

hypefactors **h**

# HYPEFACTORS

## INVESTMENT CASE



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#DIGITALIR

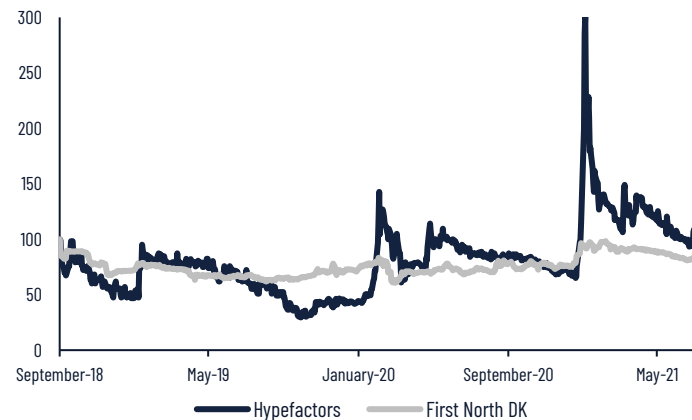
## HYPEFACTORS

Hypefactors is a Software-as-a-Service (SaaS) company providing a Communications/PR automation software solution for companies and organizations. The company has been listed on Nasdaq First North in Denmark since 2018.

Ticker: HYPE

Share price (DKK): 6.86

Market capitalization (DKK): 65,530,136



### Key financials (DKKm)

	2018	2019	2020
Revenue	0.7	2.0	4.2
ARR	N/A	2.8	4.9
EBITDA	-7.5	-11.4	-3.9

## INVESTMENT CASE

- **Hypefactors provides an integrated AI-powered platform with real-time overview of global and local media.** With a unique Communications/PR software solution, Hypefactors optimizes media intelligence and reputation management for companies and organizations. More than 4 million articles are being analyzed daily, and more than 2 million social media posts, pictures, and videos are processed daily through automated machine learning solutions.
- **The platform solves key problems for customers; i)** optimization of communication budgets localizing the right communication channels, **ii)** enhance positive sentiment from bloggers and influencers, **iii)** management team and board members want to know their public profile, and **iiii)** with increasing focus on ESG and the company's public role in society, potential negative stories can be identified and handled before escalating.
- **With a diversified customer portfolio, Hypefactors has proven its horizontal market software targeting both organizations and larger companies in all industries** such as Chr. Hansen, Arriva, Saxo Bank, Torm, Toms and Anti Doping Danmark. Additionally, Hypefactors has landed Prince's Trust International, CCP Games, and Zwift as UK clients, and Discovery Channel and Levi's among Portuguese clients in 2020.
- According to Hypefactors' main competitor, Meltwater, which was listed in Norway in December 2020, **the estimated addressable market is expected to be USD 26bn in 2023.**
- Hypefactors reported revenue growth of 117% from DKK 1.95m in 2019 to DKK 4.2m in 2020. **Annual recurring revenue (ARR) increased from DKK 2.76m end of 2019 to DKK 4.91 end of 2020 corresponding to an ARR growth of 78%.** Going forward, Hypefactors is now looking into commercial scalability with current main focus in Denmark, United Kingdom and Portugal.
- **Potential future growth drivers are i)** convert freemium customers, i.e., more than 17,000 companies and organizations to paying customers and **ii)** integrate Hypefactors' in-house developed technology in partner solutions.
- **The SaaS company is valued to 13.3x ARR** which is below the median ARR valuation of 14.5x for the US-listed SaaS sector as of 31 May 2021. However, Hypefactors is relatively small and in an early stage with ARR of DKK 4.9m and market capitalization of DKK 65.5m.

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## SELECTED RISK FACTORS

**Nasdaq First North Growth Market:** Potential investors must be aware of the significant risks related to investing in companies being listed on Nasdaq First North Growth Market. Companies traded on Nasdaq First North Growth Market are subject to less regulations compared to the regulated main market.

**Share price development:** The market price of the Hypefactors share may develop negatively depending on several factors including financial results varying from expectations, economic downturns, changes in expectations, changes in geopolitical conditions, and the risk of declining global stock markets.

**Market development:** The market within Communications/PR software solutions has grown over the past years due to digital changes such as increasing digital opportunities, COVID-19 and use of social media. There is a risk that people will change digital habits which may have a negative impact on the demand for PR software solutions.

**Competition:** There are several competitors, both local and global, which provide similar solutions. However, Hypefactors aims to provide the best fully integrated solution with several features. If competitors are able to provide better competitive features, this may have a negative impact on Hypefactors' future opportunities to sell their solutions. Consequently, this will affect Hypefactors' revenue and profitability.

