

# Penneo

Market: OMXC Small Cap

Ticker: PENNEO

Share price (DKK): 10.14

Market cap (DKK): 325.7

Net cash (DKK): 51.0

Enterprise value (DKK): 274.7

## Share information



YTD: -42.75% 1 year: -69.96%  
1 month: -15.05% Since IPO\*: -5.97%

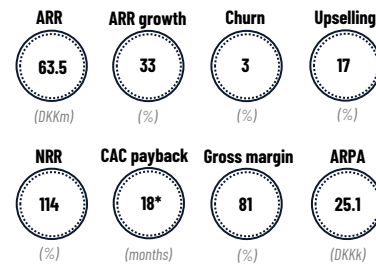
Note: \*IPO date was 6 June 2020 (subscription price of DKK 11.06)  
We apply the closing price from 13 October 2022

## Financials

(DKKm)	2020	2021	H1 2022	2022E
Revenue	35.5	54.3	31.9	N/A
Revenue growth	29%	53%	20%	N/A
EBITDA	-8.7	-14.1	-9.7	-17.5*
EBITDA margin	-25%	-26%	-30%	N/A
ARR	37.0	55.5	63.5	72.5*
ARR growth	48%	50%	33%	31%
P/ARR (x)	29.6x	10.1x	5.1x	4.5x
EV/Sales (x)	30.1x	10.1x	N/A	N/A

Note: Multiples for 2020 and 2021 are based on historical numbers.  
\*Midpoint in Penneo's own guidance (ARR guidance downgraded 13 October 2022).

## Key SaaS metrics H1 2022



Note: \*(Average CAC / Average ARR for new customers (last 12 months)) x 12

## 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, automating and digitalizing workflows with the offering of two main solutions within digital signing and onboarding of clients (Know-Your-Customer). Penneo serves more than 2,400 customers, and Penneo has approx. 100 employees with headquarter in Copenhagen.

## Investment case

Penneo has evolved itself from being a digital signature platform to a RegTech platform with an ecosystem of automation solutions in 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 all Big 10 accounting firms as customers which ensures recurring revenue and stickiness through network effects. Additionally, Penneo's relationship with Big 10 accounting firms in the Nordics is also a key part of Penneo's European expansion and go-to-market strategy.

The global markets within digital signature and KYC are expected to grow with a CAGR of 31% and 22% towards 2026, respectively. Market growth rates are supported by the digitalization trend and increasing regulative demands.

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

Penneo is currently traded at an ARR multiple of 5.1x (LTM), which is slightly above the Danish SaaS sector of 4.9x (The SaaS HCA Index) and below the US SaaS sector of 6.9x (The SaaS Capital Index based on data at the end of Sep 2022). Taking Penneo's size into a Danish perspective, Penneo has been one of the most growing companies.

## Key investment reasons

Penneo's business model and solutions are proven by strong SaaS metrics with a track record of growing ARR by approx. 50% annually in the past years combined with a low churn rate of 2-3%. Looking across the Danish SaaS sector, Penneo's metrics have outperformed the sector, however supported by COVID-19 effects.

Future growth is supported by i) Roll out the KYC products to existing audit customers in the Nordics, ii) Penetrate the financial institutions vertical in Denmark, iii) Continuing market development in European countries becoming the de facto standard for auditors in Europe, supported by 97% growth in ARR from foreign markets in 2021 (constituted 26% of the total ARR in 2021).

There has been consolidation in the industry, and Penneo could be a takeover candidate with the current valuation for larger global leaders with less presence in the Nordics.

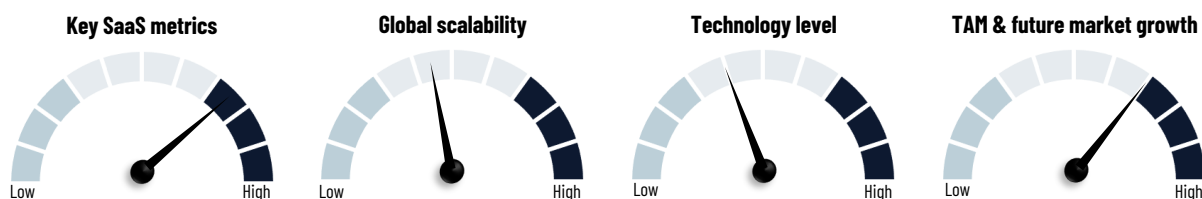
## Key investment risks

Employee churn and limited access to new skilled employees may affect Penneo's ability to operate and implement its internationalization strategy, potentially leading to delays.

Penneo operates in a market with high competition from several local and global companies, including large companies such as DocuSign with extensive market reach. The competitive situation may affect Penneo's position in existing markets as well as its European expansion, leading to lower growth rates.

With the capital increase of approx. DKK 59 million from institutional investors in May, Penneo has secured sufficient financing to continue its operations for at least 12-24 months. Depending on Penneo's growth investment strategy the coming years, Penneo may raise additional capital before break-even. For perspective, Penneo's free cash flow is DKK -26.5 million (LTM).

## Key SaaS HCA assessment



Note: Key SaaS HCA assessment provides a short overview of four key criteria when assessing SaaS companies. Key SaaS metrics include ARR, net revenue retention rate, etc. Global scalability assesses the company's geographical presence and the scalability of the software solution. The technology level is about the complexity in terms of AI, deep learning, etc. Total addressable market (TAM) & future market growth relate to the company's current addressable market, expected future growth rates, and market drivers.