

## Research update: Q2 2022

### RISK INTELLIGENCE A/S

Risk Intelligence provides processed, analysed, and actionable risk intelligence through its system and associated advisory services. The lion's share of sales is recurring.

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 CoB: Jan Holm  
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Bloomberg: RISK:SS  
 Reuters Eikon: RISK.TE

List: Spotlight Stock Market

Last: DKK 2.5  
 Market cap: DKK 28m

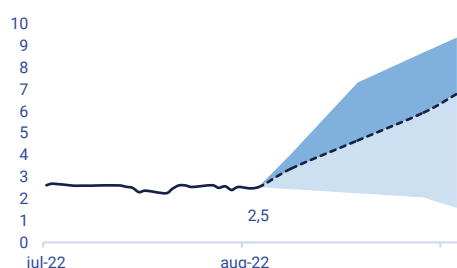
### SHARE DEVELOPMENT



	12M	YTD	6M	1M
Development (%)	-53	-59	-39	-6

Source: S&P Capital IQ

### VALUATION INTERVAL



	BEAR	BAS	BULL
Share price (DKK)	1.6	6.8	9.4
Up-/downside (%)	-38	169	271

Source: S&P Capital IQ and Carlsquare estimates

### CARLSQUARE EQUITY RESEARCH

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 Head of Equity Research

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 Senior Advisor

## Strong development for KPIs will bear fruit

Despite a decline in consultancy revenue, Risk Intelligence grew net sales by 7.1 per cent to DKK 3.0 million in the past quarter. However, the outcome was below our expectations. At the same time, ARR and ARPU continue to grow at a high rate, which will bear fruit in the future. After adjustments, we calculate a fair value of DKK 6.8 (7.5) per share. Funding is secured for the year, and we see an attractive potential upside.

### Reiterated sales target after a quarter below expectations

For the second quarter of 2022, total ARR (including intelligence reports) was reported at DKK 16.9 million, corresponding to strong year-on-year growth of 19.9 per cent and a sequential growth of 3.7 per cent. ARPU increased by 15.4 per cent year-on-year to DKK 142 000. Sequential growth was 2.2 per cent. NRR landed at a strong 111 per cent. These important KPIs aligned with our expectations, but net sales of DKK 3.0 million were below our estimate of DKK 3.7 million. The decline is explained by lower advisory-related revenues, which continue to hamper in the short term. At the same time, it should be noted that three new client contracts covering both systems and advisory services were signed during July and August. That bodes well for the coming quarters. The company also reiterates its full-year net sales target between DKK 21.5-23.5 million.

The EBITDA result was minus DKK 3.5 million. Our estimate was minus DKK 2.4 million. The deviation is due to lower revenues and a higher cost base than expected. Management believes the cost base is back to "normal" levels after the pandemic. With the opportunity to travel, the growth rate should also increase.

### Lowered expectations on Land-Risk Logistics

We have high expectations on LandRisk Logistics. For the application, the company expects an average system-related ARPU of around DKK 300 000 - more than double the ARPU of the maritime solution. At the beginning of last quarter, a contract was signed with Monitoring Services ESOES, a Polish company that offers services to assist control centres and tailored risk assessments of routes for owners of high-value cargoes. The sales pipeline was at this time strong, but the sales processes appear to be longer than we initially anticipated as no additional clients were signed after that. Therefore, we lower the revenue expectations for LandRisk Logistics in 2023-2024, negatively impacting the margin assumptions. However, estimates for 2025-2026 are left unchanged.

### Low valuation to recurring revenues

Combining a multiple valuation with a DCF valuation, a fair value of DKK 6.8 (7.5) per share is calculated. Adjustments in the estimates explain the downward revision. For the multiple valuation, we have also increased the discount to the reference group with increased uncertainty about the development of LandRisk Logistics. Our valuation corresponds to an EV/Sales NTM of 5.4x. The reference group trades at a median EV/Sales NTM of 9.8x. In parallel, the stock is currently trading at an unreasonably low 1.8x relative to our revenue forecast NTM and 2.7x last reported total ARR. At the same time, the short-term financing risk has come down with new loans of DKK 5.5m.

### Key figures (DKKm)

	2020	2021	2022E	2023E	2024E	2025E
Net sales	15.7	18.8	21.5	25.9	37.7	50.5
Total ARR	13.9	16.0	17.9	24.5	34.0	46.4
ARPU	0.128	0.138	0.144	0.165	0.185	0.213
EBITDA	-3.9	-0.9	-5.6	-4.1	2.4	10.2
EBIT	-5.7	-2.8	-7.8	-6.3	-0.1	7.6
EBT	-7.8	-4.8	-10.1	-8.4	-2.9	4.8
Earning per share (DKK)	-0.66	-0.33	-0.72	-0.41	-0.14	0.20
Growth, net sales	10.4%	19.8%	14.4%	20.2%	45.7%	33.9%
EBITDA-margin	Neg.	Neg.	Neg.	Neg.	6.3%	20.2%
EBIT-margin	Neg.	Neg.	Neg.	Neg.	Neg.	15.0%
EV/Sales	2.6x	2.2x	1.9x	1.6x	1.1x	0.8x
EV/EBITDA (curr.)	NM	NM	NM	NM	17.5x	4.1x
EV/EBIT (curr.)	NM	NM	NM	NM	NM	5.5x

Total ARR = Annual recurring revenue (long contracts). ARPU = Average revenue per client. Source: Company information and Carlsquare estimates

## Follow-up and comments

Again, low activity for the advisory business held back revenues during the past quarter. Net sales were thus below our expectations. With lower than expected revenues, profitability was also below our estimate. On the positive side, KPIs such as recurring revenue and average revenue per client continued to grow annually and sequentially. Furthermore, the company has received funding of DKK 5.5 million, which we believe is sufficient for the rest of the year.

### Solid development for core KPIs

The table below shows the outcome for the second quarter of 2022 and our estimates. The outcome for the income statement was consistently below our expectations. On the positive side, critical KPIs such as annual recurring revenue (ARR) and average revenue per customer (ARPU) continue growing rapidly. That will bear fruit in the future in the form of reduced uncertainty and improved profitability.

