

RiskIntelligence

# RISK INTELLIGENCE

## INVESTMENT CASE



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19 AUGUST 2021 10:00 AM

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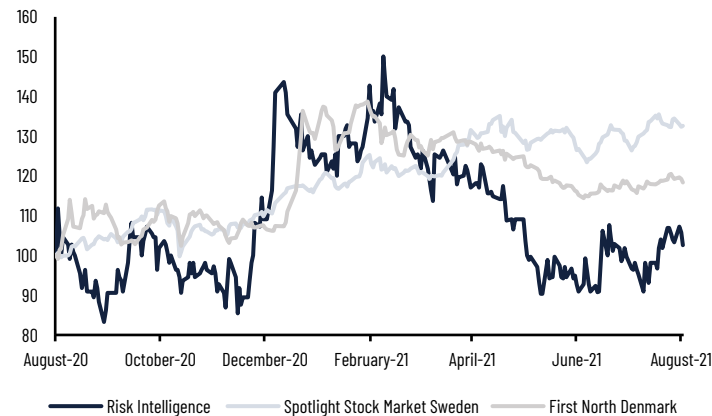
## RISK INTELLIGENCE

Risk Intelligence provides real-time security intelligence at sea, in port and on land for companies and government organizations. The company has been listed on Spotlight Stock Market since August 2018.

Ticker: RISK

Share price (DKK): 5.64

Market capitalization (DKK): 62,502,745



### KEY FINANCIALS (DKKm)

	2018	2019	2020	2021E
<b>Revenue</b>	11.1	14.2	15.7	18.0-20.5
<b>ARR</b>	9.9	11.1	13.9	N/A
<b>EBITDA</b>	-6.0	-10.2	-3.9	>0

## DISCLAIMER

HC Andersen Capital receives payment from Risk Intelligence for a Digital IR/Corporate Visibility subscription agreement. Kasper Lihn has no ownership in Risk Intelligence. This is not a piece of advice to buy, not to buy, sell, or not to sell shares. The material has been read by the company before publication. HC Andersen Capital assumes no responsibility for correctness of the contents of the material.

## INVESTMENT CASE

- **The world is exposed for threats and risks every day with geopolitical tensions**, and risk assessment is moving up on all companies' agenda. Risk Intelligence taps into this growing market offering risk intelligence for companies and government organizations. With a subscription-based business model, **88% of the revenue is recurring (2020) with high visibility**.
- **The company has a solid footprint in the maritime market serving more than 15% of the world's fleet**. Clients on Risk Intelligence System include global energy companies such as Royal Dutch Shell and Exxon Mobil, global shipping companies including Maersk and D/S Norden, and government organizations such as NATO and the U.S. Navy.
- **The case is a defensive growth play** due to Risk Intelligence's **i)** strong market position in the maritime market, **ii)** Revenue CAGR of 19% from 2018 to 2020, **iii)** large potential in the land-based market, and **iiii)** expectations of achieving operational profitability (EBITDA) in 2021.
- Total addressable market (TAM) is estimated to DKK 200-400m on the maritime market according to the company. However, the largest future growth potential for Risk Intelligence is on the landside with a TAM of DKK 2000-4000m. **With two customers in the land-based business including Sony Europe, new clients are important triggers for the future share price development**.
- **At the end of June 2021, Risk Intelligence has a total ARR of DKK 14.1m after growing 24% with 0% churn rate in Q2 2021**. In 2021, Risk Intelligence expects to increase revenue with 15-30% corresponding to a total revenue of DKK 18-20.5m.
- **Despite improving SaaS metrics, the share trades to a relatively low ARR multiple at 4.4x**. This is significantly lower than the industry peer, Safature, trading at 10.7x ARR.

### KEY INVESTMENT REASONS

- Solid market position in the maritime segment with proven product offering and long customer relationships
- Improving key SaaS metrics with very low churn rates and increasing ARPU combined with relatively low P/ARR multiple
- Huge upside potential if landside segment succeed

### KEY INVESTMENT RISKS

- Still early-stage on proven business case in the land-based business with two clients and the newly launched LandRisk Logistics solution
- Tapping into a more immature market in the land-based business increases risk of slower sales than anticipated
- Uncertainty about the future competitive situation

## SELECTED RISK FACTORS AFFECTING THE INVESTMENT CASE

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

**Share price development:** The share price of Risk Intelligence 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.

**External factors:** There is a risk that factors outside Risk Intelligence's control such as inflation, currency fluctuations and interest rates changes affect the operation. For instance, Risk Intelligence is represented in all regions except of South America, i.e. exchange fluctuations may affect the sales revenue. However, Risk Intelligence only trades in DKK, EUR and USD with the vast majority in DKK and EUR.