**Access to data:** Hypefactors' business is depended on data from social media, TV, radio, print media etc. The company has either indirect or direct agreements with Facebook, Twitter, Instagram, YouTube, selected print media, radio and TV in major parts of the world. Potential risks for Hypefactors are that i) costs of data are increasing, i.e. Hypefactors cannot achieve operational profitability or ii) Hypefactors for a reason will be excluded for one or more of the data sources. Both scenarios may, all else equal, have a negative impact on Hypefactors' profitability.

**Operational:** Hypefactors provides a SaaS solution, i.e. the solution is in the cloud. This also means that potential breakdowns may have a negative impact on the company's opportunity to both maintain existing customers and attract new customers. Consequently, breakdowns will have a negative impact on Hypefactors' revenue and profitability.

**Key employees:** Hypefactors is depended on key employees such as the CEO, board member and founder, Casper Janns, and CTO Viet Yen Nguyen. In Hypefactors' current growth stage, the company is also dependent on attracting new competent employees.

**Cyber attack:** Providing a software solution, Hypefactors hosts the solution for their customers. As a result, cyber attacks are a threat against the company's ability to maintain the daily operations. In case that Hypefactors is hit by cyber attacks, customers can be disallowed to use the solution.

**Financial:** Hypefactors is currently in a growth phase implying that the company needs access to capital for investing. Most recent, Hypefactors increased its share capital for, in total, DKK 3m combined with a loan from Vækstfonden of DKK 3m in March 2021. In the capital increase, CEO Casper Janns invested DKK 1m, and the new CFO Michael Østerlund Madsen invested DKK 500,000. However, there is a risk that Hypefactors needs more capital to finance the operations. If the company fails to raise enough capital, there is a risk that an investment in the Hypefactors share becomes worthless.

## HYPEFACTORS - IN BRIEF

***Hypefactors has developed a scalable PR software solution and is now ready for commercial scalability after growing ARR with 78% in 2020***

**Hypefactors was founded in 2016 by the current CEO, board member and largest shareholder, Casper Janns.** The company provides a **Communications/Public Relations (PR) automation software platform** for both small, mid – and large-sized multinational companies and non-profit organizations. The AI-driven software platform monitors, measures and reports the economic value of all media coverage.

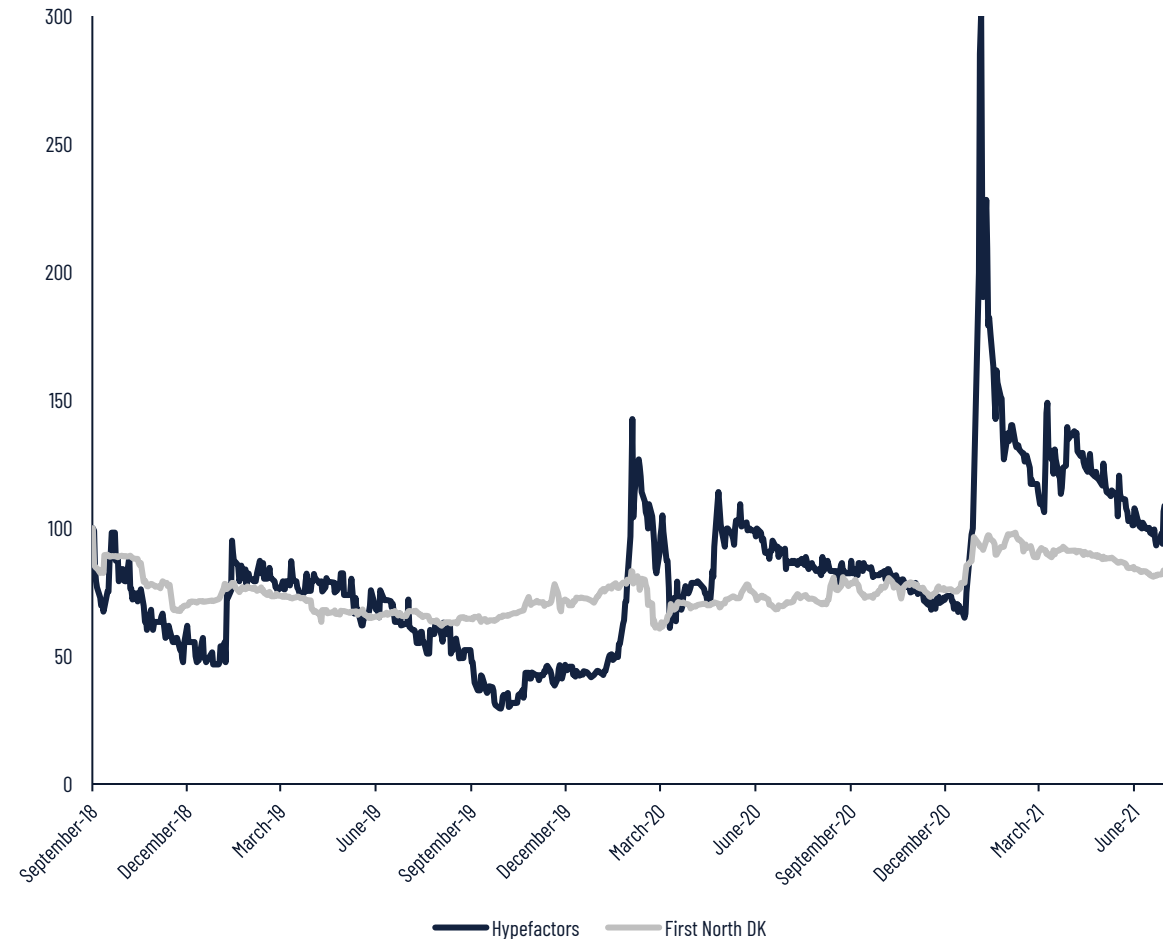
**In this context, PR can be explained as activities that companies and organizations carry out to “deserve” mention in news media and on social media.** For instance, a company is ranked on top of ESG reports based on implemented activities implying that newspapers are writing positive about the company. This is also called **“Earned Media”**.