#### Actuals vs estimates, Q2 2022 (MDKK)

	Q1, 2022E	Q1, 2021A	Q1, 2022A	Growth	Deviation
ARR, system	15.4	12.5	15.5	23%	1%
ARR, total	16.6	14.1	16.9	20%	2%
ARPU (000 DKK)	142	123	142	15%	0%
Net sales	3.7	2.8	3.0	7%	-17%
EBITDA	-2.4	-2.5	-3.5	-42%	-46%
EBITDA margin	Neg.	Neg.	Neg.	-	-
EBIT	-3.0	-2.9	-4.0	-39%	-33%
EBIT margin	Neg.	Neg.	Neg.	-	-
EBT	-3.8	-3.4	-4.5	-34%	-19%
EPS (DKK)	-0.27	-0.26	-0.32	-24%	-20%

ARR = Annual recurring revenue. ARPU = Average revenue per client. Source: Company information and Carlsquare estimates

### Strong development for system revenues

#### Important recurring revenue grows sequentially

Recurring revenue provides greater predictability and thus less uncertainty in the revenue stream. In the past quarter, Risk Intelligence grew its annual recurring system revenue (ARR, system) by 23.5 per cent to DKK 15.5 million. Sequentially, i.e. compared to the previous quarter, the growth was 4.5 per cent. Recurring system revenue was marginally above our forecast of DKK 15.4 million.

Recurring system revenue (ARR, system) is contracted over 12 months.

Total recurring revenue (ARR, total), including contracted revenue for the company's intelligence reports, increased by 19.9 per cent to DKK 16.9 million. Sequential growth was 3.7 per cent. Total recurring revenue exceeded our forecast of DKK 16.0 million.

Total recurring revenues include revenue from systems plus intelligence reports that are typically contracted for a quarter or longer.

#### Up-selling and price increases pave the way for profitability

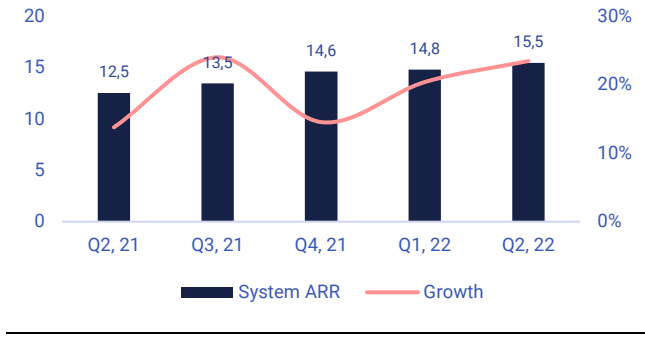
NRR, or "Net Revenue Retention", shows the percentage change in revenue from existing customers after contract termination over a given period (one year). The company's NRR during the second quarter was 111 per cent. That means that, on average, customers are generating 11 per cent more in revenue compared to the same quarter last year after discontinued contracts. According to the company, the increase is explained by existing clients adding more users and price increases, which are key components of the strategy to increase profitability.

Recurring system revenue years contracted over 12 months. Risk reports are typically contracted for three months or longer.

### In anticipation of more clients on LandRisk Logistics

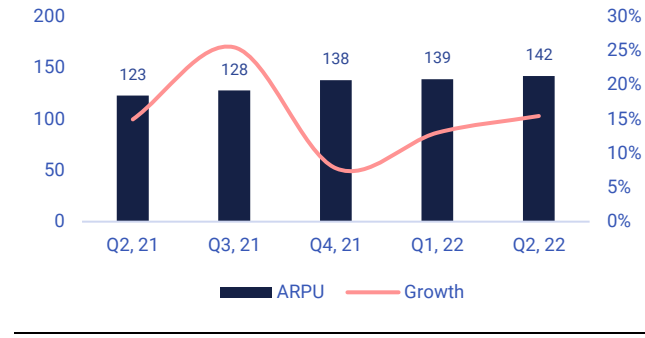
At the end of the previous quarter, ARPU (average revenue per customer, Maritime system plus LandRisk Logistics) increased by 15.4 per cent to DKK 142 000. That was in line with our forecast of DKK 142 100. The growth is assumed to be mainly due to the excellent performance of NRR.

**ARR, system (MDKK) and growth (%)**



Source: Company information

**ARPU (000 DKK) and growth (%)**



Source: Company information

The company estimates that customers on LandRisk Logistics will pay an average price of DKK 300 000 over time. That is more than double the existing ARPU. Thus, the ARPU is expected to increase as more customers are signed up on LandRisk Logistics.

In other words, signing new clients on LandRisk Logistics is critical for the company to achieve good profitability over time. During the past quarter, one new customer was signed to LandRisk Logistics. We had hoped that two or more. Possibly, the sales processes are more complex and time-consuming than we initially anticipated. The product is still in the early launch phase, but the development in the second half of this year will help better understand the market's reception of LandRisk Logistics.

### Net sales held back by advisory services

Net sales for the second quarter increased 7.1 per cent to DKK 3.0 million. That was lower than our expectation of DKK 3.7 million. Net sales were held back by low advisory activity. That was also the primary explanation for the deviation in the outcome compared to our forecast.

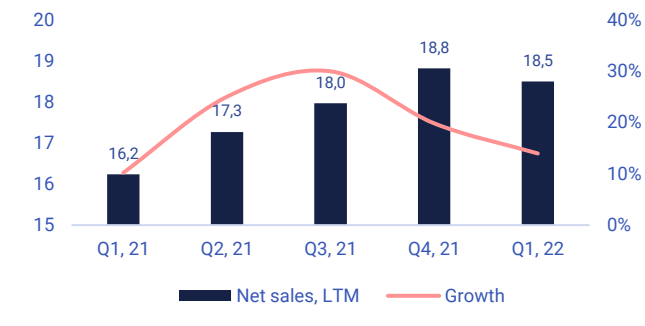
The second and third quarters typically have low recurring system revenues. The fourth quarter has the highest recurring system revenue.

**Net sales (DKKm) and growth (%)**



Source: Company information

**Net sales (DKKm) and growth (%), LTM**



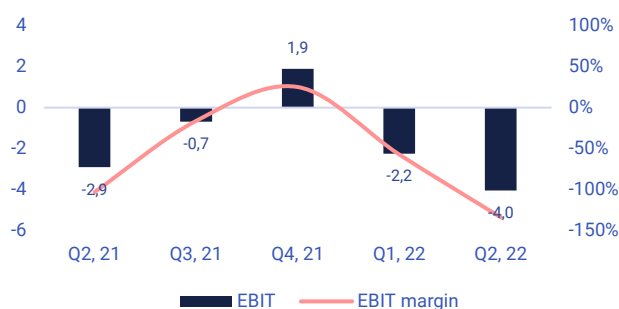
LTM = Last twelve months. Source: Company information

On a rolling 12-month basis, net sales increased by 8.3 per cent year-on-year. That is positive given the low activity in the consulting and advisory business. See the chart above to the right.

