



RISMA

INVESTMENT CASE



KASPER LIHN

KASPER@HCANDERSENCAPITAL.DK

+45 28 73 93 22

20 SEPTEMBER 2021 11:30 AM



VICTOR SKRIVER

VICTOR@HCANDERSENCAPITAL.DK

+45 22 59 27 27

20 SEPTEMBER 2021 11:30 AM

#DIGITALIR

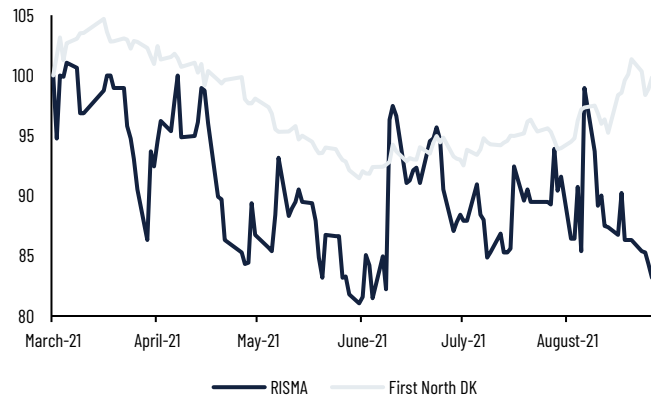
RISMA

RISMA Systems is a Software-as-a-Service company (SaaS) offering an all-in-one GRC software solution. The company was listed on Nasdaq First North in March 2021.

Ticker: RISMA

Share price (DKK): 8.19

Market capitalization (DKK): 148,006,863



KEY FINANCIALS (DKK m)

	2020	2021E	2022E	2023E
Revenue	13.0	N/A	25.9	44.5
ARR	27.7	15-15.4	26.6	44.2
EBITDA	-3.6*	-15.3	-12.5	3.0

*excluding IPO cost of DKK 1.4m

DISCLAIMER

HC Andersen Capital receives payment from RISMA for a Digital IR/Corporate Visibility subscription agreement. Kasper Lihn and Victor Skriver have no ownership in RISMA. 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

- RISMA Systems (RISMA) is a Danish Software-as-a-Service (SaaS) company that provides an **all-in-one software for governance, risk management and compliance (GRC)** solution within areas such as GPDR, ISMS, risk management, financial controls, and ISO standards.
- **RISMA has created a solid foothold in the GRC market with more than 350 customers** which has been driven by a highly digitalized Danish market. Some of the most well-known customers are Bavarian Nordic, Danmarks Nationalbank, GN Store Nord, Sund & Bælt, and Topdanmark.
- **The GRC software market is expected to grow 11-14% in the coming years.** The market growth rates are supported by strong drivers such as **i)** increasing regulations globally and high penalties **ii)** new areas of risk and reporting in the sustainability agenda such as ESG, **iii)** protection of companies' brand reputation and role in the society as a responsible company, and **iiii)** corporations and organizations can lower costs through digitalization of the GRC process.
- **Following a guidance upgrade in late June**, RISMA now expects to increase its **total ARR to DKK 15.0-15.4m end 2021 (up from DKK 14.6m)** corresponding to a growth rate of 18-21% (25% y-o-y in H1 2021). Beyond 2021, RISMA expects to increase ARR with 75% in 2022 and 66% in 2023.
- **Higher growth expectations going forward are driven by i)** 75% of the proceeds from the IPO is invested in sales- and marketing efforts having a full year effect from 2022, **ii)** launch of full suite increases upsell potential and higher average ARR per customer, **iii)** increased partnership focus leads to an increasing number of sales partners and **iiii)** expansion of direct sales presence in Norway and Sweden.
- **RISMA is priced to 10.8x ARR** which is priced close to par with the SaaS sector based on the current growth rate. A significant upside potential may be in place if RISMA manages to fulfill the expansion strategy and increase ARR at rates above 60% as guided in 2022 and 2023.

KEY INVESTMENT REASONS

- Regulates/frameworks that companies need to comply and report on are accelerating which increase the demand for digital GRC tools
- RISMA differentiates by having a suite that covers many GRC areas
- RISMA has recently upgraded ARR guidance and is relatively low valued if reaching ARR guidance in 2022 and 2023

KEY INVESTMENT RISKS

- Still early-stage in proof-of-concept with customers preferring RISMA's full suite solution
- Competitive market with many smaller players targeting one GRC area
- A capital increase could come within 6-12 months to fuel expansion into new Northern European markets

SELECTED RISK FACTORS POTENTIALLY AFFECTING THE INVESTMENT CASE

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

Share price development: The market price of the RISMA 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 for GRC software has been growing in the recent years, and the growth is expected to continue going forward. Yet, there is a risk that the market develops unfavorable which may affect RISMA's future expectations.

