



PENNEO

Quarterly Report 2021-Q1

Penneo A/S - Enghavevej 40, 4. sal, 1674 Copenhagen V, Denmark – Business Reg No. 35633766 – www.penneo.com



Penneo increases ARR growth rate to 52% in 2021-Q1

Company Announcement No. 14-2021
Copenhagen, 26 May 2021

Quarterly report for the period
1 January 2021 - 31 March 2021

Contents

Quarterly report 2021-Q1

Management commentary

- 5 Business highlights 2021-Q1
- 6 Business summary
- 6 Events after 2021-Q1
- 7 ARR development
- 8 Statement from the CEO
- 9 Guidance
- 10 A customer story from Belgium - VGD

Corporate governance

- 12 Equity story
- 13 Company information
- 14 Statement by management on the Quarterly report

Financial statements

- 16 Financial statements



Management commentary

Business highlights 2021-Q1

- Annual Recurring Revenue (ARR) end of 2021-Q1 was 40,9M DKK which is 52% higher than 27,0M DKK in 2020-Q1
- Penneo increased total ARR by 3,9M DKK in 2021-Q1 which is 77% higher than 2,2M DKK in 2020-Q1
- Penneo increased the ARR from new customers by 2,4M DKK ARR in 2021-Q1 which is 100% higher than 1,2M DKK in 2020-Q1
- Penneo increased ARPA by 25% compared to 2020-Q1.

Further information

Interim CEO, Nicolaj Højer Nielsen
Mobile (+45) 25 46 25 80
Mail nhn@penneo.com

CFO, Casper Nielsen Christiansen
Mobile (+45) 26 47 63 73
Mail cc@penneo.com

Business summary

In 2021-Q1, Penneo's organisation grew from 74 to 81 team members, primarily in the commercial and product development departments. The new team members have been onboarded according to the announced strategy and *use of proceeds* from the IPO document, to strengthen Penneo's product and commercial activities towards auditors across markets. The increased ARR growth rate of 52% is an evidence of the success and efficiency of the organisational growth.

ARPA (Average Revenue Per Account) grew by 25% in 2021-Q1 compared to 2020-Q1. The growth rate is testament to Penneo's ability to develop the existing customer base and onboard new high value customers.

Events after 2021-Q1

Christian Sagild elected new Chairman of Penneo

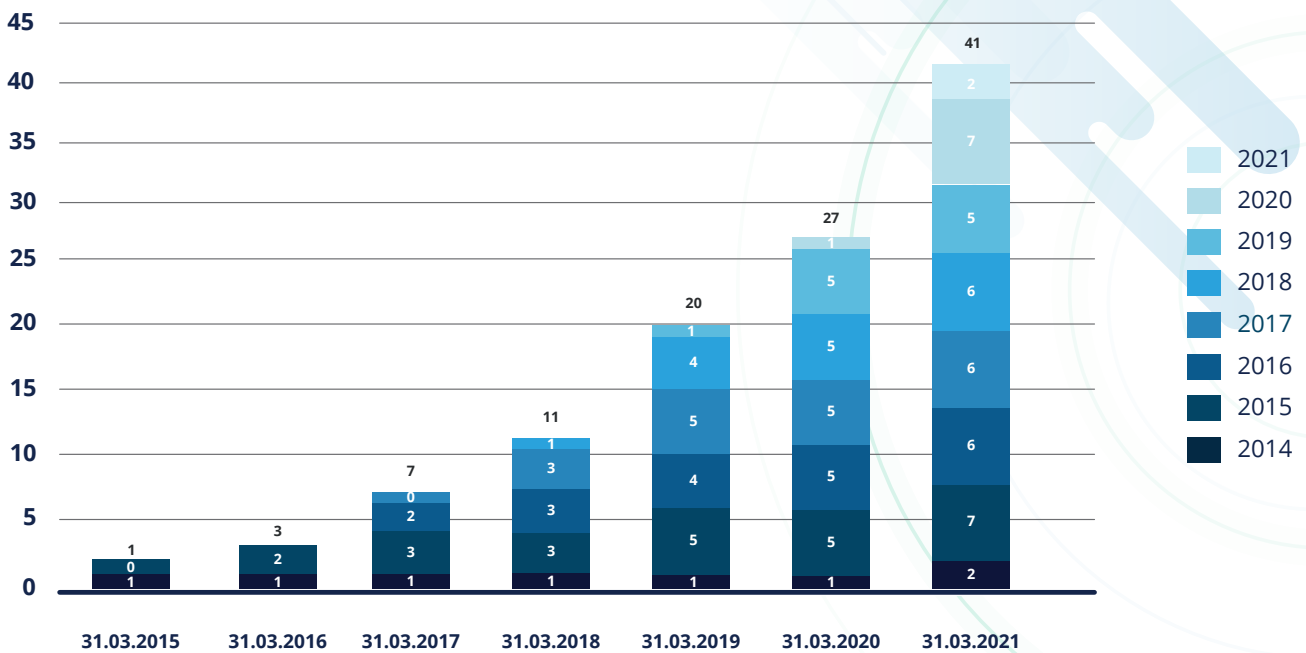
As announced in Company Announcement no.10-2021, Christian Sagild was elected new Board member at the annual general meeting on 28 April 2021.

