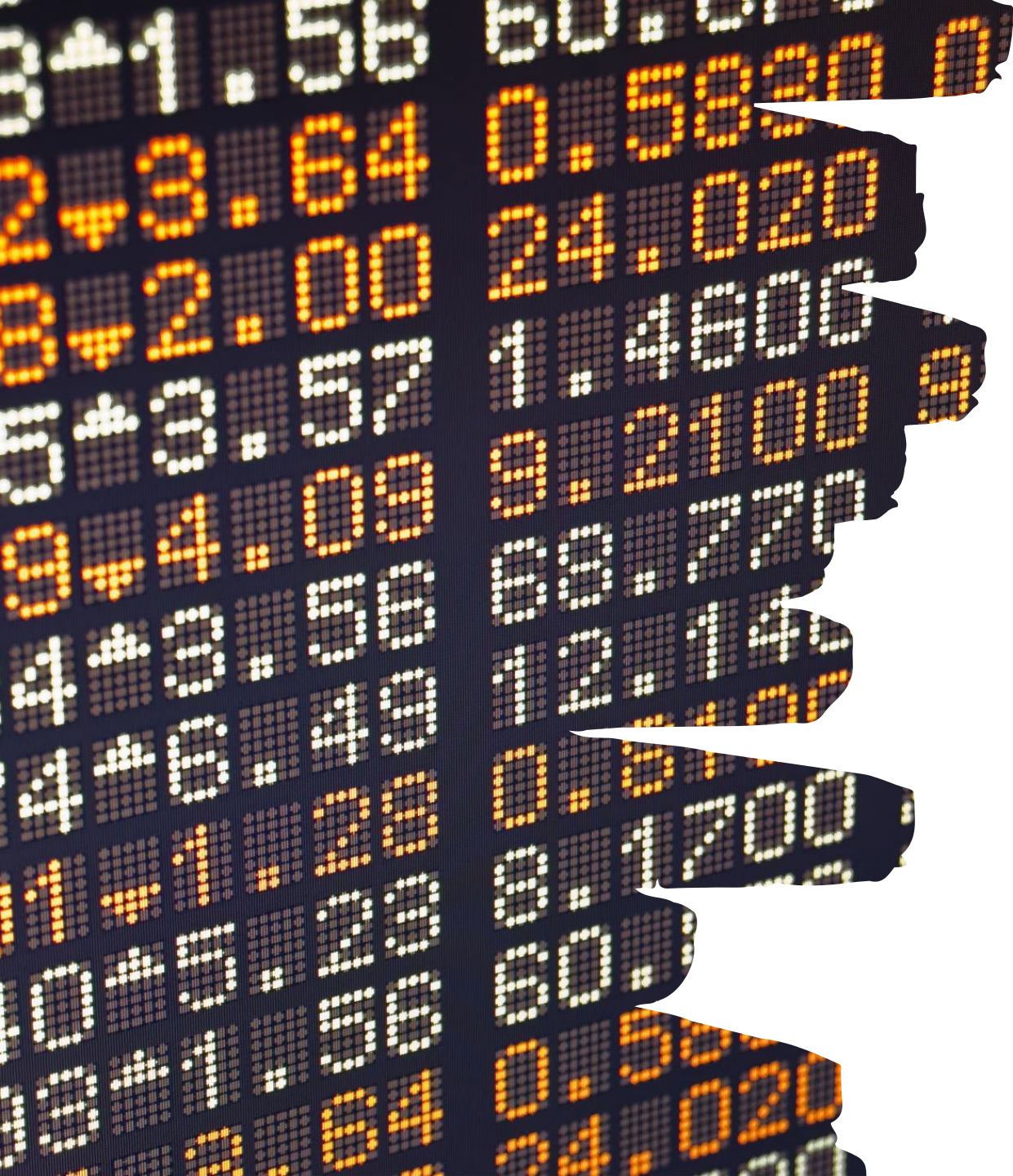
SWAPPIE

The Company



Swappie

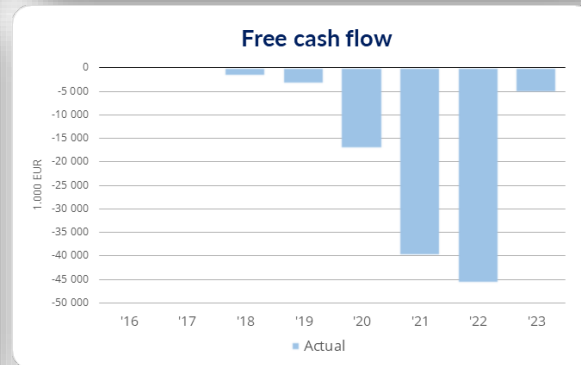
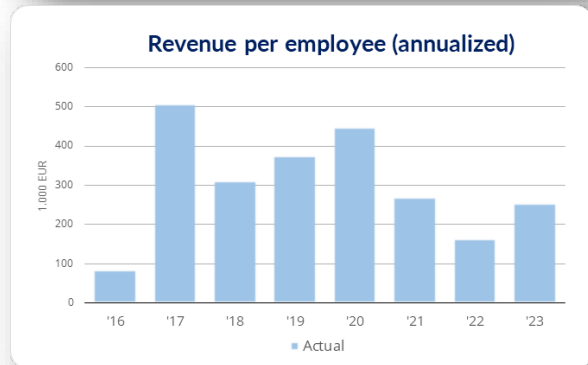
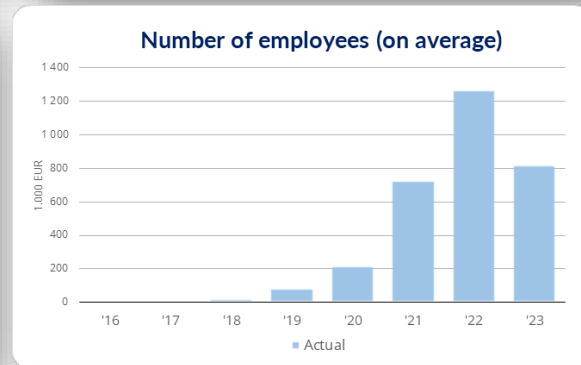
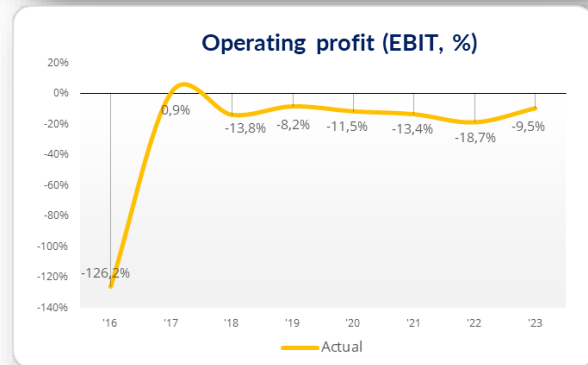
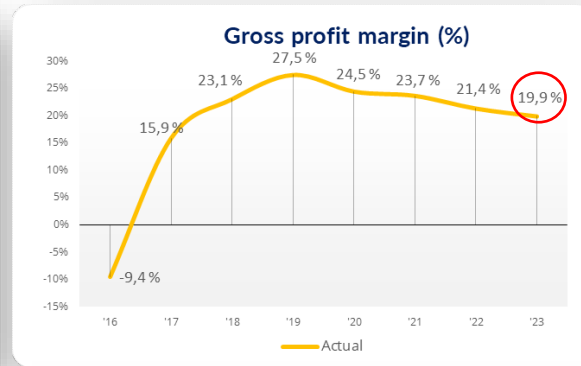
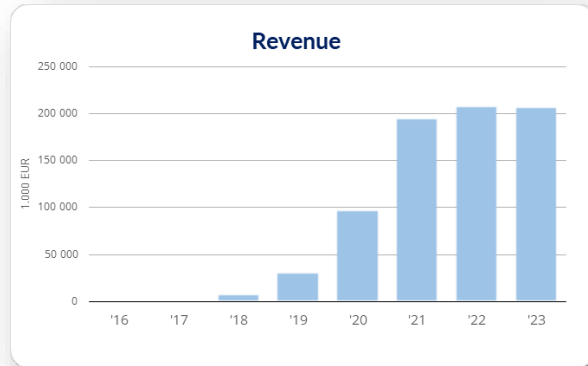
- **Company ID** FI26923284
- **Swappie** is a Finnish technology company that specializes in refurbishing and selling used iPhones. The company's business model involves buying used iPhones, refurbishing them to a like-new condition, and then selling them with a warranty. This provides a more affordable and environmentally friendly alternative for consumers looking to purchase iPhones.
- **Swappie** differentiates itself from its competitors in several ways: **1. Quality Assurance:** Swappie Oy has a rigorous 52-step inspection process that ensures all their refurbished phones are in excellent condition. This gives customers confidence in the quality of the products they are purchasing. **2. Warranty:** Swappie Oy offers a 12-month warranty on all their phones, which is not always the case with other companies in the refurbished phone market. **3. Customer Service:** Swappie Oy places a strong emphasis on customer service, offering support and assistance