## Lower sales resulted in EBIT below expectations

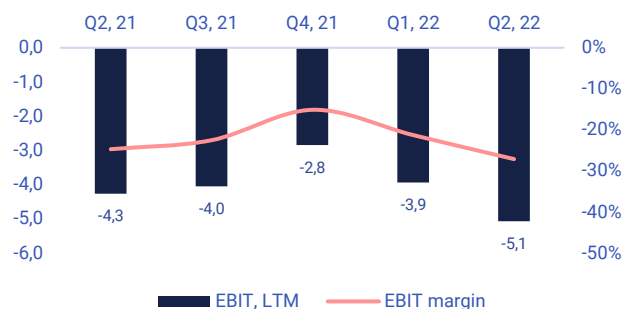
The operating result came in at minus DKK 4.0 million. Our forecast was minus DKK 3.0 million. The deviation is explained by lower sales and a slightly higher cost base than expected. As stated in the quarterly report, the company believes that the cost base is back to "normal" levels now that travel is possible again, which was not the case during the Covid pandemic.

**EBIT (DKKm) and margins (%)**



Source: Company information and Carlsquare estimates

**EBIT (DKKm) and margins (%), LTM**

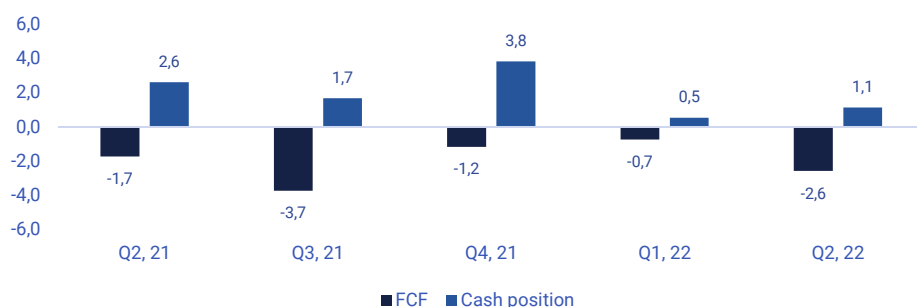


LTM = Last twelve months. Source: Company information

## Cash flow and liquidity

In the past quarter, free cash flow amounted to minus DKK 2.6 million, corresponding to approximately 74 per cent of the negative EBITDA result. At the end of the second quarter, cash amounted to DKK 1.1 million after net new loans of DKK 3.2 million.

**Cash flow and cash balance (DKKm)**



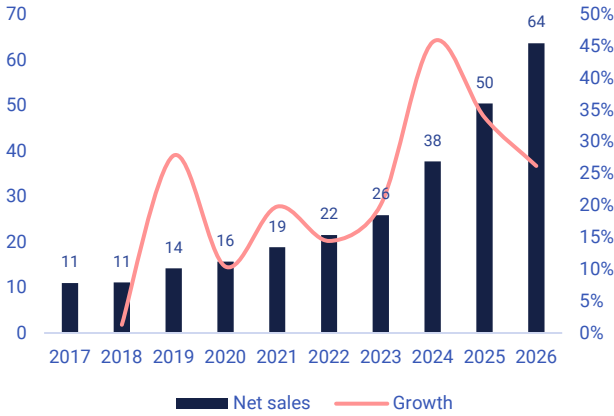
Source: Company information

On 25 July 2022, the company announced that it had received a loan from private lenders for a total of DKK 5.5 million. The loan matures in tranches over three, six and nine months and carries an annual interest rate of 12 per cent. There is a possibility of extending the loans provided the parties can agree on terms.

We anticipate that this loan and cash flow will be sufficient to fund operations for the remainder of the current year. It should also be noted that the Group's equity is now negative.

# Equity story in six charts

## Good growth prospects with new product in large market



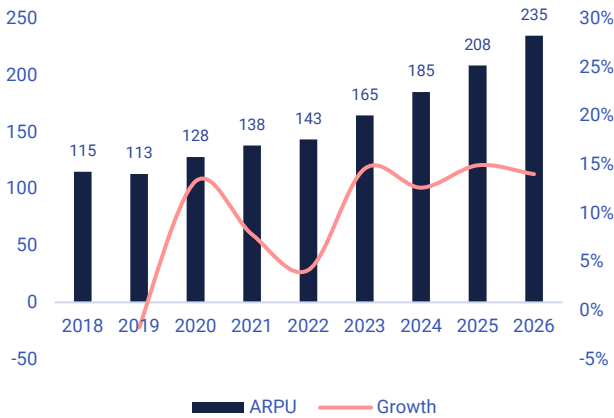
DKK millions. Source: Company information and Carlsquare estimates

## High proportion of recurring revenue



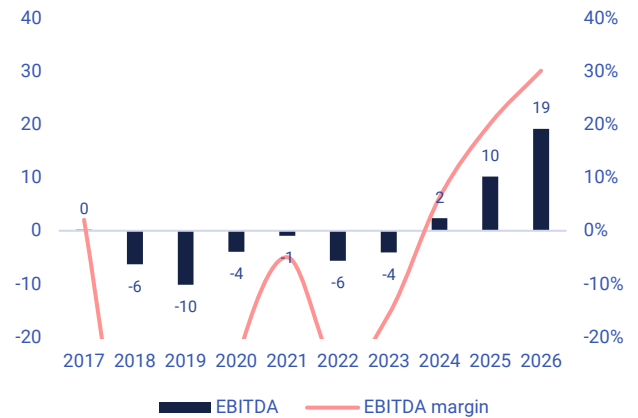
DKK millions. Source: Company information and Carlsquare estimates