**Hypefactors’ business model is subscription-based, i.e. Software-as-a-Service (SaaS).** The monthly fee is depended on several factors including number of users and use of data. The contract length depends on several parameters. The typical contract length is one or two years. **Customers are invoiced upfront in the beginning of the license period.** As other SaaS companies, the annual recurring revenue (ARR) is an important measure for Hypefactors which measures the annual monetary value of active licenses.

**By the end of 2020, Hypefactors has a total ARR of DKK 4.9m after increasing ARR with 78% in 2020.** From 2017 to 2020, Hypefactors has grown its total revenue with a compounded annual growth rate (CAGR) of 138%.

**In 2018, Hypefactors was listed on Nasdaq First North in Denmark.** The company raised DKK 20m from 919 new investors in the offering. Based on the number of shares and offer price per share, Hypefactors was valued to DKK 69.4m. As of 4 July 2021, **Hypefactors’ market value is DKK 65.5m.** The share trades at DKK 6.86.

**Indexed share price development (Index 100 = 3 Sep 2018)**

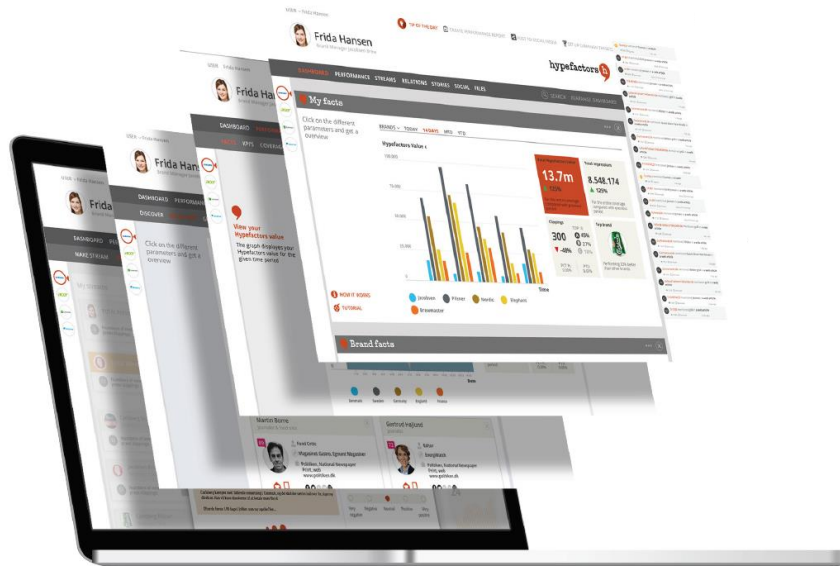


## SOLUTION

### *Hypefactors' platform create, connect, monitor, measure and report PR/reputation activities for companies and organizations*

**Hypefactors' team of data scientists, data engineers and other tech team members have developed a fully automatic communications/PR software solution.** Media monitoring works through automatic processes with data from several sources; different webpages, Facebook, Instagram, Twitter, YouTube etc. To handle all media sources, Hypefactors' web crawler works across a cluster of multi-core servers. The technology is very scalable, i.e 100 million different media sources can be monitored simultaneously.

Data from several external sources are retrieved via APIs, and social media data is integrated into the platform. All collected data is stored in a cluster of data bases. **Moreover, artificial intelligence techniques are used to process data in a smart way.** The solution is developed in-house and primarily coded in Scala, PHP, Javascript and Python.



**The platform includes five modules;** Create, Connect, Monitor, Measure and Report. Moreover, Hypefactors has the freemium segment called Hype.News.