throughout the purchasing process. **4. Sustainability:** By refurbishing and selling used phones, Swappie Oy is promoting a more sustainable approach to technology consumption, which is increasingly important to many consumers. **5. Competitive Pricing:** Swappie Oy offers competitive pricing on their products, making them an attractive option for customers looking for high-quality, affordable smartphones. **6. Wide Range of Products:** Swappie Oy offers a wide range of products, including different models and brands of smartphones, providing customers with a variety of options to choose from. **7. User-Friendly Website:** Swappie Oy's website is easy to navigate, making the shopping experience smooth and convenient for customers.
- The closest peers to **Swappie**, a company that specializes in refurbished smartphones, would be other companies in the refurbished electronics industry.
- These could include:
 - Gazelle Inc.,
 - Back Market,
 - Decluttr,
 - musicMagpie,
 - CeX,
 - GameStop Corp.,
 - ReBuy,
 - SellCell, ja
 - ecoATM



Financial history 2016 - 2023

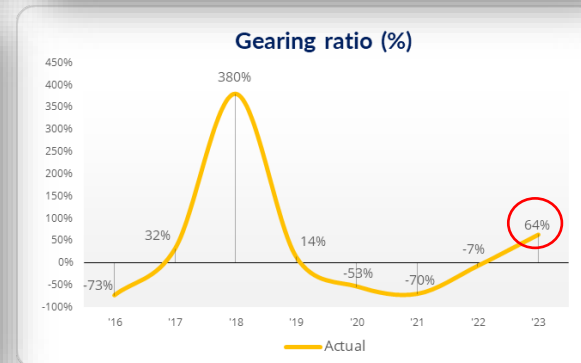
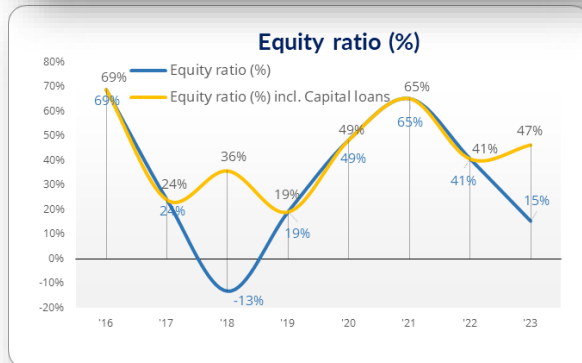
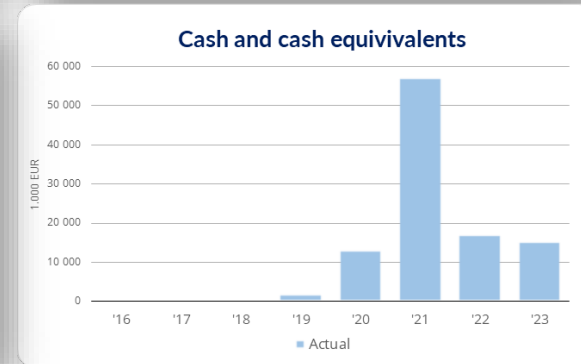
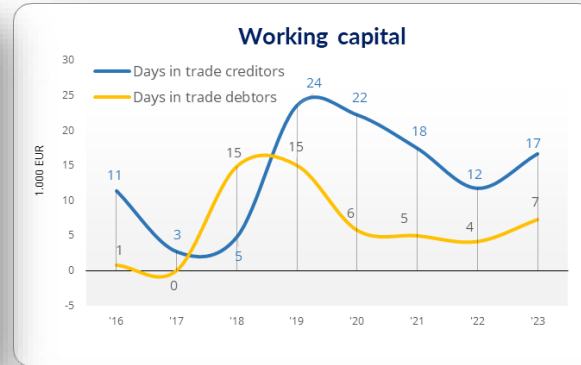
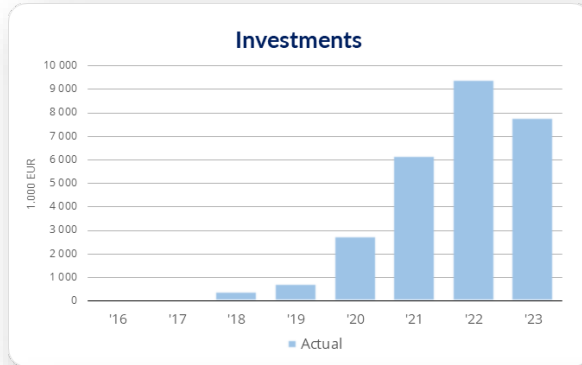
Actuals 2023