**Competition:** Some of Risk Intelligence's competitors are larger international companies with large financial resources, i.e. large investments in product development can potentially increase competition and put pressure on Risk Intelligence's future operation. Moreover, companies within closely associated market areas may decide to enter Risk Intelligence's business areas which may increase competition and ultimately lead to a negative future development in financial results.

**Operations:** There is a risk that Risk Intelligence's expectations will not be achieved, i.e. grow revenue by 15-30% to DKK 18-20.5m in 2021, achieve positive EBITDA in 2021 and positive net cash flow in 2021. COVID-19 has, in particular, affected the company's Advisory Services segment in 2020. However, this business segment is relatively small (12% of total revenue in 2020 and 22% of total revenue in 2019). Yet, revenue in Advisory Services increased with 269% in Q1 2021, and the business segment is back to pre-2020 levels in Q2 2021. In the subscription-based businesses; Risk Intelligence System and Intelligence Reports, the company has reported consistent low churn rates which is supported by long customer relationships, i.e. relatively low risk of high churn rates going forward. Risk Intelligence's oldest existing licenses are more than 14 years, and the longest client relationship is more than 17 years.

**Development costs:** Risk Intelligence invests continuously in existing products on the maritime side and new solutions on the LandRisk business such as the newly launched LandRisk Logistics which has been developed in cooperation with Sony Europe. The company is also having an ongoing artificial intelligence project which automatizes the production side. Yet, there is a risk that Risk Intelligence's costs for development will be higher than expected which potentially can affect guidance.

**Financing:** With Risk Intelligence's growth strategy, the company continuously invests in sales- and marketing initiatives. There is a risk that Risk Intelligence may need more capital for future operation. When raising capital, there is also a risk that the company fails to raise the required capital. However, Risk Intelligence raised approx. DKK 10.5m in February 2021, and EBITDA and cash flow are expected to be positive in 2021. This limits the capital need in the short term.

## RISK INTELLIGENCE – IN BRIEF

**Risk Intelligence provides risk assessment for some of the world’s largest companies and government organizations**

**Overview:** Risk Intelligence was founded in 2001 by current CEO and major shareholder, Hans Tino Hansen. Today, Risk Intelligence is a leading security risk intelligence company providing threat analysis and risk assessment for companies that operates at sea, in port and on land. Risk Intelligence is headquartered in Hellerup, Denmark with 24 employees as of 30 June 2021.