Competition risk: Large global software providers in the GRC industry such as SAP or One Trust with huge financial resources may enter RISMA's market and increase the competition. Furthermore, other market players may enter the market which potentially will decrease both RISMA's prices and market share and lower RISMA's future expectations.

Product development: RISMA has an ongoing 12-month (from IPO in March) development plan based on customer needs and market developments. The development plan for RISMA's products is a key part of future success. There is a risk that the future development of products will not deliver the expected commercial value.

Regulatory risk: International regulations on data protection, compliance, and information security could negatively affect RISMA's business. Specifically, changes in laws might force RISMA to invest in additional product development to remain compliant which would have a negative impact on RISMA's earnings.

Operational risk: RISMA's founder, CEO and board member, Lars Nybro Munksgaard, is important for the future business operation, and the company's execution of the internationalization strategy. Additionally, RISMA is also dependent on the ability to hire, find and retain new employees with the right competencies. New hirings have been challenged during COVID-19.

Liquidity risk: RISMA expects that the proceeds from the offering (gross DKK 40m) provide sufficient liquidity to reach the strategic objectives. However, RISMA's growth strategy and internationalization may require additional capital in the future. Specifically, RISMA expects this to be 12 to 18 months following the IPO, i.e. between March 2022 and September 2022. In other words, investors should expect a large cash burn which is typical for young SaaS companies such as RISMA. In 2023, RISMA expects to be EBITDA positive in the Scandinavian market.

Currency risk: More than 90% of RISMA's customers are based in Denmark, i.e. currency risk is low. Since RISMA expects to expand across Europe in the future, the company's currency risk may increase in the future. However, this risk might still be low because DKK is pegged to EUR.

RISMA – IN BRIEF

RISMA has managed to onboard well-known Danish companies and is now ready for expansion in other Nordic markets

Overview: RISMA was founded in 2014 by CEO Lars Nybro Munksgaard. The company is a Software-as-a-Service (SaaS) company that offers an all-in-one software for all governance, risk and compliance (GRC) initiatives. This means that RISMA's software platform includes different modules such as GPDR and ESG & Sustainability. In contrast, many of RISMA's competitors are providing solutions with a narrower scope.

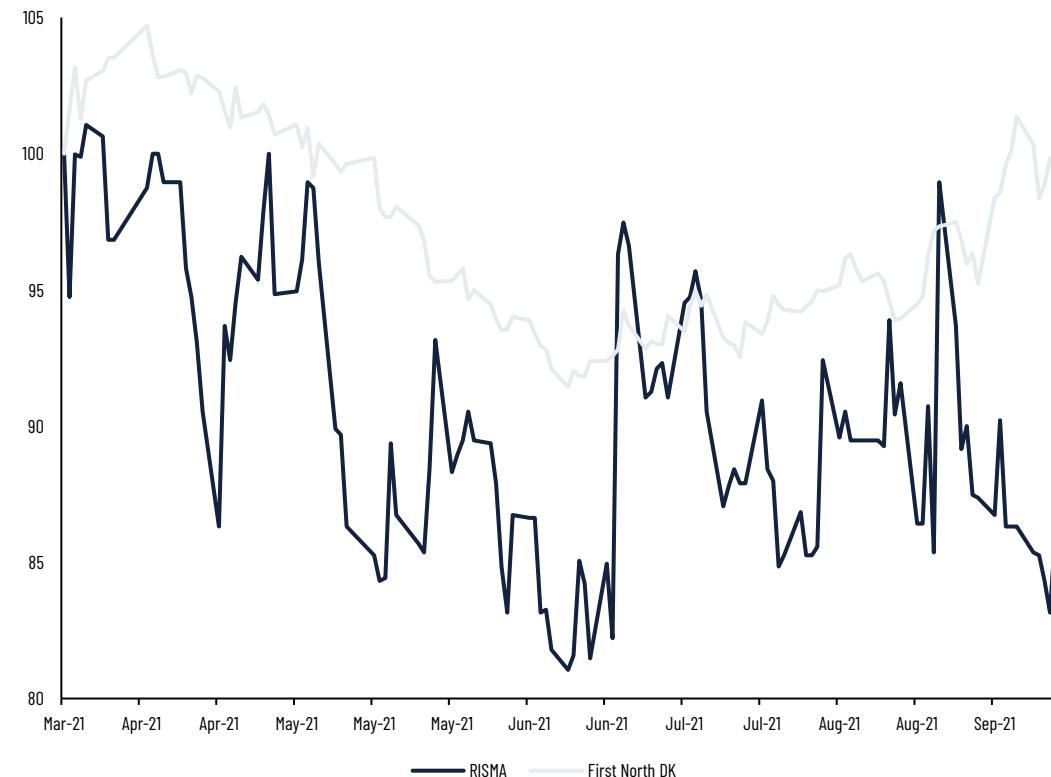
Customers: Currently, RISMA has more than 350 customers primarily with headquarter in Denmark. Customers are both within the private and the public sector. RISMA's target customers are mid-sized organizations with between 100 to 15,000 employees, however, RISMA also serves smaller companies with less than 10 employees. Some of the most well-known customers are Bavarian Nordic, Codan, Danmarks Nationalbank, GN Store Nord, Spar Nord, Sund & Bælt, and Topdanmark. In the first half of 2021, the average revenue per onboarded customer was DKK 63k.