**Create:** In Create, users can effectively prepare and publish news regardless of company messages, brand-related stories, product news or profile articles. Stories can also be distributed in different ways.

**Connect:** In Connect, users can search and find media contacts and influencers relevant for the company, regardless of being blogger in Denmark or YouTuber in Japan. Hypefactors tracks the relations which are most and least valuable, and contacts can be grouped.

**Monitor:** In Monitor, Hypefactors provides global media monitoring which make it possible for users to get access to relevant online media mention. Monitoring is provided through Hypefactors' own web crawling technology. Hypefactors also monitors social media such as Twitter, Facebook, Instagram and YouTube, and print media on some markets such as Jyllands-Posten, Politiken, The Guardian, Daily Mail etc.

**Measure:** In Measure (which is the analytics section), the economic value of all media coverage, KPIs and ROI data for PR/reputation activities are reported. The "Hypefactors Value" is calculated from a unique algorithm based on 10 different parameters.

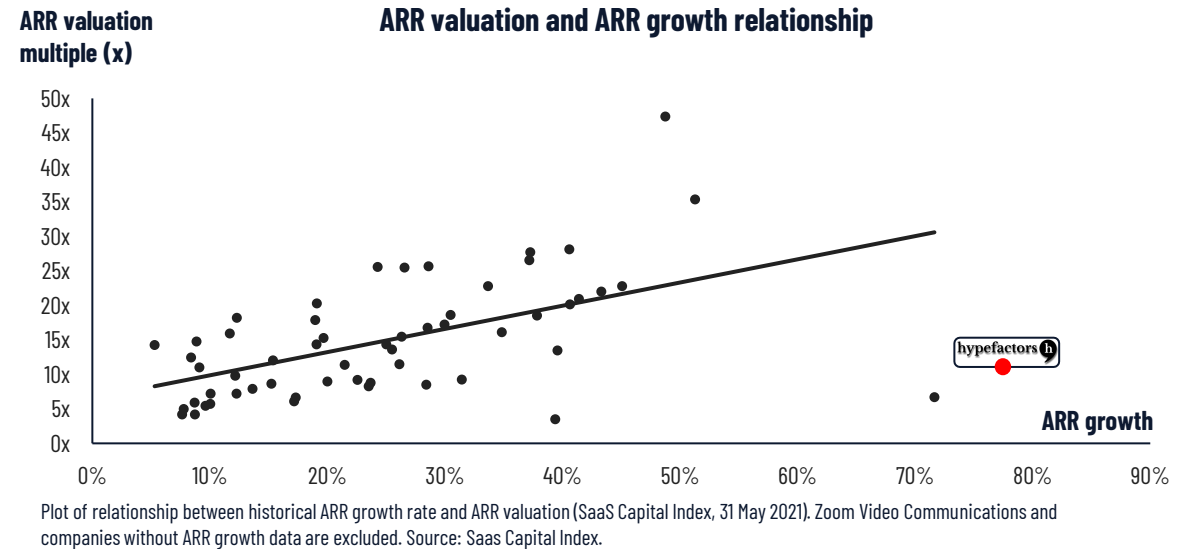
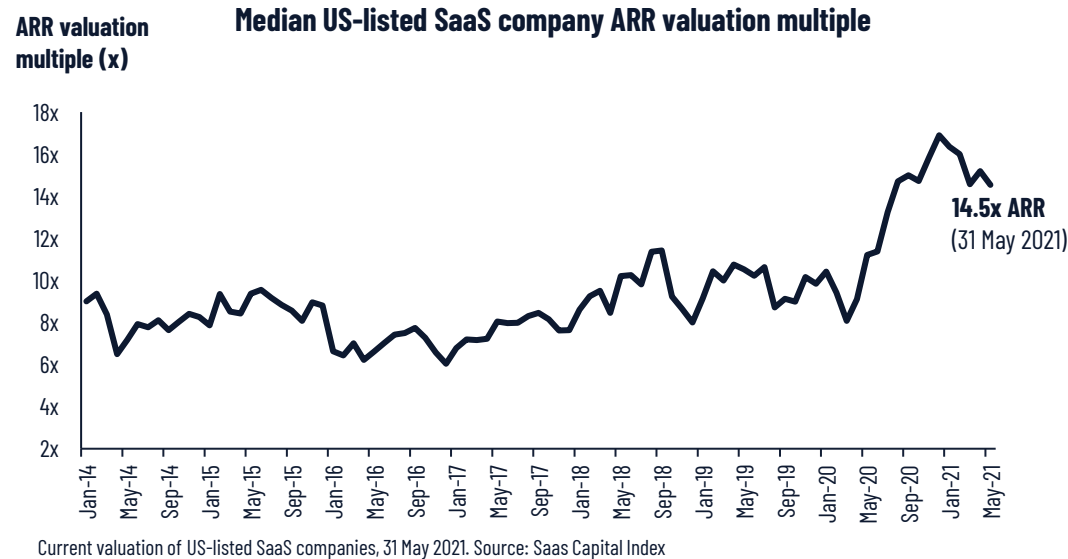
**Report:** Report is Hypefactors' automatic and individualized reporting module. Many PR specialists spend much time on different press mentions. With Report, customized reports are delivered in few seconds.