Finances 2016 - 2023



- Fiscal year 2018 14 months, other fiscal years 12 months.
- No increase in Revenue
 - Revenue declined -0,3 %
 - Revenue per Employee increased +54 %
- Decline in Gross profit (%) continued
 - 21,4 % => 19,9 % (change -7,0 %)
- No. of Employees (on avg.) declined -35 %
 - Personnel expenses decreased -31 %
 - Personnel expenses per Employee increased +7 %
- Depreciations increased by +26 %
 - Marketing and software development expenses activated into the balance sheet
- Free cash flow in 2023 -5 me
 - Turn in inventory increased
 - Operational result improved and investments decreased

Finances 2016 - 2023



- Inventory turnover improved significantly
 - Cash flow effect approx. +14 me
- Investments/activations still on high level
 - Depreciations (2023) 4,3 me and investments/activations 5,7 me
 - **According to one finance theory, investments above depreciations should generate growth**
- As the cash has continued to shrink, and there is again additional interest-bearing debt, Equity and Gearing ratios have declined
 - When operating with large volumes, the "buffer", or safety margin for large losses continues to decrease
 - The Equity ratio is only 15 % and the Gearing ratio is (64 %). The company's debt level is approaching the level of a crisis company (100 %).

Finances 2019 - 2023

INCOME STATEMENT 1.000 EUR

	2019	2020	2021	2022	2023
Revenue	31 130	97 612	195 565	207 995	207 322
<i>Ch. In revenue (%)</i>	272,8 %	213,6 %	100,3 %	6,4 %	-0,3 %
Other operating income	384	-	-	-	52
Operating expenses, Total	33 879	107 966	220 205	243 420	222 696
GROSS PROFIT	8 563	23 880	46 314	44 416	41 303
<i>Gross profit margin (%)</i>	27,5 %	24,5 %	23,7 %	21,4 %	19,9 %
OPERATING MARGIN (EBITDA)	-2 366	-10 355	-24 640	-35 425	-15 322
<i>Operating margin (EBITDA, %)</i>	-7,6 %	-10,6 %	-12,6 %	-17,0 %	-7,4 %
Depreciation and reduction in value	192	894	1 505	3 440	4 338
OPERATING PROFIT (EBIT)	-2 558	-11 248	-26 145	-38 866	-19 660
<i>Operating profit (EBIT, %)</i>	-8,2 %	-11,5 %	-13,4 %	-18,7 %	-9,5 %
Financial income and expenses	-298	-1 562	-581	-621	-1 735
Extraordinary income/expenses	-	-	-	-	-
Taxes	-	-	-	310	210
Profit of the financial year	-2 856	-12 810	-26 726	-39 796	-21 604
Purchases (% of Revenue)	78 %	80 %	83 %	78 %	74 %
External services (% of Revenue)	1 %	1 %	1 %	1 %	1 %
Other operating expenses (% of Revenue)	25 %	26 %	25 %	21 %	15,6 %
Number of employees (on average)	83	218	726	1 266	818
<i>Ch. In number of employees (%)</i>	261 %	163 %	233 %	74 %	-35 %
Revenue per employee (annualized)	375	448	269	164	253
<i>Ch. In revenue per employee (%)</i>	21 %	19 %	-40 %	-39 %	54 %
Staff expenses per employee (annualized)	41	42	31	28	30
<i>Ch. In staff expenses per employee (%)</i>	18 %	3 %	-26 %	-11 %	7 %

BALANCE SHEET - ASSETS 1.000 EUR

	2019	2020	2021	2022	2023
Non-current assets					
Intangible assets	628	1 962	4 994	8 165	9 525
Tangible assets	248	781	2 151	4 797	4 809
Investments	5	0	0	0	0
Current assets					
Inventory/Stocks	3 021	11 828	27 387	27 489	13 502
Debtors					
Long-term debtors	113	-	75	143	265
Short-term debtors	1 915	5 172	14 359	15 030	9 178
Short-term investments	-	-	-	-	-
Cash in hand and at banks	1 803	13 134	57 117	17 086	15 355
ASSETS	7 733	32 878	106 083	72 710	52 635