Go-to-market strategy: RISMA acquires new customers through partners and direct sales. As planned in the growth plan presented in connection with the IPO, RISMA is currently expanding the presence in Norway and has entered Sweden. Specifically, sales directors are hired in both countries, and sales offices are established in Oslo and Stockholm. RISMA plans to set up sales teams with minimum 3 employees in both countries before the end of 2021.

With partners, RISMA's platform is recommended to the partners' end-customers, and RISMA emphasizes strong relationships with partners such as BDO and Plesner. Additionally, RISMA has co-developed a new product for financial institutions with Plesner. Other partners are consultants within different areas and GRC advisors. RISMA also expects to enter new markets in European countries through partners with presence and market knowledge before establishing direct sales.

Share information: RISMA was listed on Nasdaq First North in Copenhagen in 2021 with an offer price per share of DKK 9.50. The company raised DKK 40m before costs from 1,474 investors. As of 17 September 2021, RISMA's market value is DKK 148,006,863. The share trades at DKK 8.19.

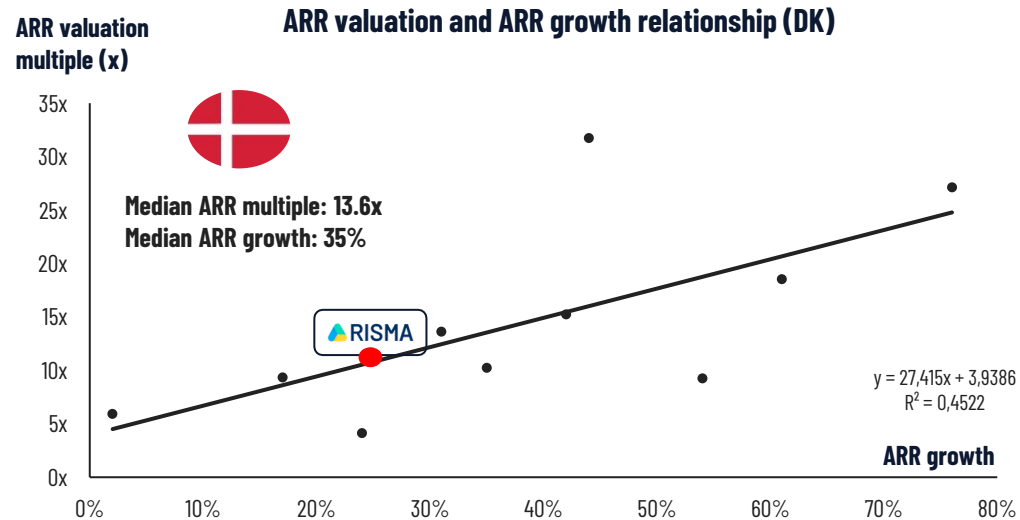
Indexed share price development (Index 100 = offer price DKK 9.50)