**Hype.News:** Hype.News is a news platform which both can be used individually and integrated in Hypefactors' software platform. With this platform, companies and organizations can publish news in their own customized newsroom, and journalists can find and search for stories.

## VALUATION PERSPECTIVES

### Median ARR multiple for US-listed SaaS companies is 14.5x ARR, and Hypefactors trades at 13.3x ARR despite high growth rate

SaaS companies are traded to high valuations due to the investors' appetite for recurring revenue with high predictability and visibility. The starting point for valuation of SaaS companies is *The SaaS Capital Index*, which consists of more than 60 US-listed SaaS companies. **As of 31 May 2021, the median value of the index's ARR valuation multiple is 14.5x ARR** as shown below in the chart to the left. In the chart to the right, the trend line shows a positive relationship between the historical (LTM) ARR growth rate and the current ARR valuation multiple. Other factors such as company size and maturity, customers, technological level, investments in R&D, TAM and growth rate also affect the valuation which is included later in our assessment.



#### HYPEFACTORS

<b>ARR growth (2020)</b>	<b>End 2020A</b> 78%	<b>Hypefactors is valued to 13.3x ARR</b> based on market capitalization of DKK 65.5m and ARR of DKK 4.9m end 2020. <b>In 2020, ARR grew 78%</b> , however, from a relatively low base.
<b>ARR valuation multiple</b>	13.3x	