Subsequently, as announced in Company Announcement no.11-2021, Christian Sagild was elected Chairman of the board at the constituent board meeting immediately after the annual general meeting on 28 April 2021.

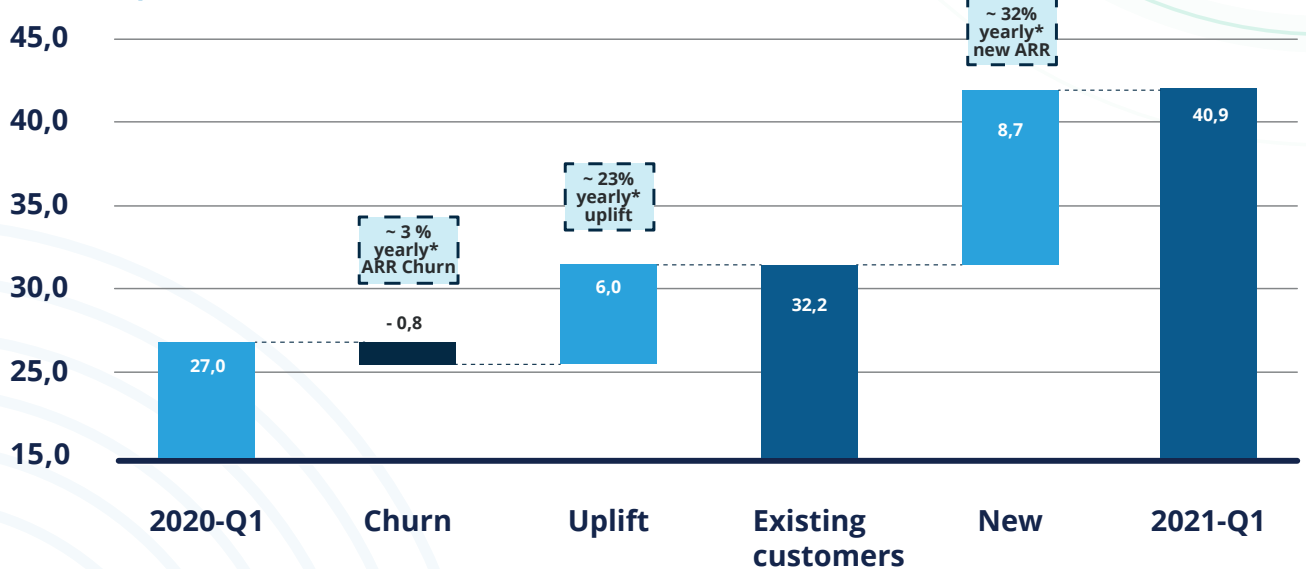
ARR development

The continued development of a strong product portfolio that generates cashflow each year is essential for Penneo, and it generates a solid economic foundation for investing into future growth with low risk and high forecasting predictability. The yearly ARR uplift and low yearly ARR churn generate a “net negative churn” of 20%.

Annual Recurring Revenue Development
Yearly cohorts (M DKK)



Annual Recurring Revenue Development
In the period (M DKK)



*The annual development represents the development from 2020-Q1 to 2021-Q1 and is measured on the last day of both periods.

Statement from the CEO

“ We are pleased to see the results of our activities materialize at an increasing growth rate of 52% and an increase in strategic deals that position us as critical IT-infrastructure with new and existing customers across markets. ”

Nicolaj Højer Nielsen,
Interim CEO

PENNBO™

Guidance

Penneo maintains short-term ARR-guidance announced in Company Announcement No. 12-2021, which continues to be:

- **45-47m DKK for 2021-H1**
- **54-59m DKK for the entire year 2021**

The announced EBITDA guidance for 2021 of negative 15-20M DKK remains unchanged.