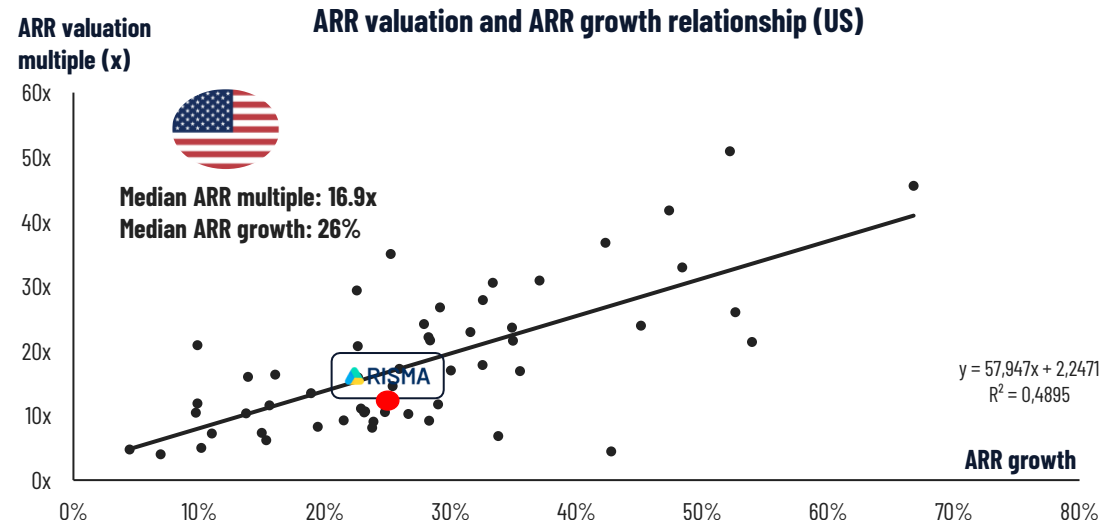
VALUATION PERSPECTIVES

RISMA's higher growth expectations in 2022 and 2023 are not priced in current ARR valuation based on sector valuation

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* (+60 US-listed SaaS companies) and the *SaaS HCA Index DK* (13 Danish-listed SaaS companies reporting total ARR). **As of 31 August 2021, the median ARR valuation multiple is 16.9x ARR in United States and 13.6x in Denmark.** The relationship between ARR growth and ARR valuation is shown in the two charts below, i.e., historical ARR growth (LTM) is having a large effect on the valuation. 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.



Plot of relationship between historical ARR growth rate and ARR valuation (The SaaS HCA Index, 31 August 2021). Three companies without ARR growth data are excluded in the plot. Source: HC Andersen Capital



Plot of relationship between historical ARR growth rate and ARR valuation (The SaaS Capital Index, 31 August 2021). Companies without ARR growth data are excluded. Source: SaaS Capital Index.



ARR valuation multiple*

June 2020A

10.8x

December 2021E

9.7x

December 2022E

5.6x

December 2023E

3.3x

*Based on RISMA's market capitalization 17 September 2021 and RISMA's own guidance.