BALANCE SHEET - EQUITY AND LIABILITIES 1.000 EUR

	2019	2020	2021	2022	2023
Equity					
Equity	1 487	15 965	69 415	29 723	8 131
Minority interests	-	-	-	-	-
Appropriations	-	-	-	-	-
Provisions	-	563	1 351	1 166	1 077
Creditors					
Long-term creditors					
Long-term creditors	358	4 538	4 804	4 130	19 120
Short-term creditors					
Short-term (interest-bearing) debt	1 650	167	4 000	11 000	1 408
Short-term creditors	4 237	11 645	26 513	26 691	22 900
EQUITY AND LIABILITIES	7 733	32 878	106 083	72 710	52 635
Inventory turnover (days)	45	55	62	62	32
Days in trade debtors	15	6	5	4	7
Days in trade creditors	24	22	18	12	17
Gearing ratio (%)	13,8 %	-52,8 %	-69,6 %	-6,6 %	63,6 %
Equity ratio (%)	19,2 %	48,6 %	65,4 %	40,9 %	15,4 %
Net debt / Operating margin (EBITDA)	-0,1	0,8	2,0	0,1	-0,3
Return on Investment, (ROI) (%)	-118,3 %	-104,9 %	-53,3 %	-63,7 %	-56,3 %

Finances 2019 - 2023

FREE CASH FLOW 1.000 EUR

	2019	2020	2021	2022	2023
OPERATING PROFIT (EBIT)	-2 558	-11 248	-26 145	-38 866	-19 660
Operating profit (EBIT, %)	-8,2 %	-11,5 %	-13,4 %	-18,7 %	-9,5 %
Taxes	-	-	-	-310	-210
Net Operating Profit Less Taxes (NOPLAT)	-2 558	-11 248	-26 145	-39 175	-19 870
Depreciation and reduction in value	192	894	1 505	3 440	4 338
Ch. In working capital	-300	-4 656	-9 878	-595	16 048
Cash flow from operations	-2 666	-14 448	-33 730	-36 515	427
Net investments	745	2 756	6 199	9 258	5 710
FREE CASH FLOW	-3 411	-17 204	-39 929	-45 773	-5 283

FINANCING 1.000 EUR

	2019	2020	2021	2022	2023
Ch. In long-term (interest-bearing) debt	-1 129	4 180	266	-674	14 990
Ch. In short-term (interest-bearing) debt	1 538	-1 483	3 833	7 000	-9 593
Ch. In long-term debtors	-91	113	-75	-68	-123
Financial income and expenses	-298	-1 562	-581	-621	-1 735
Proceeds from share issue and other restricted	-	38	-38	19	12
Ch. In other non-restricted equity reserves	4 607	27 200	80 264	86	-
Other financing items/adjustments	3	49	242	-	-
Financing items, Total	4 630	28 535	83 912	5 741	3 553
Ch. In liquid assets	1 219	11 331	43 983	-40 031	-1 730
Cash and bank accounts at the beginning of the p	584	1 803	13 134	57 117	17 086
Cash and bank accounts at period end	1 803	13 134	57 117	17 086	15 355
Ch. In liquid assets	1 219	11 331	43 983	-40 031	-1 730

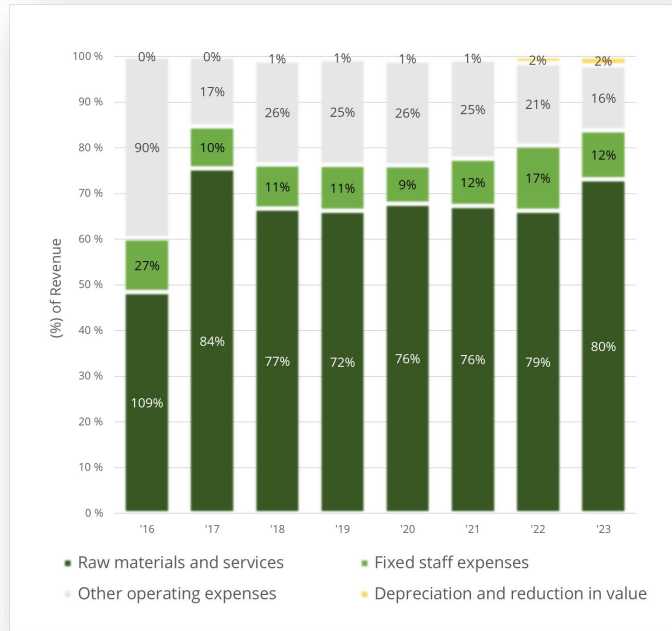
- In the 2023 financial year, approximately EUR 16 million of working capital was released, mainly as a result of inventory turnover times.
- The company has had three significant financing rounds, from which the equity financing raised has been approximately EUR 113 million.
 - At the end of 2023 Swappie had 15,3 me in cash and 20,5 me in interest-bearing debt
 - Compared to 2022, the situation has improved in terms of cost savings and inventory turnover, but the Revenue did not increase. Achieving the so-called breakeven point would have required an increase in revenue of approximately 21 me (approximately +10 %), assuming that the number of employees had not increased.
 - The simplified cash flow 2016 - 2023 looks like this (thousand euros):

Equity funding	113 368
Cash flow from the operations	-111 283
New loans	18 898
Interest and other expenses	-5 627
CASH 31.12.2023	15 355