Forward-looking statements

Statements about the future expressed in the annual report reflect Penneo's current expectations for future events and financial results. The nature of these statements is affected by risk and uncertainties. Therefore, the company's actual results may differ from the guided figures.

VGD
audit - tax &
accountancy



Let's talk

A customer story from Belgium

“ We use Penneo for managing the signing processes in our business line accountancy. Before Penneo, we did this in a very old-fashioned way which created a lot of frustrations and was time-consuming. Now we can automate the signing flow and ensure that we collect all the signatures we need. Our clients are also happy to be able to sign digitally using itsme, which is a big step forward. **”**

Charlotte Pille
Partner, VGD

VGD is part of Nexia International, the world's number nine international network of independent accountants, tax consultants and auditors

An abstract graphic in the background shows two hands in shades of blue and green, one above the other, holding a globe. The globe is composed of concentric circles and dots, suggesting a network or a global system. The hands are stylized with rounded fingers and palms. The overall color palette is light blue and green, matching the corporate branding.

Corporate governance

Equity story



Penneo is a Danish ARR-driven software-as-a-service (SaaS) company and a market leader in software for the audit and accounting industry in the Nordic countries.

Penneo is a scalable platform that provides automation features across multiple aspects of digital transactions and digitises company workflows related to client onboarding (KYC), digital signing, and document management in a compliant, efficient, and easy way.

The rapid growth of digitisation in Europe and the strong network effects provided by international Big10 audit customers are powerful enablers and distribution channels for Penneo to become the de facto standard for the audit and accounting industry in Europe. Furthermore, through the auditor, Penneo will be exposed to the auditors' clients locally and globally.

Penneo taps into the global trends of increased regulation, sustainability, and digitisation.

Company information

The company

Penneo A/S
Enghavevej 40
DK-1674 Copenhagen V

Business Registration No.: 35 63 37 66
Registered office: Copenhagen

Date of incorporation: 09.01.2014
Accounting period: 01.01.2021 - 31.03.2021

Board of Directors

Christian Sagild
Morten Elk
Michael Moesgaard Andersen
Rikke Stampe Skov

Executive Board

Interim CEO, Nicolaj Højer Nielsen*
CTO, Jan Flora

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

*Christian Stendevad has been appointed new CEO (Company Announcement no.5-2021) and will take up his position on 1 October 2021 at the latest.

Statement by Management

The Board of Directors and Executive Board have today considered and approved the quarterly report for the period 01.01.2021 – 31.03.2021 for Penneo A/S.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of Penneo's assets, liabilities and financial position as at 31.03.2021 and of the results of Penneo's activities and cash flows for the accounting period 01.01.2021 – 31.03.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

Copenhagen, 26.05.2021

Executive Board

Interim CEO, Nicolaj Højer Nielsen
CTO, Jan Flora

Board of Directors

Christian Sagild

Rikke Stampe Skov

Michael Moesgaard Andersen

Morten Kenneth Elk



Financial statements

Financial statement

Key financial figures

	2021-Q1 DKK	2020-Q1 DKK
Revenue	10,860,201	6,746,183
Cost of sales	(2,294,986)	(1,356,144)
Other external expenses	(4,114,219)	(1,603,532)
Staff costs	(9,140,370)	(5,149,366)
EBITDA*	(4,689,375)	(1,362,859)

* EBITDA does not include extraordinary costs categorized as "Other operating expenses" on page 19 which amounted to 0,3M DKK in 2021-Q1 and 0,7M DKK in 2020-Q1

Statement from the CFO - Casper Nielsen Christiansen

2021-Q1 resulted in an ARR growth rate of 52% and a negative EBITDA of 4,7M DKK, compared to negative EBITDA of 1,4M DKK in 2020-Q1. The result is in line with Management's expectations and in accordance with the growth strategy set out in the IPO document of June 2020, which is now in execution.

The growth strategy prescribes investing into product development and commercial activities to build globally scalable audit software. In the short term, these investments will generate negative EBITDA, but in the long term strengthen the profitability and position in the market.

As announced in Company Announcement No.12-2021, Penneo improved the ARR guidance for 2021-H1 and for the entire year 2021. Despite the improved growth rate, Penneo maintains the previously announced expectations towards EBITDA at the level of negative 15 to 20M DKK, in order to leverage the commercial momentum and accelerate the successful investments in product development and commercial activities that have been carried out in accordance with the use of proceeds from the IPO in June 2020.

Financial review

Recognised revenue

The recognised revenue in 2021-Q1 has increased by 61% compared to 2020-Q1. This is a result of March 2021 being the highest invoicing month so far in the lifetime of Penneo and a direct result of the investment into sales and marketing development.