COMMENTS ON VALUATION

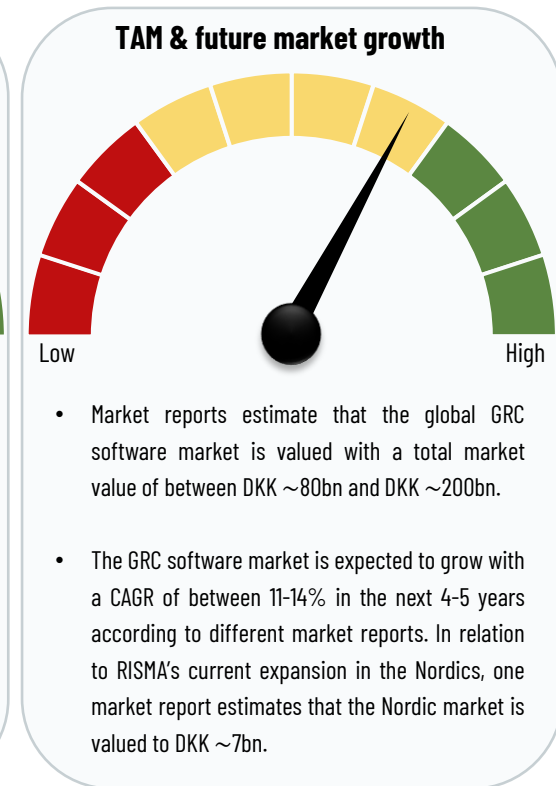
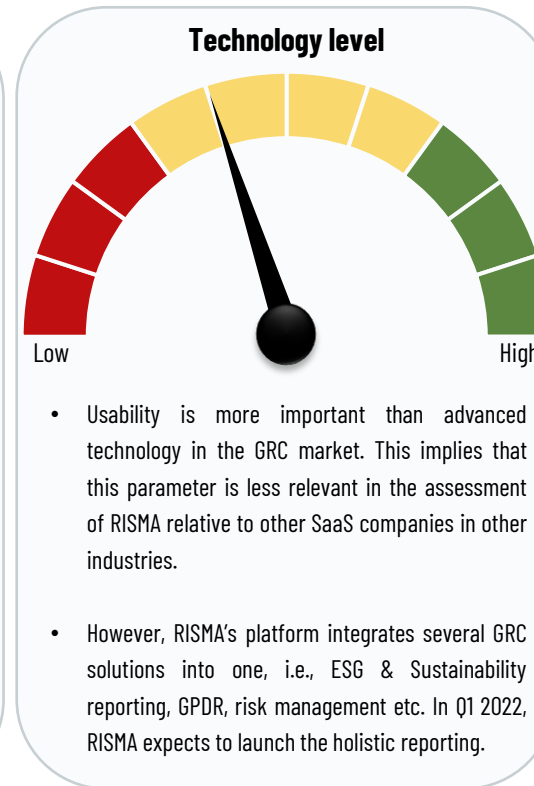
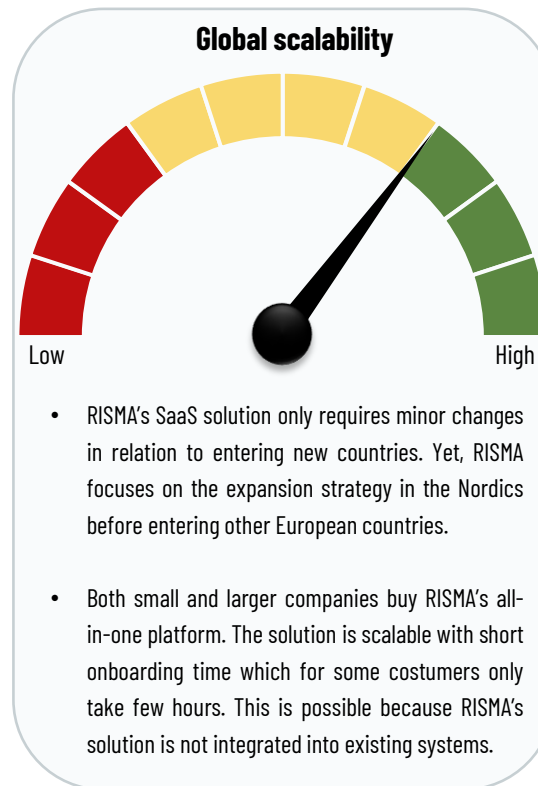
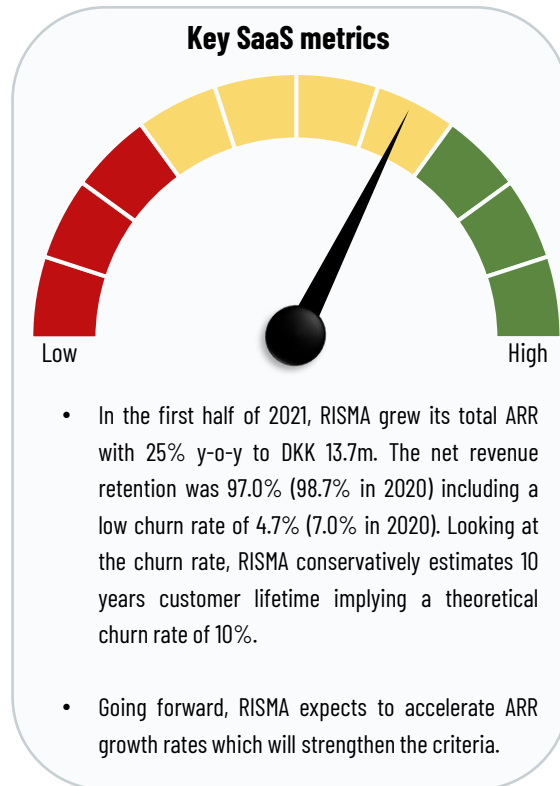
- Current growth rate points to fair valuation based on the SaaS sector
- If ARR growth rates of 75% in 2022 and 66% in 2023 are realized, there is a significant upside potential

SaaS ASSESSMENT OF RISMA

How does RISMA 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 RISMA 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. RISMA's ARR growth, churn rate, upselling etc., **2) Global scalability**, i.e. how scalable the business model is across borders, 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.



SOLUTIONS AND BUSINESS MODEL

RISMA has developed an all-in-one platform solution for all corporations and organizations

Core solution: Today, many corporations and organizations are handling compliance manually through spreadsheets. This process can be optimized with a digital GRC platform like RISMA's GRC suite that combines all risk and compliance efforts in one solution. The software is developed for both small private companies and larger public organizations.

Normally, customers start using one or two of RISMA's modules such as GDPR module and ISMS module. When the business case is confirmed, RISMA expects that customers will commit to the company's suite with all modules. With the full RISMA Professional Suite, the company offers the following 8 modules 1) GDPR & Privacy, 2) ISMS & ISO standards, 3) Risk Management, 4) ESG & Sustainability, 5) Financial / internal controls, 6) Policy Management, 7) Vendor Management (new version is expected to be announced soon) and 8) Incident Management. In Q1 2022, RISMA expects to introduce a holistic version implying that the management in corporations and organizations will be able to have a full overview of each GRC area.

Add-on modules: Besides the 8 modules illustrated in the figure, RISMA also offers more specialized add-on modules for specific industries. If RISMA e.g. sells their solution to a financial institution, RISMA has other solutions tailored for this industry. The solution for financial institutions is for both insurance and pension companies was announced in April 2021 in combination with the announcement of PFA as new customer.

Business model: With 86% of total revenue being recurring revenue (2020), RISMA is a classical Software-as-a-Service (SaaS) business model with a subscription-based pricing model and a monthly fixed fee. The remaining 14% of the total revenue in 2020 is related to onboarding of new customers.