#### PEER: MELTWATER

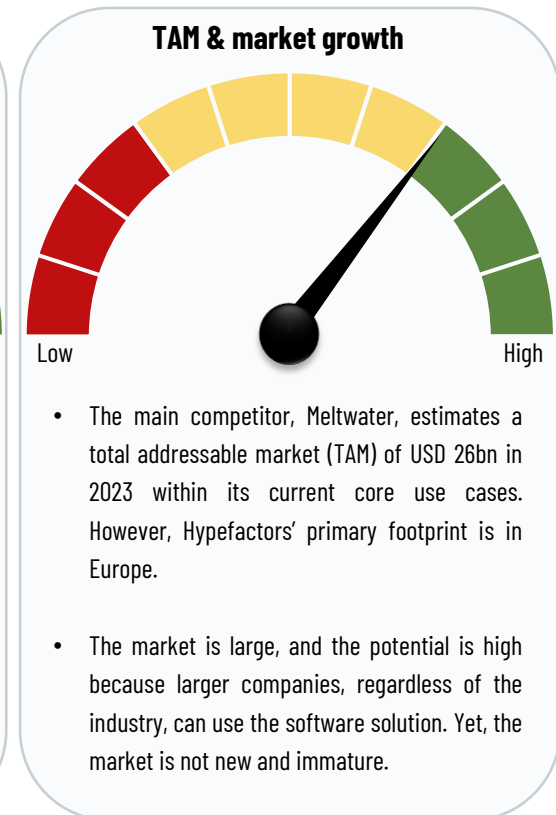
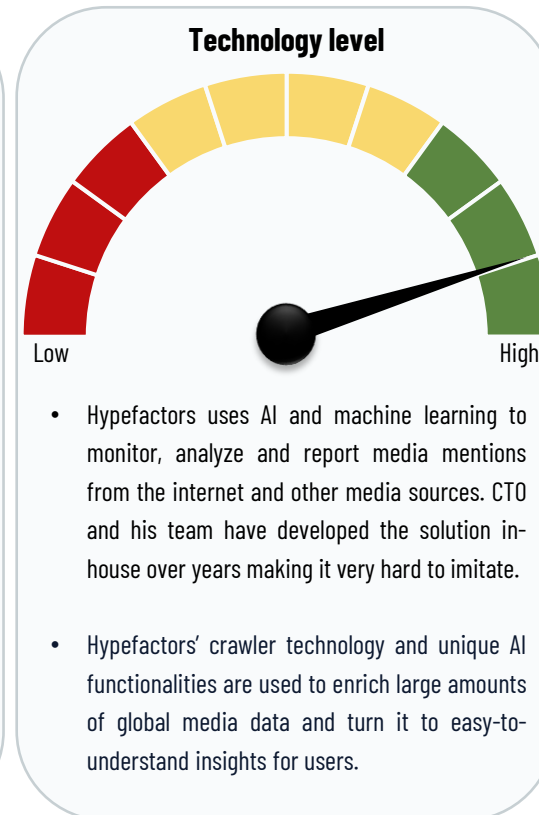
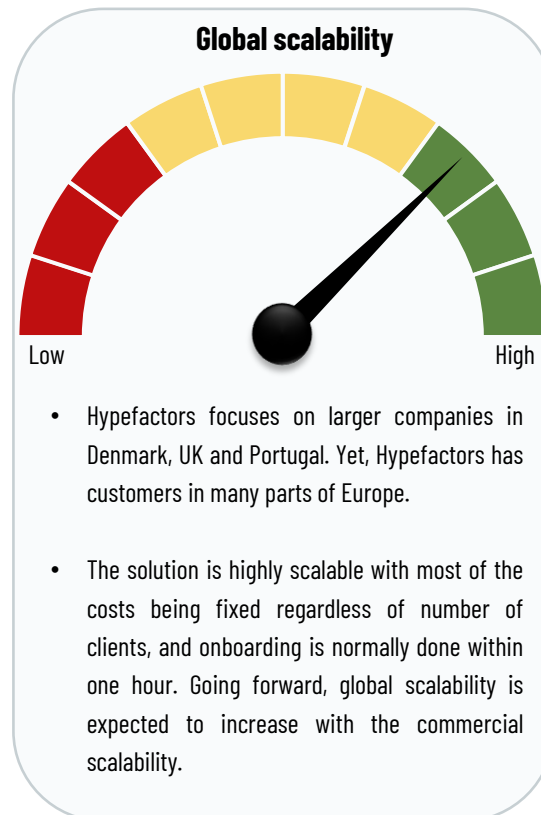
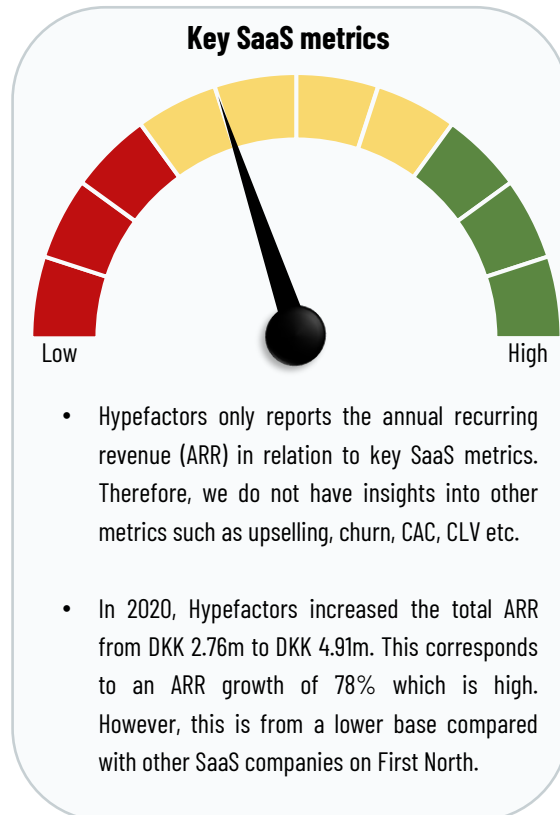
<b>ARR growth (2020)</b>	<b>End 2020A</b> 4%	<b>Meltwater</b> has a market value of USD 1.6bn, and a total ARR of USD 359m after <b>growing 4% in 2020</b> . This corresponds to an <b>ARR valuation multiple of 4.5x</b> .
<b>ARR valuation multiple</b>	4.5x	

## SaaS ASSESSMENT OF HYPEFACTORS

### How does Hypefactors stack up with other companies in the SaaS sector?

The SaaS business model and market potential vary across companies and industries besides growth rates. Therefore, it is helpful to score the company on some of the most important general criteria for the SaaS industry to determine whether a company should trade with a discount/premium to other SaaS companies. We have chosen four criteria to assess Hypefactors or any other SaaS company as shown in the speedometers below. **A medium/neutral rating points to pricing on par with the SaaS sector.**

The assessment criteria are **1) Key SaaS metrics**, i.e. Hypefactors' ARR growth, churn rate, upselling etc., **2) Global scalability**, i.e. how scalable the business model is across borders and in terms of onboarding time etc., **3) Technology level**, i.e. how advanced the software is and whether it is inimitable, and **4) Total addressable market (TAM) and future market growth**, i.e. how big is the market and future growth rates.





## MARKET AND COMPETITION

### *Hypefactors taps into a large addressable market with both global and local competitors*

**Overall, there are three communication tools** which can be used in marketing. These tools are 1) Paid Media, 2) Owned Media and 3) Earned Media.