## Higher ARPU with upsales and new service



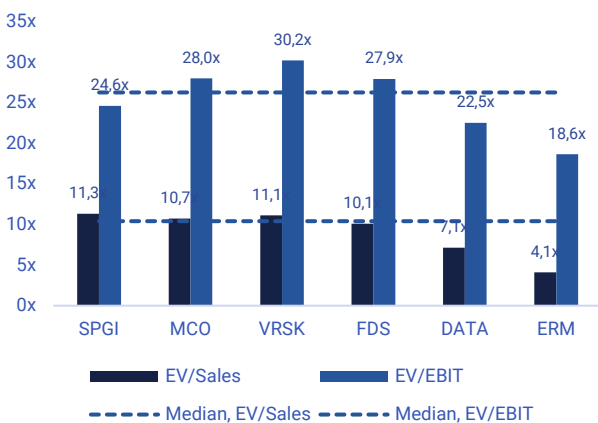
DKK millions. Source: Company information and Carlsquare estimates

## Close to break-even with good margin potential over time



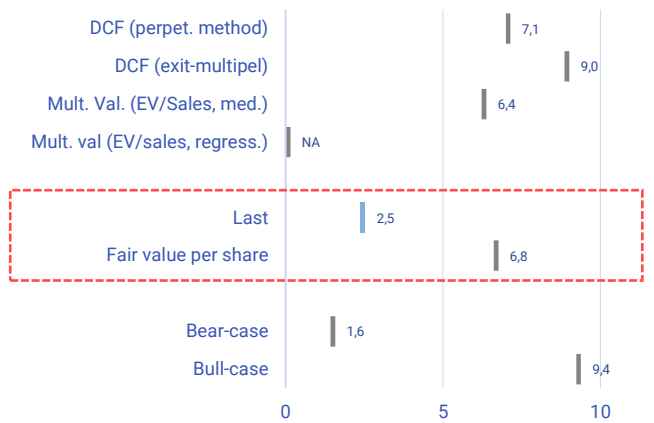
DKK millions. Source: Company information and Carlsquare estimates

## High valuation multiples for Intelligence providers



Source: S&P Capital IQ

## Fair value within a range



DKK per share. Source: Carlsquare estimates

## Investment case, estimates and valuation

Risk Intelligence is a well-established provider to the maritime industry, including oil and gas towers of its risk system and associated services. Historically, growth has been driven by (i) new customers and (ii) increased ARPU, for example, through upselling and price increases. We expect this pattern to continue while LandRisk Logistics can take the company to the next level in terms of both growth and profitability. In our base case scenario, we calculate a fair value of DKK 6.8 per share (7.5), corresponding to an EV/Sales NTM of 5.4x. The median EV/Sales NTM of the reference group is 9.8x.

### Growth, scalability, and profitability

Risk Intelligence's net sales consist mainly of recurring system revenues contracted over 12 months. We believe that recurring (system) revenue drives the value of Risk Intelligence. Recurring revenue is valuable because it creates predictability in the revenue stream. That is typically also reflected in valuation multiples such as EV/Sales or P/S. Our case is based on new customers migrating from competing solutions and incremental sales to existing customers. However, the most critical value driver is LandRisk Logistics. In our scenario, these drivers provide a higher ARPU that brings scalability and enables profitability.

- **History demonstrates abilities.** Founded in 2001, Risk Intelligence has become the maritime industry's leading risk information provider. That is proven by the historical growth and the impressive list of reference clients. The low number of cancelled contracts confirms the company's strength and capabilities.
- **Recurring revenue on long-term contracts.** Annual recurring system revenue on long-term contracts (12 months) amounted to DKK 15.5 million at the end of the second quarter of 2022. With a high proportion of recurring revenue, the predictability of the revenue streams increases. NRR above 100 per cent signal pricing power.
- **A new market.** The launch of the LandRisk Logistics application has good potential in a multi-billion-dollar market. It is not an easy task, but the product development has been done in collaboration with the customer Sony, which means that the solution includes features in demand. We believe LandRisk Logistics will become a key factor in accelerating growth and profitability.
- **A higher ARPU offers good prospects for profitability.** The assumed growth of LandRisk Logistics will significantly increase the company's average revenue per customer (ARPU). An improved ARPU and more extensive use of artificial intelligence will pave the way for good profitability over time.
- **Low valuation compared to reference Group.** Risk Intelligence currently trades at an EV/Sales multiple on our estimate for the next twelve month forecast (NTM) of 1.8x. The ARR multiple is at a low 2.7x. Our reference group consisting of actionable intelligence providers with a similar business model, such as FactSet and S&P Global, trades at EV/Sales NTM of 9.8x. Our fair value of DKK 6.8 per share represents an attractive potential upside and an implied EV/Sales NTM of 5.4x. Our valuation corresponds to a discount of 45 per cent to the reference group. The discount is justified by uncertainty in our estimates given the early stage of the launch of LandRisk Logistics, the fact that Risk Intelligence is not profitable at the moment, size and profitability prospects.

# Assumptions and estimates

## New growth initiatives will increase net sales

We make only a marginal change in the revenue estimate for 2022 - we expect net revenue in 2022 to be DKK 21.5 million (21.6). That is based on the slight deviation in absolute terms of outcome compared to forecast. That is also based on the company's maintained revenue target for the year and strong customer growth in the current quarter. However, we have downwards adjusted the revenue forecasts for 2023 and 2024 due to the assumption of longer and more complex sales processes for LandRisk Logistics than initially expected. At the same time, we leave revenue assumptions for 2025 and 2026 unchanged. Thus, the average growth rate over the forecast period 2022-2026 is unchanged at 28 per cent.

Net sales include revenues from the risk intelligence solution, risk reports and consultancy services. The company has guided for net sales of 21.5 to 23.5 DKKm during 2022.

**Net sales (DKKm) and growth (%)**



Source: Company information and Carlsquare estimates

**Total recurring revenue (DKKm)**



Source: Company information and Carlsquare estimates

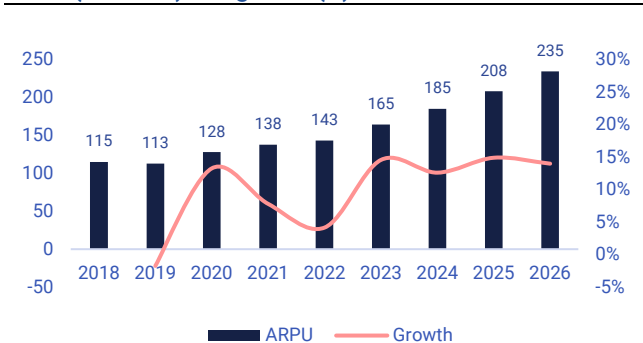
## Margin potential with scalability, higher ARPU and AI

### Higher revenue per employee is the key to profitability

As shown in the left graph below, we expect an ARPU of DKK 143 000 at the end of 2022. That is a downward adjustment caused by fewer customers at Land-Risk Logistics than previously assumed. We expect an EBITDA result of minus DKK 5.6 million (-1.2).