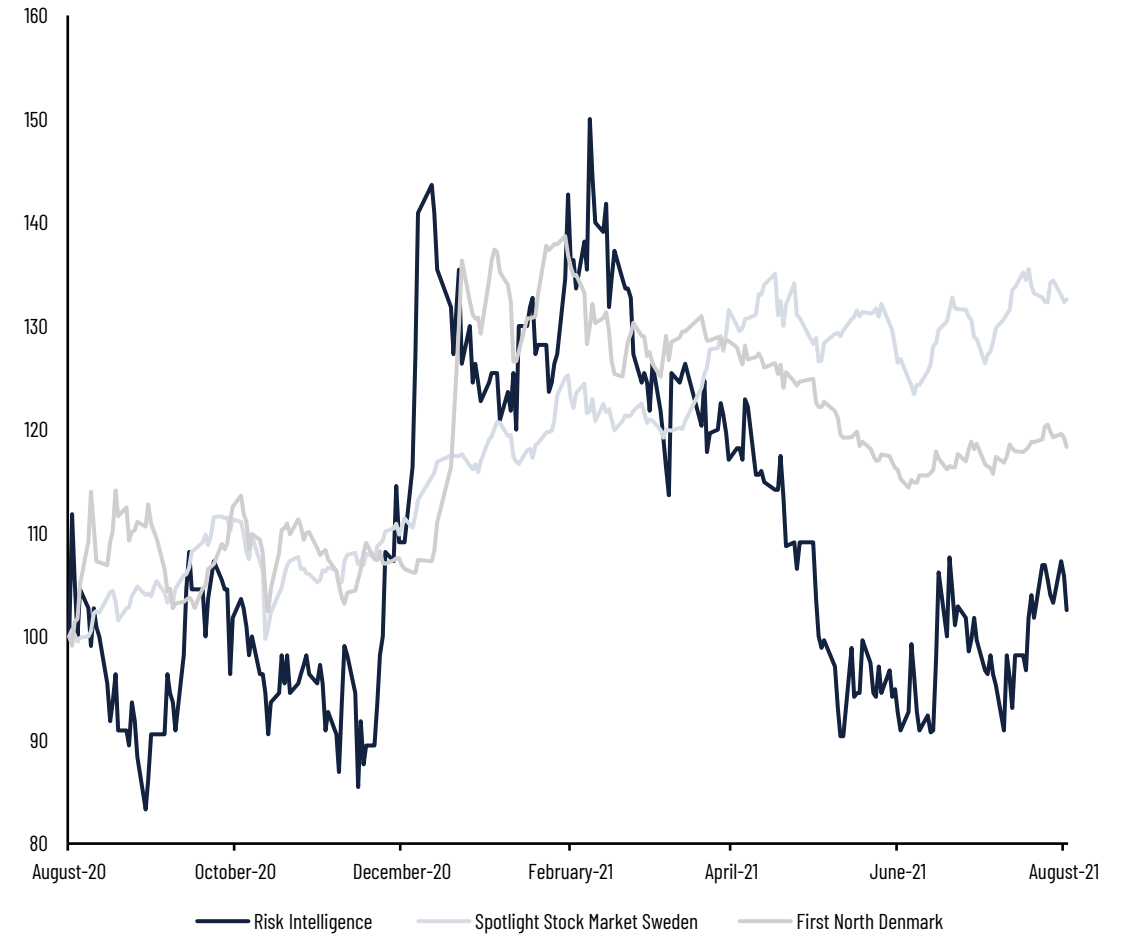
**Business segments:** The company has three business segments; Risk Intelligence System, Intelligence Reports and Advisory Services. Risk Intelligence System (MaRisk, PortRisk and LandRisk) and Intelligence Reports are subscription-based and fully scalable. Risk Intelligence System is the largest segment representing 81% of the total revenue in 2020. The system is offered on annual licenses with automatic renewal and payment in 12 months in advance, i.e. revenue is recurring. Advisory Services is bespoke and semi-bespoke consultancy.

**Customers:** The core of the business is the maritime market. In this segment, customers include some of the largest companies in the world such as BP, Chevron, Exxon Mobil, Royal Dutch Shell, Total, Maersk and D/S Norden and government clients such as NATO and the U.S. Navy. Risk Intelligence currently serves maritime clients operating more than 15% of the world’s fleet.

**Key SaaS metrics:** At the end of Q2 2021, Risk Intelligence has a total ARR of DKK 14.1m after increasing total ARR with 24%. The churn rate has been consistent low of between 0-2%, implying that Risk Intelligence’s recurring revenue machine is rolling with only very few lost customers.

**Share information:** Risk Intelligence was listed on Spotlight Stock Market on 17 August 2018, with an offer price per share of DKK 6.25. The company raised approx. DKK 12m before costs from 1,772 individual subscribers. As of 18 August 2021, Risk Intelligence’s market value is DKK 62.5m. The share trades at DKK 5.64.