Cost of sales

Cost of sales has increased by 69% compared to 2020-Q1 which is caused by the increased usage of the Penneo platform and the increased sale of Penneo products that resulted in a decrease in the contribution margin from 80% to 79%.

Other external expenses

Other external expenses have increased by 157% compared to 2020-Q1. The increase is mainly due to increased Marketing costs, in accordance with the 'use of proceeds' of the IPO document. Additionally, the increase is also due to changes made to facilitate the growth and internationalisation of Penneo, e.g. investments in and optimisation of new ERP and CRM systems and hardware.

Staff costs

The staff costs have increased by 78% compared to 2020-Q1. Aligned with the use of proceeds from the IPO document, Penneo invested heavily in hirings related to sales, marketing and software development. Penneo wants to take advantage of its position in Scandinavia and use it for internationalisation and growth journey through auditors in Europe. At the end of 2021-Q1, Penneo had 82 employees compared to 48 employees at the end of 2020-Q1.

Trade receivables

The trade receivables have increased by 22% compared to the end of 2020. This is a direct effect of March 2021 being the highest invoicing month in the lifetime of Penneo.

Other payables

Other payables have decreased by 36% which is caused by the repayment of a part of the postponed A tax and labour market contribution, subsequent to the COVID-19 breakout.

Cash flow

Cash flow from operating activities

Net cash flow from operating activities for 2021-Q1 showed an outflow of 10,6M DKK compared to 4,5M DKK in 2020-Q1. Net cash flow from operating activities is related to the increase in the operations-related costs (e.g. staff costs, cost of premises, and increased marketing activities) that are being invested in the international expansion of Penneo according to the announced strategy in the IPO document of June 2020.

Cash flow from investing activities

Net cash flow from investing activities amounted to an outflow of 3,6M DKK in 2021-Q1 compared to 1,9M DKK in 2020-Q1. The increase is caused by the heavy investment to developing the Penneo product in accordance with the strategy.

Cash flow from financing activities

Net cash flow from financing activities for 2021-Q1 amounted to an outflow of 0,5M DKK compared to an inflow of 0,8M DKK in 2020-Q1. The decrease in inflow is caused by the rise in capital by Penneo in 2020-Q1.

Statement of profit or loss and other comprehensive income

	2021-Q1 DKK	2020-Q1 DKK
Revenue	10,860,201	6,746,183
Cost of sales	(2,294,986)	(1,356,144)
Other external expenses	(4,114,219)	(1,603,532)
Gross profit	4,450,995	3,786,507
Staff costs	(9,140,370)	(5,149,366)
Other income	11,196	-
Other operating expenses	(300,000)	(675,000)
Depreciation, amortisation, impairment	(1,976,556)	(1,601,190)
Operating profit/(loss)	(6,954,734)	(3,639,048)
Financial income	20,135	10,673
Financial expenses	(399,304)	(361,148)
Profit/(loss) before tax	(7,333,903)	(3,989,524)
Tax for the year	1,049,970	1,133,681
Profit/(loss) for the year from continuing operations	(6,283,933)	(2,855,843)
Total comprehensive income for the year	(6,283,933)	(2,855,843)
Attributable to:		
Shareholders of Penneo A/S		
Earnings per share, basic (DKK)	(0.25)	(0.42)
Earnings per share, diluted (DKK)	(0.21)	(0.34)

Statement of financial position

	31.03.2021 DKK	31.12.2020 DKK
Other intangible assets	37,512,108	35,256,287
Property, plant and equipment	749,571	734,739
Right-of-use assets	14,740,231	15,369,359
Deposits	1,288,887	1,258,700
Total non-current assets	54,290,797	52,619,085
Trade receivables	10,547,301	3,460,894
Income tax receivables	3,014,781	727,491
Other receivables	-	1,016
Prepayments	1,027,054	800,486
Cash	17,085,481	31,842,851
Total current assets	31,674,617	43,270,005
Total assets	85,965,414	95,889,090

Statement of financial position

	31.03.2021	31.12.2020
	DKK	DKK
Share capital	502,615	502,615
Reserve for development	17,816,845	15,928,604
Retained earnings	27,055,212	35,227,386
Treasury shares	7,177	7,177
Other capital reserve	6,419,030	5,910,269
Total equity	51,800,878	57,576,051
Interest-bearing liabilities	4,312,755	4,695,526
Provisions	435,045	432,267
Lease liabilities	12,972,238	13,560,555
Other payables	2,046,433	2,220,843
Contract liabilities	436,655	447,851
Total non-current liabilities	20,203,126	21,357,042
Contract liabilities	4,123,904	4,063,593
Lease liabilities	2,158,059	2,003,508
Trade payables	1,917,565	2,665,906
Other payables	5,004,207	7,848,086
Interest-bearing liabilities	757,675	374,904
Total current liabilities	13,961,410	16,955,997
Total liabilities	34,164,536	38,313,039
Total equity and liabilities	85,965,414	95,889,090