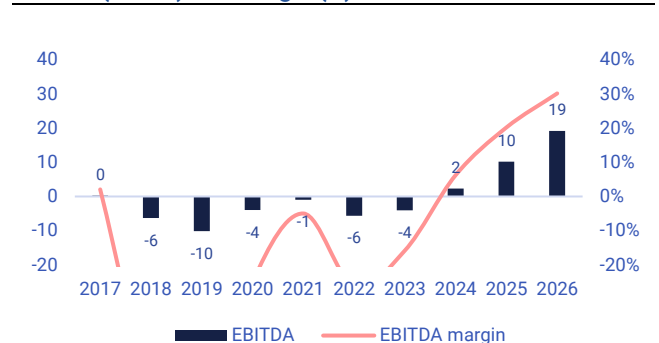
The company has guided for a negative EBITDA result in 2022. The company's long-term target for the EBITDA margin was to reach at least 30 percent.

**ARPU (000 DKK) and growth (%)**



Source: Company information and Carlsquare estimates

**EBITDA (DKKm) and margin (%)**



Source: Company information and Carlsquare estimates

## Fair value within a range

### Low valuation, given growth potential and reference group

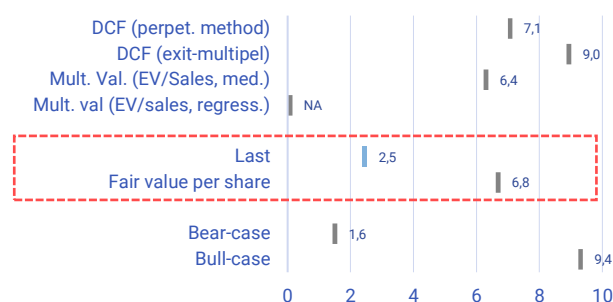
We have combined a DCF model with a multiple valuation model to calculate a fair value per share. Our DCF valuation results in a value per share of DKK 7.1-9.0. Our multiple valuation results in a value per share of DKK 6.4. By combining the lowest value in the DCF model with the multiple valuation in an average, we calculate a fair value per share of DKK 6.8 (7.5) after full funding and dilution for the next 6-12 months. The revision of fair value is due to changes in revenue estimates for the years 2023 and 2024 and revised profit estimates for the years 2022-2024. We have also increased the company-specific risk premium in the discount rate and the discount in the multiple valuation as we believe that the uncertainty surrounding LandRisk Logistics' success has increased.

#### Fair value per share (DKK), base case

Multiple valuation	6,4
DCF valuation	7,1
<b>Fair value per share</b>	<b>6,8</b>
Potential up-/down side	169%
Shares outstanding, fully financed and diluted	18,3
<b>Shareholder value</b>	<b>125</b>
Cash	0,3
Debt	12,7
PV cash from equity financing	13,9
<b>EV</b>	<b>123</b>

Source: Carlsquare estimates

#### Fair value within a range (DKK)



Source: Carlsquare estimates

#### Impied valuation multiples, base case

	NTM	2022E	2023E	2024E	2025E
EV/Sales	5,4x	5,7x	4,8x	3,3x	2,4x
EV/Total ARR	5,9x	6,9x	5,0x	3,6x	2,7x
EV/EBITDA	NM	NM	NM	52,2x	12,1x
EV/EBIT	NM	NM	NM	NM	16,3x

Source: Carlsquare estimates

As shown in the table above, our valuation corresponds to an EV/Sales multiple NTM of 5.4x. Our peer group of providers of processed, analysed, and actionable information currently trades at a median EV/Sales NTM of 9.8x and an EV/EBITDA NTM of 22.1x. The discount is justified by higher uncertainty and the long-term profitability outlook than the reference group.

#### DCF valuation, base case

DCF-valuation		Discount rate		Assumptions	
PV(UFCF)	6,4	Risk free rate	1,5%	CAGR. 2020–2026	27,6%
PV(TV)	123	Market risk premium	6,7%	EBITDA-margin 2026	30,1%
<b>Enterprise value</b>	<b>129</b>	Size premium	4,2%	EBIT-margin 2026	25,7%
Net debt (31-Dec)	-12,4	Beta	1,2x	Tax rate	22,0%
<b>Shareholder value</b>	<b>117</b>	Req. return on equity	14,6%		
PV(equity financing proceeds)	13,9			<b>Implied multiples</b>	
<b>Shareholder value, after financing</b>	<b>131</b>	Tax adjust. Int. on debt	7,5%	EV/Sales. NTM	5,4x
Current shares outstanding	11,1	Leverage	20,0%	EV/Sales 2022	5,7x
New shares	7,2	WACC	13,2%	EV/EBITDA. NTM	NM
Shares outstanding after financing and dilution	18,3			EV/EBITDA 2022	NM
Value per share (before financing and dilution)	10,6	Comp. spec. premium	2,9%	EV/EBIT NTM	NM
<b>Value per share (after financing and dilution)</b>	<b>7,1</b>	<b>Discount rate</b>	<b>16,1%</b>	EV/EBIT. 2022	NM

Source: Carlsquare estimates

Below on the left is a sensitivity analysis with the variables discount rate and assumed growth rate for the terminal value.