**Indexed share price development (Index 100 = 17 August 2020)**



## SOLUTION AND BUSINESS MODEL

### **Risk Intelligence's scalable subscription-based business model constituted of 88% of the total revenue in 2020**

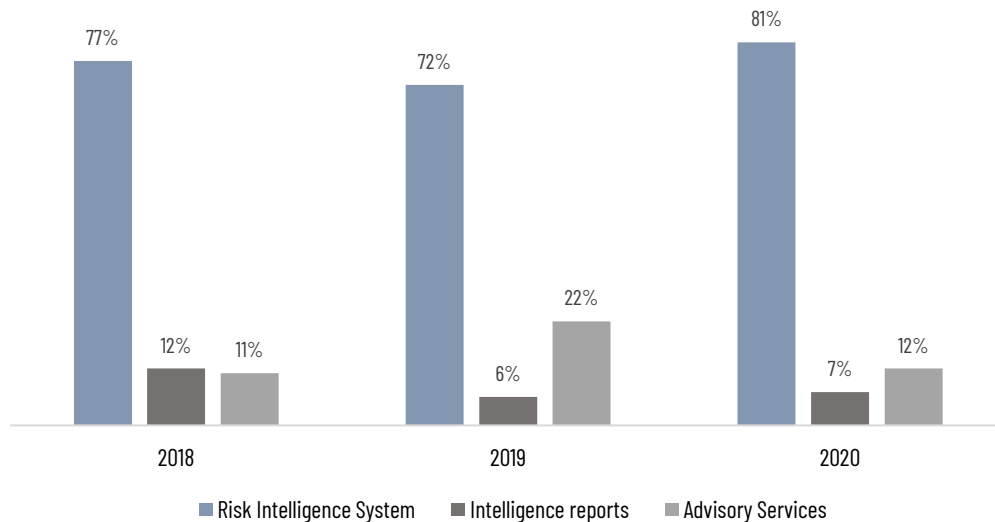
**Solutions:** With a professional team of security analysts and advisors, Risk Intelligence provides real-time global intelligence and risk assessment 24/7 on areas such as insurgency, piracy, organized crime, terrorism and military conflicts. The intelligence is offered through **i)** The Risk Intelligence System, **ii)** Intelligence Reports and **iii)** Advisory Services.

In 2020, licenses from The Risk Intelligence System constituted 81% of total revenue, Intelligence Reports constituted 7% of total revenue and Advisory Services constituted 12% of total revenue. This implies that 88% of the revenue was recurring in 2020 which increases the visibility of future revenue stream. In 2020, Advisory Services was hit by COVID-19 due to lockdowns. However, Advisory Services is still important for Risk Intelligence's revenue growth, and the segment is back on track with a significant increase in the first half of 2021 to a level above first half of 2019.

**Business model:** Risk Intelligence System and Intelligence Reports are offered through the cloud, i.e. Risk Intelligence's digital solutions are highly scalable because data is continuously provided for all customers at the same time. The Risk Intelligence System is divided into maritime products (MaRisk and PortRisk) and landside products (LandRisk). Currently, more than 100 clients are using Risk Intelligence System. On the landside, Risk Intelligence has two clients. Recently, Risk Intelligence also launched LandRisk Logistics for logistics companies, freight forwarders and cargo owners. The solution has been developed in cooperation with Sony Europe.

In 2020, the average revenue per user (ARPU) was DKK 128,000 for the maritime side of Risk Intelligence System. The company estimates an ARPU for the land-based system of DKK 425,000. With a larger ARPU and a huge TAM, new clients on the landside are important for the investment case.

### **Development in Risk Intelligence's segments (% of total revenue)**



License fee for Risk Intelligence System is dependent on the following factors:

- Number of modules
- Selection of add-on layers
- Number of users
- API integration

A clear advantage of Risk Intelligence's business model for Risk Intelligence System is that customers are paying up front for a 12-month contract which is automatically renewed with a 3% annual price increase.

Sales are generated through three channels in a pipeline led by a digital marketing strategy: **i)** inbound sales where customers are choosing themselves to contact Risk Intelligence, **ii)** direct sales from Risk Intelligence's own sales team, and **iii)** partner sales with Risk Intelligence System integrated into partners' platform.

## MARKET AND COMPETITION

### *Risk Intelligence has a strong market position in the maritime market and taps into a large addressable market on the landside*

**Market:** Geopolitical risks such as terrorism, rebel movements and tensions between countries as well as organized crime are seen every day around the world which expose people and company assets for danger. Consequently, there is a clear need for services that identifies, analyze and assess such risks for companies and government organizations.

Risk Intelligence has primarily focused on maritime clients such as shipping companies and navies operating vessels around the world. However, the land-based market is much larger targeting e.g. insurance companies and government agencies through LandRisk as well as logistics companies, freight forwarders and cargo owners through the newly launched LandRisk Logistics solution. Thus, there are many potential future customers within different segments.

According to Risk Intelligence, the total market for maritime risk products is estimated to a value between DKK 200-400m annually. The company estimates that approx. 50% of the addressable market is interesting to obtain. On the landside, a much larger addressable market is estimated of approx. DKK 2000-4000m. There are no public reports covering the specific markets and future growth rates. However, for perspective, the global threat intelligence market is expected to increase with a compounded annual growth rate of 8.2% towards 2025 according to MarketsandMarkets\*.