- **Paid Media** is when companies are paying for mention, e.g. paying for an advertisement in magazines, Google Adwords etc.
- **Owned Media** is communication on companies' own channels, e.g. homepages, customer magazines or own social media such as Facebook and LinkedIn.
- **Earned Media** is the earned mention, e.g. third-parties such as journalists, bloggers or influencers that are mentioning a company, brand or product without being paid.

Companies know and often track their own- and paid media. On the other hand, earned media outside companies' awareness are important to track. This is what Hypefactors' solution provide.

The global market is highly valued. For perspective, Hypefactors' main competitor, Meltwater, estimates **a total addressable market (TAM) of USD 26bn in 2023** within its current core use cases.

**A large advantage is that almost all types of larger companies and organizations demand a solution that monitors media mentions.** The market is not new and immature, however, we still see an increasing demand for software solutions because reputation management becomes more important. **With an even more digital world in the wake of COVID-19, bad stories can quickly escalate and become shit storms for companies.** Thus, companies and organizations are investing heavily in PR software solutions which monitor news media and social media and analyze the economic value.

**There are several competitors in the market with different scope.** However, only few companies provide a fully integrated platform that create, connect, analyze, report etc. both news media and social media on a global and local scale.

Some of the largest global competitors for Hypefactors are Cision and Meltwater. Other global players are large US media companies such as Critical Mention and Business Wire. In Denmark, Infomedia is the largest competitor.

- **Cision** is a large US company providing several services within PR Tech. With Cision Communications Cloud, the company offers an end-to-end software solution including distribution, media monitoring, media database and media analysis. The company was acquired for approx. USD 2.7bn in early 2020. In 2018, Cision reported net revenue of USD 730m.
- **Meltwater** was founded in Norway in 2001. Today, Meltwater is a large global player with HQ in the US. The company was listed on the Euronext Growth Oslo in December 2020. Meltwater provides products and services similar to Hypefactors with focus on media intelligence in more than 50 countries including Denmark. Meltwater's total ARR was USD 359m end 2020. Meltwater is continuously acquiring new smaller players, and the company reported in their Q1 2021 that there are many interesting acquisition opportunities.
- **Infomedia** is a Danish company owned by the large media groups, Berlingske Media and JP/Politikens Hus. Infomedia primarily focuses on media monitoring and analysis on the Danish market. Customers include DSB, Danish Crown, COWI, Velliv Foreningen and PFA.