#### Sensitivity analysis (DKK/share), base case

	3,0%	4,0%	5,0%	6,0%
14,1%	7,7	8,5	9,5	10,7
15,1%	7,1	7,8	8,6	9,6
16,1%	6,6	7,1	7,8	8,6
17,1%	6,1	6,6	7,2	7,9
18,1%	5,7	6,1	6,6	7,2

Discount rate on Y-axis and growth perpetuity on X-axis.  
Source: Carlsquare estimates

#### Sensitivity analysis with an exit-multipel (DKK/share)

	15,7x (40%)	18,4x (30%)	21,0x (20%)	23,6x (10%)
14,1%	8,4	9,7	11,1	12,4
15,1%	8,1	9,4	10,6	11,9
16,1%	7,8	9,0	10,2	11,5
17,1%	7,5	8,7	9,9	11,0
18,1%	7,2	8,3	9,5	10,6

Discount rate on Y-axis and growth perpetuity on X-axis.  
(XX%) = applied rebate on reference group's median value for EV/EBIT.  
Source: Carlsquare estimates

On the right is a second sensitivity analysis of the valuation based on a DCF model with an exit multiple as the method to calculate the perpetual value - an alternative to perpetual capitalisation. For this method, we took the median EBIT multiple of the reference group, discounted the multiple by 30 per cent and applied it to the assumed EBIT result in 2026. This value is then discounted to its present value and represents the perpetuity value in the DCF model. As can be seen, this model yields a motive-rated value per share of DKK 9.0.

Below is the multiple valuation. As shown, we have applied a discount of 50 per cent (30 per cent) due to uncertainty in our forecasts, differences in size and profitability. With expected sales over the next 12 months of DKK 22.9 million, the multiple valuation gives a value per share of DKK 6.4 after full funding and dilution.

#### Multiple valuation, base case

	HQ	Mcap (DKKm)	CAGR, 2020-2023	μEBIT-marg., 2021-2023	EV/Sales, 2022
S&P Global Inc.	US	925 681	24%	49%	10,9x
Moody's Corporation	US	408 061	8%	41%	10,3x
Verisk Analytics, Inc.	US	227 253	8%	39%	11,0x
FactSet Research Systems Inc.	US	124 138	17%	35%	9,2x
GlobalData Plc	GB	12 153	11%	34%	7,1x
Euromoney Institutional Investor PLC	GB	13 854	11%	23%	3,9x
<b>Median</b>		<b>175 695</b>	<b>11%</b>	<b>37%</b>	<b>9,8x</b>
Average		285 190	13%	37%	8,8x
Discount		50%			
<b>Applied EV/Sales multiple</b>		<b>4,9x</b>			
Exp. sales NTM (DKKm)		22,9			
<b>Enterprise value</b>		<b>111,6</b>			
Net debt (31-Dec)		-12,4			
Cash from equity financing		17,7			
<b>Shareholder value, after financing</b>		<b>116,8</b>			
Current shares outstanding (m)		11,1			
New shares		7,2			
Shares outstanding after financing and dilution		18,3			
Value per share (before financing and dilution)		8,9			
<b>Value per share (after financing and dilution)</b>		<b>6,4</b>			

Source: S&P Capital IQ and Carlsquare estimates

## Valuation range

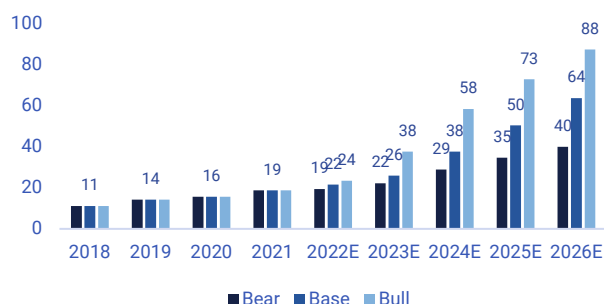
In the Bull and Bear scenarios, we have used our DCF (perpetual capitalisation) model but developed alternative growth and profitability curves. In the Bull scenario, we model with an average annual growth rate of 36.0 per cent (27.6 per cent in the Base scenario). The EBITDA margin is assumed to increase to 33.0 per cent

(30.1 per cent in the Base scenario). After full funding and dilution, a value per share of DKK 9.4 is calculated.

For the Bear scenario, we model an average annual growth rate of 16.3 per cent. The EBITDA margin is assumed to increase to 19.6 per cent in 2026. After full funding and dilution, the more pessimistic scenario yields a value per share of DKK 1.6.

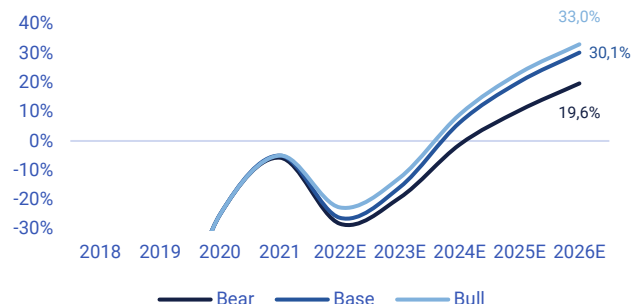
The assumed development of net sales and EBITDA margin is shown below.

**Net sales (DKKm), three scenarios**



Source: Company information and Carlsquare estimates

**EBITDA-margin (%), three scenarios**



Source: Company information and Carlsquare estimates

## Risks and challenges

The LandRisk Logistics programme, an extended version of the LandRisk module, was recently launched. So far only two customers are using this application. The product launch is therefore still at an early stage, which implies considerable uncertainty. Furthermore, the pricing of the product is uncertain, sales cycles are long and new potential customers often require tailor-made solutions, which implies resource requirements from both sides. The competitive situation is also complex. The solution faces competition from related systems, such as Fleet Management systems, which have overlapping functions.

When the company set a new strategy in 2017, the goal was to have revenues of over DKK 30 million by the end of 2020. Intensified sales and marketing efforts of the strengthened offering, including the LandRisk module, were expected to be the main growth drivers. Growth of 27.9 per cent was strong in 2019, resulting in total revenue of DKK 14.2 million. Although Covid had a negative impact on the outcome, the target of DKK 30 million in net sales in 2020 was not achieved. This is also an example that illustrates this uncertainty and factors outside the company's control that can have a negative impact on the outcome.

The current geopolitical uncertainty is not considered by us to be at risk of adversely affecting the company's ability to operate in its core markets. However, if the situation escalates further, business could be hampered.

The company has been profitable for several years since its inception in 2001. In 2021, the company has invested DKK 2.9 million. We assume that investments will drop to DKK 2.1 million in 2022. Since the largest investments in LandRisk Logistics should already have been made, we assume that investments will decrease until 2026.

To meet its debt commitments and deliver on growth prospects, we have assumed that the company raises around DKK 15m via a new share issue and DKK 13.5m in loans during 2023-2024. This is in addition to the outstanding warrants. If equity is not issued (or assets are written down), the company risks having negative equity on its balance sheet for a longer period of time. Negative equity at the group level could be the case as early as next quarter.

