

Market: OMXC Small Cap

Ticker: PENNEO

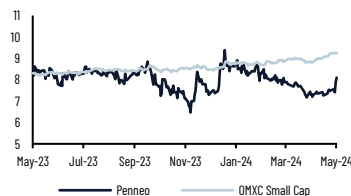
Share price (DKK): 8.10

Market cap (DKKm): 276.1

Net cash (DKKm): 10.5 (Q1 2024)

Enterprise value (DKKm): 265.6

Share information



YTD: 10.1% 1 year: -4.0%
 1 month: 11.0% Since IPO*: -26.8%

Note: *IPO date was 6 June 2020 (subscription price of DKK 11.06).
 We apply the closing price from 24 May 2024 (Nasdaq).

Financials

(DKKm)	2022	2023	2024E*
Total ARR	71.0	89.3	105.0-112.0
ARR growth	28%	26%	18-25%
Revenue	72.1	88.4	N/A
Revenue growth	33%	23%	N/A
EBITDA	-11.1	-8.7	5.0-10.0
EBITDA margin	-15%	-10%	N/A
Cash	53.2	42.2	N/A
Interest-bearing debt	26.8	23.9	N/A

Note: *Penneo's own guidance range for 2024.
 Interest-bearing debt includes leasing liabilities.

Valuation multiples

	2022	2023	2024E*
P/ARR (x)	4.1	2.8	2.5
P/S (x)	4.1	2.8	N/A
EV/Sales (x)	3.7	2.6	N/A
EV/EBITDA (x)	-24.1	-26.7	35.4
EV/EBIT (x)	-11.4	-10.1	N/A
P/E (x)	-14.5	-10.1	N/A
P/CF (x)	-29.3	33.4	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers.
 *2024E multiples are based on the midpoint in Penneo's own guidance.

Company description

Penneo was founded in 2014 by six entrepreneurs with the ambition to support primarily the auditing industry with digital document signatures by replacing pen and paper with a digital alternative. Today, Penneo is a Danish SaaS company that automates and digitalizes workflows, offering two main solutions within digital signing (Penneo Sign) and legal compliance requirements for onboarding of clients (Penneo KYC). Penneo employs 110 employees and serves more than 3,000 customers by the end of Q1 2024.

Investment case

In Europe, the market growth rates within digital signature and KYC are supported by trends such as digitalization and increasing regulative demands.

Penneo has evolved from being a digital signature platform to a RegTech platform with an ecosystem of automation solutions for Anti-Money Laundering (AML) and Know-Your-Customer (KYC) regulated verticals. Penneo's key focus is on the auditing and accounting sector. Penneo has a solid footprint in the Nordics with large accounting firms as customers which ensures recurring revenue and stickiness through network effects.

Penneo's European expansion is expected to continue, but the growth pace is less aggressive with an increased focus on capital efficiency and profitability. The recent Q1 2024 results supported this with improved profitability (EBITDA), aligning with the full-year 2024 guidance of reaching positive EBITDA.

Looking at valuation, Penneo currently trades at 2.4x EV/ARR (2024E), which is below the median of other selected Danish-listed SaaS companies at approx. 2.9x EV/ARR (2024E). Penneo has historically delivered solid SaaS metrics better than the median of the peer group, however, Penneo's growth rate has recently been lower. For perspective, the global market-leading digital signature company, DocuSign, is valued at 3.7x EV/Sales (Capital IQ mean analyst estimate for the financial year ending January 2025).

Key investment reasons

Penneo's business model and solutions are proven by solid SaaS metrics with a track record of growing ARR at a high rate combined with a low ARR churn rate.

As Penneo expects positive EBITDA in 2024 and has a path to be self-sustaining with at least a cash-neutral status in 2025, the risks decrease in the investment case. As this gets realized, investors might reward this in the current market environment.

Future growth is supported by the roll-out of Penneo's KYC products, as well as Penneo's European market expansion and goal of becoming the de facto standard for auditors in Europe. Recently, Penneo has experienced strong growth in Belgium with a significant uptake in new customers. A potential new market could be Germany, which is planned to be entered in 2024. However, it will take time to gain traction and adopt its solutions to the German market.

Key investment risks

Penneo operates in markets with high competition from several companies, including some global companies with extensive market reach. The competitive situation may affect Penneo's position in existing markets as well as its European expansion, potentially affecting the growth rates.

After several years of investing in growth with negative free cash flows, Penneo is moving towards at least a cash-neutral status on a yearly basis by 2025. With a cash position of DKK 34.0m (net cash of DKK 10.5m) by the end of Q1 2024, Penneo is sufficiently funded for its current investment plan. Depending on Penneo's future investment strategy and growth opportunities, Penneo may raise additional capital to pursue opportunities. However, there are no indications in the current communication and strategy that the company will raise additional capital for a new capital-intensive investment cycle.