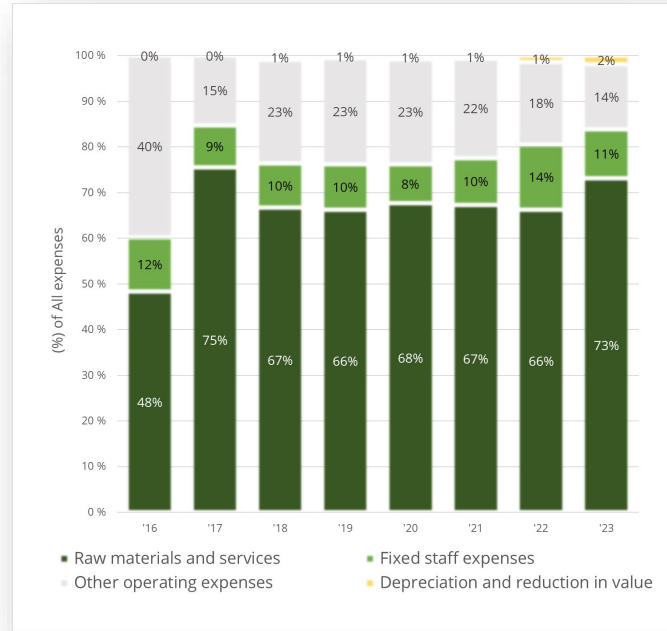


Cost structure and expenses 2016 - 2023

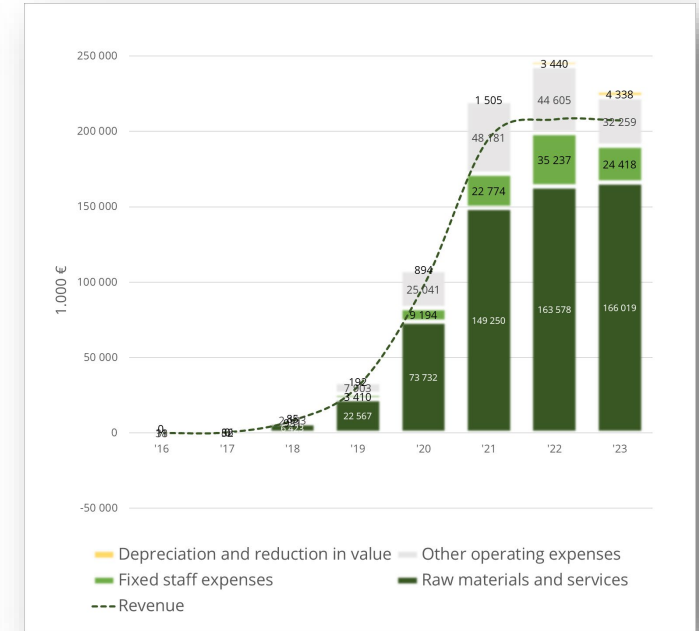
(%) of Revenue



(%) of All expenses

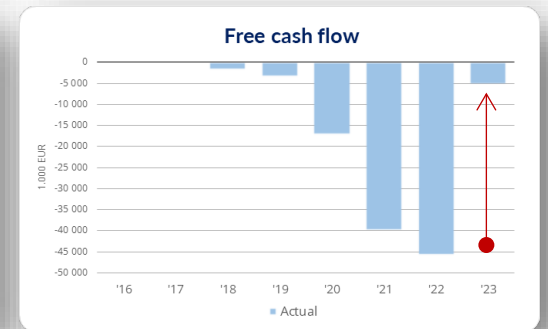
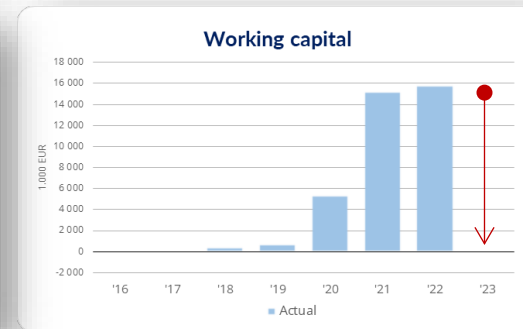
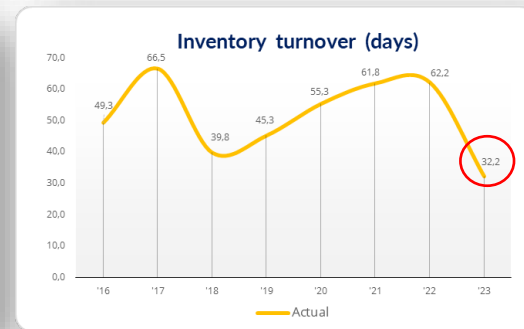
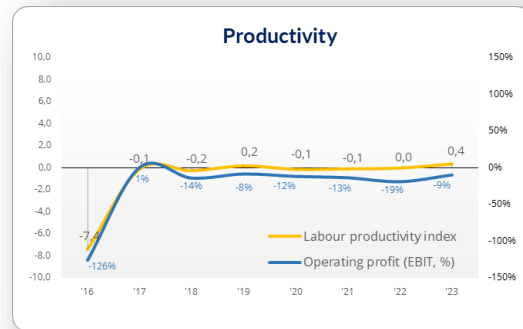
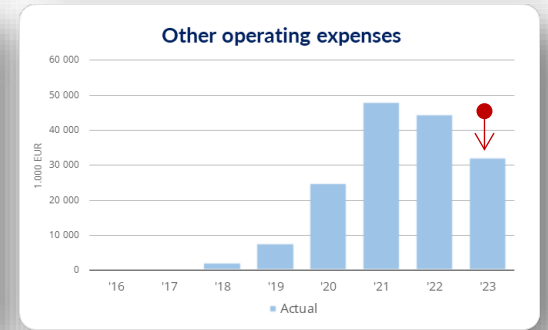
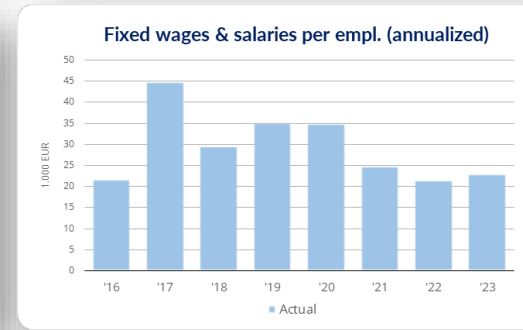
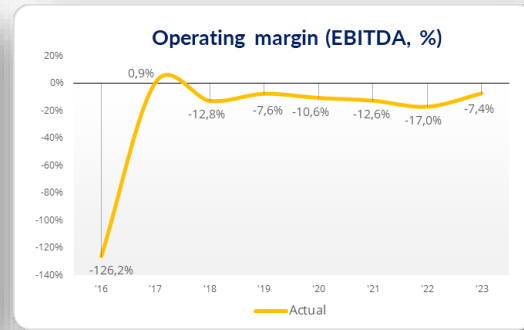
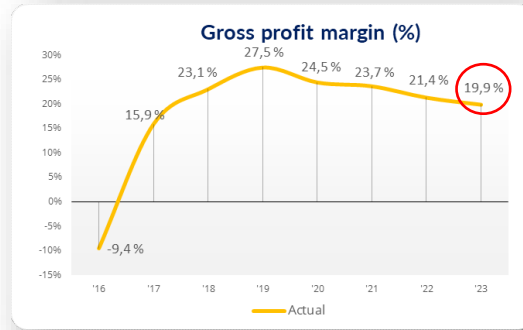
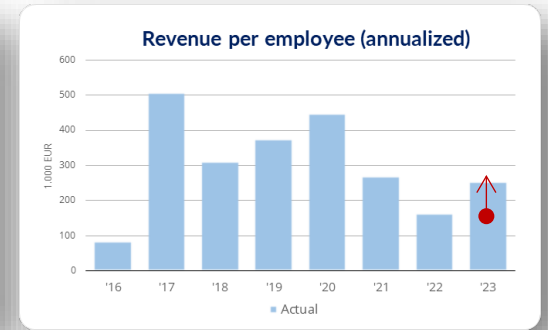
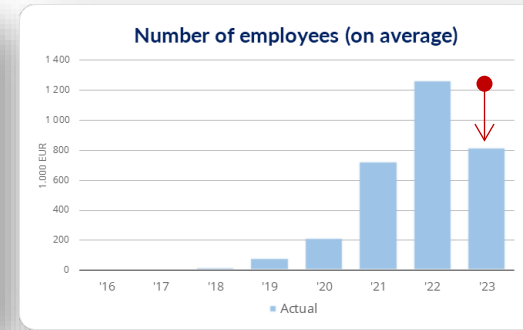
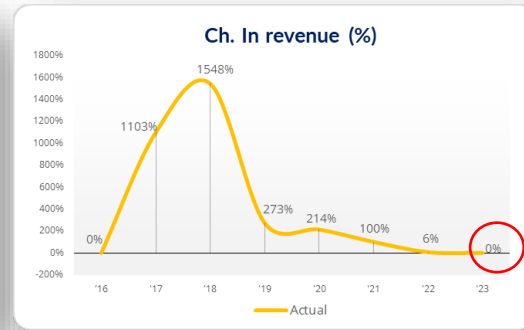
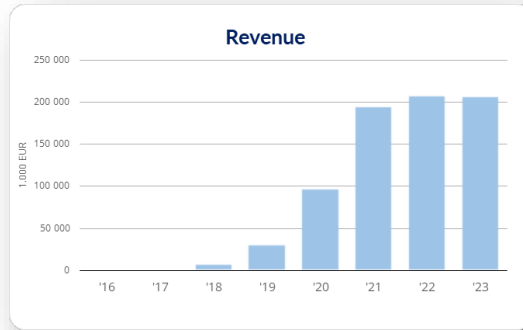