Focusing on the recurring revenue, this is the attractive part of the business due to the predictability of the future revenue stream. Until mid 2019, RISMA's customers signed up for a contract length of 12 months. Now, RISMA's customers typically sign longer contracts of between 24 and 36 months which provide more visibility for RISMA.

Yet, the pricing model has changed from 1 June 2021 since customers are not charged per user as before. Upselling from expanding the solution in terms of users only happen if the organization of the customer increases significantly over time to a new level. However, RISMA still has upselling opportunities for existing customers due to the many modules that customers can pay as the needs of more GRC modules grow. Since the launch of the new pricing model, most customers have bought +3 modules or the full suite from the beginning. Management also expects that a large share of the existing customers are upgrading from few modules to the full suite which is expected to increase the net retention rate.



RISMA's holistic reporting
Source: RISMA's H1 2021 presentation

MARKET AND COMPETITION

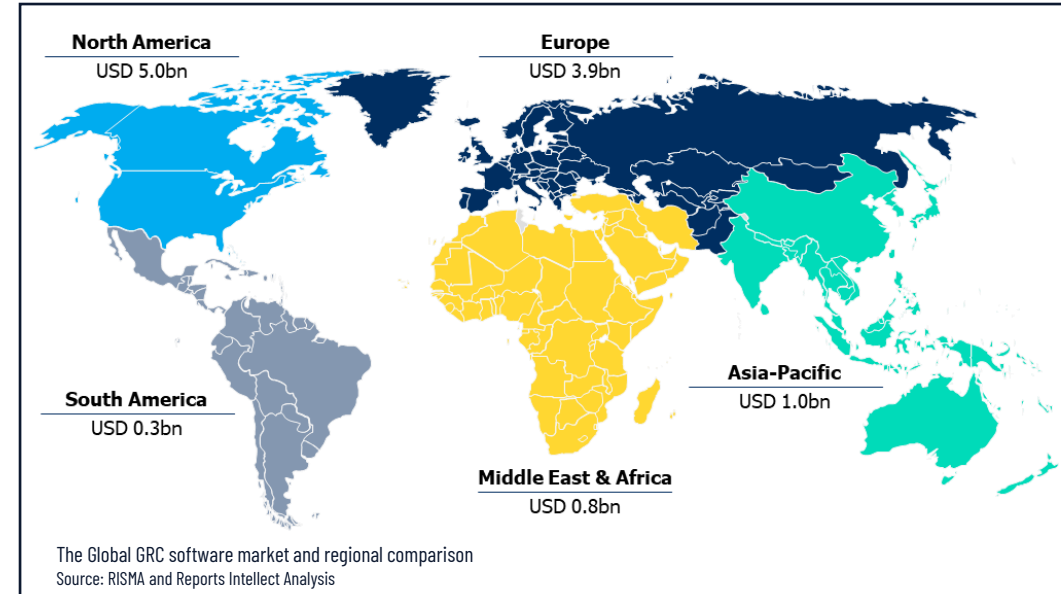
The Nordic GRC software market is the most attractive market based on maturity and spending on GRC

Global market: Corporations and organizations are continuously investing in digital GRC software solutions to comply with new regulations, optimize work flows and avoid potential reputational issues. Overall, the global market for GRC software is valued to USD 14bn in 2020 with an expected CAGR of 11.2% towards 2026¹. Another market report estimates CAGR of 13.7% from 2021 to 2028². RISMA's internationalization strategy targets European countries which is estimated to represent 35% of the global market.

European market: The primary market driver is the European Union's implementation of GDPR in 2018 which requires organizations to be compliant within data protection. This regulation has forced European organizations to invest heavily in GRC software. Therefore, the European market is starting to mature especially in the Nordics, the UK, and Germany. In other European countries, the GRC market is still relatively immature according to the company description. In RISMA's new markets in Europe, the underlying digitization trend will be a key market driver for the demand of GRC software in the next years.

Nordic market: With RISMA's current strategy, RISMA is ready to grow its sales in the Swedish market and Norwegian market. Scandinavia also represents the most attractive market based on maturity and spending on governance, risk management and compliance.

Specifically, Denmark's spending on GRC software per capita is USD 63.4 according to market reports, which in fact is the largest in Europe. This number is significantly larger than the second largest, Sweden (USD 39.6), and the third largest, Norway (USD 37.9). The Nordic GRC market is estimated with a value of USD ~1.15bn which is larger than both the UK market (USD ~1bn) and the German market (USD ~0.75bn).



Competition: The global competition within GRC software is characterized by the fact that there is no global, regional or local market leader and "owner" of the market for GRC solutions, i.e. the market is fragmented with smaller players. The majority of GRC software providers offer solutions within different areas of the GRC market.