**Competition:** Competitors include a wide range of mainly small and some larger companies within security or intelligence. On the Advisory Services segment, Risk Intelligence has many competitors which are both smaller and larger companies. However, there are only few true security intelligence analysis companies and few very comparable companies providing a system similar to the Risk Intelligence System.

Most competitors are located in United Kingdom. Focusing on the maritime market, competitors are e.g. Dryad Global, Ambrey (recently acquired by Ocean Infinity), MariTrace and ControlRisks.

- **Dryad Global** is a relatively young company founded in 2016. The company offers maritime risk analysis services similar to Risk Intelligence and is one of the closest competitors.
- **Ambrey** was recently acquired by Ocean Infinity which is a large marine robotics company with approx. 500 employees. Ambrey is mainly a physical security company which also has a small intelligence department. Before being acquired, Ambrey had more than 150 FTEs.
- **MariTrace** is another competitor that provides ship tracking and global maritime intelligence.
- **ControlRisks** is a specialist risk consultancy within different areas including maritime and land-based risks.

Within LandRisk, competing platforms are DHL Resilience 360, BSI SCREEN and Resilinc, which are Supply Chain Risk Management platforms. Moreover, there are several other platforms within corporate and travel security/geographical risks such as Anvil's Riskmatics, AKE's Global Intake and Drum Cussac. Thus, Risk Intelligence has different competitors in the market which make the future competitive situation uncertain.

**Listed peer:** A company within the industry is **Safeture** which is listed on Nasdaq First North in Sweden. Safeture is a Software-as-a-Service (SaaS) company that offers a cloud-based platform involving employee safety and risk/crisis management.

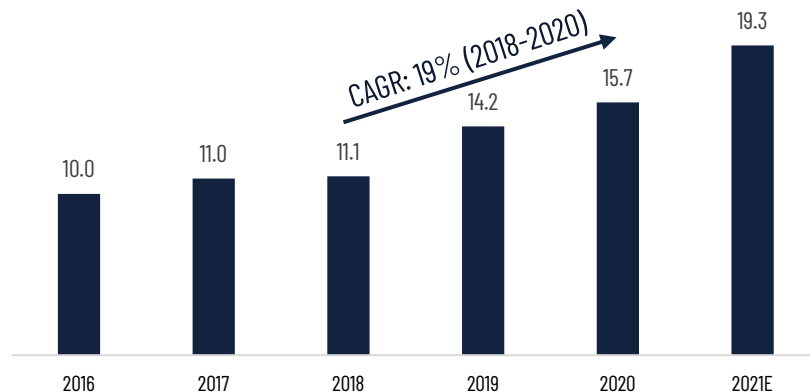
Like Risk Intelligence, Safeture produces real-time security content ensuring that customers receive information continuously through mobile apps and messaging. The platform provides both a web portal and a user app. Safeture is somewhat ahead of Risk Intelligence in terms of size and growth rates. At the end of June 2021, Safeture has a total ARR of SEK 28,9m (DKK ~21m) after increasing total ARR with 66% YoY in Q2 2021. ARR CAGR is 52% from 2018 to 2020.

## FINANCIALS AND KEY SaaS METRICS

### **Risk Intelligence's consistent low churn rates of between 0% and 2% point to high stickiness and long customer relationships**

**Revenue:** Risk Intelligence expects to increase its total revenue to between DKK 18.0m – 20.5m in 2021. This implies a growth of 15-30% in 2021 after reporting a slower revenue growth of 10% in 2020 due to COVID-19. The company seems to be on track to reach the 2021 guidance with 29% revenue growth in H1 2021. From the beginning of the growth strategy in 2018 to 2020, Risk Intelligence has realized revenue CAGR of 19%.

**Revenue development (DKKm) from 2016A-2021E**



**EBITDA:** Looking at operational profitability (EBITDA), Risk Intelligence achieved a small positive EBITDA in 2016 and 2017. However, after being listed, the company has invested heavily in the product portfolio and organization implying EBITDA of DKK -6.0m in 2018, DKK -10.2m in 2019 and DKK -3.9m in 2020.

In 2021, Risk Intelligence expects to reach a positive EBITDA. Moreover, Risk Intelligence expects a positive net cash-flow for 2021. However, Risk Intelligence does not expect a positive net result for 2021.