In 1.000 Euros



- Materials and services are the most significant expense items (73 % of all expenses)
- Total expenses for the fiscal year 2023 decreased by approximately -20 me i.e., -7,9 % due to savings, restructuring, etc. measures.

Swappie - Summary for 2016 - 2023





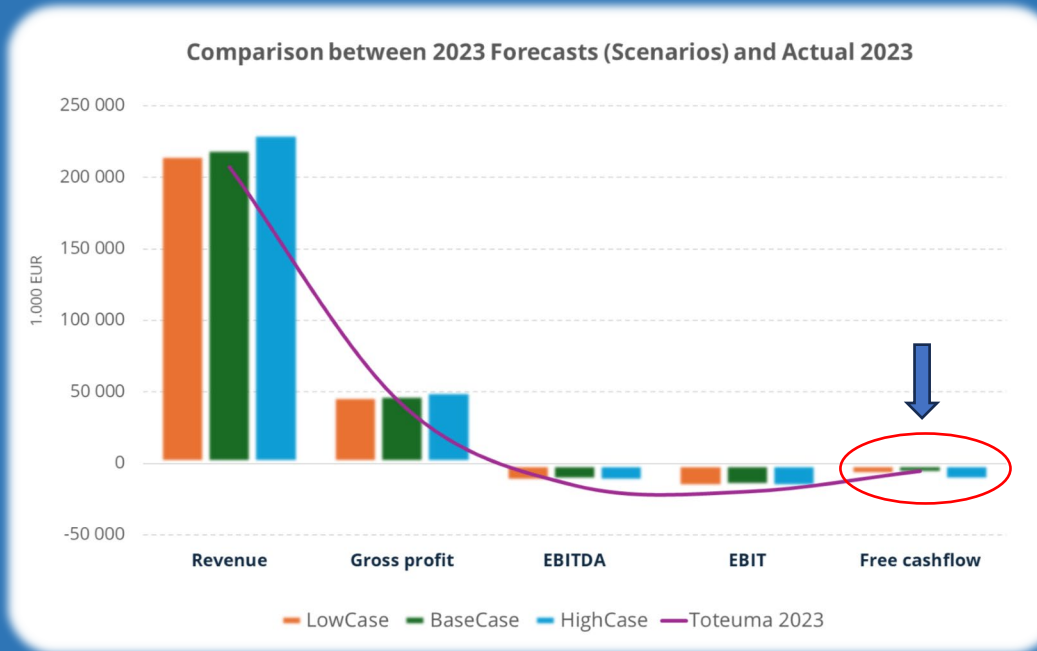
CASH FLOW ANALYSIS

Forecast vs. Actuals 2023

Forecasting accuracy

Case Swappie - Forecast vs. Actuals 2023

- When the starting point for the Forecast was Revenue close to 210 million euros, the difference in the free cash flow Forecast was only 1 %.¹⁾



The Forecast 2023 came true perfectly!

- Carefully designed and implemented cash flow model produces realistic results!
- With the company's own (internal) data, plans, and assumptions, forecast accuracy and usefulness are further improved.