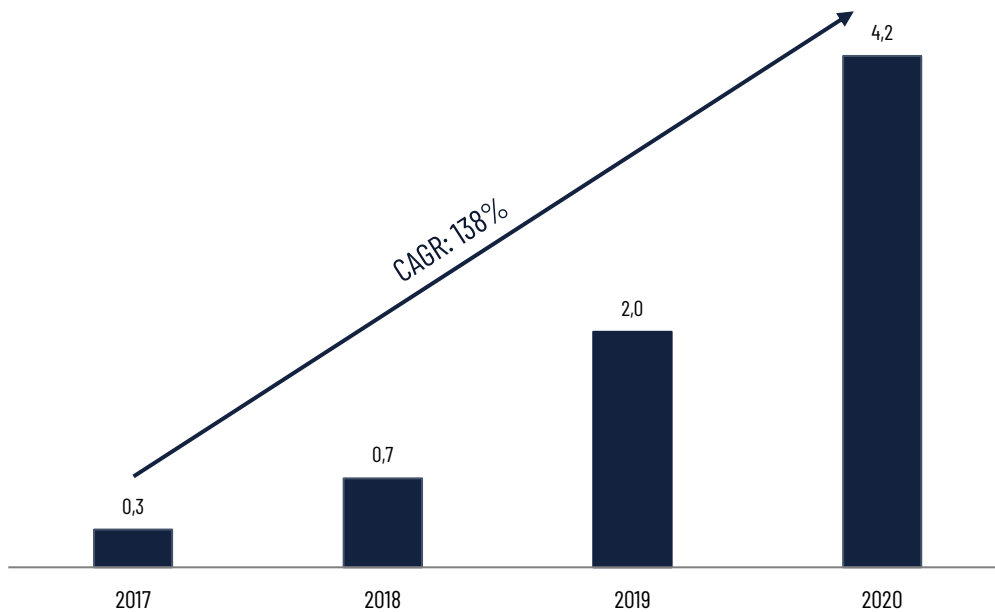
## FINANCIALS

**Hypefactors has grown its revenue with a CAGR of 138% from 2017 to 2020, and the ARR growth was 78% in 2020**

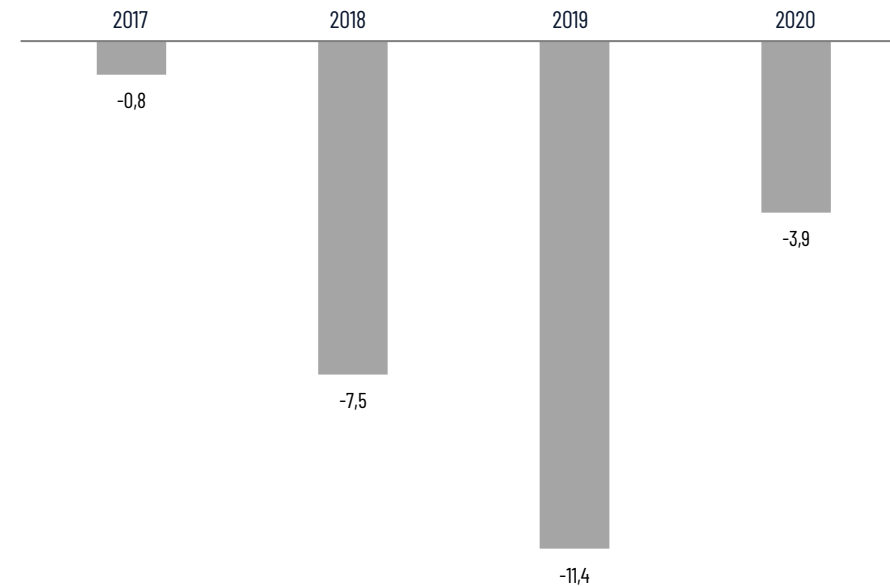
**From 2017 to 2020, Hypefactors has increased its revenue from DKK 0.3m to DKK 4.2m in 2020 corresponding to a CAGR of 138%.** Going forward, Hypefactors has no guidance, however, Hypefactors is still in an early stage with much room to grow. For a SaaS company, ARR is the key measure to track. Hypefactors increased its total ARR from DKK 2.76m end 2019 to DKK 4.91m end 2020 corresponding to a growth rate of 78%.

**For a young company, growth is costly** which is shown in the EBITDA development from 2017 to 2020. After the IPO in 2018, Hypefactors has, as expected, increased costs substantially to invest in growth, i.e., growing the customer base is the **key focus for Hypefactors to achieve a critical mass**. With the SaaS business model, Hypefactors should invest in new customers as long as the customer lifetime value exceeds the customer acquisition cost significantly.

Revenue development (DKKm) from 2017-2020



EBITDA development (DKKm) from 2017-2020



## MANAGEMENT TEAM AND MEMBERS OF THE BOARD OF DIRECTORS

*CEO, board member and founder Casper Janns is the largest shareholder in Hypefactors, and CTO is the master mind behind the development of the software solution*

**Casper Janns**  
CEO and founder



**Viet Yen Nguyen**  
CTO



**Michael Østerlund Madsen**  
CFO



**Pierre-André Montjovet**  
Chairman



**Martin Michael Hansen**  
Board member



**Kasper Hülsen**  
Board member



**Casper Janns**  
Board member



**CEO Casper Janns** founded Hypefactors in 2016. Before that, Casper Janns managed the communications agency, Integral, which he founded in 1999. Here, he identified a need for more automated, measurable and user-friendly media intelligence and reputation management. Today, he is the largest shareholder of Hypefactors with 48.67% ownership, and he is also board member of the company.

**CTO Viet Yen Nguyen** has worked for Hypefactors since 2017. He holds a Ph.D in Computer Science and is a former researcher at European Space Agency. He is specialized in big data, data extraction and prediction. In other words, he is the master mind behind Hypefactors' technology and AI models.

**CFO Michael Østerlund Madsen** joined Hypefactors in April 2021. He has extensive knowledge and experience from large companies such as CFO in Nordic Aviation Capital and Group CFO in EAC/ØK. He sees a big potential in the company, and he recently invested DKK 500,000 in the company to a share price of DKK 6.73.

**Chairman Pierre-André Montjovet** is managing director and head of M&A & Strategic Advisory in the Geneva-based company, Banque Héritage. He has experience from LVMH, Latran, Archer Daniels Midland International and Banque Profil De Gestion. He has been chairman for Hypefactors since 2019.

**Board member Martin Michael Hansen** is Co-CEO and partner in the digital agency Yellow Umwelt. The company has won Advertising Effectiveness Award eight times. He started his career as Account Manager in Kunde & Co. Before joining Yellow Umwelt, he was TDC's Director of Marketing. He has been board member in Hypefactors since 2019.

**Board member Kasper Hülsen** is CSO in the software company RISMA, which is another listed Nasdaq First North company. Before that, he has six years experience as commercial director and sales director in Infomedia. He has also been Vice President in FIBEP which is a global industry association for media monitoring companies.



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