**Key SaaS metrics:** With a subscription-based business model, Risk Intelligence has tracked its key SaaS metrics for years. However, Risk Intelligence has recently (Q2 trading update) restated ARR by separating system ARR (Risk Intelligence System) from total ARR (Risk Intelligence System and Intelligence Reports) to create the best overview of the total ARR.

The restated total ARR was DKK 14.1m at the end of June 2021 which was an increase of 24% YoY. Impressively, Risk Intelligence's churn rate has been consistent low of between 0-2% over many years. In 2020, churn rate was 1.4% and 1.8% for H1 2021 implying a very long customer lifetime. In 2020, reasons for terminations were undramatically, i.e. one left maritime, one changed business area, one was merged into a client, and one terminated for costs saving.

ARR (end June 21)	ARR growth (Q2 21)	Churn rate (H1 21)	ARPU (2020)
<b>14.1m</b>	<b>24%</b>	<b>1.8%</b>	<b>128k</b>
Total ARR (DKK) end June 21	ARR growth (%) Q2 20 to Q2 21	Churn rate (%) H1 20 to H1 21	Average revenue per user in 2020

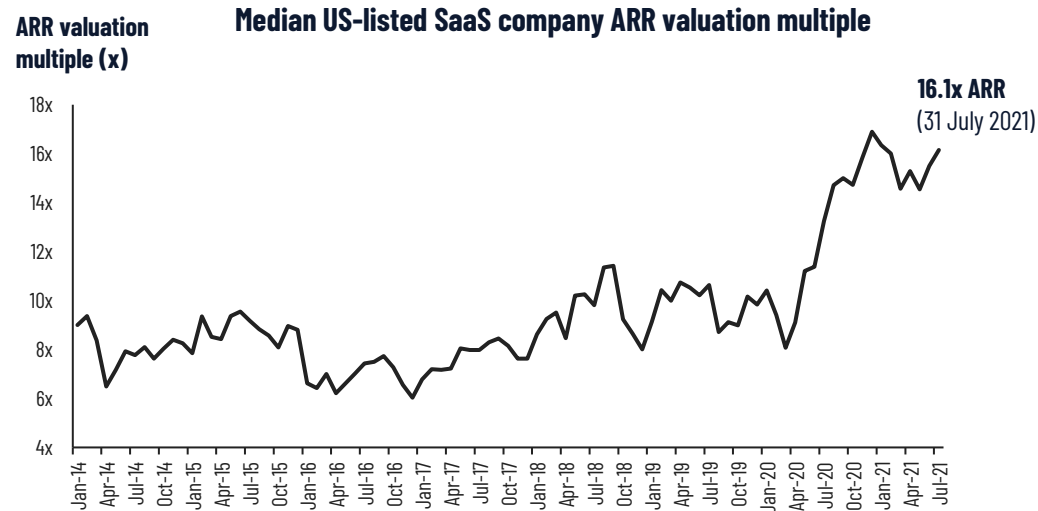
In 2020, average revenue per user (ARPU) on Risk Intelligence System was approx. DKK 128,000. Importantly, Risk Intelligence has been able to increase ARPU with approx. 11% from 2018 to 2020.

Going forward, Risk Intelligence provides no guidance for ARR and other key SaaS metrics. However, management expects to sustain low churn rates. Additionally, ARR should increase along with revenue due to the fact that 88% of total revenue in 2020 was recurring.