RISMA's competitors also have different go-to-market strategies, which means some go for direct sales, others go for partner strategies, and some a mix of the two.

Source: ¹Reports Intellect Analysis and ²Grand View Research

KEY SaaS METRICS AND FINANCIALS

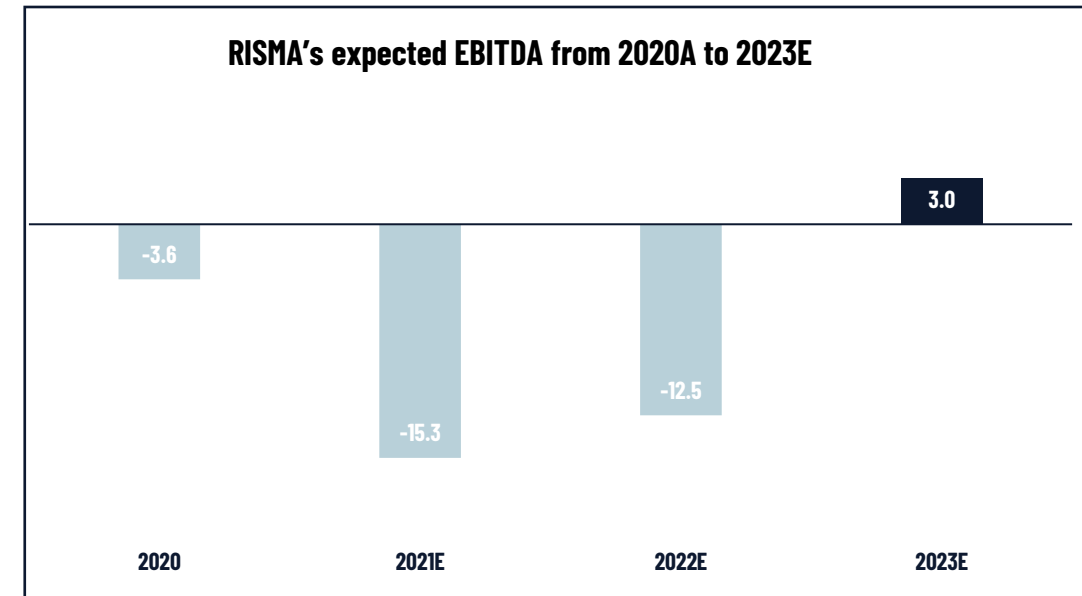
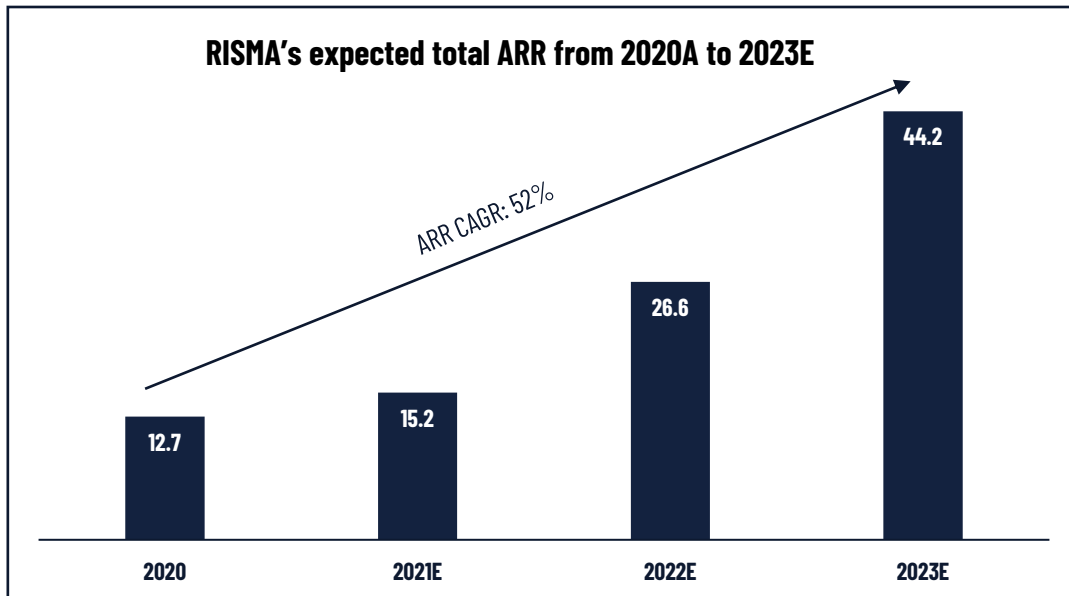
RISMA is in a financial transition year affecting metrics - watch out for improving key SaaS metrics from 2022

Key SaaS metrics: In 2020, RISMA increased its total ARR with approx. 17% to DKK 12.7m. The company's churn rate was 7% in 2020 and upselling increased total ARR by 6% in 2020. In H1 2021, churn rate improved to 4.7%, while upselling declined to 1.6%.

