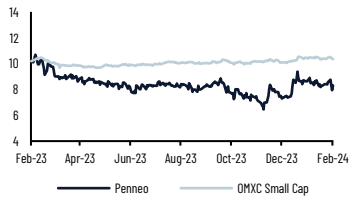
Penneo

Market: OMXC Small Cap	Ticker: PENNEO	Share price (DKK): 8.30	Market cap (DKKm): 283.0	Net cash (DKKm): 18.3 (Q4 2023)	Enterprise value (DKKm): 264.7

Share information



YTD	12.8%	1 year:	-18.6%
1 month:	-3.7%	Since IPO*:	-25.0%

Note: *IPO date was 6 June 2020 (subscription price of DKK 11.06). We apply the closing price from 22 February 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	2.6
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	35.3
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 121 employees and serves more than 2,800 customers by the end of 2023.

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 such as auditors and financial institutions. Penneo has a solid footprint in the Nordics with large accounting firms as customers which ensures recurring revenue and stickiness through network effects.

Despite a competitive environment and large global competitors in the digital signature market, Penneo differentiates itself by having a narrow focus on a few regulated verticals.

Looking at valuation, Penneo currently trades at 2.6x EV/ARR (2023) and 2.4x EV/ARR (2024E). This is below the median of other selected Danish-listed SaaS companies, trading at approx. 3.0x based on 2023 guidance (only a few have reported). Penneo has historically delivered solid SaaS metrics better than the median of other Danish-listed SaaS companies, however, Penneo's growth rate is lower than the median of the selected companies in 2023. For perspective, the global market-leading digital signature company, DocuSign, is valued at 3.4x EV/Sales (Refinitiv mean analyst estimate for the financial year ending January 2024).

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 of 3-4%. Looking across the Danish SaaS sector, Penneo has outperformed the sector median on key SaaS metrics such as net retention rate in the past years.

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. Currently, foreign markets (Norway, Sweden, Finland, and Belgium) constitute approx. 30% of Penneo's total ARR.

Penneo has experienced good traction in one of its new markets, Belgium, with a significant uptake in new customers (approx. 38% of all new clients in Q4 2023 were from Belgium). In 2024, Penneo also intends to enter Germany, 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.

Penneo is still investing in growth activities in accordance with its investment plan. This implies that Penneo has negative free cash flow, yet a healthy and improving capital efficiency shown by its FCF/Net new ARR ratio of -0.8x in 2023 (last 12 months). With a cash position of DKK 42.2m (net cash of DKK 18.3m) by the end of 2023, Penneo is sufficiently funded for its current investment plan and is also positioned to reach at least a cash-neutral status on a yearly basis by 2025. Depending on Penneo's future investment strategy and growth opportunities, Penneo may raise additional capital to pursue opportunities.

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 (%)	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023	2023E	2024E	Latest reported	2022	2023
Selected Danish SaaS (median)*	7.8%	3.0	N/A	37%	N/A	0.08	N/A	2.8	N/A	29%	N/A	N/A	-8.9	N/A	-7.8	-3.4	N/A
Penneo	**12.8%**	**2.6**	**2.4**	**26%**	**22%**	**0.09**	**0.11**	**2.6**	**N/A**	**23%**	**N/A**	**112%**	**-8.7**	**7.5**	**-18.3**	**-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, Relesys, 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' 2023 and 2024 guidance (midpoint). Only a few companies have reported 2023 numbers (some have announced preliminary numbers on key results). 2023E multiples are based on the market capitalizations on 31 December 2023. 2024E multiples are based on market capitalizations on 22 February 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.

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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 (%)	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023	2023E	2024E	Latest reported	2022	2023
Agillic	-23.7%	3.2	2.5	-9%	0%	N/A	N/A	3.5	2.7	-3%	-1%	98%	1.9	1.0	15.1	-0.5	N/A
Impero	62.1%	3.0	N/A	37%	N/A	0.08	N/A	N/A	N/A	N/A	N/A	N/A	-10.5	N/A	-7.8	-3.4	N/A
MapsPeople	73.8%	1.6	N/A	93%	N/A	0.02	N/A	2.4	N/A	43%	N/A	N/A	-57.0	N/A	26.0	-7.4	N/A
Relesys	7.4%	2.6	N/A	36%	N/A	0.07	N/A	2.8	N/A	29%	N/A	N/A	N/A	N/A	-21.5	-1.7	N/A
RISMA	7.8%	5.3	N/A	49%	N/A	0.11	N/A	N/A	N/A	N/A	N/A	107%	-7.3	N/A	-16.5	-3.5	N/A
Median	**7.8%**	**3.0**	**N/A**	**37%**	**N/A**	**0.08**	**N/A**	**2.8**	**N/A**	**29%**	**N/A**	**N/A**	**-8.9**	**N/A**	**-7.8**	**-3.4**	**N/A**
Penneo	**12.8%**	**2.6**	**2.4**	**26%**	**22%**	**0.09**	**0.11**	**2.6**	**N/A**	**23%**	**N/A**	**112%**	**-8.7**	**7.5**	**-18.3**	**-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' 2023 and 2024 guidance (midpoint). Only a few companies have reported 2023 numbers (some have announced preliminary numbers on key results). 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 22 February 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.