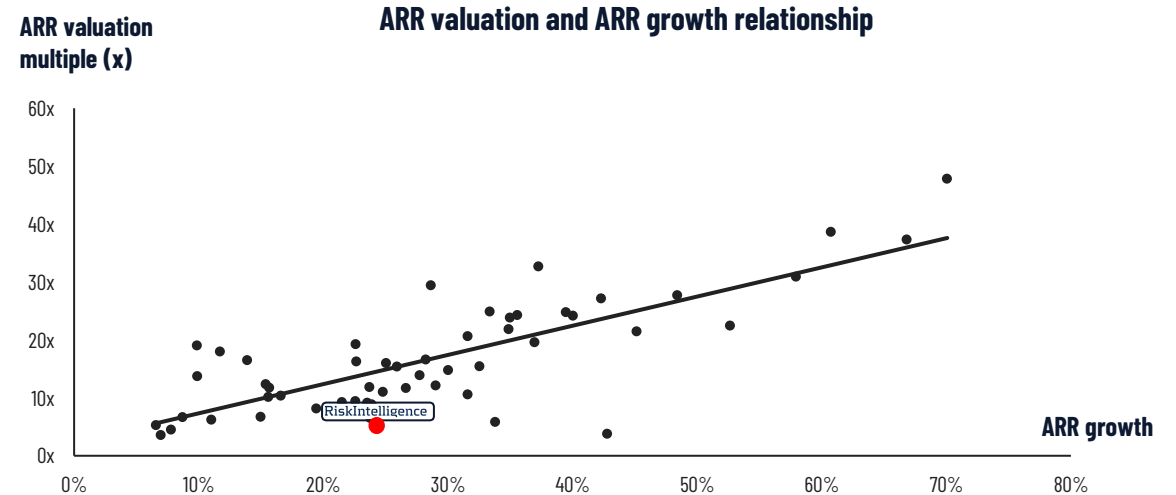
## VALUATION PERSPECTIVES

### Risk Intelligences trades at 4.4x ARR which is significant below US SaaS sector and industry peer Safeture

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 July 2021, the median value of the index's ARR valuation multiple is 16.1x 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.



Current valuation of US-listed SaaS companies, 31 July 2021. Source: SaaS Capital Index



Plot of relationship between historical ARR growth rate and ARR valuation (SaaS Capital Index, 31 July 2021). Zoom Video Communications and companies without ARR growth data are excluded. Source: SaaS Capital Index.

#### RISK INTELLIGENCE

	End 2020	End Q2 2021	
ARR growth	25%	24%	Risk Intelligence is valued to 4.4x ARR based on market capitalization of DKK 62.5m and total ARR of DKK 14.1m end Q2 2021 (ARR growth of 24% in Q2 2021).
ARR valuation multiple	4.5x	4.4x	

#### PEER: SAFETURE

	End 2020	End Q2 2021	
ARR growth	37%	66%	Safeture has a market value of SEK 310.2m and a total ARR of SEK 28.9m end Q2 2021 (ARR growth of 66% in Q2 2021). This corresponds to an ARR valuation multiple of 10.7x.
ARR valuation multiple	13.0x	10.7x	

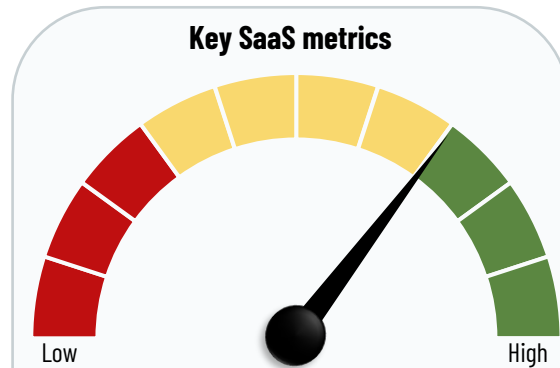


## SaaS ASSESSMENT OF RISK INTELLIGENCE

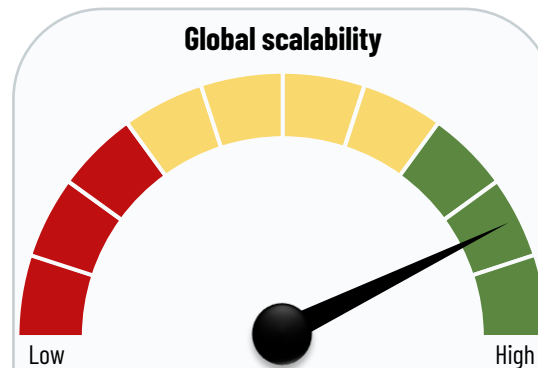
### How does Risk Intelligence stack up with companies in the SaaS sector?