¹⁾ Forecast difference in proportion to Revenue level. Forecast prepared using public data and Argon Pro's own assumptions

²⁾ The Scenarios used here are described in more detail in the Report 11/2023 [here](#)

Predicting bankruptcy risk

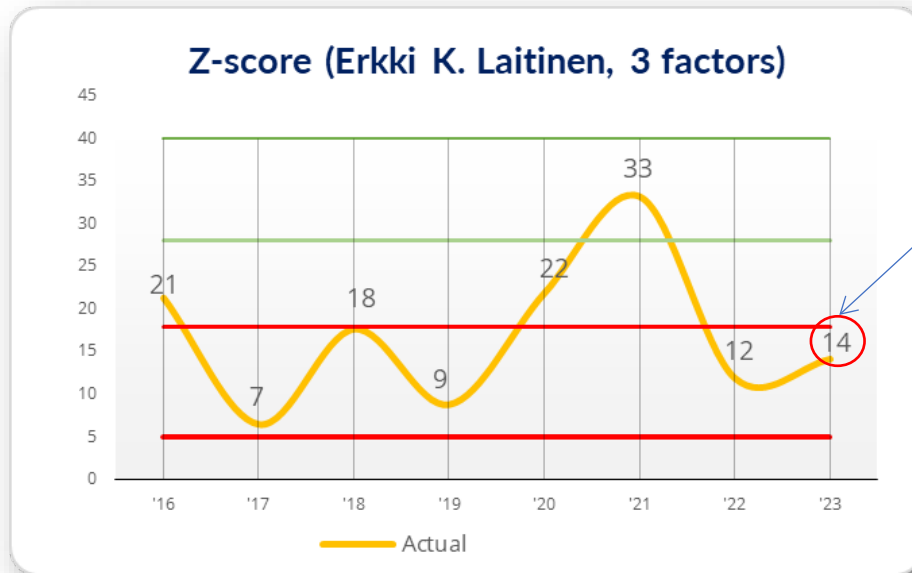


Swappie and three-factor Z-score ^{1]}

- The Z-score measures the probability that the company will find itself in a difficult financial situation (in the near future) **if no active measures are taken to prevent it.**
- Z-score for Swappie has been below and around critical value during the past six years. The equity funding round implemented in 2020 - 2021 improved Quick and Equity ratio, as well as Z-score.

On the other hand...

- Z-score indicates the risk. In case, no active measures to correct the situation are not taken, the probability for bankruptcy will increase dramatically.

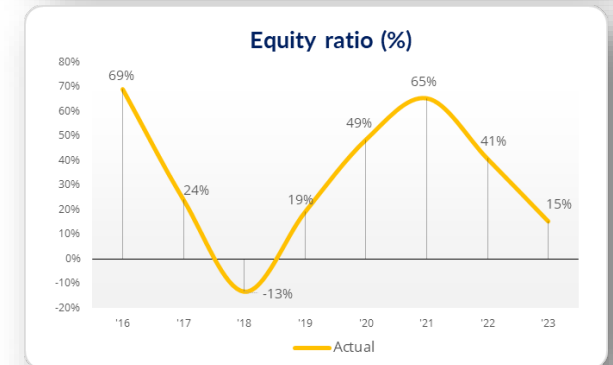
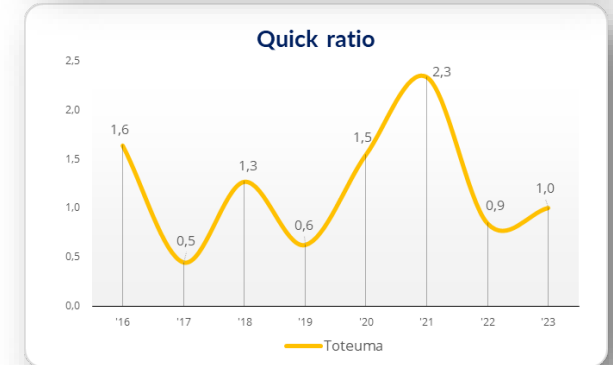
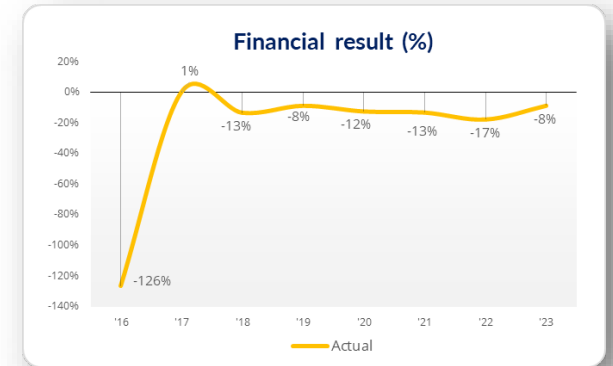


- **The critical value of the 3-factor Z-score is 18**

- If the Z-score is lower than 18, the company is in danger of going bankrupt
- If the Z-score is greater than 18, the company is classified as a healthy company

- $Z\text{-score (3-factors)} = (1,77 \times \text{Financial result-\%}) + (14,14 \times \text{Quick ratio}) + (0,54 \times \text{Equity ratio})$

^{1]} Read more about Z-score e.g., [here](#)





Summary

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Summary

- The forecasting of Swappie's 2023 financial figures and its accuracy demonstrate that carefully executed cash flow-based modeling of a business can produce very accurate and useful results, even when using only public data and assumptions independent of the company. The report highlights that:
 - *The actual free cash flow for 2023 differed from the forecast by only one percent, based on a Revenue of approximately 210 me. This shows that with careful business modeling, the forecasts can be assessed as very realistic.*
- The most important factors in the success of forecasting:
 - **Transparent assumptions:** The forecast model is based on realistic and transparently assessed assumptions and starting points.
 - **Scenario analysis:** The model takes into account alternative development paths, which increases the flexibility of the model.
 - **Accurate historical data analysis:** Previous financial figures and their trends support the construction and implementation of a cash flow model.
- Forecast accuracy can be significantly improved by utilizing the company's own internal information, such as more accurate revenue, cost and investment assumptions and forecasts.
- **Conclusion:** The 2023 forecast accuracy showed that a well-designed cash flow-based model can serve as a valuable tool in business planning, forecasting and decision-making. Forecast accuracy alone does not solve all challenges, but also requires active measures to improve the situation. However, business predictability makes it easier to choose the right and timely measures.
- Swappie's 2023 figures show successful cost-saving measures, operational improvements and positive signals, such as faster inventory turnover, but at the same time they reveal continued challenges to profitability and growth.
- Financial indicators, such as negative cash flow and a weak equity ratio, indicate that Swappie's business needs careful strategic planning and measures to restore financial balance.
- Swappie is not yet bankrupt, but it is in a critical financial situation. However, without significant improvement in profitability, control of interest-bearing debt and positive cash flow, the company may face real difficulties in the near future. Active measures, such as obtaining additional financing or streamlining the business, are still necessary to reduce the risk of bankruptcy.
- **Conclusion:** Swappie's situation shows that predictability is possible even in challenging circumstances. However, the company's financial situation is critical, and significant action is needed to balance the economy and restore growth. This situation serves as a cautionary tale of how rapid changes in business conditions can jeopardize an otherwise viable business model.