Danish SaaS peer group

Company	Total return	EV/ARR (x)		ARR growth (%)		Growth adj. ARR multiple (x)	EV/Sales (x)		Revenue growth (%)		NRR (%)	EBITDA (DKKm)		Net debt (DKKm)	FCF / Net new ARR		
	YTD (%)	2023	2024E	2023	2024E	2023	2024E	2023	2024E	2023	2024E	2023	2024E	Latest reported	2022	2023	
Selected Danish SaaS (median)*	12.2%	3.0	2.9	41%	35%	0.08	0.09	3.1	N/A	38%	N/A	109%	-8.8	-8.8	2.0	-3.5	-1.6
Penneo	10.1%	2.6	2.4	26%	22%	0.10	0.11	2.6	N/A	23%	N/A	112%	-8.7	7.5	-10.5	-1.9	-0.8

Note: The table shows multiples, key SaaS metrics, and financials for Penneo and the median values from selected Danish SaaS companies (Agillic, Impero, MapsPeople, and RISMA). Note that SaaS metrics definitions may differ across companies (there are no standards or regulations yet), i.e., this overview is only for perspective. Data is manually collected from company reports. We apply Penneo's own 2024 guidance (midpoint) as well as other companies' 2024 guidance (midpoint). 2023 multiples are based on the market capitalizations on 31 December 2023. 2024E multiples are based on market capitalizations on 24 May 2024. Adjusted for Penneo's costs related to the Main Market listing in 2022, FCF / Net New ARR (2022) will be -1.7x. Find more information on the next page. Source: HC Andersen Capital and company reports.

Appendix: Danish SaaS peer group



Selected Danish-listed SaaS companies (reported/expected ARR in the range of DKK 20-100m in 2023)

Company	Total return	EV/ARR (x)		ARR growth (%)		Growth adj. ARR multiple (x)		EV/Sales (x)		Revenue growth (%)		NRR (%)	EBITDA (DKKm)		Net debt (DKKm)		FCF / Net new ARR	
	YTD (%)	2023	2024E	2023	2024E	2023	2024E	2023	2024E	2023	2024E	2023	2023	2024E	Latest reported	2022	2023	
Agillic	-53.2%	3.2	1.7	-9%	0%	N/A	N/A	3.5	1.8	-3%	-1%	98%	1.9	1.0	17.1	-0.5	N/A	
Impero	25.6%	2.8	2.8	34%	32%	0.08	0.09	3.1	N/A	39%	N/A	111%	-10.6	-10.0	-18.9	-3.4	-1.6	
MapsPeople	162.3%	1.8	3.0	63%	46%	0.03	0.07	2.3	3.8	39%	49%	111%	-57.0	-22.5	34.6	-4.0	-2.2	
RISMA	-1.1%	5.4	3.8	49%	39%	0.11	0.10	N/A	N/A	38%	N/A	107%	-7.0	-7.6	-13.1	-3.5	-0.1	
Median	12.2%	3.0	2.9	41%	35%	0.08	0.09	3.1	N/A	38%	N/A	109%	-8.8	-8.8	2.0	-3.5	-1.6	
Penneo	10.1%	2.6	2.4	26%	22%	0.10	0.11	2.6	N/A	23%	N/A	112%	-8.7	7.5	-10.5	-1.9	-0.8	

Note: The table shows multiples, financials, and key SaaS metrics for Penneo and the median values from selected Danish SaaS companies. Note that SaaS metrics definitions may differ across companies (there are no standards or regulations yet), i.e. this overview is only for perspective. Data is manually collected from company reports. In the table above, we apply Penneo's own 2024 guidance for ARR in 2024 (midpoint) as well as other companies' 2024 guidance (midpoint). We apply end 2023 (31 December 2023) market capitalizations and reported cash and interest-bearing debt for 2023 multiples. For 2024 multiples, market capitalizations are closing prices from 24 May 2024 and the latest reported cash and interest-bearing debt are used. Lease liabilities are included in the net debt calculations. Adjusted for Penneo's costs related to the Main Market listing in 2022, FCF/Net new ARR (2022) will be -1.7x. MapsPeople's net retention rate is based on MapsIndoors. N/A is applied for data points where there is no data, or we have assessed it makes no sense to use the number for comparison (one or few cases). Source: HC Andersen Capital and company reports. Disclaimer: From the table above (and from page 1), HC Andersen Capital receives payment from Agillic, Impero, MapsPeople, and Penneo for a Digital IR/Corporate Visibility subscription agreement.