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 Risk Intelligence or any other SaaS company as shown in the speedometers below. **A medium/neutral rating points to pricing on par with the SaaS sector.**

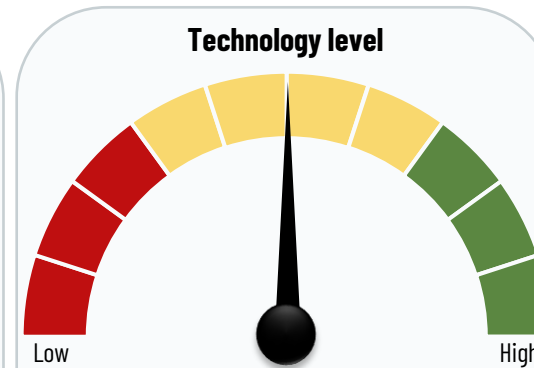
The assessment criteria are **1) Key SaaS metrics**, i.e. Risk Intelligence's ARR growth, churn rate, upselling etc., **2) Global scalability**, i.e. how scalable the business model is across borders and in terms of onboarding time etc., **3) Technology level**, i.e. how advanced the software is and 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.



- Risk Intelligence has delivered consistent low churn rates, i.e. 0.7% in 2019 and 1.4% in 2020. At the same time, Risk Intelligence has increased its ARPU with 11% from 2018 to 2020. In Q2 2021, Risk Intelligence grew its total ARR with 24%.
- Risk Intelligence does not provide a guidance for total ARR. However, revenue growth is expected to be in the range 15-30% in 2021.



- Risk Intelligence's customers include leading global companies such as Exxon Mobil, Royal Dutch Shell, and Maersk. Risk Intelligence has customers on all continents except of South America, and the company serves maritime clients that operates 15.4% of the world's fleet.
- The Risk Intelligence System and Intelligence Reports (88% of revenue in 2020) are cloud-based and very scalable.



- Risk Intelligence uses various sources of intelligence data which are analyzed, evaluated and verified before distributed. Parts of the process are manually checked and verified by an employee, i.e. the system is not automatic.
- In 2019, Risk Intelligence started to develop an AI project focusing on automation of the production side. Risk Intelligence has already completed two phases of the project.



- Risk Intelligence's market for maritime risk products is estimated to approx. DKK 200-400m annually. Using a proxy with ARR, Risk Intelligence has ~5% market share.
- The market for land risk has an estimated total addressable market of approx. DKK 2-4bn. Thus, this market is significantly larger than the maritime total addressable market and is relatively immature.

## MANAGEMENT TEAM AND MEMBERS OF THE BOARD OF DIRECTORS

*Management team is highly experienced with founder and largest shareholder as CEO, and members of the board of directors are top professional*

**Hans Tino Hansen**  
CEO, founder and board member



**Henrik Ehlers Kragh**  
COO



**Jens Krois**  
CFO



**Jim Pascoe**  
CCO



**Jan Holm**  
Chairman



**Stig Streit Jensen**  
Board member



**Jens Munch Holst**  
Board member



**Jens Lorens Poulsen**  
Board member



**CEO and board member Hans Tino Hansen** founded Risk Intelligence in 2001 after specializing in intelligence and maritime security risks for shipping, offshore, oil and gas companies. The development of the digital solution, MaRisk, was started in 2007. He is the largest shareholder with 28% ownership of the company.

**COO Henrik Ehlers Kragh** has worked for Risk Intelligence since 2013. Before joining the company, he was head of Maersk Line's anti-piracy operation. He has worked with maritime risk and security since 2007 and is highly experienced within this area.

**CFO Jens Krois** was hired as CFO in 2018. Before joining Risk Intelligence, he worked as a consultant and as CFO for different companies to raise capital on Nasdaq and Oslo Stock Exchange. He also has experience within compliance, financial reporting and reporting to the stock exchange gained from a long career in FLSmith.

**CCO Jim Pascoe** joined the company as International Sales Manager in 2018 and was promoted to CCO in 2020. Before joining Risk Intelligence, he has been active in the military serving UK Forces, and he also has experience working as a management consultant in large organizations.

**Chairman Jan Holm** has been Chairman of Risk Intelligence since 2018. He is currently CEO of Maersk Drilling in Singapore and responsible for the company in Asia. He has worked in Maersk Group for 14 years. Before joining Maersk Drilling, he worked for Danske Bank Group within finance and business development.

**Board member Stig Streit Jensen** has been board member since 2018. He worked +35 years within sales & management, and he has experience from taking companies public and made four exits in different companies.

**Board member Jens Munch Holst** has been board member since 2018. He is currently working as CEO of Akademikerpension in Denmark, and he has also worked in the financial services sector.

**Board member Jens Lorens Poulsen** has been board member since 2018. He is CEO and co-founder of the Marcura Group which is a company that invests in businesses with unique expertise and innovative systems.



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