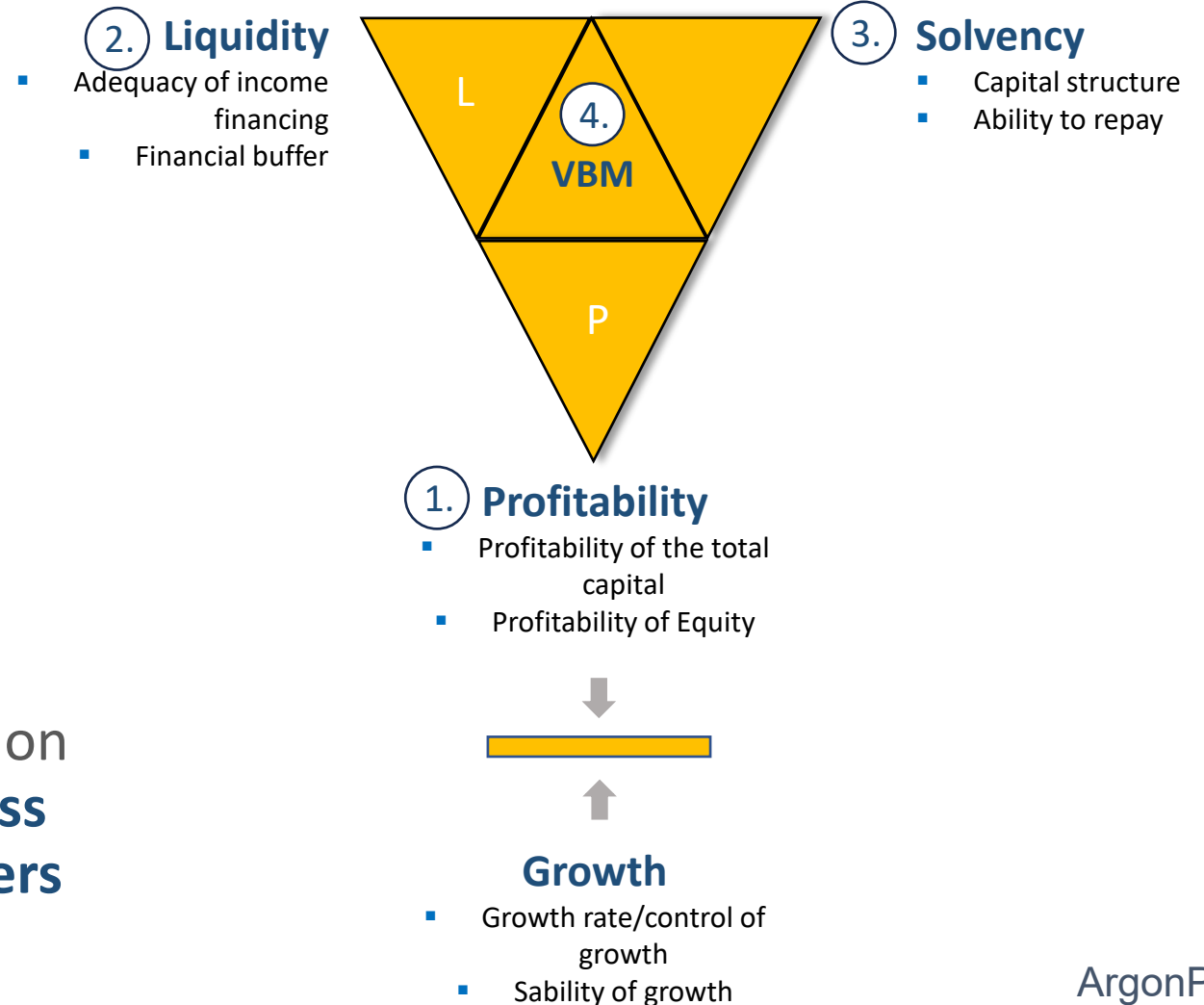


From business modeling to Value Based Management...

Some basics

The fourth support pillar in business and finance...

- **Value management of a company, or business** (Value Based Management, VBM) has become the fourth support pillar and success factor of a successful business...
 - ...however, it's essentially dependent on the first three pillars
 - ...but the model is based on the importance of **business modeling, key value drivers** and (positive) **cash flow!**



Business modeling

- Cash flow-based business modeling provides a particularly useful tool for analyzing a company, or its business. Business modeling can also be used in many other situations that require financial analysis.
- Business modeling can be related, for example, to profitability analysis of operational activities, or investments, as well as valuations of companies, or businesses. You can read more about the possibilities of business modeling in the section Value Based Management here. Business modeling and analysis is a useful tool, e.g., in following situations:



Business modeling is a starting point for Value Based Management (VBM)

- Value Based Management (VBM), or tools used in it can be utilized in various operational and strategic tasks, processes and projects
- Business modelling is a good start for Value Based Management initiative
- Read more about Argon Pro Value Based Management concept [here](#)



Why managing the value of Your company is important?

*“If You do not know
the values of the components of your business,
you will find yourself
in the hands of someone who does”*

An (unnamed) investment banker



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