In our scenario, the share issue is not carried out until 2023 because investors in Denmark usually have a different view on negative equity compared to investors in Sweden. In 2020, for example, equity was negative.

# Metrics and financials

## Key metrics

	2020	2021	2022	2023	2024	2025	2026
<b>Per share</b>							
EPS	-0.66	-0.33	-0.72	-0.41	-0.14	0.20	0.59
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	-0.3	0.4	-0.3	0.3	0.2	0.5	1.1
<b>Valuation (curr.)</b>							
P/E	NM	NM	NM	NM	NM	0.0x	0.0x
P/B	NM	5.7x	NM	5.2x	7.1x	3.3x	1.4x
EV/Sales	2.6x	2.2x	1.9x	1.6x	1.1x	0.8x	0.6x
EV/EBITDA	NM	NM	NM	NM	17.5x	4.1x	2.2x
EV/EBIT	NM	NM	NM	NM	NM	5.5x	2.5x
<b>Other</b>							
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-21.4%	-10.2%	-19.8%	-31.9%	20.9%	32.1%	73.7%

Source: Company information and Carlsquare

## Income statement (MDKK), quarterly

	2021, Q1	2021, Q2	2021, Q3	2021, Q4	2022, Q1	2022, Q2	2022, Q3	2022, Q4
<b>Net sales</b>	<b>4.2</b>	<b>2.8</b>	<b>4.2</b>	<b>7.5</b>	<b>3.9</b>	<b>3.0</b>	<b>4.9</b>	<b>9.7</b>
Total Sales	4.2	2.8	4.2	7.5	3.9	3.0	4.9	9.7
Other operating expenses	-1.5	-1.6	-1.5	-1.7	-1.7	-2.3	-2.8	-5.0
<b>Gross profit</b>	<b>2.7</b>	<b>1.2</b>	<b>2.8</b>	<b>5.9</b>	<b>2.2</b>	<b>0.8</b>	<b>2.1</b>	<b>4.6</b>
Staff costs	-3.4	-3.7	-3.0	-3.4	-3.9	-4.2	-3.5	-3.8
Dep. and amort.	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.5	-0.5
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	-5.4	-5.7	-4.9	-5.6	-6.2	-7.1	-6.8	-9.3
<b>EBIT</b>	<b>-1.1</b>	<b>-2.9</b>	<b>-0.7</b>	<b>1.9</b>	<b>-2.2</b>	<b>-4.0</b>	<b>-1.8</b>	<b>0.3</b>
<b>EBITDA</b>	<b>-0.7</b>	<b>-2.5</b>	<b>-0.2</b>	<b>2.4</b>	<b>-1.7</b>	<b>-3.5</b>	<b>-1.4</b>	<b>0.9</b>
<b>EBT</b>	<b>-1.6</b>	<b>-3.4</b>	<b>-1.1</b>	<b>1.3</b>	<b>-2.8</b>	<b>-4.5</b>	<b>-2.6</b>	<b>-0.3</b>
<b>Net profit</b>	<b>-1.1</b>	<b>-2.7</b>	<b>-0.9</b>	<b>1.5</b>	<b>-2.1</b>	<b>-3.5</b>	<b>-2.0</b>	<b>-0.2</b>
<b>Earnings per share (DKK)</b>	<b>-0.11</b>	<b>-0.26</b>	<b>-0.08</b>	<b>0.13</b>	<b>-0.20</b>	<b>-0.32</b>	<b>-0.18</b>	<b>-0.02</b>

Source: Company information and Carlsquare

**Income statement (DKKm)**

	2020	2021	2022	2023	2024	2025	2026
<b>Net sales</b>	<b>15.7</b>	<b>18.8</b>	<b>21.5</b>	<b>25.9</b>	<b>37.7</b>	<b>50.5</b>	<b>63.7</b>
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>15.7</b>	<b>18.8</b>	<b>21.5</b>	<b>25.9</b>	<b>37.7</b>	<b>50.5</b>	<b>63.7</b>
Other operating expenses	-6.5	-6.2	-11.9	-14.0	-18.8	-23.0	-26.2
<b>Gross profit</b>	<b>9.2</b>	<b>12.6</b>	<b>9.7</b>	<b>11.8</b>	<b>18.9</b>	<b>27.4</b>	<b>37.5</b>
Staff costs	-13.1	-13.5	-15.3	-15.9	-16.6	-17.2	-18.3
Dep. and amort.	-1.8	-1.9	-2.1	-2.2	-2.4	-2.6	-2.8
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	-21.4	-21.7	-29.3	-32.2	-37.8	-42.9	-47.3
<b>EBIT</b>	<b>-5.7</b>	<b>-2.8</b>	<b>-7.8</b>	<b>-6.3</b>	<b>-0.1</b>	<b>7.6</b>	<b>16.4</b>
<b>EBITDA</b>	<b>-3.9</b>	<b>-0.9</b>	<b>-5.6</b>	<b>-4.1</b>	<b>2.4</b>	<b>10.2</b>	<b>19.2</b>
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-2.1	-1.9	-2.3	-2.1	-2.9	-2.8	-2.4
Net finances	-2.0	-1.9	-2.3	-2.1	-2.9	-2.8	-2.4
<b>EBT</b>	<b>-7.8</b>	<b>-4.8</b>	<b>-10.1</b>	<b>-8.4</b>	<b>-2.9</b>	<b>4.8</b>	<b>14.0</b>
Tax	1.8	1.2	2.2	1.8	0.6	-1.0	-3.1
<b>Net loss/profit</b>	<b>-6.0</b>	<b>-3.6</b>	<b>-7.9</b>	<b>-6.5</b>	<b>-2.3</b>	<b>3.7</b>	<b>10.9</b>
<b>Earnings per share</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.6</b>
Shares. EoP	9.1	11.1	11.1	17.4	17.8	18.1	18.5
<b>Growth</b>							
	2020	2021	2022	2023	2024	2025	2026
Net sales	10.4%	19.8%	14.4%	20.2%	45.7%	33.9%	26.2%
Total Sales	10.4%	19.8%	14.4%	20.2%	45.7%	33.9%	26.2%
Bruttoresultat	162.3%	37.1%	-23.2%	22.4%	59.8%	45.0%	36.6%
EBIT	49.9%	50.4%	-174.0%	18.9%	98.8%	10188.4%	116.6%
EBITDA	61.3%	76.2%	-502.6%	27.5%	157.6%	332.2%	88.4%
EBT	36.8%	38.8%	-112.2%	17.0%	64.9%	261.4%	194.1%
Net loss/profit	38.0%	39.4%	-118.5%	17.1%	64.9%	261.4%	194.1%
Earnings per share	42.1%	50.0%	-117.9%	42.8%	67.1%	248.8%	192.9%
<b>Margins</b>							
	2020	2021	2022	2023	2024	2025	2026
Gross profit	58.5%	66.9%	44.9%	45.7%	50.2%	54.3%	58.8%
EBIT margin	-36.5%	-15.1%	-36.2%	-24.4%	-0.2%	15.0%	25.7%
EBITDA margin	-25.1%	-5.0%	-26.2%	-15.8%	6.3%	20.2%	30.1%
EBT margin	-49.6%	-25.3%	-46.9%	-32.4%	-7.8%	9.4%	21.9%
Profit margin	-38.0%	-19.2%	-36.6%	-25.3%	-6.1%	7.3%	17.1%