Statement of changes in equity

2021-Q1	Contributed capital	Reserve for development expenditure	Retained earnings	Treasury shares	Other capital reserve	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Balance as at 1 January	502,615	15,928,604	35,227,386	7,177	5,910,269	57,576,051
Net profit/(loss) for the period	-	-	(6,283,922)	-	-	(6,283,933)
Transfer to reserves	-	1,888,241	(1,888,241)	-	-	-
Share-based payments	-	-	-	-	508,761	508,761
Balance at 31 March	502,615	17,816,845	27,055,212	7,177	6,419,030	51,800,878
2020-Q1	Contributed capital	Reserve for development expenditure	Retained earnings	Treasury shares	Other capital reserve	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Balance as at 1 January	135,995	11,167,899	(3,891,111)	-	1,542,693	8,955,476
Net profit/(loss) for the period	-	-	(2,855,843)	-	-	(2,855,843)
Capital increase	3,419	-	1,996,581	-	-	2,000,000
Transaction costs	-	-	(475,801)	-	-	(475,801)
Holding merger	-	-	(93,625)	-	-	(93,625)
Transfer to reserves	-	243,171	(243,171)	-	-	-
Share-based payments	-	-	-	-	56,705	56,705
Balance as at 31 March	139,414	11,411,070	(5,562,970)	-	1,599,398	7,586,912

Cash flow statement

	2021-Q1 DKK	2020-Q1 DKK
Operating profit/loss	(6,954,734)	(3,639,048)
Depreciation, amortisation and impairment	1,976,556	1,601,190
Share-based payment expense	508,761	56,705
Change in working capital	(5,818,336)	(2,225,057)
Other income	(11,196)	-
Financial income received	20,135	10,673
Financial expenses paid	(321,263)	(296,624)
Cash flow from operating activities	(10,600,077)	(4,492,163)
Investments in intangible assets	(3,558,002)	(1,752,635)
Investments in property, plant and equipment	(60,077)	(243,958)
Deposits	(8,590)	(54,794)
Cash flow from investing activities	(3,626,669)	(1,941,798)
Payment of principal portion of lease liabilities	(530,624)	(581,787)
Transaction costs from capital increase	-	(610,001)
Cash increase from capital	-	2,000,000
Cash flow from financing activities	(530,624)	808,212
Change in cash and cash equivalents		
Cash and cash equivalents beginning of period	31,842,851	8,217,139
Net cash flow	(14,757,370)	(5,625,749)
Cash and cash equivalents end of period	17,085,481	2,591,390

Primary activities

Penneo A/S (Penneo) is a Software-as-a-Service (SaaS) company, originally focused on delivering the digital pen (Penneo = new pen) back in 2014. Today, Penneo has evolved into an eco-system of automation solutions that digitizes company workflows related to onboarding of customers (KYC), and signing and management of documents in a secure and easy way. The Company offers a RegTech solution that helps companies comply with regulations in an efficient and inexpensive way. Penneo has a strong position in the Nordics and in Denmark, where more than 620,000 persons used Penneo's workflow in 2020.

For more information about Penneo visit: <https://penneo.com/investors/>

Offices:

HQ:
Copenhagen, Denmark

Market Presence

Denmark
Sweden
Norway
Belgium
Finland
Germany

Fun facts

- More than 10% of the Danish population used Penneo in 2020
- A diverse workforce of 21 different nationalities working in Penneo
- 66% of the Danish annual reports are signed with Penneo

Financial Calendar

2021

HALF YEAR REPORT

27 August 2021

QUARTERLY REPORT

25 November 2021

2022

ANNUAL REPORT

23 March 2022

ANNUAL GENERAL MEETING

27 April 2022

QUARTERLY REPORT

24 May 2022

HALF YEAR REPORT

24 August 2022

QUARTERLY REPORT

23 November 2022

The logo for PENNEO, featuring the brand name in a bold, dark blue, sans-serif font. The letters are stylized with rounded, blocky forms. A small 'TM' trademark symbol is positioned to the upper right of the final 'O'.

PENNEO™

Learn more at www.penneo.com