Shortly after the IPO in March, RISMA upgraded its full-year ARR guidance from DKK 14.6m to DKK 15.0-15.4m corresponding to an expected growth rate of between 18-21% y-o-y. In the first half of 2021, RISMA grew its ARR with approx. 25% y-o-y to DKK 13.7m. Thus, the company is confident with its pipeline to reach target during the second half of 2021. Average revenue per onboarded customer was DKK 62k in first half of 2021. However, most of the new customers have bought +3 modules or the full suite solution since launching the new pricing model in June 2021. This implies that average revenue per customer may increase going forward.

EBITDA: Historically, RISMA has reported losses which is expected for young SaaS companies as RISMA is investing heavily in growth initiatives. As stated by the CEO in the IPO process, an investment of DKK 2-3 in growth yields DKK 10-15 in customer lifetime value. Therefore, investors should carefully focus on growth initiatives and focus less on near term EBITDA.

RISMA's EBITDA was DKK -3.6m excluding IPO cost (DKK 1.4m) for the full year 2020, and DKK -6.0m for the first half of 2021. Scaling up the organization and expanding in Norway and Sweden may increase costs in second half of 2021. This is also in line with guidance since RISMA expects EBITDA of DKK -15.3m for the full year 2021. Going forward, RISMA expects EBITDA of DKK -12.5m in 2022, and a positive EBITDA of DKK 3.0m in 2023. RISMA states that the expectations are based on business-as-usual scenario with operations in the Nordics.



MANAGEMENT TEAM, MEMBERS OF THE BOARD OF DIRECTORS AND MAJOR SHAREHOLDERS

Management team and new hirings have long experience in the "Big Four" accounting firms and the GRC area

Lars Munksgaard CEO and founder
Jan Jansson CCO
Kasper Hülse CMDO
Thomas Hermann CFO
Gitte Pedersen Chief Customer Officer
Nicolai Ascenius CTO



CEO Lars Nybro Munksgaard founded RISMA in 2014. He has more than 25 years of professional experience from well-known companies such as Deloitte, A.P. Møller Maersk and Saxo Bank. His main experience is within auditing, financial reporting, compliance and risk management.

CCO Jan Jansson joined RISMA in August 2021. Before joining RISMA, he has been partner in Big Four accounting firms, EY and Deloitte, working with digital GRC tools.

CMDO Kasper Holton Hülse joined RISMA in the beginning of 2020. He is now Chief Market Development Officer. Before joining RISMA, he previously held similar commercial positions in media and software companies. He is also board member in First North listed Hypefactors.

CFO Thomas Hermann joined RISMA in 2020. He has experience from media technology and retail companies and has also experience from a software company where he was responsible for developing the financial part of an ERP system.

Chief Customer Officer (CCO) Gitte Pedersen joined RISMA in 2017. She previously held management positions within customer service, product strategy, R&D and communication in media and software companies.

CIO Nicolai Ascenius joined RISMA in 2016 and has a background in IT consulting and project management. He has more than 20 years experience in software development.

Lars Ankjer Jensen Chairman
Claus Christiansen Board member
Thomas Nielsen Board member
Lars Munksgaard Board member



Chairman Lars Ankjer Jensen joined RISMA in 2014. He was the first investor in the company and worked closely with CEO Lars Munksgaard. He is a serial entrepreneur, business angel and is also board member in uniqKey A/S. He owns 10.27% of RISMA's share capital.

Board member Claus Christiansen has held several positions as chairman and Head of the Department for Clinical Chemistry at Glostrup Hospital. Since 1991, Claus has founded, managed and sold several companies. He owns 23.77% of RISMA's share capital.

Board member Thomas Nielsen has been a financial auditor, in a medium-sized auditing firm in Copenhagen. Thomas has primarily audited IT and life science companies. In 2006, Thomas became CFO of the Nordic Bioscience Group.

CEO and founder Lars Nybro Munksgaard is also board member in RISMA. He holds no other board member positions. He owns 15.20% of RISMA's share capital.



HC ANDERSEN CAPITAL

TOLDBODGADE 51B

1253 KØBENHAVN K



+45 31 34 39 64

TUE@HCANDERSENCAPITAL.DK



+45 28 73 93 22

KASPER@HCANDERSENCAPITAL.DK



+45 28 73 93 22

VICTOR@HCANDERSENCAPITAL.DK



HCANDERSENCAPITAL.DK



HC ANDERSEN CAPITAL



HC ANDERSEN CAPITAL



HC ANDERSEN CAPITAL

WWW.HCANDERSENCAPITAL.DK