Source: Company information and Carlsquare

**Balance sheet (DKKm)**

	2020	2021	2022	2023	2024	2025	2026
<b>ASSETS</b>							
Tot. intangible assets	10.6	11.6	11.3	10.5	9.5	8.5	7.4
Tot. tangible assets	1.5	1.5	1.7	2.0	2.0	1.8	1.5
Tot. financial assets	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Tot. other fixed assets	12.5	13.5	13.5	12.8	11.9	10.7	9.3
Accounts Receivables	4.5	5.2	5.9	6.9	10.4	13.6	16.8
Other receivables	0.0	0.1	0.0	1.1	1.3	1.3	1.6
Tax	1.8	2.3	1.9	1.1	0.4	0.4	0.4
Deferred tax	3.7	4.4	6.6	8.5	9.1	8.1	5.0
Accruals	1.0	0.9	1.3	1.4	2.2	2.8	3.5
Cash	0.6	3.8	0.3	1.9	12.7	13.5	31.5
Total current assets	11.6	16.7	16.1	20.9	36.1	39.7	58.8
<b>Total assets</b>	<b>24.1</b>	<b>30.2</b>	<b>29.5</b>	<b>33.7</b>	<b>48.0</b>	<b>50.4</b>	<b>68.1</b>
<b>EQUITY</b>							
<b>Total equity</b>	<b>-2.5</b>	<b>4.9</b>	<b>-3.1</b>	<b>5.4</b>	<b>4.0</b>	<b>8.6</b>	<b>20.4</b>
<b>DEBT</b>							
Debt to credit institutions	4.8	3.5	6.0	5.1	14.4	10.0	10.0
Debt to shareholders & management	6.3	5.1	3.9	2.6	1.2	0.0	0.0
Total long term liabilities	11.2	8.5	10.0	7.7	15.6	10.0	10.0
Short-term part of long-term debt	1.6	2.8	2.7	2.7	2.7	2.7	2.7
Trade payable	1.2	1.0	2.0	2.4	3.6	4.7	5.8
Payables to subsidiaries	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Lease obligations	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Shareholders & management	3.9	6.0	3.9	3.9	3.9	3.9	3.9
Other payables	3.7	2.5	9.7	7.4	14.1	16.5	21.6
Credit institutions	2.8	3.0	3.5	3.5	3.5	3.5	3.5
Accrued exp. and prepaid income	1.1	0.7	0.0	-0.1	-0.2	-0.3	-0.5
Tot. short-term debt	15.4	16.8	22.6	20.6	28.4	31.8	37.8
<b>Total debt</b>	<b>26.6</b>	<b>25.3</b>	<b>32.6</b>	<b>28.3</b>	<b>44.0</b>	<b>41.8</b>	<b>47.8</b>
<b>Tot. equity and debt</b>	<b>24.1</b>	<b>30.2</b>	<b>29.5</b>	<b>33.7</b>	<b>48.0</b>	<b>50.4</b>	<b>68.1</b>
<b>Liquidity</b>							
Current ratio	0.8	1.0	0.7	1.0	1.3	1.2	1.6
Cash ratio	0.2	0.3	0.3	0.4	0.3	0.3	0.1
<b>Leverage</b>							
Net debt(-)/Net cash(+)	-12.1	-7.5	-12.4	-8.5	-5.6	0.8	18.8
Net debt/EBITDA	NM	NM	NM	NM	237%	NM	NM
Net debt/Equity	NM	154%	NM	159%	141%	NM	NM
Debt/Equity	NM	518%	NM	527%	1107%	488%	235%
Assets/Equity	NM	16%	NM	16%	8%	17%	30%
<b>Efficiency</b>							
ROA	Neg.	Neg.	Neg.	Neg.	Neg.	7.4%	16.0%
ROE	Neg.	Neg.	Neg.	Neg.	Neg.	59.1%	75.3%
ROIC	Neg.	Neg.	Neg.	Neg.	Neg.	27.7%	38.6%

Source: Company information and Carlsquare

**Cash flow (DKKm)**

	2020	2021	2022	2023	2024	2025	2026
CF operating activities	-6.0	-2.9	-5.6	-8.9	5.9	9.0	20.7
Delta WC	-1.4	-3.3	0.7	-0.6	-2.3	-2.1	-2.1
CF operating activities	-7.4	-6.1	-4.9	-9.5	3.5	6.9	18.5
CF investing activities	-2.2	-2.9	-1.8	-1.5	-1.4	-1.3	-1.3
CF financing activities	9.3	12.2	3.2	12.6	8.7	-4.8	0.8
<b>Cash flow</b>	<b>-0.2</b>	<b>3.2</b>	<b>-3.5</b>	<b>1.6</b>	<b>10.8</b>	<b>0.8</b>	<b>18.0</b>
Cash, BoP	0.8	0.6	3.8	0.3	1.9	12.7	13.5
<b>Cash, EoP</b>	<b>0.6</b>	<b>3.8</b>	<b>0.3</b>	<b>1.9</b>	<b>12.7</b>	<b>13.5</b>	<b>31.5</b>
<b>Other</b>							
CF operating activities/Net sales	-47%	-32%	-23%	-37%	9%	14%	29%
CF operating activities/Total assets	-31%	-20%	-16%	-28%	7%	14%	27%

Source: Company information and Carlsquare

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